

**SOCIAL BUSINESS MODELS:
EFFECTUATION IN ACTION**

Lamia Salah El Din El Ayouby Emam

**Management School
University of Liverpool**

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ABSTRACT

Social Business Models: Effectuation in Action

Lamia Emam

Social businesses combine features from profit-maximizing businesses and non-profit organizations that exist to satisfy social objectives. Little is however known about how a social venture unfolds through processes of opportunity identification, evaluation and exploitation. Adopting a processual lens for analysis, the current study seeks to answer the leading question: *‘How are opportunities formed and developed in social enterprise to ensure sustained value creation?’* This is done through connecting three related bodies of knowledge: entrepreneurship, social entrepreneurship, and the business model literature to inform related queries that are directed towards (a) the description of a holistic pattern that demonstrates how a social entrepreneurial journey unfolds over time to ensure sustained value creation, (b) the explanation of the role that business model plays in the social entrepreneurial process, and (c) the identification of the role and pattern that processual theories (causation and effectuation) play to explain the social entrepreneurial process. With application to the Furniture Resource Centre (FRC) group, a leading UK social business, empirical analyses suggests two complementary opportunity-based views of the social entrepreneurial process; both of which support the dominance of an effectual approach to explain the formation and development of social entrepreneurial opportunities. These are ‘social entrepreneuring as a transformation from inchoate demand to a new artifact’ and ‘social entrepreneuring as an emergent opportunity-based hierarchy’.

To my ultimate companions in this PhD journey; my beloved husband, adorable daughter and little charm

We finally did it!!! Thank you for backing me up all through the way and helping me make my dream come true. I could not have made it without your unconditioned support and encouragement.

To my parents

My accomplishments and successes are a testament to your relentless efforts to instill a firm foundation for the person I am today. I hope I made you proud.

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Dissertations in the social sciences take many forms, but most are like trees in that they begin as a seed, take root if conditions are favorable, mature over time, and upon reaching a certain stature – or what Albert Hirschman would call a "tolerable degree of closure" – are deemed full-grown and ready for appraisal. At the outset one never quite knows what form the tree will take, who will come to stand in its shade, or be called upon to tend the soil in which it attempts to grow, but with the benefit of hindsight one comes to appreciate just how vast is the assortment of people who, willingly or otherwise, have contributed to its development.

Michael Woolcock

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CHAPTER ONE: INTRODUCTION

“We are living in a phenomenal age. If we can spend the early decades of the twenty-first century finding approaches that meet the needs of the poor in ways that generate profits and recognition for business, we will have found a sustainable way to reduce poverty in the world. This task is open-ended. It can never be finished. But a passionate effort to answer this challenge will help change the world”.

Bill Gates (2008 World Economic Forum)

1.1 Introduction

Amid dispiriting world news of rising poverty, social exclusion and deprivation, interest is building about social entrepreneurship as an innovative model that has the potential to alleviate human suffering and transform society by combining a passion for social change with business-like discipline (Dees, 1998a; Seelos & Mair, 2005; Peredo & Mclean, 2006; Haugh, 2005; Mair & Schoen, 2005; Nicholls, 2006; Austin, Stevenson & Wei-Skillern, 2006; Mair & Noboa, 2003; Seanor, Bull & Ridley-Duff, 2007). Social enterprise refers to “socially driven entities that have specific social, environmental and economic objectives” (Seanor et al., 2007:2). Captured by the notion of ‘hybridity’, the duality of social purpose and financial sustainability that is characteristic of social enterprise has been postulated as an explanation for the ascendant concern in the phenomenon amongst academics and practitioners (Haugh, 2005; Doherty, Haugh & Lyon, 2014; Smith, Gonin & Besharov, 2013).

In essence, social enterprises embed within the boundaries of one organization multiple and divergent goals, norms, values and identities, which in turn create contradictory prescriptions for action and generate ethical dilemmas for their leaders (Smith et al., 2013). Scholars accordingly suggest that advancement of the social entrepreneurship field requires progress along two parallel streams of research that respectively focus on the dual mission of social entrepreneurial entities (and the nature and implications of resultant social-business tensions), and the activities and processes underlying the social entrepreneurship phenomenon. Mission-

and process-oriented research is expected to generate valuable contextual insights about the phenomenon, which are likely to have to have actionable implications that reinforce the integral role that social entrepreneurship plays to generate social change (Short, Moss & Lumpkin, 2009; Haugh, 2005; Dacin, Dacin & Matear, 2010; Mair & Noboa, 2003; Doherty et al., 2014; Granados, Hlupic, Coakes & Mohamed, 2011).

The intertwined relationship between mission- and process- oriented research has been captured by researchers in their definition of social entrepreneurship. Broadly speaking, social entrepreneurship has been described as the “activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner” (Zahra, Gedajlovic, Neubaum & Shulman, 2009:5). This definition highlights the centrality of the *opportunity* concept to understanding the social entrepreneurial process. Opportunity-related research is theoretically rich because it presents a fertile ground for importing frameworks, perspectives, and theoretical paradigms from other fields (Short, Ketchen, Shook & Ireland, 2010; Dutta& Crossan, 2005; Echhardt, 2013). As shall be shown in the following section, the current study analyzes the social entrepreneurial process through an opportunity-lens that integrates three bodies of knowledge: entrepreneurship, social entrepreneurship and business model research (George & Bock, 2011; Geroski, 2003; Selden & Fletcher, 2015; Levie & Lichtenstein, 2010, Dutta & Crossan, 2005; Ardichvili, Cardozo & Ray, 2003).

1.2 Research Objectives

Social entrepreneurship is increasingly gaining momentum as an attractive market-based model that can be used to resolve entrenched social problems, while simultaneously generating social well-being and economic value (Tobias, Mair & Barbosa-Leiker, 2013; Dacin et al., 2010; Mair & Martí, 2006; Short et al., 2009). The importance of understanding how social enterprises operate stem for their potential value as prototypes for replication, as well as their inherent ability to inspire creative approaches for value generation, inform design by establishing operational blueprints, and motivate new methodologies for not-for-profit mission

accomplishment (Alter, 2006). Scholarly writings devoted to studying the dynamics of the social entrepreneurial process are however “scanty” (Perrini & Vurro, 2006: 65). This suggests a need for further research that would uncover how social opportunities are formed, developed and concomitantly evaluated (Corner & Ho, 2010).

A process-theory of entrepreneurship aims to reveal “processes through which entrepreneurial individuals and groups remove economic and social constraints, and thus create new possibilities for themselves and others within society” (Tobias et al., 2013:728). Adopting a processual lens for analysis, the current research accordingly seeks to answer the leading question:

‘How are opportunities formed and developed in social enterprise to ensure sustained value creation?’

Following an opportunity-centric approach this question will be answered by connecting three related bodies of knowledge: entrepreneurship, social entrepreneurship, and the business model literature. These three literatures will help inform related queries that are directed towards (a) the description of a holistic pattern that demonstrates how a social entrepreneurial journey unfolds over time to ensure sustained value creation, (b) the explanation of the role that business model plays in the social entrepreneurial process, and (c) the identification of the role and pattern that processual theories (causation and effectuation) play to explain the social entrepreneurial process. The main references cited as a basis for analysis included the works of George and Bock (2011) on opportunity-centric business model design, Geroski’s (2003) theory of market evolution, Levie and Lichtenstein (2010) on business model evolution, Ardichvili et al. (2003) on opportunity development process, Selden and Fletcher (2015) on entrepreneurial system hierarchy, Dutta and Crossan (2005) who extend the organizational learning framework to the entrepreneurial context, and combined writings on theories of causation and effectuation (e.g. Sarasvathy, Dew & Velamuri, 2002; Fisher, 2012; Read, Sarasvathy, Dew, Wiltbank & Ohlsson, 2010; Read, Song & Smit, 2009).

The study is based on an in-depth, longitudinal empirical investigation of an exemplar social enterprise case. Founded in 1988 as a charity, Liverpool-based Furniture Resource Centre

(FRC) started as a volunteer-run organization seeking to solve pressing problems of homelessness and unemployment. FRC's gradual diversification into the fields of community waste collection and recycling, retailing and social sector consulting eventually led to it becoming a multi-million pound award winning social enterprise by the year 2012. Detailed data describing the story of FRC (covering the period 1988-2012) were collected through semi-structured interviews that were conducted with the management team and critical stakeholders. This was associated with the analysis of archival data that was available through FRC's website and published/unpublished reports, as well as other external academic and practitioner sources that made reference to the case of FRC.

1.3 Main Findings

The current study presents two complementary opportunity-based views of the social entrepreneurial process; both of which promote the application of an effectual lens to explain the development of social entrepreneurial opportunities. These are 'social entrepreneuring as a transformation from inchoate demand to a new artifact' and 'social entrepreneuring as an emergent opportunity-based hierarchy'.

The first view presents social entrepreneuring as 'the gradual transformation of a social opportunity that is initially manifested in the form of inchoate demand to an innovative, sustainable social solution. This is made possible through a series of ongoing, business model transformations that are enabled through a combination of effectual and causal logics'. With application to the case study of FRC, the social entrepreneurial journey is illustrated as a chronological progression of focal episodes/events. Transition across episodes is herein interpreted as some level of opportunity development that is brought about by an opportunity tension, and actualized through some form of business model evolution or transformation. Eventually, the co-application of effectuation and causation approaches is manifest in both the working of business model at the level of each episode, as well as in the alterations that a business model encounters during the transition from one episode to another. The proposed analysis at this stage successfully answers two main queries that relate to the identification of an

overall pattern of the social entrepreneurial process (that incorporates a combination of causation and effectuation) and the illumination of the role that business model evolution plays to ensure sustained value creation. Conclusions that are made as to the dominance of an effectual logic cannot however be generalized because they are primarily based on data from the case of FRC, which are not necessarily typical to that of other social enterprises operating in similar and/or different domains. This suggests the need for an alternate explanation that is guided by existent theoretical frameworks or theories.

In the second view, social entrepreneurship is presented as an emergent effectuation-dominated hierarchy of sub-processes; each of which represents one level of opportunity development. These levels are the pre-venture phase, piloting ideas, opportunity institutionalization/formalization and scaling up: learning and evolving. The notion of 'hierarchy' in this model suggests that transition along levels of opportunity development is driven by: (a) a series of business model alterations (i.e. business model evolution), and (b) the application of organizational learning processes that push the idea forward from the individual domain to higher group, organizational and inter-organizational levels. These processes explain the co-application of causation and effectuation along the social entrepreneurial process. It further explains why the process is initially dominated by an effectual logic, which is increasingly accompanied by the application of causation as an opportunity reaches the opportunity institutionalization phase. Causation finally dominates during the final scaling-up phase, although effectuation remains to be applied.

1.4 Research Importance

The study findings address a number of research gaps that pertain to three bodies of knowledge: social entrepreneurship, entrepreneurship and business model literature, eventually leading to the following theoretical and empirical contributions.

Theoretical Contribution

The study simultaneously advances business model research and social entrepreneurship research, in addition to the broader entrepreneurship research through presenting a complementary static and dynamic analysis of a social business model that is supported by empirical evidence obtained from the case of FRC. (a) The static view of the model builds on earlier writings describing the distinctive elements of social enterprise to illustrate components of a social business model (and the relationships between them). The model accordingly contributes to resolving the definitional debate over the social entrepreneurship concept through presenting an analytic tool that could be used by both academics and practitioners. (b) Through building on the dynamic, transformative features of a business model, the study presents two alternate views of the social entrepreneurial process. This responds to the call for social processual research that borrows tests and extends popular frameworks, concepts and theories as a step forward towards (social entrepreneurship) theory generation. (c) The incorporation of elements of effectuation theory to explain the dynamics of the social business model also presents an addition to existing research that is directed towards developing a theory of effectuation. Output of the case study analysis addresses gaps in effectuation research through extending the logic to a social entrepreneurship landscape, while relating the analysis to existing frameworks such as Levie and Lichtenstein's (2010) dynamic state approach, Selden and Fletcher's (2015)'s emergent entrepreneurial hierarchy and the organizational learning framework (Dutta & Crossan, 2005; Jones & Macpherson, 2006).

Practical Contribution

The social business model displayed in this research bridges the gap between academia and practitioners by presenting the model as a practical tool that could be formally and/or informally used by managers to understand and communicate the business logic of their enterprise. This would enhance the credibility and legitimacy of a social enterprise throughout its interactions with potential partners and funders, in addition to governmental bodies. Furthermore, conceptualizing the social entrepreneurial process as a dynamic mechanism involving the intertwined application of causal and effectual logics should encourage managers to revisit their organizational practices to encourage the application of more forms of effectual practices as reflected in revising the content of training programmes, criteria for recruitment and basis for motivation and compensation.

1.5 Research Plan

The current study is comprised of eight chapters, which are followed by supporting appendices.

Chapter One: Introduction

The first chapter presents an overview of the current study as it highlights the research objectives, sheds lights on the main findings, and finally presents an overview of the research plan.

Chapter Two: Social Entrepreneurship and Social Enterprise

This chapter presents an overview of social entrepreneurship, and social enterprise as an embodiment of the social entrepreneurship concept; both representing the center focus of the study. The first section highlights scholarly controversies in defining social entrepreneurship, eventually presenting it as a cluster concept. The second section proceeds to define social enterprise, as one category of social entrepreneurial entities. The third section summarizes progress that has been made into social entrepreneurship research through discussing theoretical and methodological – related issues.

Chapter Three: Social Business Model: Developing a Typology

This chapter presents social business model as a distinct typology. In the first section, a comprehensive overview of the business model literature, in general, is presented. This includes defining the business model concept as suggested in the literature, followed by a distinction between the concepts of business model and strategy, a decomposition of the construct, an introduction to the concept of business model evolution, and finally a presentation of the current state of business model research and how it could advance forward. The second section proceeds forward to propose a static, opportunity-centric social business model typology that is in turn based on the social entrepreneurship literature (presented in Chapter Two) and the business model review (conducted in this chapter).

Chapter Four: Social Enterprise in Action

The chapter presents a dynamic view of social business model. The first section introduces a dynamic, emergent framing through which social business model evolution may be understood. The second section then elaborates on the theoretical foundation of the entrepreneurial process with particular emphasis on discovery (causation) and effectuation (creative) approaches, which is then followed by a presentation of related empirical evidence pertinent to entrepreneurial process in general. Finally, the third section presents an overview of the theoretical and empirical scholarship that simultaneously applies the concepts of causation and/or effectuation to explain the social entrepreneurial process.

Chapter Five: Research Ontology, Epistemology and Methodology

This chapter reflects on the extension of a pragmatic paradigm to study the social entrepreneurial process. The chapter is divided into two sections. The first section elaborates on the ontological and epistemological foundations of earlier processual research conceptualizing opportunity as discovered (positivist perspective) or created (social constructionist perspective). A pragmatic paradigm is then introduced as a third balanced perspective that mitigates this positivist-social constructionist duality. The second section of this chapter proceeds to explain the typical research design followed by the researcher in this study

Chapter Six: Data Analysis: Furniture Resource Centre: From a Charity to an Award Winning National Social Enterprise

This chapter builds on the primary and secondary data collected on the exemplar case of the Furniture Resource Center (covering the period 1988-2012) to develop the case history and further draw an outline of the business model prevalent at each episode.

Chapter Seven: Social Entrepreneurship

This chapter presents an in-depth analysis of the case history (presented in Chapter Six) and supporting appendices on prevalent entrepreneurial behavior. Over two sections, a dynamic view of the social entrepreneurial process, as a combination of causation and effectuation practices, is presented.

Chapter Eight: Conclusions

The last chapter elaborates on the main findings of the current study, highlighting its potential academic and practical contributions, and future areas of research.

CHAPTER TWO:

SOCIAL ENTREPRENEURSHIP AND SOCIAL ENTERPRISE

2.1 Introduction

Social ventures bridging profit and service goals in new and creative ways are rapidly increasing (Dorado, 2006; Doherty et al., 2014). Combining the passion of a social mission with an image of business-like discipline, innovation, and determination, social entrepreneurship presents an attractive alternative to the governmental, social sector, and philanthropic efforts which, in many cases, have fallen short of expectations in solving pressing social problems in efficient and effective ways (Dees, 1998a; Dees, 1998b; Seelos & Mair, 2005; Peredo & Mclean, 2006).

Described by researchers as a hybrid organizational form, social entrepreneurial entities are best represented as a broad spectrum that extends between two extreme categories: a for-profit category that encompasses activities emphasizing the importance of a socially-engaged private sector and the benefits that accrue to those who do good; and nonprofit entities that follow entrepreneurial approaches in order to increase organizational effectiveness and foster long-term sustainability (Mair & Noboa, 2003; Alter, 2007; Dees, 1998a; Dees, 1998b; Seanor et al., 2007; Doherty et al., 2014). They therefore fall within and/or across the nonprofit, business, and public sectors (Austin et al., 2006; Mair & Noboa, 2003; Seanor et al., 2007; Nicholls, 2006); the commonality being the creation of new, innovative models for the provision of products and services that cater directly to the social needs underlying sustainable development goals (Seelos & Mair, 2005; Mair & Marti, 2006). These goals address a wide range of social problems, such as unemployment, inequalities in access to health and social care services, low quality housing, high incidences of crime, deprivation and social exclusion (Haugh, 2005; Nicholls, 2006).

Although the language of social entrepreneurship is relatively new (Dees, 1998a), the academic roots of the phenomenon of social value creation through business goes back to the 20th century. At that time, the debate revolved around whether social value creation is a firm's core

responsibility or a constraint on its ability to fulfill its profit maximization goals (Volkman, Tokarski & Ernst, 2012; Trivedi, 2010). Up to the end of the 1990s academic attention was however sporadically paid to social entrepreneurship and only a few papers were published (Volkman et al, 2012; Trivedi, 2010). In 1998, Dees (1998a) published a breakthrough article on the Meaning of Social Entrepreneurship. Dees drew on earlier writings on entrepreneurship theory and research; namely the works of Say (1803), Schumpeter (1934), Drucker (1985) and Stevenson (Stevenson & Jarillo, 1990) to identify a common ground between business and social entrepreneurs., eventually presenting social entrepreneurs as “one species in the genus entrepreneur” (Dees, 1998a: 3). Combining the notions of value creation taken from Say, innovation and change agents from Schumpeter, pursuit of opportunity from Drucker, and resourcefulness from Stevenson, and further adding an element of discipline and accountability, Dees (1998a:4) offers a comprehensive definition that in essence explains what social entrepreneurs do:

“Social entrepreneurs play the role of change agents in the social sector, by adopting a mission to create and sustain social value (not just private value), recognizing and relentlessly pursuing new opportunities to serve that mission, engaging in a process of continuous innovation, adaptation, and learning, acting boldly without being limited by resources currently in hand, and exhibiting a heightened sense of accountability to the constituencies served and for the outcomes created”.

Dees’s article revitalized attention to the concept amongst scholars, practitioners and policy makers around the world (Huybrechts & Nicholls, 2012; Volkman et al., 2012), eventually simulating a growing tally of publications that adopt mixed views of social entrepreneurship (Perrini & Vurro, 2006). One stream of research regards social entrepreneurship as a context to study the broader phenomenon of entrepreneurship thus connecting it with more established domains such as commercial entrepreneurship, cultural entrepreneurship, institutional entrepreneurship and social movements (Dacin et al., 2010). An alternate stream of research holds a view of social entrepreneurship as a distinct category of entrepreneurship that requires a unique theory (Doherty et al., 2014; Santos, 2012; Perrini & Vurro, 2006).

In this chapter, a literature overview of social entrepreneurship, and social enterprise as an embodiment of the social entrepreneurship concept, is presented. The first section highlights scholarly controversies in defining social entrepreneurship, eventually presenting it as a cluster concept. The second section proceeds to define social enterprise, as a manifestation of social entrepreneurship. Finally, the third section summarizes progress that has so far been made into social entrepreneurship and social enterprise research through discussing theoretical and methodological – related issues.

2.2 An Insight into Social Entrepreneurship

2.2.1 Social Entrepreneurship Defined

Definitions of social entrepreneurship are abundant (Doherty et al., 2014) reflecting a vast array of economic, educational, research, welfare, social and spiritual activities. As such, the term has been contextualized in a number of contexts, including the public sector, community organizations, social action organizations, and charities (Weerawardena & Mort, 2006).

Adopting a process-based perspective, the current study adopts Zahra et al.'s (2009:5) broad definition of social entrepreneurship as the “activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner”. This involves the set-up of viable socio-economic structures, relations, institutions, organizations and practices that yield and sustain social benefits (Fowler, 2000).

“Social entrepreneurship is exercised “where some person or persons (1) aim either exclusively or in some prominent way to create social value of some kind, and pursue that goal through some combination of (2) recognizing and exploiting opportunities to create this value, (3) employing innovation, (4) tolerating risk and (5) declining to accept limitations in available resources”. (Peredo&Mclean; 2006: 2)

In the process, social entrepreneurs pursue ‘total wealth maximization’ through the augmentation of tangible outcomes (such as products, clients served, and/or funds generated) and intangible outcomes (such as wealth, happiness and/or general well-being). This happens using a balanced allocation of resources between both categories while accounting for opportunity costs — the social and economic value forgone if these resources had been applied to other productive endeavors (Zahra et al, 2009).

Nicholls and Cho (2006) capture the essence of the social entrepreneurship concept in two conceptual blocks; sociality and entrepreneurship. The ‘social’ block (*sociality*) refers to the “extent to which an organization intentionally and effectively pursues the advancement of social objectives” (Nicholls & Cho, 2006:101). More specifically, this describes an entity that operates in a *social context* in which it pursues *legitimate social objectives* that are eventually advanced in its *operational practices* (Nicholls, 2006; Nicholls & Cho, 2006). The ‘entrepreneurship’ building block on the other hand emphasizes both innovativeness and market orientation that are respectively related to the Schumpeterian and Austrian approach to entrepreneurship (Chiles, Vultee, Gupta, Greening & Tuggle, 2010). Innovativeness highlights the role of social entrepreneurs as change agents who introduce new, sustainable social solutions through combining elements of innovativeness, creativity and resourcefulness (Nicholls, 2006; Nicholls & Cho, 2006). This may involve delivering new services to the disadvantaged and excluded, identifying new ways of delivering existing services, implementing new strategies to generate income, delivering existing services to new individuals, exploiting novel resources, and/or applying innovative internal management practices particularly in terms of multi-stakeholder engagement in strategy development and implementation (Haugh, 2005). The second dimension ‘market orientation’ stresses the adoption of a market mindset that is translated into the simultaneous pursuit of social and financial returns on investment, in addition to the application of accountability and performance measures (Nicholls, 2006; Nicholls & Cho, 2006).

Social entrepreneurship researchers agree that despite the proliferation of academic and practitioner writings on the topic, a consensus regarding the boundaries of social entrepreneurship remain elusive. Diverse attempts to define social entrepreneurship are

clustered around four main themes that in turn reflect the focus of the research conducted. These themes cover the characteristics of individual social entrepreneurs, their operating sectors, the processes and resources used by social entrepreneurs, and the primary mission and outcomes of the social entrepreneurial entity (Dacin et al., 2010).

In the individual-level characteristics approach, the focus is on the qualities and behaviors of individual social entrepreneurs including social mission focus and issues of socio-moral motivation, the ability to recognize opportunities and enact change through inspirational leadership skills, and/or the capacity to acquire necessary resources (Drayton, 2002; Mair & Noboa, 2003; Zahra et al., 2009; Dacin et al., 2010; Nicholls, 2006). Criticism to this stream is based on the fact that these characteristics do not really enable researchers set social entrepreneurs as distinct from other categories of entrepreneurs (Mair & Noboa, 2003; Haugh, 2005; Dacin et al., 2010). Add to that, research herein is usually an outcome of individually focused case studies of those identified as successful, or hero- social entrepreneurs which in turn raises questions about the potential of idiosyncratic, biased observations by the researcher(s) (Dacin et al., 2010; Nicholls, 2006).

In the sector, process and activities approach, emphasis is placed on the operating sector in which social entrepreneurs work, in addition to the processes and resources they use (Miller, Grimes, McMullen & Vogus, 2012; Robinson, 2006; Dees, 1998a; Austin et al., 2006; Peredo & Mclean, 2006). The objective is to describe how a social enterprise is established and the primary activities involved in the process (Dorado, 2006; Dacin et al., 2010). Although these definitions are somehow more promising for differentiation than individual level characteristics of social entrepreneurs, this stream of research still builds on idiosyncratic, exemplar case studies of existing social ventures (which sometimes include a detailed history of their development) and therefore share similar biases with the individual-level characteristics approach (Dacin et al., 2010; Nicholls, 2006). Finally, the primary mission approach to analyzing social entrepreneurship emphasizes the notion of hybridity and subsequent social-business tensions that are likely to arise as a result of the pursuit of the dual mission of financial sustainability and social purpose (Dacin et al., 2010; Doherty et al., 2014; Dees, 1998b; Perrini & Vurro, 2006; Yunus, Moingeon & Lehmann-Ortega, 2010; Miller et al., 2012; Haugh 2005;

Alter, 2007; Ridley-Duff and Bull, 2011; Müller, 2012; Mair & Noboa, 2003; Robinson, 2006; Weerawardena & Mort; 2006; Smith et al., 2013). Scholars argue that a stream of research that focuses on understanding the mission of social entrepreneurship and related activities and processes - as opposed to one that stresses the individual-level characteristics - has a better potential to advance the domain. Besides its actionable implications, this type of research generates novel insights into the field, and as well makes it possible to extend findings from other kinds of organizations and entrepreneurship to the social entrepreneurship context (Dacin et al., 2010; Haugh, 2005).

2.2.2 Social Entrepreneurship: A Cluster Concept?

It may be said that the contrasting contexts and perspectives through which social entrepreneurship has been interpreted, and variations in the depth by which the concept has been analyzed reflect paramount excitement surrounding a promising field of application (Huybrechts & Nicholls, 2012; Volkmann et al., 2012) and the diversity of facets from which the phenomenon could be understood (Mair, Robinson & Hockerts, 2006). Unfortunately, this multiplicity also points to the absence of a unified definition for the term. Social entrepreneurship is an essentially contested concept which in turn makes a universally accepted definition of social entrepreneurship seem to be “hardly ever possible” (Choi & Majumdar, 2014: 10). This accordingly represents a challenge to establishing the value and legitimacy of a nascent field, increases ambiguity surrounding closely related concepts (Haugh, 2012; Peredo & Mclean, 2006; Huybrechts & Nicholls, 2012; Ridley-Duff & Bull, 2011), and consequently hinders related empirical research and consequent theory building (Mair, Robinson & Hockerts, 2006; Short et al., 2009).

Choi and Majumdar (2014) argue that failure to reach consensus over a common definition of social entrepreneurship does not close the definitional debate. To advance related research, the researchers propose a conceptual understanding of social entrepreneurship as a *cluster concept*. Conceptualizing social entrepreneurship as a cluster concept means that it is a conglomerate representation of certain defining sub-concepts (namely, social value creation, the social

entrepreneur, social enterprise organization, market orientation, and social innovation), which may occur in alternate degrees and various combinations in different instantiations of the concept (Figure 2-1).

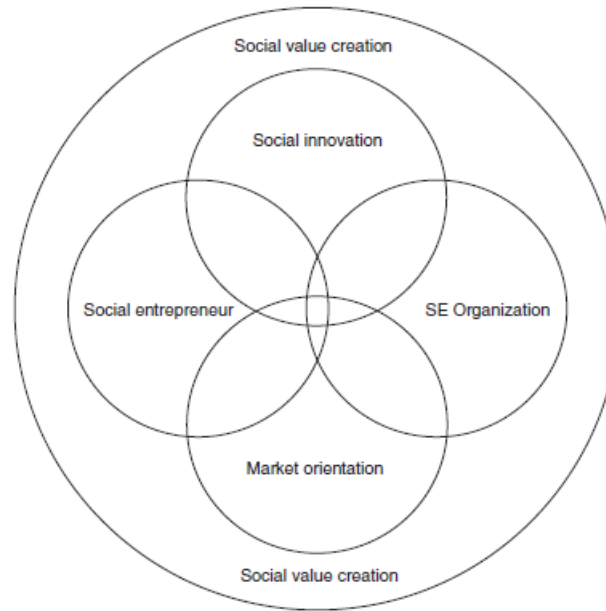


Figure (2-1): Social Entrepreneurship as a Cluster Concept

Source: Choi and Majumdar (2014)

The presentation of social value creation as a large circle, encompassing the other four sub-components reflects the importance of this component as a prerequisite of social entrepreneurship. Although a necessary component, social value creation is however not a sufficient condition for social entrepreneurship and should therefore be combined with the other four properties (the social entrepreneur, the social enterprise organization, market orientation, social innovation). These four sub-components are not by themselves necessary conditions for social entrepreneurship and can, therefore, exist in greater or lesser degrees and even in different combinations to accommodate for different configurations and contested conceptions of social entrepreneurship. As such, a researcher on the topic should explicitly state which of the sub-concepts is emphasized in his/her understanding of the concept and consequently the relevant literature to be used in a particular research (Choi & Majumdar, 2014).

2.3 Social Enterprise: A Manifestation of Social Entrepreneurship

2.3.1 Introduction

A review of published writings on social entrepreneurship and social enterprise provides evidence that the two closely related concepts have become emerging fields of interest for both academics and practitioners within the past few years (Granados et al., 2011). Unfortunately, the lack of a unified definition of social entrepreneurship has consequently led to a similar lack of consensus over what constitutes a social enterprise (Peredo & Mclean, 2006; Huybrechts & Nicholls, 2012; Ridley-Duff & Bull, 2011). At the outset, social entrepreneurship researchers explain that ambiguity surrounding the social enterprise term is aggravated by the fact that the definition of social enterprise is not an abstract intellectual exercise but rather a dynamic process through which international and even regional entities attribute different meanings based on the idiosyncrasies of the national context and influences development. As such, the bodies of knowledge that receive recognition and institutional legitimacy are expected to have different views of the concept (Hoogendoorn, Pennings & Thurik, 2010; Doherty et al., 2014; Ridley-Duff & Bull, 2011; Haugh, 2005).

Social enterprise has been varyingly described as a private enterprise conducted in the public interest, a for-profit social venture, and a social purpose enterprise (Haugh, 2005). In the process, it has been— in some instance – equated with social entrepreneurship; social enterprise being the activity (Peredo & Mclean, 2006; Chell, Nicolopoulou & Karataş-Özkan, 2010; Dees, 1998b). In most studies (including the current study), social enterprise was instead approached as a category or subset of social entrepreneurial entities (Alter, 2007; Granados et al, 2011; Nicholls, 2006). As shall be elaborated on later in figures (2-3) and (2-4), this study follows Alter's (2007) classification of social enterprise as a distinct category of hybrid organizations that combines a focus on social value creation, along with a strong entrepreneurial orientation.

2.3.2 Social Enterprise Defined

There is an underlying consensus over social enterprises as “socially driven entities that have specific social, environmental and economic objectives. As part of the social economy, social enterprises adopt business-like skills to generate profits that are re-invested into their social missions” (Seanor et al., 2007: 2). The UK-based Social Enterprise Coalition further offers a simple definition of social enterprise as “business trading for a social purpose” (<http://www.socialenterprise.org.uk>). Historically speaking, social enterprises have been modeled as grant-dependent, nonprofit charitable organizations that build on their pro-social, community-spirited motives to attract the necessary human and social capital. By the passage of time and with the increasing decline in grants and donations, social enterprise realized the importance of adopting an entrepreneurial approach to ensure their financial sustainability. Thus while the term ‘social’ refers to the explicit social mission of the nonprofit, the term ‘enterprise’ mirrors the spirit, boldness, high-level achievement and financial independence of an entrepreneur (Chell et al., 2010; Doherty et al., 2014). The duality of social purpose and financial sustainability – captured by the notion of ‘hybridity’ – has been postulated as an explanation of social-business tensions that underlie the workings of social enterprise (Haugh, 2005; Doherty et al., 2014; Smith et al., 2013). Social enterprises embed within the boundaries of one organization multiple and divergent goals, norms, values and identities, which in turn create contradictory prescriptions for action and generate ethical dilemmas for their leaders (Smith et al. 2013). Smith et al. (2013) categorize tensions within social enterprises into performing, organizing, belonging, and learning. While performing tensions result from divergent outcomes (such as goals, metrics, and stakeholders), organizing tensions result from divergent internal dynamics (such as structures, cultures, practices, and processes). Belonging tensions further result from divergent identities among subgroups, and between subgroups and the organization, whereas learning tensions are associated with tensions of growth, scale, and change that emerge from divergent time horizons.

Seanor et al. (2007) distinguish between three theoretical models of social enterprise; the social enterprise spectrum, the continuum model and the cross-sectoral model. Whereas the social enterprise spectrum and the continuum model represent social enterprise as a hybrid category

that combines social and economic objectives, the cross-sectoral model describes social enterprise as the intersection between the public, private and voluntary sectors.

The social enterprise spectrum proposed by Dees (1998b) is rooted in the concept of a double bottom line. It offers a linear depiction of social enterprise as ‘hybrids’ that extend along a diametrically opposed scale between purely philanthropic (non-profit enterprises, which aim at generating a high social return) and purely commercial (for-profit enterprises striving for maximum financial returns) (Figure 2-2). The objective of this hybrid form is to strike a balance between the social and economic value created with the ultimate goal of maximizing total wealth generated (Zahra et al, 2009; Doherty et al., 2014) and achieving sustainability (Weerawardena & Mort, 2006). Dees (1998b: 60) explains that only ‘few social enterprises can or should be philanthropic or purely commercial; most should combine commercial and philanthropic elements in a productive balance’. Extreme commercialization of a nonprofit eventually changes the character of its relationship with its beneficiaries and alters its financing structure which makes it more convenient to convert to a for-profit enterprise. A movement towards the philanthropic extreme, on the other hand, threatens the financial sustainability of the venture (Dees, 1998b).

		Purely Philanthropic	←————→	Purely Commercial
Motives, methods, and goals		Appeal to goodwill Mission driven Social value	Mixed motives Mission and market driven Social and economic value	Appeal to self-interest Market driven Economic value
Key stake-holders	Beneficiaries	Pay nothing	Subsidized rates, or mix of full payers and those who pay nothing	Market-rate prices
	Capital	Donations and grants	Below-market capital, or mix of donations and market-rate capital	Market-rate capital
	Workforces	Volunteers	Below-market wages, or mix of volunteers and fully paid staff	Market-rate compensation
	Suppliers	Make in-kind donations	Special discounts, or mix of in-kind and full-price donations	Market-rate prices

Figure (2-2): Social Enterprise Hybrid Spectrum

Source: Dees (1998b)

Although the social enterprise spectrum has the advantage of reconciling different views and interpretations of social entrepreneurship practices (Dees, 1998b; Peredo & Mclean, 2006), scholars require that a definition of social enterprise goes beyond one that is based on a single dimension like the balance between profit and mission (Alter, 2007; Volkman, 2012). Alter (2007) accordingly takes the analysis a step forward by adopting a holistic notion that emphasizes the creation of a blended value as a criterion to classify these hybrid organizations, as opposed to Dees's earlier straight forward distinction based on the pursuit of a double (or triple) bottom line (Alter, 2006; Seanor et al., 2007). Blended value is "inherently whole" (Alter, 2007: 25) because it is generated through the combined interplay of economic, social and environmental performances (Emerson, Bonini & Brehm, 2004). Realizing that all firms (whether nonprofit or for-profit) create blended value (the only issue up for debate being the degree to which they maximize the component elements of value) (Emerson et al., 2004), this school of thought shifts from measuring multiple bottom lines to focusing on total value creation (Alter, 2007). To avoid confusion, Seanor et al. (2007) refers to Alter's classification as the *continuum model*, while restricting the term *spectrum model* to that of Dees. In the continuum model, social entrepreneurial entities are classified into four subcategories of hybrid practitioners (namely enterprises practicing social responsibility, socially responsible businesses, social enterprises, non-profit enterprises with income-generating activities). These subcategories in turn differ along dimensions that relate to their motives, accountability and use of income (Figure 2-3) (Alter, 2007).

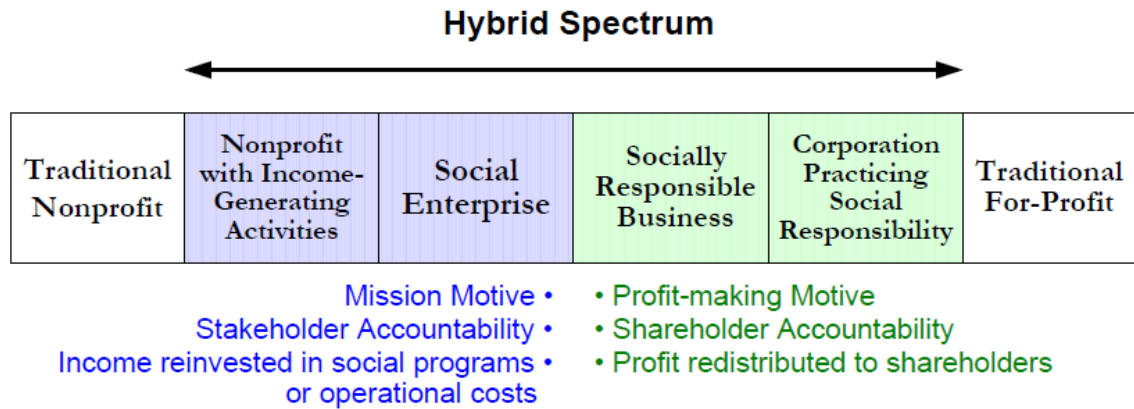


Figure (2-3): Hybrid Spectrum¹

Source: Alter (2007)

Dual value creation strategies aim at achieving sustainability equilibrium. The hybrid spectrum, as such, initially distinguishes two distinct families of organizations that are classified according to their purpose/motive: a category of social entrepreneurs who adopt an instrumental view of profit as means to ensure social sustainability, and another whose primary aim is economic sustainability (Figure 2-4). Non-profit enterprises with income-generating activities and social enterprises represent the case where the social mission surpasses market orientation. Socially responsible businesses, and corporations practicing social responsibility, on the other hand, exemplify those cases where market orientation surpasses social orientation (Alter, 2006; Alter, 2007). Because motivation underlying the pursuit of profit, is central to an organization's ethos and activities, transformation from one category to another (for example, from social enterprise to socially responsible company or visa-versa) requires that an entity first reorients its primary purpose then realigns the organization (Alter, 2007).

¹ Referred to by Seanor et al. (2007) as the continuum model. Following Seanor et al., this study refers to Alter's spectrum as the continuum model to distinguish it from Dees's social enterprise spectrum.

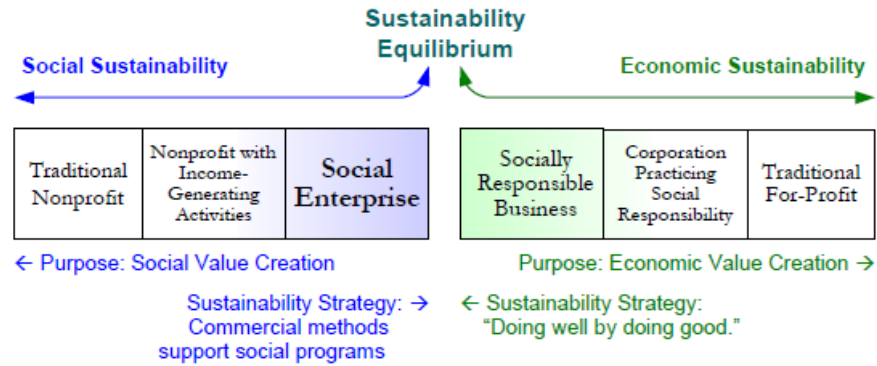


Figure (2-4): The Hybrid Spectrum

Source: Alter (2007)

Social enterprises are different from their hybrid for-profit and nonprofits counterparts because they are driven by two strong forces. First, the urge to adopt innovative, entrepreneurial, or enterprise-based solution to bring about the desired social change. Second, the need to diversify their funding streams (often including the creation of earned income) to ensure the sustainability of their operations (Alter, 2007). In other words, it is their focus on social value creation that distinguishes them from traditional for-profit businesses, and their entrepreneurial spirit, strategic decisions and vision that distinguish them from the nonprofits (Weerawardena & Mort, 2006). Extending its business-like activities beyond profit generation, (Weerawardena & Mort, 2006), a social enterprise should be established strategically to create social and/or economic value for the organization. This involves drawing a long-term vision and managing it as an ongoing concern, setting growth and revenue targets as part of a business or operational plan, and recruiting qualified staff with business or industry experience to manage the activity or provide oversight. The ability to attract resources (such as capital, labor, and equipment) in a competitive marketplace is another indicator of a good business as it shows that a particular venture represents a more productive use of these resources than the alternatives offered by competitors (Dees, 1998b). In a social enterprise, the financial objectives do not necessarily relate to profit generation or viability. Financial self-sufficiency reduces the need for donated fund and creates a more diversified funding base, while reinforcing a market discipline that enhances the quality of the program (Dees, 1998b; Alter 2006; Alter 2007).

Setting aside a focus on the pursuit of total value creation, Seanor et al. (2007) present a conceptual cross-sectoral model that does not set social enterprise as a distinct sector, but rather describes it as an overlap of three sectors (public, private and voluntary sectors) (Figure 2-5). In this model, scholars debate as to whether each hybrid should be regarded as a different form of social enterprise or that social enterprise be restricted to the cross-over point of the all three sectors (Seanor et al., 2007). By spanning the boundaries of the private, public and non-profit sectors, social enterprise bridge institutional fields and face conflicting institutional logics (Doherty et al, 2014). Seanor et al.'s (2007:4) suggest that these contradictory views “is an appreciation of ambiguity in the practices, origins and ethos of social enterprises” thus explaining “why models and diagrams appear confusing and unrepresentative to parties locked inside one idiosyncratic perspective”.

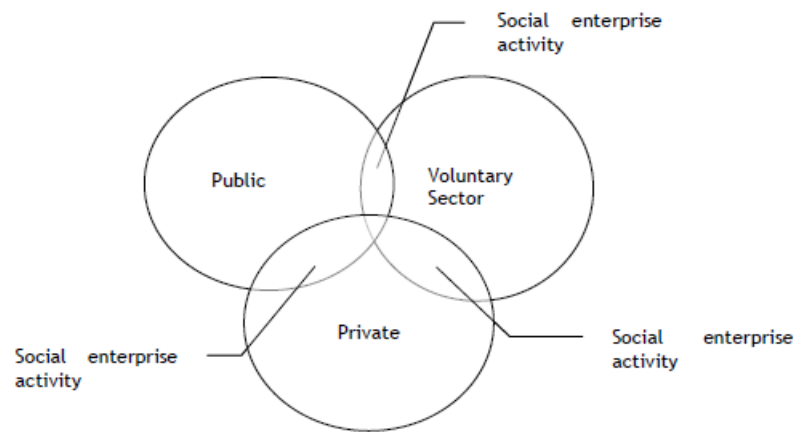


Figure (2-5): A Cross-Sectoral View of Social Enterprise

Source: Seanor et al. (2007)

The importance of the cross-sectoral model of social enterprise stems from its inherent recognition of contradictory national and global conceptions of social enterprise, which is mostly represented by the contrasting American and European traditions (Seanor et al., 2007). These contradictions in fact partially reveal definitional uncertainty surrounding the concept of social enterprise (Hoogendorn et al., 2010). Whereas social enterprise discourse in the United States is dominated by market-based approaches to income generation and social change, social enterprise in Europe is situated in the cooperative tradition of collective social action. The difference between both approaches can be delineated based on a number of themes namely;

the unit of observation, legal structure, governance structure, profit distribution, emphasis on earned income, emphasis on innovation, and relation between targeted mission and services provided (Hoogendorn et al., 2010; Defourny, 2001, Doherty et al., 2014).

The current study follows the UK school of thought through which social enterprise researchers agree offers a wider and more flexible perspective because it borrows from both the US and European tradition (Hoogendorn et al., 2010; Doherty et al., 2014). Herein, social enterprise is defined as “a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners” (DTI, 2002: 13). In the UK approach, while the enterprise represents the unit of observation, individuals, groups of citizens, or legal entities can nevertheless initiate the establishment of a social enterprise. Moreover, there is no constraint as to the existence of a direct link between mission and activities, or legal structure; the latter eventually leading to a broad array of entities which follow diverse profit distribution schemes. The UK approach further acknowledges the importance of innovation, yet does not consider it to be fundamental. Finally, although the UK approach supports multiple stakeholder involvement, the degree of direct or indirect involvement of stakeholders can vary in accordance with the legal structure of the enterprise (Hoogendorn et al., 2010).

2.4 Social Entrepreneurship as a Distinct Field of Entrepreneurship Research

Social entrepreneurship has frequently been described as a genre of entrepreneurship (Dees, 1998a); the broader latter term referring to an “*action-based* phenomenon that involves a highly interrelated set of creative, strategic, and organizing processes”, that are associated with the perception of opportunities and the creation of organizations to pursue them (Moroz & Hindle, 2012: 785). As such, insights from existing entrepreneurship literature has in many instances provided a foundation for investigating related patterns, relationships, and trends in social entrepreneurship (Dacin et al., 2010; Dorado, 2006, Short et al., 2009; Haugh 2012; Smith et al.,

2013). Researchers however continue to debate as to whether social entrepreneurship should be studied as a discrete field (Dacin et al., 2010; Dorado, 2006).

There are two parallel views of the social entrepreneurship field; a narrow view and an extended view. In the narrow view, social entrepreneurship is not presented as a new classification. Herein, the accent on 'entrepreneurship' refers to the shift of managerial competencies and market-based attitudes to non-profits in order to improve their operational efficiency and effectiveness. This perspective ignores other new meanings that could be associated with social entrepreneurship – such as innovativeness in dealing with social problems. The extended view of social entrepreneurship, on the other hand, approaches social entrepreneurship as a totally new, inter-sectoral field of research and application that carries a plethora of research opportunities (Perrini & Vurro, 2006). Setting aside the legal form a particular entity takes, the extended perspective of social entrepreneurship research is more concerned with the formula that a venture adopts to combine entrepreneurship, innovation, and social orientation with the ultimate objective of alleviating social problems and catalyzing social transformation (Austin et al., 2006; Perrini & Vurro, 2006; Mair, Robinson, and Hockerts, 2006). This in turn suggest that the situation of the social entrepreneurship domain at the intersection between the two, better established literature streams on non-profit and commercial entrepreneurship be utilized as a source of inspiration to drive the social entrepreneurship domain's own agenda forward (Nicholls, 2006).

Santos (2012) suggests a similar distinction between two different approaches to viewing the social entrepreneurship phenomenon; an inclusive approach and a positive theory approach. Supporters of an 'inclusive' approach suggest that all forms of entrepreneurship are in some way social and thus social entrepreneurship can serve as a context to study the broader phenomenon of entrepreneurship. Because the boundaries of the social entrepreneurship concept are fuzzy, supporters of this perspective do not realize the need for a new theory of social entrepreneurship and explain that the concept can be connected with (and as well may enrich) more established theories such as structuration theory, institutional entrepreneurship or social movements, and also cultural entrepreneurship and commercial entrepreneurship. An opposing view calls for the development of a restrictive, well-bounded theory of social

entrepreneurship that addresses two issues namely, tautology and subjectivity, that have characterized many of the prior attempts to theorize the concept.

Researchers agree that advancing social entrepreneurship and consequentially establishing the legitimacy of the domain requires adopting an extended view that promotes a positive theory of social entrepreneurship (Santos, 2012; Haugh, 2012; Nicholls, 2006; Perrini & Vurro, 2006). Zahra (2007) explains that although importation is a necessary first step toward developing unique theories that define and explain entrepreneurial phenomena, a researcher's insightful understanding of the key distinguishing qualities of a particular entrepreneurial context or field of application is likely to result in more rigorous and creative explanations. Borrowed theories are usually grounded in assumptions that reflect the nature of distant phenomena, actors and sites (Zahra, 2007), which may or may not apply to the social entrepreneurial context (Dacin et al., 2010; Dorado, 2006). Alternatively, new theories may be developed to explain the practices, themes and concepts that existing theories fail to explain (Mair, Robinson and Hockerts, 2006; Robinson, 2006; Haugh, 2005).

2.5 A Conceptual and Empirical Review of Social Entrepreneurship Research

Although social entrepreneurship has been a subject of academic inquiry for nearly 20 years, scholarly research is still fragmented and disjointed (Trivedi, 2010). This in turn places the field at a young or early stage of development (Trivedi, 2010; Grandos et al., 2011; Doherty et al., 2014; Santos, 2012; Short et al., 2009; Hoogendoorn et al., 2010), eventually stressing the pre-paradigmatic status of the phenomenon (Stanos, 2012; Trivedi, 2010). A review of empirical literature in the field highlights the diverse geographical settings in which related research took place; albeit UK and US came on top of the list (Short et al., 2009), with a greater proportion of papers relying on European evidence because of the heightened political interest in the social entrepreneurship concept in Europe (Doherty et al., 2014). The conceptual and empirical review presented in this section demonstrates how and why social entrepreneurship research is currently in an embryonic state (Short et al., 2009) or a stage of infancy (Hoogendoorn et al., 2010).

Over the past two decades, diverse intellectual interest in the social entrepreneurship phenomenon has given rise to a multitude of cross disciplinary research, especially within the management and entrepreneurship domains (Short et al., 2009). This research has been primarily dedicated to establishing a conceptual foundation that aims at defining the key constructs of social entrepreneurship and how and why they are related. This has been complemented by studies that explain social enterprise emergence and the points of commonalities and differences with closely related fields such as commercial or conventional entrepreneurship, nonprofit enterprises, social activism, and social service provision (Hoogendoorn et al., 2010; Doherty et al., 2014). Limited subsequent studies have contributed to understanding the institutional and organizational processes associated with the creation, management and performance of social entrepreneurial entities (Doherty et al., 2014; Haugh, 2005). Mission-related research was further directed to demonstrate issues like potential managerial tensions and stakeholders' conflicts arising from attempts to maximize both financial and social performance, in addition to mission drift in which financial sustainability goals is achieved at the expense of social mission attainment (Dacin et al., 2010; Doherty et al., 2014; Dees, 1998b; Perrini & Vurro, 2006; Yunus et al., 2010; Muller, 2012, Haugh 2005; Alter, 2007; Ridley-Duff & Bull, 2011; Mair & Noboa, 2003; Robinson, 2006; Weerawardena & Mort, 2006; Smith et al., 2013).

Social entrepreneurship scholars explain that the majority – if not all – of social entrepreneurship research is based on concept/theory borrowing and concept/theory extension, rather than new theory generation (Haugh, 2012). Currently articles on the topic of social enterprise vary in the extent to which they engage with established concepts, frameworks and theories.

“The range of engagement extends from articles that are devoid of any theory to those that present new and fully formed theories, and includes articles that borrow, test and extend existing theories” (Haugh, 2012:10) .

Examples of concept/theory borrowing and/or extension include the work of Mair and Noboa (2003) and Miller et al. (2012) who respectively apply the concepts of intention formation and compassion to the context of social entrepreneurship. Existing organizational theories have also been extended to explain social entrepreneurship related phenomena. Smith et al. (2013) illustrate how institutional theory, organizational identity, stakeholder theory, and paradox theory can be used to explain the nature and management of social-business tensions that are likely to take place within social enterprise. Nicholls and Cho (2006) extend Giddens's theory of structuration to explore the relationship between social entrepreneurs and the contexts in which they operate (Nicholls & Cho, 2006). Recent years have also witnessed some modest theory generation attempts that involved either examining empirical data for new insights or conceptual translation of existing theories into new theory (Haugh, 2012). York, Sarasvathy, and Larson (2010) for instance set the case for applying Gersl's (2003) theory of market evolution to explain how social innovations leads to new market creation in the social sector through the transformation of inchoate demand to a dominant design. Corner and Ho (2010) also use an inductive, theory-building design to empirically examine the growth, advancement and transformation of an idea of social value creation over time to become a well-developed solution, eventually suggesting the practice of two contrasting approaches; causation and effectuation Di Domenico, Haugh & Tracey (2010) further propose a theory of social bricolage that in turn extends Strauss's theory of bricolage to the domain of social enterprise. New theories have also been proposed to explain the emergence of community based enterprises (Peredo & Chrisman, 2006), community-led social ventures (Haugh, 2006) and the development process of grassroots enterprises (Zietsma, Winn, Branzei & Vertinsky, 2002). Seelos and Mair (2007) also investigated the creation of markets at the Base-of-the-Pyramid (BOP) and developed new explanations to account for market emergence in the context of deep poverty.

A thorough review of published work on the topic of social entrepreneurship and social enterprise reveals that it is dominated by conceptual papers (Doherty et al., 2014; Short et al., 2009; Hoogendoorn et al, 2010; Haugh, 2005). Although empirical social entrepreneurship research is slowly appearing, it is yet characterized by poor construct measurement, limited quantitative research (the majority being of an exploratory type), and limited variety in research

design with a heavy reliance on the case study method that further builds on small samples sizes. This accordingly makes it difficult to apply formal hypotheses and rigorous techniques and/or make broad conclusions about the nature of social entrepreneurship. It further explains why relatively little scholarly output has appeared in mainstream management and entrepreneurship journals (Hoogendoorn et al., 2010; Short et al., 2009; Doherty et al., 2014; Short et al., 2010). In a review of 152 articles (conceptual and empirical) on social entrepreneurship, only eight were published in leading management and entrepreneurship journals; namely *Academy of Management Review*, *Academy of Management Journal*, *Strategic Entrepreneurship Journal* in *Entrepreneurship Theory and Practice*. Most of the remaining articles were published within the management and entrepreneurship domain, with only a few being presented within the context of other scholarly disciplines such as economics, public administration, finance, marketing, law or education (Short et al., 2009).

In a review of 80 conceptual articles on social entrepreneurship (covering a span of 18 years from 1991 to 2009), Short et al. (2009) found out that 38% of the articles were descriptive involving definition of key constructs (like social entrepreneurship) without additional theoretical perspectives upon which research in social entrepreneurship might be informed, or concrete predictions to aid future research efforts. The majority (55%) of the articles were explanatory, in the sense that they were concerned with how and why a phenomenon (such as social enterprise) occurs and to what degree key constructs (such as social entrepreneurship and performance) were related. The remaining few (7%) were predictive studies of organizational outcomes, such as the antecedents and consequences of social entrepreneurship. According to Short et al., limited predictive research could be attributed to the fact that the social entrepreneurship construct is still at an early stage of development and concept definition, which in turn limits the formation of propositions that scholars can operationalize. Conceptual research on social entrepreneurship is therefore not only criticized for the paucity of predictive research, but is as well condemned for the failure of the descriptive and explanatory research conducted to reach a unified view of the social entrepreneurship concept that clarifies the distinct nature, goals and processes characteristic of social entrepreneurship (Short et al., 2009; Nicholls, 2006; Haugh, 2012).

Short et al. (2009) also conducted a review of 72 empirical articles on social entrepreneurship, covering the period 1991-2009. It was found out that the number of articles using qualitative methods surpassed those adopting quantitative methods, with some articles adopting a mixed method approach. Case study methods came on top of the qualitative methods that were used, followed by grounded theory, discourse analysis and finally interpretive naturalist methods. Studies following quantitative research methods primarily reported descriptive statistics, followed by correlations, with very limited application of more rigorous techniques such as regression analysis, structural equation modeling, t-tests, rankings and cluster analysis. Out of the 72 empirical articles reviewed (both quantitative and qualitative studies), only 3% had operational hypothesis that were rigorously tested, while 5% of them set forth general propositions based on their case studies and grounded theory methods. A notable exception was the work of McDonald (2007), who used a mixed method study of grounded theory building to generate hypotheses, which were then tested with a survey and structural equations modeling. In the majority of the empirical studies that were reviewed, interviews dominated the data collection process. Other sources included secondary sources, surveys and observations.

In a similar literature review, Hoogendoorn et al. (2010) analyze 31 empirical studies that were published on the issue of social entrepreneurship on or before October 2009. Hoogendoorn et al.'s review goes beyond Short et al.'s (2009) methodological analysis as it delineates the content of the sampled articles along two lines: the four schools of thought representing the American vis-à-vis the European traditions and the four perspectives of the framework for new venture creation by Gartner (1985) (namely, individual, process, organization and environment). At the outset, Hoogendoorn et al.'s findings coincide with Short et al. in that qualitative research (87%) exceeds quantitative research (13%). In qualitative studies, a case study approach was perceived as the most suitable method for describing and explaining this rather new phenomenon, followed by other methods such as grounded theory methodology and discourse analysis. Quantitative papers, on the other hand, used basic statistical methods such as correlations, descriptive statistics, and factor analysis. More advanced statistical methods such as regression analysis for predictive purposes were not found among the methods used. The sample reveals very limited hypothesis testing and proposition generation which exemplifies a current lack of scientific rigor that in turn places social entrepreneurship

research at a stage of relative infancy. As for the data collection methods used, the use of primary data prevailed followed by secondary data that was only used in conjunction with primary sources. Interviewing was the main source for data collection, followed by observation and, in some cases, participant observation proved. Finally, with regard to the samples used, small sample size and sample diversity (in terms of scope, geographic location and stage of development) were the main sample features.

Doherty et al.'s (2014) review of 129 papers that were written on the topic of social entrepreneurship (*time span covered was not made clear by the researcher*) shows that studies adopting qualitative techniques and mixed methodologies again exceeded those using pure quantitative techniques (15%). Out of all those studies reviewed, approximately 20% used exemplar social enterprises to illustrate conceptual and theoretical issues. These are different from papers that adopted more formal qualitative research methods such as case studies and depth interviews. Papers that were published in higher rated journals gave more emphasis to theory and rigorous qualitative empirical work with less use of exemplars.

2.6 Conclusion

Social entrepreneurship and social enterprise have gained increased interest from the academic and professional domains in recent years (Granados, 2011). Despite scholarly interest in both concepts over the past two decades, social entrepreneurship and social enterprise research is still at “startup mode” (Mair, Robenson and Hockerts, 2006: 2) and has a long way to go before it reaches maturity (Haugh, 2005; Doherty et al., 2014). At the outset, a significant proportion of cumulative work in the field has been dedicated to a definitional debate that remains unresolved (Short et al., 2010; Choi & Majumdar, 2014) and/or the study of individual-level characteristics that in many cases did not set social entrepreneurs as different from other types of entrepreneurs (Mair & Noboa, 2003; Haugh, 2005; Dacin et al., 2010). Furthermore, limited attention has been given to the study of distinct goals and processes that are characteristic of social entrepreneurship (Short et al., 2009; Haugh, 2005; Dacin et al., 2010; Mair & Noboa, 2003; Doherty et al., 2014; Granados et al., 2011). Social entrepreneurship scholars agree that

the relative primacy of research in the domain may be attributed to the lack of a unified definition for social entrepreneurship and social enterprise and consequently the absence of a conceptual framework that guides analysis. This in turn translated into limited empirical research, which when conducted was characterized by the lack of rigor, minimal quantitative research and heavy reliance on case analysis; all of which obstructed generalization attempts that are needed for theory development (Hoogendoorn et al., 2010; Short et al., 2010, Mair & Noboa, 2003; Haugh, 2005; Doherty et al., 2014).

Advancement of social entrepreneurship domain requires that scholars in the field undertake two major courses of action in parallel. First, social entrepreneurship research should transcend the definitional debate and expand beyond the narrow actor-centered studies of the hero-entrepreneur. More importantly, scholars must invest their efforts in a stream of research that focuses on both (a) the dual mission of social entrepreneurial entities (and the nature and implications of resultant social-business tensions), and (b) the activities and processes underlying the social entrepreneurship phenomenon. The relevance of the latter stream of research stem from its actionable implications (Dacin et al., 2010; Haugh, 2005); social entrepreneurship is “first and foremost a practical response to unmet individual and societal needs” (Haugh, 2007: 743). Second, as scholars conduct more mission-and process- oriented research, it should be established that the legitimacy of the scholarly field of social entrepreneurship (and social enterprises) is closely associated with the adoption of rigorous research methods where the conceptual and/or empirical – based arguments and explanations are related to existing theories, frameworks or concepts, which may be borrowed or extended from other source domains. Theory borrowing and theory extending is expected to create a fertile ground for subsequent theory generation (Haugh, 2012).

As shall be shown in the following chapters, the current study presents a practical application of these two considerations. First, the current study aims at understanding the dynamics of the social entrepreneurial process. More specifically, it seeks to explain how opportunities are formed and subsequently developed in social enterprises to ensure sustained social value creation. Researchers have explained that an epistemological approach that employs a process-

based worldview to examine the phenomenon of entrepreneurship would likely serve as a promising avenue through which pure theory development may be balanced with practice-based theorizing (Zahra, 2007; Moroz & Hindle, 2012). Process-oriented studies that analyze the temporal relationships among key variables in the causal chain have the advantage of explaining which variables are important, as well as when, why and how changes might occur in these relationships to explain the growth and scalability of an entity's operations (Zahra, 2007; Austin et al., 2006).

Second, the proposed explanation in this study of the social entrepreneurial process is grounded in a multitude of concepts, frameworks and theories that are driven from a variety of domains. From that point onwards, the study defines social entrepreneurship as the “activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner” (Zahra et al.; 2009:5). Furthermore, the study follows Choi and Majumdar's (2014) framing of social entrepreneurship as a cluster concept. Given the processual perspective adopted in this study, emphasis shall be placed on the ‘social value creation’ sub-component. The following chapter (Chapter Three) elaborates on this sub-component of social value creation, capture and appropriation by reference to the business model literature, where an opportunity centric framing of a social business model is eventually proposed. Reliance on the business model literature to understand the social opportunity development process responds to the scholars' call for the articulation of an integrated conceptual framework that they find necessary to make social entrepreneurial practices and organizational forms intelligible and accessible for discussion. (Ridley-Duff & Bull, 2011; Shane & Venkataraman, 2000). While chapter three elaborates on the static features of the model highlighting the coherence between core business model components, chapter four proceeds to describe the transformational dimension of the model which in turn emphasizes the dynamics within and between these components that eventually explain how a business model evolves over time (Demil & Lecoq's, 2010). The transformational features of a social business model may be used to explain the sustainability of social value creation offered by a social enterprise. To explain these transformations underlying the identification and development of a social opportunity, reference is made to Sarasvathy's overarching logic of effectuation (Sarasvathy, 2001;

Sarasvathy, 2008; Sarasvathy & Dew, 2005), which is supplemented by Geroski's theory of market evolution (Geroski, 2003; York et al., 2010) and combined work on the 5I organizational learning framework (Crossan, Lane & White, 1999; Dutta & Crossan, 2005; Jones & Macpherson, 2006; Zietsma et al., 2002).

CHAPTER THREE:

SOCIAL BUSINESS MODEL: DEVELOPING A TYPOLOGY

3.1 Introduction

In chapter two, social entrepreneurship was described as the “activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner” (Zahra et al.; 2009:5) Consequently, social enterprise was introduced as an organizational hybrid combining features from profit-maximizing businesses and non-profit organizations that exist to satisfy social objectives. This in turn makes it a fertile ground for the emergence of social-business tensions (Yunus et al., 2010; Doherty et al., 2014; Smith et al., 2013). With social value creation at its heart (Yunus et al., 2010; Choi & Majumdar, 2014), it accordingly comes as no surprise that the evolution of social enterprise as distinct from its traditional commercial counterpart requires the adoption of a modified logic, or business model, that explains how social value can be created and appropriated (Muller, 2012). “If the business model is the key vehicle for social value creation and if social value creation is at the heart of social entrepreneurship it becomes crucial to understand the mechanisms of the social entrepreneur’s business model”, explains Muller (2012:107). Generally, a business model refers to “the blueprint of how a company does business” (Osterwalder & Pigneur.; 2005:2).

Although the term was not explicitly referred to, the business model concept made its initial appearance in an academic article in 1957 where it was used as a business game that served executive training purposes (Bellman, Clark, Malcolm, & Ricciardi, 1957; Zott, Amit, & Massa, 2011; DaSilva & Trkman, 2014). Later in 1960, the ‘business model’ term emerged for the first time in the title and abstract of a paper to refer to the framework through which educators can adapt to new technical developments (Jones 1960; Zott et al., 2011; DaSilva and Trkman, 2014). It was not until the end of the 1990s that the popularity of the term rose to prominence coinciding with the dot-com boom and the advent of the internet, the expanding industries and organizations dependent on postindustrial technologies, and the rapid growth in emerging

markets and interest in bottom-of-the-pyramid issues. The majority of publications were however dedicated to the e-business domain (Zott et al., 2011; Osterwalder & Pigneur.; 2005; Morris, Schindehutte & Allen, 2005; Lambert, 2006).

The business model concept has captured the attention of both academics and practitioners who come from different backgrounds and have diverse viewpoints, research interests, and study objectives (Pateli & Giaglis, 2003; Klang, Wallnöfer & Hacklin, 2014). On one side, there has been an agreement amongst scholars and practitioners on the contribution and relevance of the business model as a tool that helps managers to capture, understand, communicate, design, analyze, and change the business logic of their firm (Osterwalder & Pigneur., 2005; Baden-Fuller & Morgan, 2010; Pateli & Giaglis, 2003). On a different side, a review of the business model literature reveals that attempts to reach a universal definition have failed. The term has been conceptualized and analyzed in multiple ways (that are sometimes difficult to reconcile) and with different degrees of depth based on the researchers' perspectives and scope of interest (Lambert, 2008; Shafer, Smith & Linder, 2005; Osterwalder & Pigneur., 2005; Zott et al., 2011; Lambert & Davidson, 2012; George & Bock, 2011). The result is that the business model literature is developing largely in silos where idiosyncratic definitions are used by researchers in different fields to explain their respective phenomena of interest. In other words, the term business model in its current use is not one concept; it is many concepts (Zott et al., 2011). Divergent definitions of business model have as such been argued to promote ambiguity and dispersion (rather than convergence of perspectives) and to obstruct cumulative research progress (Lambert, 2006; Shafer et al., 2005; Osterwalder & Pigneur, 2005; Zott et al., 2011). Future researchers are therefore advised to adopt clearer and more precise concepts and terminologies to describe their main analytical focus, which would eventually guide their understanding of the theoretical building blocks of the relevant business model, its antecedents and consequences, and the mechanisms through which it works (Zott et al., 2011).

In this chapter, social business model is presented as a distinct typology. The first section includes a representation of a plethora of business model definitions, eventually shedding light on the relationship between business model and other management terms such as strategy, in addition to other concepts that define the business model phenomenon to specify its nature

(such as business model evolution). The section closes by describing the current state of business model research. The second section then combines the social entrepreneurship literature and business model literature to develop a static view of social business model and elaborate on its components.

3.2 The Business Model Construct

“[Business models] are, at heart, stories... stories that explain how enterprises work” (Magretta: 2011:87). Doz and Kosonen (2010) distinguish between subjective and objective definitions of the term. Subjectively, a business model is viewed as a collective cognitive and conceptual representation or statements, descriptions and frameworks, based on which a firm’s management draws a theory that sets boundaries to the entity, and further describes how it creates value, and organizes its internal structure and governance (Doz & Kosonen, 2010; Zott et al., 2011). Mair and Schoen (2005:3), for instance, describe a business model as a ‘sketchy’ term that presents a ‘simplification of a planned or existing business’. It reflects the logic of the firm (Casadesus-Masanell & Ricart; 2010) or the rationale of how an organization creates, delivers and captures value (Osterwalder & Pigneur 2005). Objectively, a business model refers to “sets of structured and interdependent operational relationships between a firm and its customers, suppliers, complementors, partners and other stakeholders, and among its internal units and departments (functions, staff, operating units, etc). These ‘actual’ relationships are articulated in procedures or contracts and embedded in (often) tacit action routines” (Doz & Kosonen, 2010: 371-372). In the objective view, a business model is therefore regarded as an architecture or a structural template (Zott et al, 2011) that guides the design and realization of the business structure and systems constituting the operational and physical form an organization takes to create sustainable competitive advantage (Osterwalder & Pigneur., 2005, Morris et al, 2005). A good business model as such determines which market segments should be targeted; what benefits the product/service will deliver to the customer; which features/technologies will be embedded within it and how they can be best assembled and offered to the customer; how the business’s revenue and cost structures should be designed

(and, if necessary, redesigned); and how value will be captured and competitive advantage sustained (Teece, 2010).

Over time, researchers have proposed multiple definitions for business models, which have varied widely to incorporate organizational narrative and sensemaking, processes that convert innovation into value, flows of information and resources, recipes for firm activities that incorporate organizational design and strategy, transactive structures that reflect a firm's set of boundary-spanning transactions, network value structures, and finally processes that are directed towards opportunity exploitation (George & Bock, 2011; Zott et al., 2011; Klang et al., 2014). Table (3-1) summarizes these themes; which - as shown - highly overlap. Scholars agree that the lack of a universal understanding or definition of the business model concept has resulted in the misinterpretation and consequently the misapplication of the term, by both practitioners and scholars. This perplexity over a common definition is further associated with mystification between the notion of business model and other concepts such as strategy (Zott et al., 2011; Casadesus-Masanell & Ricart, 2010; DaSilva & Trkman, 2014).

Table (3-1): Thematic Summary of Business Model Definitions²

Perspective	Summary	Definition
Narrative and Sensemaking	Subjective, descriptive, emergent	“[Business models] are, at heart, stories... stories that explain how enterprises work”- Magretta (2011:87).
	story or logic of key drivers of organizational outcomes (George	BM is ‘ a conceptual tool that contains a set of elements and their relationships and allows expressing a company's logic of earning money. It is a description of the value a company offers to one or several segments of customers and the architecture of the firm and its network of partners for creating, marketing and

² The assignment of the definitions included in the table to a particular view/perspective is a personal effort of the researcher. The different views and perspectives overlap and many definitions easily fit in more than one category.

	and Bock, 2011: 86).	delivering this value and relationship capital, in order to generate profitable and sustainable revenue streams’ - Osterwalder (2004: 15)
		BM is “the translation of strategic issues, such as strategic positioning and strategic goals into a conceptual model that explicitly states how the business functions” - Osterwalder (2004: 2)
		BM is “a collective cognitive representation (by a firm’s management) that in turn draws a theory of how to set boundaries to the firm, of how to create value, and how to organize its internal structure and governance” - Doz and Kosonen (2010: 371-372)
		BM is a tool to analyze and communicate strategic choices. It can be conceptualized as a set of interdependent activities or a mechanism/tool for value creation and delivery - Lambert and Davidson, (2012)
		BM is a representation of a firm’s underlying core logic and strategic choice for creating and capturing value within a value network. – Shafer et al. (2005)
		BM is a ‘sketchy’ term that presents ‘a simplification of a planned or existing business’ - Mair and Schoen (2005: 3).
		BM refers to “the logic of the firm, the way it operates and how it creates value for its stakeholders” (Casadesus-Masanell & Ricart, 2010:196).
Processes that convert innovation into value	Processual configuration linked to evolution or application of firm technology (Chesbrough and	BM provides “a coherent framework that takes technological characteristics and potentials as inputs and converts them through customers and markets into economic outputs” - Chesbrough and Rosenbloom, 2002: 532).
		BM is a mechanism for turning ideas into revenue at a reasonable cost - Baden-Fuller and Morgan (2010).

	Rosenbloom, 2002)	
Transactive structures	Configuration of boundary-spanning transactions (George and Bock, 2011: 86)	BM refers to “sets of structured and interdependent operational relationships between a firm and its customers, suppliers, complementors, partners and other stakeholders, and among its internal units and departments (functions, staff, operating units, etc). These ‘actual’ relationships are articulated in procedures or contracts and embedded in (often) tacit action routines” - Doz and Kosonen (2010: 371-372)
		A business model “elucidates how an organization is linked to external stakeholders, and how it engages in economic exchanges with them to create value for all exchange partners”. It refers to “the design of an organization’s boundary-spanning transactions” (Zott and Amit (2007: 181).
Activity system	A system-level view that describes an organization as a network of social interactions that occur within the activity system (Zott and Amit, 2010).	BM is “ a set of interdependent organizational activities centered on a focal firm, including those conducted by the focal firm, its partners, vendors or customers, etc..” - Zott and Amit (2010: 217).
		BM is the set of activities a firm performs, how it performs them, and when it performs them so as to create superior customer value and put itself in a position to appropriate value - Afuah (2004).

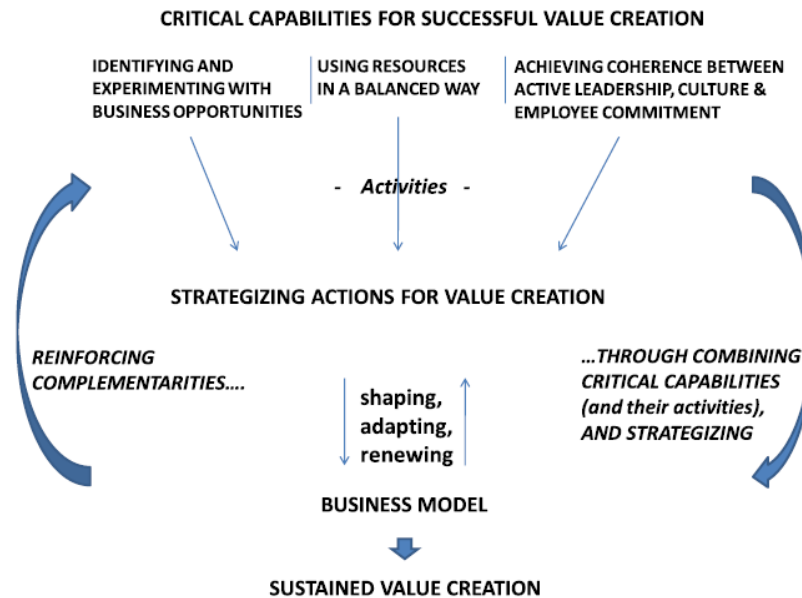
Flows of information and resources (resource based view)	Organizational structure co-determinant and co-evolving with firm's asset stock or core activity set – George and Bock, 2011: 86	A generic business model “includes the following causally related components, starting at the product market level: (1) customers, (2) competitors (3) offering, (4) activities and organization 5) resources, and (6) supply of factor and production inputs” and “(7) scope of management” - Hedman and Kalling (2003: 52-53)
		BM is a “concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets” Morris et al. (2005; 727).
Networked value creation	BM is “the manner by which the enterprise delivers value to its customers, entices customers to pay for value, and converts those payments to profits” - Teece (2010: 172)	Business model refers to a “set of capabilities that is configured to enable value creation consistent with either economic or social strategic objectives”. Seelos and Mair (2007: 53).
		BM refers to “the design by which an organization converts a given set of strategic choices - about markets, customers, value propositions into value, and uses a particular organizational architecture of people, competencies, processes, culture and measurement systems - in order to create and capture this value” – Smith, Binns & Tushman (2010: 450)
Opportunity Centric	Enactment and implementation tied to an opportunity landscape (George and Bock, 2011)	BM “the design of organizational structures that enact a commercial opportunity”. - George and Bock (2011:86)

Zott et al. (2011) explain that contrasting conceptualizations of the business model term share a number of themes: (1) a business model emphasizes a system-level, holistic approach to explaining how firms do business; (2) business models seek to explain how value is created, not just how it is captured; (3) the business model, as a unit of analysis, is distinct from the product, firm, industry, or network. It is centered on a focal firm, yet its boundaries extend beyond that of the firm and; (4) a firm's activities play an important role in the conceptualization of business models. Building on Zott et al.'s analysis, mapping the business model construct should therefore follow a *system-level holistic view* that incorporates all the *activities* that take place *inside a firm and across its boundaries* and are directed towards *value creation and capture*.

3.2.1 The Relationship between Strategy and Business Model

Business model scholars explain that confusion over the meaning and usefulness of the concept has been partially driven by misunderstanding of the difference between strategy and business model (Zott et al., 2011; Casadesus-Masanell & Ricart, 2010, 2010; DaSilva & Trkman, 2014). For instance, Porter's (2001:71) definition of strategy as "how all the elements of what a company does fit together" seems to overlap at the surface with Magretta's (2011:6) definition of business model as "a system of how the pieces of a business fit together". This explains why extensive research has, consequently, been dedicated to clarify the ambiguity surrounding the relationship between these two closely related concepts (DaSilva & Trkman, 2014; Teece, 2010; Casadesus-Masanell & Ricart, 2010). While some researchers view business model as a reflection of the realized strategy and a translation of the strategic choices and goals set by the firm's management (Casadesus-Masanell & Ricart, 2010; Ostewalder, 2004; Osterwalder & Pigneur., 2005; Zott et al., 2011; Sanchez and Ricart, 2010; Smith et al., 2010), others, implicitly or explicitly, refer to strategy and strategic choices (or some of its elements such as mission, competition, external positioning, growth) as an integral component of the business model concept (Shafer et al., 2005; Mair & Shoen, 2005; Morris et al., 2005; Hedman & Kalling, 2003). The work of Achtenhagen, Melin and Naldi (2013) offers a framework through which this confusion may be resolved. In their paper, Achtenhagen et al. (2013) capture the relationship between strategy, dynamic capabilities and business model in an integrative

framework that they use to explain how sustained value creation is achieved through business model change that is in turn made possible through a combination of strategy-related practices that are fueled by a set of dynamic, critical capabilities (Figure 3-1).



**Figure (3-1): An Integrative Framework
for Achieving Business Model Change for Sustained Value Creation**

Author: Achtenhagen et al. (2013)

An in-depth understanding of Achtenhagen et al.'s framework illustrates three main points. First, as shown in the figure, the framework presents the business model as a bridge between strategy formulation and implementation (Zott et al., 2011). In other words, it translates what a company aims to become (in the long-term) into a model that explicitly states how the business functions at a given time (or on the short term) (DaSilva & Trkman, 2014). At the outset, an organization identifies a number of alternative strategies or a contingent plan of actions designed to achieve a particular goal; each plan requiring a different logic (*or business model*) (Casadesus-Masanell & Ricart, 2010). The business model and strategy hold two different meanings until the organization chooses one to be its 'realized strategy'. Only then does a business model become a reflection of the firm's realized strategy and further a translation of

strategic positioning and strategic goals, into an activity system (Sanchez & Ricart, 2010; Casadesus-Masanell & Ricart, 2010; Osterwalder, 2004; Osterwalder & Pigneur., 2005). As in the case of social enterprise, Smith et al. (2010) draw attention to a breed of organizations that demand the adoption of ‘complex business models’ which enable them attend to the tensions of paradoxical strategies emanating from inconsistencies or contradictions inherent in diverse agendas.

Second, the relationship between strategy and business model is mediated by dynamic capabilities (Achtenhagen et al., 2013).

“We argue that strategy (a long-term perspective) sets up dynamic capabilities (a medium-term perspective) which then constrain possible business models (present or short-term perspective). Business models are then bounded by the firm’s dynamic capabilities” (DaSilva & Trkman, 2014:383).

Dynamic capabilities refer to critical, higher level and difficult-to-replicate capabilities, manifested in organizational and managerial processes, that in turn enable an organization to adapt and change over time in response to present and future contingencies (Dixon, Meyer & Day, 2014; Achtenhagen et al., 2013). They are ‘capabilities’ in that they enable organizations to adapt, integrate and reconfigure skills, resources, and functional competences. They are ‘dynamic’ in the sense of enabling the organization to renew its competences to achieve congruence with the changing environment (Dixon et al., 2014). Achtenhagen et al. (2013) explain that these critical capabilities are closely related to micro-foundations or micro-practices, which refer to the everyday activities that shape the change in capabilities. Research on the constituent elements of these micro-practices or routines is still undeveloped, yet Achtenhagen et al. identify three main categories: an orientation towards experimenting with and exploiting new business opportunities, a balanced use of resources, and coherence between leadership, culture, and employee commitment. Experimentation and balanced use of resources respectively coincide with Dixon et al.’s (2014) distinction between *innovation dynamic capabilities* (which relate to the creation of completely new capabilities via exploration and path-creation processes, that are supported by search, experimentation and risk taking, as well as project selection, funding and implementation) and *adaptation dynamic capabilities* (which relate to routines of resource exploitation and deployment, which are supported by acquisition,

internalization and dissemination of extant knowledge, as well as resource reconfiguration, divestment and integration). Achtenhagen et al.'s reference to leadership was similarly applied by Smith et al. (2010) in a different context to explain how leadership (whether team-centric or leader-centric structure) plays a critical role to ensure the long-term success of paradoxical strategies.

Third, coupling strategy analysis with business model analysis presents both a prerequisite and an explanation of business model evolution; a fine tuning process that involves voluntary and emergent changes in and between permanently linked core business model components (Demil & Lecoq, 2010; Teece, 2010; Sosna, Trevinyo-Rodríguez, & Velamuri, 2010; Levie & Lichtenstein, 2010). Broadly speaking, strategy is competitor or environment centric and as such is oriented towards optimizing the effectiveness of a business model's activity system against the external environment, including the potential to change that system, alter the underlying opportunity, or seek out new opportunities. Business models, on the other hand, are opportunity-centric and are primarily concerned with the configurational enactment of a specific opportunity through an activity system (George & Bock, 2011; Chesbrough & Rosenbloom, 2002; Magretta, 2011; Zott et al., 2011; Osterwalder & Pigneur., 2005). George and Bock (2011) therefore explain that while implementing a business model may generate organizational change, the business model itself is not a description of or recipe for change. Rather, it is a representation of a firm's underlying core logic and strategic choice for creating and capturing value within a value network; both of which are guided by the management's core logic, and time, scope and size ambitions (Hedman & Kalling, 2003; Shafer et al., 2005).

Researchers identify two complementary 'static' and 'dynamic/transformational' perspectives to understanding business model. The static approach highlights the model as a blueprint that explains the coherence between core business model components, and thus serves the objectives of building typologies and describing the components of a business model and their relationship with a firm's performance. A dynamic/transformational perspective, on the other hand, regards the business model as a tool to address change and focus on innovation in the organization, or in the model itself. In the transformational view, a sustainable model results from a set of ongoing, progressive refinements that aim at creating internal consistency (within

and between components of a model) and/or adapting to the environment in which the model operates (Demil & Lecoq, 2010). At the early exploratory phases of the venture, business model changes are required to readjust the manager's initial conceptualizations or mental images of their environment and fast-evolving markets, which have initially been developed under conditions of high uncertainty. Later, at the implementation stage, established firms may need to renew their business models to face potential threats to their continued ability to create value for their stakeholders and capture sufficient value for their company (Sosna et al., 2010). In their research, Demil and Lecoq (2010) reconcile the 'static' and 'transformational' views suggesting that business evolution happens because any firm is in a permanent state of transitory disequilibrium where its sustainability hinges on the ability of its business model to respond to voluntary and emergent changes. They use the term 'dynamic consistency' to refer to the firm's ability to anticipate change consequences and implement incremental or radical changes to adapt the business model to maintain or restore ongoing performance. In its heart, dynamic consistency emphasizes that the 'static' and 'transformational' views of business model are not opposite, but are however complimentary and satisfy different objectives.

3.2.2 Components of the Business Model Construct

The business model concept revolves around customer-focused value (Zott et al., 2011). As such, analyzing the construct should aim at illuminating our understanding of the manner by which the enterprise delivers value to its customers, entices customers to pay for value, and converts those payments to profits (Teece, 2010: 172). According to Osterwalder (2004) the main objective of deconstructing the business model term to concepts and relationships is to create a common language and a reference model that communities of practice could utilize to advance research in the business model domain. Attempts to decompose the business model concept however vary in terms of the approach, depth and sophistication of analysis (Osterwalder, 2004; Osterwalder & Pigneur., 2005; Morris et al., 2005). Zott et al.'s (2011) emphasis on 'networked' value creation highlights that a business model cannot be simply described as a linear mechanism for value creation (that extends from suppliers to the firm to

its customers), but instead as one that involves a more complex, interconnected set of exchange relationships and activities among multiple players.

The majority of business model research agrees on the deconstruction of the business model construct into interrelated activity sets that underlie processes of value proposition, creation and appropriation, which are both enabled and constrained by the resources available to the firm, and more importantly are driven or guided by strategic choices that are made at higher levels. Mahadevan (2000), for instance, adopts a simple view of the business model as a configuration of three streams that are critical to the business. The 'value stream' identifies the value proposition for the business partners and the buyers; the 'revenue stream' sets a plan for assuring revenue generation; and finally the 'logistical stream' addresses issues related to the design of the supply chain. Stähler (2002) also deconstructs the business model into four components that in turn explain how a firm creates and captures value through its network of stakeholders. These components are value proposition, product, architecture of value creation, and revenue model. While 'value proposition' answers the question of what value the business creates for its stakeholders (both customers and suppliers), 'product' answers the question of what the firm sells to its customers, and the 'architecture of value creation' describes how the value is created through an interaction with multiple economic agents. Finally, the revenue model answers the question of how a company earns money. Johnson, Christensen, and Kagermann (2008) similarly agree that a business model consists of four interlocking blocks which combine to create and deliver value. These are customer value proposition, profit formula, key resources and key processes. The power of the model stems from the complex interdependencies of its elements. Demil and Lecoq (2010) identify three components of a business model; resources and competences, organizational structure, and value propositions. A business model's ongoing dynamics come from the interactions between and within the core model components. Add to that, the composition of and interaction between the three above-mentioned components determine the structure and volume of the organization's costs and revenues, and accordingly a firm's sustainability. Morris et al. (2005) adopt the same perspective suggesting that a business model revolves around three main dimensions: economic, operational and strategic; each of which involves a unique set of decision variables. The three dimensions can be presented hierarchically in the sense that the concept becomes more

comprehensive moving from the economic to the operational to the strategic levels. The economic/profit level is the most basic and covers issues relating to revenue sources, cost structures, pricing methodologies, margins, and expected volumes. The operational level shows the architectural configuration of a business as reflected in the internal processes and infrastructure design through which a firm creates value. Related decisions include resource flows, logistical streams, knowledge management, and production or service delivery methods. Finally, the strategic level involves issues pertaining to competitive advantage and sustainability, such as the overall direction in the firm's market positioning, interactions across boundaries, and growth opportunities. Here, decision elements include stakeholder identification, vision, values, networks and alliances, and value creation (Morris et al., 2005). In their work, Morris et al. (2005) take their analysis a step forward where they develop a six-component framework to characterize a business model regardless of venture type. These components are: how do we create value, who do we create value for, what is our source of competence, how do we competitively position ourselves, how do we make money, and what are our time, scope and size ambitions. Each of those six component can then be analyzed on three levels to explain 'what the company does' in that particular component (foundational level) and 'how it does it' (proprietary and rules levels).

Another sophisticated level of analysis is offered by Osterwalder (2004). Osterwalder's business model ontology represents one of the few attempts in the field to offer an explicit specification of the concept by identifying the elements, relationships, vocabulary, and semantics of a business model in several levels of decomposition with increasing depth and complexity (Lambert, 2006; Lambert 2008; Zott et al., 2011). A business model is "a conceptual tool that contains a set of elements and their relationships and allows expressing the business logic of a specific firm. It is a description of the value a company offers to one or several segments of customers and of the architecture of the firm and its network of partners for creating, marketing, and delivering this value and relationship capital, to generate profitable and sustainable revenue streams" (Osterwalder, 2004: 15). Based on literature synthesis, Osterwalder identifies four main pillars of the business model concept; product, customer interface, infrastructure management and financial management. Those four pillars in turn translate into nine building blocks; value proposition, target customer, distribution channel,

relationship, value configuration, core competency, partner network, cost structure and revenue model.

Klang et al. (2014) conduct a somehow different analysis in which they cluster constituents of the business model construct into three categories that reflect their locus and role namely; internal artefacts, relational mechanisms and external stakeholders. Internal artifacts are often linked to a firm's mission, aims, resources, internal capabilities and basic functions, which do not directly influence its relationships with external stakeholders. Relational mechanisms, on the other hand, refer to a set of interdependent activities that transcend boundaries of the focal firm eventually influencing its relationships with external stakeholders. Relational mechanisms go beyond all functions underlying content of the transaction (such as supply, production and other logistical streams) to include elements of structure and governance; all of which are related to customer interface (i.e. value proposition), value streams, value appropriation, value chains and value networks. Finally, external stakeholders refer to the target market space (including customer, partners, suppliers and competitors) that exist outside the boundaries of the firm. It is noteworthy that although some elements are specific as to the respective constituent to which they belong (i.e. internal artifacts, relational mechanisms or external stakeholders), there are other elements whose contribution is not confined to one theme only.

Finally, Casadesus-Masanell and Ricart (2010) follow a 'practitioner' approach where they treat business model as an objective, real entity that is manifested in causal loops of concrete choices made by management about how an organization should operate, and the consequences of these choices. Choices made by the management are of three types; policies, assets and governance structures. Policy choices refer to courses of action that the firm adopts for all aspects of its operation for instance compensation practices, location of facilities, sales and marketing initiative, pricing policies; asset choices refer to decisions about tangible resources, such as manufacturing facilities, manpower composition; and governance choices refer to the structure of contractual arrangements that confer decision rights over policies or assets, such as procurement contracts. With regard to consequences of these choices, while a 'flexible' consequence is highly sensitive to the choices that generate it, a 'rigid' consequence is one that does not change rapidly with the changes that cause it.

3.2.3 Business Model Research: Where do we stand?

Broadly speaking, researchers agree that the overall objective of business model research is to develop a theory of business model that can aid in the explanation of business success (Osterwalder & Pigneur, 2005; Pateli & Giaglis, 2003; Lambert, 2006). Lambert (2006) however explains that advancing business model research from conceptual to theoretical requires a structured approach that relies on a combination of inductive and deductive research. He therefore proposes a six-phase business model research schema beginning with an *early conceptualization of business models*, followed by *deductive empirical research*, *developed conceptualization of business models*, *inductive empirical research*, *generalizations*, and *development of business model theory*. Lambert's schema is inspired by similar classifications that have been proposed by other researchers like Osterwalder and Pigneur. (2005) and Pateli and Giaglis (2003).

Osterwalder and Pigneur. (2005) identify three categories of business model research that can be (but are not necessarily) hierarchically linked. On the first level, the business model is treated as an abstract overarching concept, where constituent elements of meta-models (describing all real world businesses) are identified. The second level of research offers a classification scheme where different meta-models are described and the common characteristics of each type are defined. Lambert (2006) however criticizes Osterwalder and Pigneur.'s description of this research as 'taxonomic' suggesting that the term 'typological' is more typical. Although both terms have often been used interchangeably, typologies are conceptual classifications that are generated through deductive research whereas taxonomies are driven empirically through inductive research (Bailey, 1994; Lambert, 2006). Finally, on the third level Osterwalder and Pigneur. describe an 'instance level' of research that encompasses either concrete real world business models or conceptualizations and representations of real world business models.

Pateli and Giaglis (2003) also propose an explanatory framework that classifies available literature on business models into six sub-domains based on the objective that a particular research serves namely; definition, components, taxonomies, representations, change methodologies, and evaluation models. The 'definition' sub-domain identifies the purpose, scope, and primary elements of a business model, and explains the relationship of business

model with other business concepts, such as strategy and business processes. The ‘components’ sub-domain aims at analyzing and decomposing the business model concept into its fundamental constructs. Pateli and Giaglis (2003), like Osterwalder, Pigneur and Tucci (2005), refer to the third sub-domain as taxonomies, while they in fact, means typologies (Lambert, 2006; Bailey, 1994). The three remaining sub-domains (representation, change methodologies and evaluation models) reflect a more advanced level of research. The ‘representation’ sub-domain proposes a number of possible instruments or/and representational formalism to visualize the primary components of a business model and their interrelationships. The ‘change methodologies’ sub-domain seeks to formulate guidelines and to identify steps and actions that guide the transformation of business models, usually in terms of innovation, or the choice of an appropriate business model, usually from a set of available ones. Finally, the ‘evaluation model’ sub-domain is concerned with identifying criteria for either assessing the feasibility and profitability of business models or evaluating a business model against alternative or best practice cases.

Researchers explain that a review of the available business model literature in light of these classifications and schema reveal that despite all the ink spilt and words spoken, business model research is still a young phenomenon and has a long way before it could reach maturity (Osterwalder & Pigneur., 2005; Lambert, 2006; Zott et al., 2011). First; there is broad agreement amongst researchers in the field that the majority of writings on the subject is definitional (Achtenhagen et al., 2013; Baden-Fuller & Morgan, 2010; Casadesus-Masanell & Ricart, 2010; DaSilva & Trkman, 2014), which despite – extensive efforts – has yet failed to reach a common definition of the term or its components (Zott et al., 2011). This is followed by some recent attention to more detailed ontological research that analyzes the concept to its fundamental constituents (Osterwalder, 2004; Zott et al., 2011; Hedman & Kalling, 2003; George & Bock, 2011). Typological research is as well on the rise (Alter, 2006; Alter, 2007; Aspara, Lamberg, Laukia & Tikkanen, 2013; Pateli, 2003; Mair et al., 2012). Negligible advancements have however been made towards taxonomic research (Lambert, 2006), or more advanced levels revolving around representation, change methodologies and/or evaluation models (Pateli & Giaglis, 2003). Pateli and Giaglis (2003) also explain that although some researchers do touch upon a number of sub-domains in a single research, there yet exists no

work that manages to synthesize all sub-domains into a thorough and comprehensive analysis of business models.

Second, business model research lacks the empirical rigor that is needed to advance the domain. Business model research is primarily dominated by conceptual contributions. This may be attributed to the fact that the majority of available research has revolved around basic definitions and/or decompositions of the business model construct where the author(s) sometimes made reference to one or more readily available illustrative example(s) to support his/her explanations (Teece, 2010; Casadesus-Masanell & Ricart, 2010). A similar conceptual approach has also been used by researchers who followed a more in-depth approach to defining and/or analyzing the components or antecedents of the construct, or whose research otherwise involved other related concepts such as business model evolution (e.g. Smith et al., 2010; Smith et al., 2013). A review of the limited empirical studies in the field further highlights the domination of qualitative studies in which the researcher(s) primarily adopted a single (or multiple) case study approach to elaborate on the phenomena being studied. In most of the cases this has been associated with typological research (Yunus et al., 2010; Mair & Schoen, 2005). There were a few exceptions however where (relatively) more sophisticated qualitative analysis (such as discourse analysis, content analysis, cluster analysis, multiple case study analysis) was applied (Sosna et al., 2010; George & Bock, 2011; Achtenhagen et al., 2013; Mair et al., 2012; Sanchez & Ricart, 2010).

Realizing the immature nature of business model research, Pateli and Giaglis (2003) propose a matrix that may be used to explain – based on two dimensions; integration and timeliness - how the sub-domains of business model research relate to each other and consequently how business model research can develop over time (Figure 3-2). While integration refers to the degree to which each sub-domain builds upon research conducted in other domains of the business model research, timeliness measures the degree to which a sub-domain is currently considered worthy of further investigation based on the number of existing research contributions in the field, and the declared interest of researchers for pursuing further research in the field in the future. In their matrix, Pateli and Giaglis place ‘definitions’ and ‘components’ themes in the low integration/low timeliness category to explain how although both categories

represent critical foundations of business model research, they have somehow been extensively studied by scholars and practitioners in the field. This in turn suggests that advancement of business model research requires interested scholars to progress towards more typological research. Typological research is situated on the higher end of low integration/low timeliness which explains that although that particular topic is foundational by nature, the existing research on the topic is still relatively undeveloped and needs further investigation before it could be classified as mature. The placement of typological research midway between foundational research and more advanced levels of analysis (Pateli & Giaglis, 2003) coincides with Lambert's (2006) classification who positions typologies as an intermediary between conceptual and theoretical research. According to Klang et al. (2014:18), the advancement of novel management concepts like business model requires that research initially be based on conceptual and theory-driven approaches to construct the building blocks of a business model “from scratch”. Bringing in a practitioner’s view that is based on empirical, data driven research can later gives rise to an increasing array of local meaning and opens door for a growing amount of constituent elements.

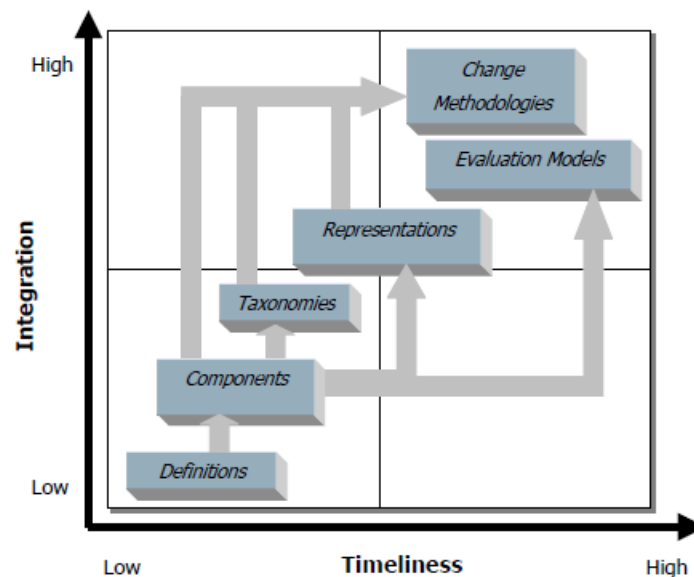


Figure (3-2): A Framework for Structuring BM Research Sub-Domains

Author: Pateli and Giaglis (2003)

Building upon the foundational definition and component domains (Osterwalder & Pigneur, 2005; Pateli & Giaglis, 2003), the current research contributes to the advancement of typological research through presenting a social business model classification. In this chapter, a conceptual deconstruction of the typical components of a social business model is presented, which is then followed in chapters six and seven by an empirical analysis of the dynamics of its operations. Supported by empirical evidence on the chosen case study of Furniture Resource Centre, this research as well may be situated into Lambert's (2006) second phase of business model research schema which transcends early conceptualizations of business models and further builds on deductive empirical research to develop an advanced conceptualization of business model. As shall be shown in the following section, the proposed social business model typology is an outcome of earlier writings on the topics of social entrepreneurship (chapter two) and business model (chapter three). Developing a typology for social business model is expected to contribute to both streams of research. A social business typology that compiles fragmented work from the business model domain is likely to present an addition to existing typological research and a step forward to narrow the gap between conceptual and theoretical efforts in the business model field. Furthermore, developing a social business model that illustrates the operating logic of a social enterprise is likely to advance processural theories in the social entrepreneurship domain.

3.3 Towards a Social Business Model Typology

3.3.1 Social Business Model: An Opportunity Centric Framing

A business model offers a common communication platform that is designed to meet the contrasting needs of distinct user groups such as scholars, managers and decision makers, information system developers and external users; each of whom adopts a different perspective and seeks a different scope and depth of analysis (Lambert, 2008). Of relevance to this study, researchers have explained how the business model concept holds the promise of advancing

theory development in entrepreneurship particularly with application to new ventures or innovation-driven industries, including those with either economic and/or social strategic objectives (Casadesus-Masanell & Ricart, 2010; Morris et al., 2005; Seelos & Mair, 2007; Seelos & Mair, 2005; George & Bock, 2011; Chesbrough, 2010; Achtenhagen et al., 2013; Doz & Kosonen, 2010; Fiet and Patel, 2008; Thompson & MacMillan, 2010). Although the social entrepreneurship domain is receiving more scholarly attention, many questions are still left unanswered especially those that aim to explain how social enterprises are able to create both social and economic value (Mair & Shoen, 2005).

With a particular emphasis on social enterprise, the current study presents a response to the call of scholars like Eckhardt (2013) who highlight the need to advance typological/taxonomic research in a way that links specific characteristics of a business model to specific types of opportunities. Socially motivated enterprises that operate in specific and challenging environments represent an important source of business model innovation (Casadesus-Masanell & Ricart, 2010). In the business model literature, social enterprise is often presented as a practical example of a breed of organizations whose competitive advantage hinges on their ability to simultaneously develop ‘paradoxical strategies’ that are directed towards the pursuit of contradictory, yet interrelated and mutually reinforcing agendas (such as social mission and profitability). To ensure that long term success is achieved, managing these paradoxical strategies requires the adoption of ‘complex business models’ (Smith et al., 2010). The ‘complexity’ of social business model may be attributed to three main reasons. First; social entrepreneurial entities pursue a dual mission that combines social and economic objectives. This requires that their driving logic supports the application of a ‘both/and’ approach to deal with multiple strategies and subsequently manage social-business tensions (Smith et al., 2010; Smith et al, 2013). Second, social entrepreneurs give primacy to their social mission which is achieved through the exploitation of social opportunities (Monllor, 2010). Social opportunities are generally more complex than opportunities pursued by commercial entrepreneurs. At the outset, social opportunities are targeted at solving long-standing societal problems such as poverty, unemployment and education. Furthermore, long term success can only be achieved through spreading the social innovation as widely as possible in order to maximize social change and improve social conditions (Muller, 2012; Robinson, 2006; Corner & Ho, 2010).

Third, social entrepreneurs work under tough conditions that are characteristic of the social sector in general (such as market uncertainty, paucity of resources, absence of economic, social and institutional support, and little governance and oversight) (Muller, 2012; Robinson, 2006; Corner & Ho, 2010). Compounded by the tensions and contradictions that result from their pursuit of a dual mission, social entrepreneurs are compelled to foster intense collaborative networks and partnerships and to develop dynamic, flexible and adaptive capabilities that enable them succeed in the short as well as the longer term (Short et al., 2010).

Scholars agree that key to understanding how a social business model operates is an unquestioned acknowledgement of opportunity as the crux of social entrepreneurship (Alter, 2007; Austin et al., 2006; Mair & Noboa, 2003; Thompson & Doherty, 2006; Ridley-Duff & Bull, 2011; Zahra et al., 2009; Yunus et al., 2010; Muller, 2012, Mair and Shoen, 2005). This in turn presents George and Bock's (2011) opportunity-centric design as an appropriate lens through which a social business model may be understood and consequently analyzed. First, an opportunity-centric framing regards a business model as "the organization's configurational enactment of a specific opportunity" (George and Bock, 2011; 102). It narrows entrepreneurial ideation to a definable opportunity, establishes the relevant goal set that drives entrepreneurial action and organizational investiture, and bounds the implementation of organizational activities that enact the opportunity (George and Bock, 2011). This view typically coincides with the definition of social entrepreneurship as "the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner" (Zahra et al.; 2009:5).

Second, in an opportunity-centric view, a business model is not about the activities per se, but rather about the *resource*, *transactive* and *value* structures that bound and connect the firm's core activity set in service to specific goals. Dimensional parity occurs when an entity develops opportunity exploitation with equal focus on two or all three dimensions (George and Bock, 2011). Although earlier business model research may have touched on the essence of resource-dominant and transactive-dominant structures (Morris et al., 2005; Hedman & Kalling, 2003; Doz & Kosonen, 2010; Zott & Amit, 2007), no reference has however been made earlier to value-dominant structures the way described by George and Bock. Value-structure dominant

models refer to those cases when an entity's primary focus is on the underlying mechanisms and rules that govern and control the processes of value creation and capture, which in turn serve as the facilitator between the nature of the underlying opportunity and the enactment of that opportunity. "An organization's value structure may center on one or more aspects of opportunity enactment, rather than on the monetization process" (George & Bock, 2011:105). In the case of social enterprises this may be rules that pertain to prioritization of social mission, or concepts of loss affordability. Extending the opportunity-centric design to the social entrepreneurship domain as such entails that the social business model not only be analyzed in terms of its resource structure and transactive structure, but that it as well demonstrates the guiding rules that govern the social entrepreneurial context.

3.3.2 Analyzing the Social Business Model Construct

The topic of social business models has recently attracted the attention of scholars and practitioners from both the social entrepreneurship and business model domains (e.g. Yunus et al., 2010; Mair et al., 2012; Mair & Schoen, 2007; Thompson & MacMillan, 2010). Research output is mainly conceptual, yet has often been often complemented by short illustrative examples (Thompson & MacMillan, 2010; Alter, 2006). There is also some empirical research which, with a few exceptions (e.g. Mair et al., 2012), basically adopts a qualitative in-depth case analysis approach (Yunus et al., 2010; Mair & Schoen, 2007; Mair & Schoen, 2005). The outcome of social business model research has so far revolved around one or more themes: a deconstruction of the social business model concept to its constituent elements (Yunus et al. 2010; Mair & Schoen, 2007; Mair et al., 2012), an elaboration of the main distinctive features of the social business model as opposed to other conventional models (Yunus et al., 2010; Mair et al., 2012; Sanchez & Ricart, 2010), an investigation of issues of scale and sustainability (Mair & Schoen, 2007), a presentation of specific models of social enterprise (Teasdale, 2010; Alter, 2006), and/or a compilation of a set of recommendations or observations that describe the mechanisms underlying the operations of a social business model (Yunus et al., 2010; Mair & Schoen, 2007; Mair et al., 2012; Thompson & MacMillan, 2010).

Research dedicated to identifying the constituent elements of the social business model concept is still limited, and has either built on an in-depth analysis of a single case (Yunus et al., 2010) or multiple cases (Mair & Schoen, 2007; Mair et al., 2012). Mair and Schoen (2007), for instance, enlist three components: value network, resource strategy and customer interface. Yunus et al. (2010) identify four elements: value proposition, value constellation, economic profit equation and social profit equations. Finally, Mair et al. (2012) present social entrepreneuring model as a process that involves (1) redefining the problem or need; (2) identifying the target constituencies, and (3) selecting the activity set by which the enterprise engages the identified target constituencies. They therefore summarize the components of a social business model into three elements: the issue domain in which the venture aims to make a difference, the target constituencies that it aims to involve in the process, and the activities in which the enterprise engages. In this section, earlier writings on social business model and others that are drawn from the broad business model literature are combined to eventually present a static view of social business model. Presented as a distinct typology, social business model is defined in this study as “the configuration of resource, transactive and value structures that are designed to enact a social opportunity while satisfying both social and economic strategic objectives”. Figure (3-3) highlights four main components of the model: resources and competencies, value proposition, value creation architecture and value appropriation. The feedback loops between components of value proposition, value creation and value appropriation bring an element of dynamism to the model.

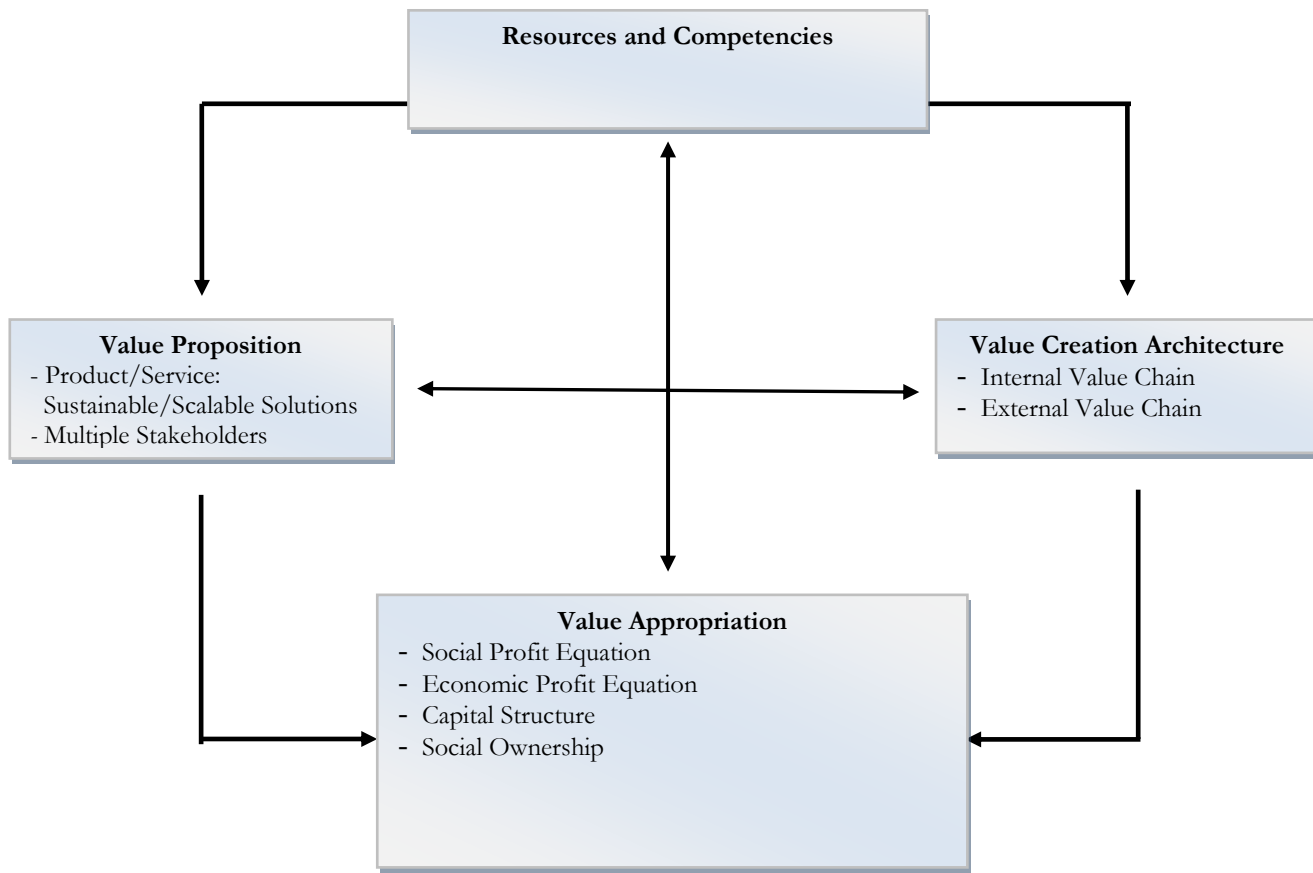


Figure (3-3): An Opportunity Centric Framing of Social Business Model

Source: Author

Resources and Competencies

Resources and competencies refer to the static architecture of an entity's organization that enables the development and accumulation of critical value-bearing resources, in addition to the implicit aspects of organizational structure, like culture, that coordinate activities (George & Bock, 2011). There is a general agreement that the scarceness and rarity of resources represent a distinctive feature of the social entrepreneurial context (Dees, 1998a; Peredo & Mclean, 2006). Operating in nontraditional and highly uncertain environments, social entrepreneurs cannot assess or predict the value-creation potential of these resources in new ways until they are actually employed (Seelos & Mair, 2007). Add to that, social entrepreneurs often have an imbalanced resource structure that is manifested in the limited availability of financial and

physical resources, which they try to overcome by reference to three others sets of resources: institutional, relational and cultural (Dacin et al., 2010).

This in turn has a number of implications. First; the social enterprise's resource strategy presents itself as a critical element of a social business model. Social entrepreneurs assess their resource needs and then craft innovative resource strategies that are incorporated into the business model at an early stage to ensure that critical and scarce resources are provided in a sustainable manner (Mair & Schoen, 2005; 2007). Working under conditions of high uncertainty, a resource strategy should explain how the extremely limited resources should be allocated to simultaneously pursue the multiple objectives pursued by the entity (Thompson & MacMillan, 2010). Second, social entrepreneurs reinforce a culture that emphasizes norms of proactiveness, collaboration and innovativeness along with a refusal to enact resource limitations (Haugh, 2005; Mair & Shoen, 2005; Peredo & Mclean, 2006). Third, an enterprise's social mission presents a source of legitimacy and is therefore regarded as a strategic resource that can be used to access other needed resources (Dacin et al. (2010). Fourth, social entrepreneurs support a collaborative paradigm that entails the establishment of strong relational ties with stakeholders who in turn serve as a conduit for additional resources through two routes: (a) collaborative agreements which entail partners pooling their own resources and knowledge to eventually expand the social enterprise's portfolio of resources that it would otherwise have needed to either develop alone or purchase. (Yunus et al, 2010; Dacin et al., 2010). Furthermore, (b) a social enterprise often works closely with its stakeholders to craft innovative resource strategies that enable it secure critical resources and as well maximize the utilization of the resources available (Doherty et al., 2014).

Value Proposition

Value proposition refers to the value stream a business model generates as reflected in its product/service offering and customers it serves (Yunus et al., 2010). A distinctive feature of a social value proposition is that the provision of the product or service is not an end in itself,

but rather an integral part of an intervention to achieve social objectives, which eventually contributes to bringing about a sweeping social change (Mair et al., 2012).

Yunus et al. (2010), as such, explain that the value proposition component of a social business model represents a refinement over its conventional counterpart in two ways. First, social entrepreneurial solutions aim at solving the root cause (not symptoms) of a societal problem through systematic, durable change (Muller, 2012). The attractiveness of the value proposition is therefore based on the potential of the product/service offering(s) to mitigate social and/or environmental problems (Yunus et al., 2010), rather than its ability to generate lucrative margins (like conventional entrepreneurship) or to provide instant relief (like non-profit organizations). A social value proposition as such is assessed based on its ability to generate the desired social change, which is in turn an outcome of the sustainability and scalability of the solution offered (Muller, 2012). Sustainability involves a focus on an enterprise's long-term survival rather than rapid growth, the institutionalization of a social change solution, in addition to an emphasis on environmental sustainability so as to ensure that solving one social issue does not cause a social problem somewhere else. Scalability on the other hand refers to the speed and ease with which a system can be expanded to ultimately bring about the desired social change (Lumpkin, Moss, Gras, Kato and Amezcua, 2013).

Second, social enterprise is described as a positive externality because the value created transcends the individual who is engaged in the direct exchange of the good or service (Lumpkin et al., 2013). Beneficiaries from the social value proposition as such do not only include direct beneficiaries/customers, but extend to other stakeholders who may in turn have competing interests such as suppliers, partners, and shareholders (Yunus et al, 2010; Mair & Shoen, 2005; Alter, 2007; Lumpkin et al., 2010). Thompson and Doherty (2006) therefore highlight accountability to the community at large to be a unique feature of social enterprise. Alter (2007) similarly refers to this as social ownership which is not necessarily reflected in the legal structure, but instead reflects the accountability of an enterprise to its stakeholders and the wider community for the social, environmental and economic impact it creates. Mair and Shoen (2005; 2007) explain that social business models are not only unique in their expansion of target base to include multiple stakeholders. They also add that the social business model exhibits a

unique pattern of customer interface. Muller (2012) refers to this as the ‘empowerment of beneficiaries’. In a social enterprise, the knowledge and understanding of target groups comes at an early stage of social value creation. This is reinforced through an ongoing process of interaction and involvement which in sometimes could lead to the integration of those beneficiaries into the value network, or, whenever possible, even into the enterprise itself. Through the process, the target beneficiaries contribute to value creation and are, as well, enabled to capture value. While early involvement is a feature that social enterprises share with their commercial counterparts, the usual development organizations on the other hand often view their target groups, at the end of the value chain, as mere recipients of donations or services at highly subsidized prices (Mair & Schoen, 2005; 2007).

Value Creation Architecture

The value creation architecture describes how the products and services are produced, and thus, how the value is created (Muller, 2012; Yunus et al., 2010; Chesbrough, 2010). The literature suggests that the social business model differs from its traditional counterpart in two main ways; namely the reinforcement of a cooperative value network concept and the relative emphasis on operational activities such as marketing and finance (Yunus et al, 2010; Muller, 2012; Mair & Shoen, 2005; Rasmussen, 2012).

Developing and reinforcing partnerships and alliances throughout the different stages of the value chain present an integral feature of the value creation component of the social business model (Yunus et al, 2010; Muller, 2012; Mair & Shoen, 2005). Herein potential allies are not restricted to partners, suppliers and employees, but expand to include other stakeholders such as customers and target beneficiaries at large; all of whom build up an enterprise’s value network (Yunus et al., 2010; Dacin et al., 2010). As opposed to the commercial sector which adopts a competitive paradigm, social enterprise encourages the application of a cooperative paradigm that simulates collaboration (Yunis et al., 2010; Dacin et al., 2010). Muller (2012) for instance highlight co-creation, or the integration of the target beneficiaries in the value network encompassing the design, the production and/or the distribution of the product or service to

customers as a distinctive element of a social business model. Thompson and Doherty (2006) posit employee participation in decision making as a reflection of their integration into the value network.

Researchers explain that the benefits of stakeholders' integration into the demand and supply sides of the value network are immense (Muller, 2012; Mair & Shoen, 2005). It simulates innovative resource mobilization strategies and enables the leverage of resources and knowledge from multiple sources (Yunis et al., 2010). Dacin et al. (2010) explain that unique relational resources create opportunities to exchange information, leverage interpersonal relationships, and realize objectives. The real value of these networks stem from the uniqueness of relationships that are formed between social entrepreneur and network members. Ongoing participation of partners and beneficiaries evokes a sense of responsibility. While the business sector is basically regulated by legal contracts, the social sector largely draws on the idiosyncrasies of personal relationships that are, to a large extent, based on a shared vision (Muller, 2012). Mair and Shoen (2005) explain that the early involvement of partners (who share an enterprise's social mission) in the value network facilitates and augments social value creation and appropriation by the target group. While these value networks offer a source of complementary goods, on the supply side, they enable the generation of positive network effects among consumers, on the demand side.

On the operations side, whilst all business functions are important social enterprises place great importance on particular business activities such as marketing and finance (Rasmussen, 2012). Rasmussen (2012) explain that the emphasis on both functions is driven by an urge to pursue, new, more commercial funding strategies in response to the increased competition for financial support and declining public funding. To achieve that objective, the marketing efforts are directed towards reinforcing an enterprise's credibility and positive image, and as well to solicit support for its mission amongst donors. Apart from fundraising motives, marketing efforts also aim to raise their beneficiaries' awareness for their in-kind offer. To meet the divergent needs of the different stakeholders, social enterprises adopt a 'two-tailed marketing approach', consisting of a procurement as well as a sales marketing strategy. While procurement activities

ensure a constant inflow of necessary resources, such as labor or financial support, sales marketing targets the positioning of the actual good being marketed with its beneficiaries.

Value Appropriation

Value appropriation incorporates value captured from revenue generated through the value proposition, in addition to costs and capital employed through the value creation architecture, resulting in profits that reinforce a firm's sustainability (Yunus et al., 2010; Chesbrough, 2010). The value appropriation component of the social business model is distinct in a number of ways. First: the switch to social business model entails the pursuit of a double- and sometimes a triple - bottom line (Thompson & Doherty, 2006). In addition to the traditional economic profit equation, a social business model requires the definition of desired social profits within a comprehensive eco-system view (i.e. environmental profit) (Yunus et al., 2010). According to Moray and Stevens (2010), social outcomes encompasses the social impact, the programs an organization use to implement socially responsible activities, and the policies in place to deal with social issues.

Second, to be accountable, social enterprises need to be able to demonstrate their positive and negative impacts on society and their cost effectiveness (Young, 2003). Although some assessment tools are commonly used to measure social value such as social indicators, social reporting and accounting, the social balance sheet and social return on investment (Moray & Stevens, 2010), the measurement of social value creation remains a challenge. Social values are subjective, negotiated between stakeholders, contingent and open to reappraisal, and as well incorporate incommensurable elements that cannot easily be aggregated within a single metric. Failure to identify a widely accepted, standardized, workable measure of social value creation forces practitioners and scholars to create their own idiosyncratic measures (Lumpkin et al., 2013).

Third, in the economic profit equation, social enterprises emphasize full recovery of cost and capital as opposed to financial profit maximization characteristic of the for-profit sector (Yunus

et al., 2010). In social business models the objective of revenue generation is to ensure the financial sustainability of the business. Even though donations, state, or philanthropy money may represent a partial source of the income, earned income strategies are preferred as they reduce dependency on external funding. (Muller, 2012; Alter, 2006). Doherty et al. (2014) explain that the hybrid nature of social enterprise has negative impacts on the acquisition and mobilization of financial resources because these enterprises are expected to generate less profits as compared to other potential clients, not to mention that their practices are not fully understood by the mainstream sources of finance. To deal with this problem social enterprises sometimes follow dual pricing strategies, adopt cross-subsidization business models, leverage mixed funding streams, access social investment funds and/or incorporate new legal forms that accommodate dual mission and make it easier to raise

Fourth, social business model reinforces social ownership. Although not necessarily reflected in the legal structure, social ownership ensures an enterprise is accountable to its stakeholders and the wider community for the social, environmental and economic impact it creates (Alter, 2007; Ridley-Duff & Bull, 2011; Thompsen & Doherty, 2006). The democratic principles adopted by social enterprises increases the margin of stakeholder involvement in their governance (Doherty et al., 2014).

Fifth, although there are mixed views as to whether a social enterprise can distribute profits to its stakeholders (i.e. non-distribution of profits and surpluses), there is a general agreement that surpluses are principally reinvested in the business or in the community (Alter, 2007; Ridley-Duff & Bull, 2011; Huybrechts & Nicholls, 2012; Thompson & Doherty, 2006).

3.4 Conclusion

Research on business model typologies/taxonomies presents a promising area for scholarly investigation. More specifically, research that links particular characteristics of business models to certain types of opportunities or otherwise associates characteristics of business models to specific outcomes; a potential application of which is the social entrepreneurship domain, is

highly needed (Eckhardt, 2013). In essence, this stream of research “is likely to be essential to the rigorous advancement of opportunity-based frameworks” (Eckhardt, 2013: 415).

The acknowledgment of social enterprise as the pursuit of an opportunity to address societal problems is key to understanding how a social business model operates (Alter, 2007; Austin et al., 2006; Mair & Noboa, 2003; Thompson & Doherty, 2006; Ridley-Duff & Bull, 2011; Zahra et al., 2009; Yunus et al., 2010; Muller, 2012, Mair & Shoen, 2005). Social entrepreneurship is a process centered around an opportunity. It refers to the “activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner” (Zahra et al.; 2009:5).

This in turn presents George and Bock’s (2011) opportunity centric design as an appropriate framing of the social business model. In this section, a static configuration of social business model was presented, eventually highlighting its key distinctive features that differentiate it from its conventional/traditional/commercial counterpart. Social business model is defined in this study as “the configuration of resource, transactive and value structures that are designed to enact a social opportunity while satisfying both social and economic strategic objectives”. Figure (3-3) highlights four main components of the model: resources and competencies, value proposition, value creation architecture and value appropriation. The feedback loops between components of value proposition, value creation and value appropriation bring an element of dynamism to the model.

Referring back to the opportunity centric design, George and Bock explain that a business model is not about activities per se, but rather about the resource, transactive and value structures that bound and connect firm’s core activity set in service to specific goals. In my opinion, the social business model may be described as a case of dimensional parity where opportunities are exploited through the three structures: resource-structure, transactive-structure and value-structure. Social business models exemplify resource-structure dominance where an innovative resource mobilization strategy that enables the proper allocation of limited resources, in addition to the acquisition of additional, novel resources is considered key to social value delivery and sustained performance. Furthermore, because of its emphasis on the

notion of value networks that incorporate a broad array of stakeholders throughout the process of value chain, social business models may as well be an example of transactive-structures which place emphasis on boundary-spanning transactions and intra-organizational transactions with partners and stakeholders. Finally, the social business model presents an example of value structure dominant models where the enterprise's primary focus is on the rules, expectations and mechanisms that underlie processes of value creation and capture, rather than simple monetization. This is manifested in the social enterprise's focus on social mission (as opposed to profit maximization) and implementation of other principles such as value networks, collaborative paradigms, loss affordability, experimentation, and discovery driven principles.

In conclusion, the current chapter presented a static or a snapshot view of the social business model in which components of the models were delineated. This shall be complemented in the following chapter (Chapter Four) by a dynamic perspective of the model which will explain how social business model evolves over time to ensure sustained value creation.

CHAPTER FOUR:

SOCIAL ENTERPRISE IN ACTION

4.1 Introduction

Entrepreneurship refers to “processes through which entrepreneurial individuals and groups challenge economic and social constraints, and thus create new possibilities for themselves and others within society” (Tobias et al., 2013: 728). This explains why scholars who seek to understand the inherently dynamic, change-oriented nature of the entrepreneurship phenomenon share a broad belief in the importance of adopting a process theory of entrepreneurship (Steyaert, 2007; Rindova, Barry & Ketchen, 2009): “Process theory is founded upon a worldview that conceptualizes processes, rather than objects, as the basic building blocks of how we understand the world around us” (Moroz & Hindle, 2012: 786).

Adopting a processual perspective, social entrepreneurship has been defined as “those activities associated with the perception of opportunities to create social value and the creation of social purpose organizations to pursue them (Haugh, 2005: 1). More specifically, it refers to “the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner” (Zahra et al.; 2009:5). Rindova et al. (2009) explain that the actions and processes involved in entrepreneurship are not only transformative in their underlying ambition, but are also “emancipatory” in nature; they empower entrepreneurial individuals/groups to liberate themselves from their existing position within a socioeconomic power structure while simultaneously encouraging dreaming, discovering, and creating.

In the current study, the centrality of concepts of ‘opportunity’, ‘value creation’ and ‘activity sets’ to the definition and subsequent understanding of the social entrepreneurship phenomenon (Zahra et al., 2009) presents a straightforward argument for the relevance of extending the business model literature as a lens through which the underlying social entrepreneurial process may be understood. On one side, a static business model view

demonstrates the interrelationships between components of a (social) business model and their relationship with a venture's performance (Demil & Lecoq, 2010). More importantly, a complementary dynamic perspective explains how sustained (social) value creation hinges on the venture's ability to continuously shape, adapt and renew its business model because market changes (such as new innovations, competitors, and/or regulations) can quickly make existing business models obsolete or less profitable (Demil & Lecoq, 2010; Sosna et al., 2010). In fact, business model evolution not only enables a venture take advantage of new value creating opportunities, but also reduces the risk of inertia that may result when a successful business model has been in place for a long time (Achtenhagen et al., 2013; Sosna et al., 2010; Doz & Kosonen, 2010).

In the previous chapter (Chapter Three), social business model was presented as “the configuration of resource, transactive and value structures that are designed to enact a social opportunity while satisfying both social and economic strategic objectives”. Figure (3-3), in essence, offers a snapshot view that explains how organizational resources, transactive structures and value structures combine in a unique way that enables a social entrepreneurial venture to create, deliver and capture value at a specific point in time. Although the feedback loops add an element of dynamism of the model, the static view fails to explain the model's ability to support the long term success of the social venture. Following a similar opportunity-centric framing, the current chapter (Chapter Four) therefore proceeds to analyze the dynamics of the social entrepreneurial process.

The attractiveness of adopting an opportunity-centric perspective to analyze the dynamics of a social business model stems from a numbers of factors. First, earlier studies adopting a process analysis of entrepreneurship – what entrepreneurs actually do and how they do it –have often focused on specific parts of the entrepreneurial problem (such as the concept of opportunity as discovered or created, cognitive processes and routines of successful entrepreneurs, environmental and contextual facts), rather than the whole (Moroz & Hindle, 2012). A comprehensive understanding of the entrepreneurial journey as a process through which opportunities are formed, developed and exploited counters this narrow view because it creates a grand framing through which these fragmented findings and related inquiries on

entrepreneurship may be integrated into a full-fledged explanation of how the phenomenon develops over time: “An inquiry into entrepreneurial opportunity has the potential to unlock one of the greatest intellectual puzzles of our time, namely the creation of new value in society” (Sarasvathy et al., 2005: 158). Second, unlike research in entrepreneurship that has been criticized for lacking adequate theoretical bases, Short et al. (2010) explain that research based on the opportunity construct is theoretically rich and thus holds a great promise as a basis for theory building. To understand the opportunity development phenomenon, researchers call for importing frameworks, perspectives, and theoretical paradigms from other fields (Dutta & Crossan, 2005; Short et al., 2010; Eckhardt, 2013), which are in turn inspired by a multitude of theories including coherence theory, creation theory, discovery theory, organizational learning, research on affect, social cognitive theory, and structuration theory (Short et al., 2010a; Shane, 2003; Sarasvathy, 2001; Chandler, DeTienne, McKelvie & Mumford, 2011). Relevant to this study, some researchers also highlight business models as a framework through which opportunity-related research may be conducted (Eckhardt, 2013; Hindle & Senderovitz, 2010; Korsgaard, 2013).

The current chapter is divided into three sections. Section one includes a presentation of a proposed dynamic, emergent framing through which social business model evolution may be understood. This basically involves a combination of the works of Levie and Lichtenstein (2010) on the dynamic states approach and Selden and Fletcher (2015) on the entrepreneurial emergent system hierarchy. Both works are relevant to this study because their authors make explicit reference to the potential future application of their models to the social entrepreneurship domain, and as well to the relevance of extending novel processural theories of causation and effectuation as explanatory mechanisms of their models. In section two, the diverse literature explaining the theoretical and empirical foundations of the entrepreneurial process (in general) is summarized, with an emphasis on discovery (causation) and effectuation (creative) approaches. Finally, section three elaborates on the theoretical and empirical scholarship dedicated to the study of the social entrepreneurial process, eventually highlighting those studies which simultaneously apply the causation and effectuation approaches.

4.2 A Dynamic, Emergent Approach to Explain Social Business Model Evolution

Despite increased interest amongst scholars and practitioners to understand the entrepreneurial process, limited attention has been given to the study of entrepreneurial journey as a unit of analysis that offers a holistic explanation of entrepreneurial events (Selden & Fletcher, 2015). Selden and Fletcher (2015) stress the importance of addressing this research gap as a step towards capturing the multi-contextual and multi-level depth and richness of the entrepreneurship phenomenon. In essence, the entrepreneurial journey is one form of organizational change (Levie & Lichtenstein, 2010; Seldon & Fletcher, 2015; Crossan et al., 1999; Dutta & Crossan, 2005). According to Tsoukas and Chia (2002:580) understanding organizational change requires that organizations be regarded “both as quasi-stable structures (i.e. sets of institutionalized categories) *and* as sites of human action in which, through the ongoing agency of organizational members, organization emerges”. This in turn confirms the complementary relationship between the “synoptic” and “performative” accounts of organizational change (Tsoukas & Chia, 2002:571). Synoptic accounts are primarily based on an external analysis of change; the outcome of which is the identification of patterns that describe the distinct states (and key dimensions) of organizational development at different points of time along with explanations for the trajectories organizations follow. These accounts however fail to capture distinctive micro-processes underlying these trajectories (Tsoukas & Chia, 2002). Performative accounts therefore exist to “convey a sense of the organizational flow” (Tsoukas & Chia, 2002:580). They adopt a dynamic, ongoing and emergent perspective that uncovers how change is actually accomplished on the ground via enactments that involves “the reweaving of actors' webs of beliefs and habits of action to accommodate new experiences obtained through interactions ((Tsoukas & Chia, 2002:567)”.

“If we focus our attention only on what becomes institutionalized, an approach largely assumed by synoptic accounts of organizational change, we risk missing all the subterranean, microscopic changes that always go on in the bowels of organizations, changes that may never acquire the status of formal organizational systems and routines but are no less important”. (Tsoukas & Chia, 2002:580).

In this section, the works of Levie and Lichtenstein (2010) and Selden and Fletcher (2015) are presented as two alternate, yet harmonious, frameworks that could be successfully extended to explain how the social entrepreneurial journey unfolds. As shall be shown in the following chapters (chapters five and seven), the proposed framing to be adopted in this study eventually illustrates both the overall pattern and the micro-processes underlying the social entrepreneurial process, whilst highlighting the role of business model evolution and causation/effectuation processual theories in opportunity development.

4.2.1 A Dynamic States Approach to Business Growth and Sustainability

Levie and Lichtenstein (2010) propose a dynamic states approach to entrepreneurship. This approach presents a foundation for understanding business growth and sustainability in theory and in practice as opposed to traditional stages theories. Figure (4-1) illustrates organizations as complex, adaptive systems that operate in disequilibrium conditions. To leverage a particular business opportunity, an organization functions as an energy conversion system in which a chosen business model is used to transform a perceived opportunity into a value-adding product or service. As such, each 'state' shows the best perceived match between the prevalent market potential and the management's value creation efforts (as reflected in its business model). 'Opportunity tension', which describes an inevitable, inherent dynamic between stability and change, however brings in an element of 'dynamism'. While 'first-order' convergent changes reflect constant, ongoing business model changes made by management to better serve the evolving interests of its customers, 'second-order' punctuated shifts refer to significant alterations in parts of a firm's business model; the latter eventually leading to the emergence of a new dynamic state. Adopting the lens of organizational learning, Sosna et al. (2010) respectively refer to these as 'single loop learning' and 'double loop learning'. While single loop learning refers to minor modifications in the rules and actions applied by individuals, teams, or organizations detect in response to differences between expected and obtained results, double loop learning questions changing fundamental design, goals and activities of the firm in a way that promotes deep changes in the ways it behaves and performs.

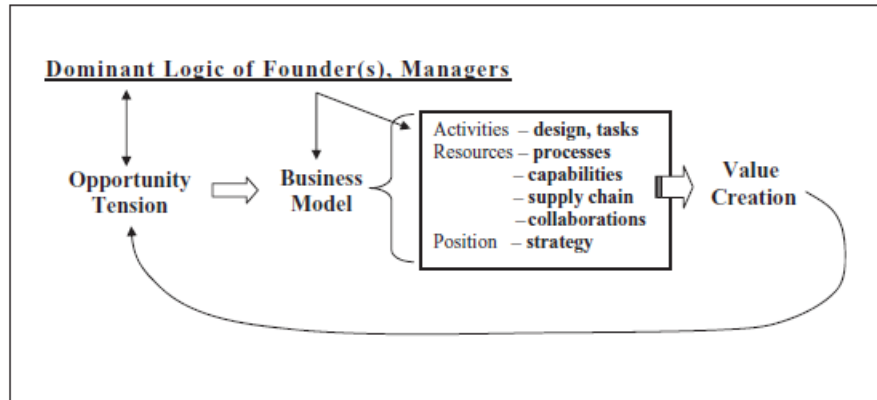


Figure (4-1): Elements of a Dynamic State

Source: Levie and Lichtenstein (2010)

The dynamic states approach emphasizes the role that is played by the (individual) entrepreneur in the process. At the outset, the urge for change is brought about by an opportunity tension which refers to the combined outcome of an entrepreneur's perception of an untapped market potential and commitment (driven by a desire and personal passion) to act on that potential by creating value (Levie & Lichtenstein, 2010). Furthermore, the business model adopted to execute the emergent business concept is a manifestation of the management's underlying core logic and strategic choice for creating and capturing value within a value network (Shafer et al., 2005). Sosna et al. (2010) describe business model development as an initial experiment that is followed by constant revision, adaptation and fine tuning based on trial-and-error learning (Sosna et al., 2010).

4.2.2 Entrepreneurial Journey as an Emergent System Hierarchy

Selden and Fletcher (2015) propose an analytical framework that illustrates the entrepreneurial journey as an emergent hierarchical system of artifact-creating processes (figure 4-2). The figure offers a simplified and generic framing that demonstrates how an entrepreneurial journey unfolds through a ‘circular’ form of causality where the contingent interactions of the journey lead to emergent, hierarchically organized outcomes or artifacts. Crucially, each of these emergent artifacts both constrains and enables subsequent events.

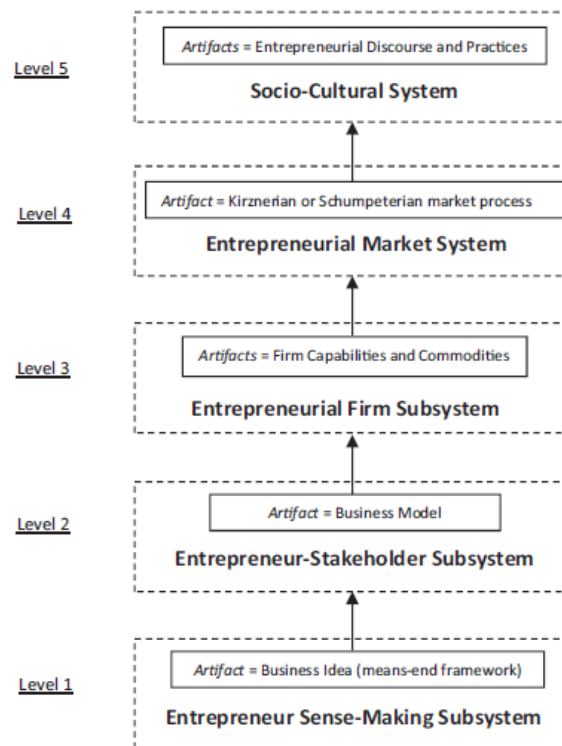


Figure (4-2): Entrepreneurial Emergent System Hierarchy

Source: Selden and Fletcher (2015)

Selden and Fletcher (2015) explain that the figure does not show how entrepreneurial processes, in practice, involve unpredictable non-linear pathways including unforeseen transformations into new patterns of emergence, periods of inactivity and/or abandonment of

the venture at any point in the journey. It does not also show the feedback loops which explain the co-evolutionary dynamics between ‘upward causality’ associated with the bottom-up effects of localized action, and ‘downward causality’ associated with the top-down ‘enabling constraints’ of emergence at higher levels in the system” (Selden & Fletcher, 2015:607).

4.2.3 Unfolding the Social Entrepreneurial Journey

As demonstrated, Levie and Lichtenstein’s (2010) dynamic state approach and Selden and Fletcher’s (2014) emergent system hierarchy present attractive alternatives to traditional growth stage models, whose application has often been criticized on conceptual and empirical grounds (Levie & Lichtenstein, 2010). The current study exhibits why and how both frameworks could harmoniously be used to present an opportunity-based analysis of the social entrepreneurial process therefore answering the question of *how opportunities are formed and developed in social enterprise to ensure sustained value creation*.

First: broadly speaking, both frameworks support the adoption of a holistic view of the entrepreneurial journey as a series of events, which Selden and Fletcher (2015) argue, is a conception that has not yet been developed by process theorists. Adopting a holistic view of the entrepreneurial process makes it possible to identify the overall pattern of organizational development, and consequently explain the trajectories or routes that the venture follows. In addition, both frameworks unveil how change is actually accomplished on ground through promoting the application of entrepreneurial events as a key unit of analysis that is explained in relation to the entrepreneurial journey as a whole. Levie and Lichtenstein (2010) present the journey as a dynamic transition between stable entrepreneurial events, which is in turn brought about by an ongoing opportunity tension. Selden and Fletcher (2015) on the other hand present the journey as a hierarchical system of artifact-generating events.

Second: the identification of an entrepreneurial event as the unit of analysis (in both frameworks) makes it possible to apply the business model concept as a lens through which the entrepreneurial journey could be understood. The dynamic states approach makes explicit

reference to the functional role that business models play to convert the ongoing opportunity tension into sustained value creation. While each entrepreneurial event on its own represents a manifestation of the stable view of business model, the ability of a business model to evolve in response to a newly perceived opportunity captures the transformational aspect of the model (Levie & Lichtenstein, 2010). The hierarchical system, on the other hand, highlights artifact emergence sub-processes, which are marked by relative beginnings and endings, to be the unit of analysis (Selden & Fletcher, 2015). This implicitly suggests that each sub-process or level of the hierarchy can be illustrated as a distinct, stable business model, which Seelos and Mair (2007:53) define as a “set of capabilities that is configured to enable value creation consistent with either economic or social strategic objectives”. Again, the transition from one level of the hierarchy to another exemplifies the dynamic features of the business model concept.

Third: both frameworks describe the entrepreneurial journey as one that is neither entirely planned nor entirely circumstantial. While Levie and Lichtenstein (2010) formulate opportunity tension as a co-evolution of exploration and exploitation, Selden and Fletcher (2015) refer to the entrepreneurial journey as a social inclusion hierarchy that is mediated by the intentional creation of social artifacts and the subjective interpretation of social artifacts in relation to symbolic meaning. As such, both approaches transcend the ongoing debates about whether opportunities are objectives or constructed and instead overtly encourage the co-application of causal and effectual logics to explain the broader entrepreneuring phenomenon.

Finally, although both frameworks have not been originally applied in social entrepreneurial contexts, authors of both works explicitly suggest that their approach could be extended to the social entrepreneurship domain. However, while Levie and Lichtenstein (2010) overtly claim that the dynamic states approach could explain ‘sustainability’ of the social entrepreneurial process, Selder and Fletcher’s (2015) highlight that the entrepreneurial system hierarchy may in practice take unpredictable routes that may at any point lead to the emergence of new patterns or otherwise lead to the termination of the venture.

4.3 Processural Theory in Research

4.3.1 An Overview of Processural Theory

Researchers have recognized the importance of adopting a process-based approach to understand the dynamic nature of entrepreneurship because it situates the phenomenon in space and time and thereby enables a better understanding of why and how change occurs (Tobias et al., 2013; Moroz & Hindle, 2012; Steyaert, 2007). Yet scholarly work on the topic has been fragmented, consequently challenging the development of an integrated view of the entrepreneurship practice (Moroz & Hindle, 2012; Steyaert, 2007).

Steyaert (2007) distinguishes between two streams of process-oriented theories which in turn reflect different conceptualizations/perspectives of the process. The first category includes the traditional, early equilibrium-based understandings of the entrepreneurial process as manifested in the discovery perspective (Shane & Venkataraman, 2000), and the evolutionary perspective (Aldrich, 1999); both of which share a common understanding of the entrepreneurial process as a relatively linear, progressive and predictable one with sequentially identifiable stages. Add to that, these theories study populations of organizations, rather than single entities. Most importantly, the discovery and evolutionary perspectives assume an ontological stance which suggests that several entities such as people, organizations, populations and technology exist prior to the process and are accordingly independent from it (Steyaert, 2007). The second category - to which Steyaert reserves the concept of *entrepreneuring* - refers to those processural theories that have been formulated within a creative process view. These include complexity and chaos theories, the interpretive/phenomenological and social constructionist perspectives, the pragmatic and practice-based perspectives, and actor network theory and radical processural perspectives. As opposed to the first stream, this latter category assumes that organizational emergence happens in a non-linear, interdependent manner that in turn reflects complex, dynamic interactions between internal and external conditions in which an entity operates (Steyaert, 2007). In conclusion of his work, Steyaert (2007) notes that both the pragmatic and practice-based perspectives, and actor network theory and radical processural

perspectives hold the promise to radicalize the processural understanding of entrepreneurship. Yet, they are considered relatively new and have rarely been applied in the context of entrepreneurship studies.

Adopting a similar research vein, Moroz and Hindle (2012) pinpoint four competing perspectives or epistemologies of the entrepreneurial process; the emergence perspective (Gartner, 1985), the value creation perspective (Bruyat & Julien, 2000), the creative process perspective (Sarasvathy, 2001), and the opportunity discovery perspective (Shane, 2003). The emergence perspective focuses on the domains that are important to the emergence or formation of new ventures. It however gives less attention to explaining the organization or the actual 'how' of the entrepreneurial process. The new value creation perspective places less emphasis on understanding the entrepreneurial process. Instead, it is concerned with the endogenous aspects of the individual innovation construct, although it does not differentiate between the transformative functions of entrepreneurial action and managerial functions. Finally, the creative process perspective and the opportunity discovery perspective bring two contrasting views in terms of "objectivity/subjectivity, predictive/nonpredictive, and equilibrating/nonequilibrating philosophical viewpoints" (Moroz & Hindle, 2012: 810).

The works of Steyaert (2007) and Moroz and Hindle (2012) reveal that there is yet no general agreement on a unified theory of opportunities. Sarasvathy and her colleagues (Sarasvathy et al., 2002; Sarasvathy et al., 2005) however explain that most of the perspectives on opportunity recognition have philosophical roots in one of three alternate views; the allocative view, the discovery view and the creative view. First, in the allocative view opportunities emerge as an outcome of inefficient allocations in the market associated with a context characterized by the availability of networks, in addition to complete information on the aggregate and individual levels. Opportunities are therefore 'recognized' in a random process that focuses on systems rather than individuals (Sarasvathy et al., 2002; Sarasvathy et al., 2005). Second, the discovery view assumes that opportunities are searched for and 'discovered' by individuals who understand how prior information can be used to discover information asymmetries about the true value of resources. This view pinpoints the relationship between strategy and success in a highly competitive, changing market (Suddaby, Bruton & Si, 2015; Sarasvathy et al., 2002;

Alvarez, Barney & Anderson, 2013). Finally, the creative view emphasizes the connection between opportunities and innovation, where processes of decision making aim at managing uncertainty associated with incomplete information and/or absence of networks (Selden & Fletcher, 2015; Sarasvathy et al., 2002). Herein, opportunities emerge post hoc where both new means and ends are ‘created’ within a process of interactive human action that strives to imagine and create a better world (Selden & Fletcher, 2015; Lehner & Karsikas, 2012; Sarasvathy et al., 2005; Sarasvathy et al., 2002).

Sarasvathy et al. (2005) suggest that the choice of a particular approach is a function of the risk or uncertainty characteristic of a certain situation. First, in the allocative view, the assumption is that both the supply and demand sides are known, and that complete information is available on both the aggregate and individual levels. Opportunities are therefore the result of inefficient allocations, and are accordingly recognized through *deductive processes* where the resources are put to good use to exploit existing markets (Sarasvathy et al., 2005; Sarasvathy et al., 2002). Second, in the discovery view, it is assumed that either the supply or demand side (but not both) is known. Add to that, complete information is available at the aggregate level but is asymmetrically distributed among individual agents. The notion here is to exploit existing or latent markets. As such, opportunities are herein searched for and ‘discovered’ in an *inductive* process where some individuals use prior information to discover information asymmetries about the true value of resources (Sarasvathy et al., 2005; Dutta & Crossan, 2005). Third, in the creative view of the market process, both the supply and demand side are unknown, with only partial information available at the aggregate level and ignorance prevalent at the individual level. As such, the notion herein is the creation of new markets through innovation. Opportunities emerge post hoc through an *abductive* process where both new means and new ends are created. Using an effectual logic to manage uncertainty, ends herein emerge endogenously within a process of interactive human action that strives to imagine and create a better world (Sarasvathy et al., 2005; Dutta & Crossan, 2005; Sarasvathy et al., 2002; Selden & Fletcher, 2015).

With application to the broad entrepreneurship domain, the subsections (4.3.2) and (4.3.3) will elaborate on the main elements of both the discovery and creative views, while shedding light

on their combined emergence in the empirical scholarly work in the domain of entrepreneurial process. The particular focus on these two approaches as opposed to others is attributed to the fact that research on the subject phenomenon of this study (i.e. social entrepreneurship) mainly applied a discovery and/or a creative approach to explain the underlying entrepreneurial process, but made no mention of the allocative view (Hindle & Senderovity, 2010; Lehner & Kaniskas, 2012; York et al., 2010; Yusuf & Sloan, 2013). A comprehensive review of this social entrepreneurship – based research is later included in section (4.4). From this point onwards, the discovery/traditional and creative approaches are respectively referred to as causation and effectuation, following Sarasvathy (2001) and subsequent scholars and writers who have built on her own works (Fisher, 2012).

4.3.2 Causation as Opportunity Discovery

Causation is a popular model of entrepreneurship that regards the entrepreneurial process as a series of linear, potentially overlapping and recursive stages, in which an entrepreneur willingly pursues a set of planning activities in attempt to discover, evaluate and exploit opportunities (Figure 4-3). In this view, an opportunity is presented as objective reality that exists independently of prospective entrepreneurs and is waiting to be discovered or noticed by alert individuals (Corner & Ho, 2010; Dutta & Crossan, 2005; Fisher, 2012; Shane, 2003; Shane, 2000; Shane & Eckhardt, 2003; Sarason, Tom, & Jesse, 2006). This in turn highlights the profound influence of social and historical contexts in constraining the perceptual capabilities of entrepreneurs and delimiting the range of opportunities for innovation available to them (Suddaby et al., 2015).

Causation is guided by an underlying logic of forecasting and predictive control (as long as we can predict the future, we can control it) (Sarasvathy, 2001; Sarasvathy, 2008; Read et al., 2005; Sarasvathy & Dew, 2005). This in turn sets the identification of a predefined goal (referred to by Sarasvathy as many-to-one mapping) and the centrality of planning to be the cornerstones of a causal logic (Sarasvathy, 2001). The standard set of causal tasks includes (a) developing a business plan based on (b) extensive market research and (c) detailed competitive analyses,

followed by (d) the acquisition of resources and stakeholders for implementing the plan, and then (e) adapting to the environment as it changes over time with a view to (f) creating and sustaining a competitive advantage (Sarasvathy & Dew, 2005). The constraints on possible means are usually imposed by the environment and the main criterion for selection between them is return maximization ((Sarasvathy, 2001, Hindle & Senderovitz, 2010).

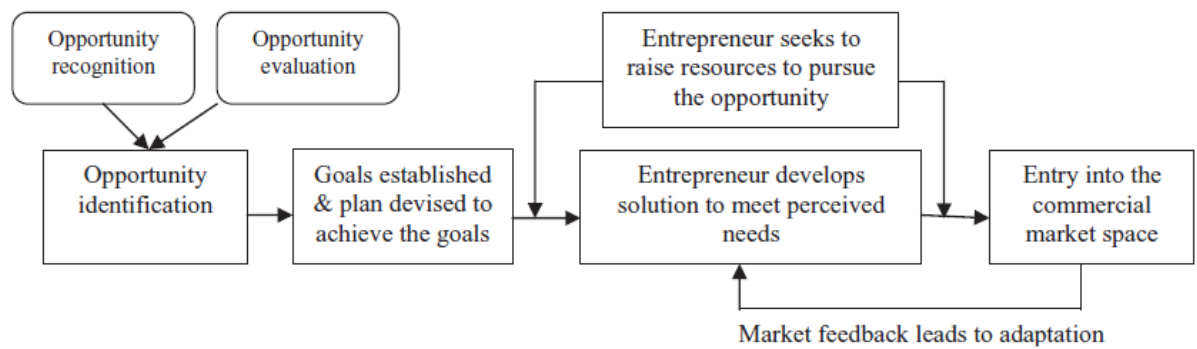


Figure (4-3) Causation Approach to Entrepreneurship

Source: Fisher (2012)

Rooted in a positivist/realist position (Dutta & Crossan, 2005), a causal logic coincides with an opportunity discovery view (Hindle & Senderovitz, 2010) which defines entrepreneurship as “the nexus of entrepreneurial opportunities and enterprising individuals” (Shane, 2003:18). Utilizing a contingency theory framework, research here focuses on the identification of the conditions in the environment that provide such opportunities and the characteristics of entrepreneurs that predispose them to such discovery (Suddaby et al., 2015; Edelman & Yli-Renko, 2010; Shane, 2000; Shane & Eckhardt, 2003; Sarason et al., 2006). This entails a scholarly examination of how, by whom, and with what effects opportunities to create future goods and services are discovered, evaluated, and exploited (Suddaby et al., 2015; Shane & Venkataraman, 2000; Moroz & Hindle, 2012). Researchers however argue that what is distinct about a discovery view of the entrepreneurial process is the skillful evaluation of a discovered opportunity, but not necessarily the implementation (Moroz & Hindle, 2012). This may explain why studies adopting the traditional understanding of the entrepreneurial process have often focused on the pre-venture stage of opportunity identification (Perrini, Vurro &

Costanzo, 2010). It also illuminates why research advocating a discovery view is concerned with the moderating and mediating effects of the individual (including personal characteristics and skills of an entrepreneur), in addition to the environmental context in which opportunities exist (Moroz & Hindle, 2012; Shane, 2003; Corner & Ho, 2010; Dutta & Crossan, 2005).

The discovery/individual-opportunity nexus is a focal point for many of the most interesting debates within entrepreneurship research (Corner & Ho, 2010; Korsgaard, 2013; Shane, 2000; Shane & Eckhardt, 2003; Sarason et al., 2006). Yet, Korsgaard (2013) highlights a stream of recent critiques of the discovery perspective following the publication of Shane and Venkataraman's (2000) seminal paper. Criticism of the discovery view is related to a number of themes. First, the discovery view has been described as 'incomplete' because of its limited ability to present complex descriptions of entrepreneurial processes, not to mention that it overlooks some important aspects such as creativity. It therefore fails to present a general theory of entrepreneurship and consequently creates an urge for a supplementary view that incorporates a creation perspective of opportunities. Second, the discovery view does not incorporate the social and relational aspects of the entrepreneurial process except when it comes to opportunity exploitation. Otherwise, opportunity identification is perceived as an individual cognitive act (Korsgaard, 2013). Third, the discovery view assumes that opportunities exist prior to discovery as they await to be acted upon. This view ignores the fact that an opportunity undergoes a creative process of refinement and development that takes place between the first insight or recognition until it is ready to be exploited. Fourth, the distinction that the discovery view often sets between an objective opportunity and a subjective discovery is invalid. At the outset, opportunities do not present themselves as fully developed, but are subject to an element of interpretation and imagination, making them inherently subjective. Furthermore, the discovery view focuses on the cognitive element of discovery and does not consider the emotional, creative and interpretive elements of the entrepreneur (Korsgaard, 2013; Sarasvathy, 2001; Sarasvathy, 2008; Read et al., 2009; Suddaby et al., 2015).

4.3.3 Effectuation as Opportunity Creation

In response to escalating criticism of the traditional approaches presenting entrepreneurship as “the inevitable outcome of mindless ‘forces,’ stochastic processes, or environmental selection” (Sarasvathy, 2001: 261–262), Sarasvathy (2001; 2008) proposes a theory of effectuation that takes into consideration the temporal issues of the dynamic, change-based nature of the entrepreneurial process (Moroz & Hindle, 2012). As opposed to a causal logic of *predictive and adaptive* design, effectuation follows a *transformational* design (Sarasvathy et al., 2008; Read et al., 2009) that “inverts causal reasoning to indicate a new connection among means, imagination, and action that helps generate intentions and meaning in an endogenous fashion” (Sarasvathy, 2001: 256). The conceptual model of effectuation in market and venture creation was initially developed by Sarasvathy (2001), and expanded by Sarasvathy and Dew (2005), Sarasvathy (2008), Read et al. (2009) and Read et al. (2010).

Broadly speaking, effectuation encompasses an internally consistent and coherent set of underlying principles, heuristics or design rules that form a clear basis for action and decision making in situations/spaces where the future is unpredictable, the goals and preferences are not taken as pre-existent or unchangeable, and the environment is not taken as exogenous or as something to respond to and fit with. As such, it is not merely a theory that describes the entrepreneurship phenomenon, but is better referred to as a logic that reflects the notion of *pragmatic validity* in that the principles of effectuation have been found to work in real life rather than just being theoretically valid (Sarasvathy, 2008; Read et al., 2009; Sarasvathy, 2008). According to Sarasvathy (2001: 261-262), effectuation is the only model that presents a direct practical focus of entrepreneurship as the “creation of artifacts by imaginative actors fashioning purpose and meaning out of contingent endowments and endeavors”. The theoretical foundations of an effectuation approach therefore lie in cognitive science, particularly the work which emphasizes entrepreneurial framing — how entrepreneurs view inputs (relevant or not), make inferences, perceive alternatives, and attend to constraints (Chandler et al., 2011).

An effectual logic is based on five main principles; bird-in-the hand principle, crazy quilt principle, lemonade principle, affordable loss principle, and pilot-in-the-plane principle (Sarasvathy, 2008). Altogether, these principles reflect an effectuator's view of the future, givens, underlying logic, attitude towards others, predisposition to risk, and predisposition to contingencies (Read et al., 2009). As illustrated below, the translation of these effectuation principles into organizational practices reinforces innovation, flexibility and experimentation; all of which encourage an entrepreneur to take immediate action to satisfy an entity's higher goals (Sarasvathy, 2008; VanSandt, Sud & Marmé, 2009). For effectuators, goals exist in a hierarchy. While higher level goals represent the ultimate goals pursued by an entrepreneur without providing a clear agenda of how they can be achieved, lower level goals are very specific that they constrain actions of an entrepreneur (Read et al., 2010).

The '*bird in hand principle*' means that effectuating entrepreneurs start with the means they already have to create new effects (Sarasvathy, 2008; Read et al., 2009; Read et al., 2010). Described as one-to-many mapping, effectual opportunities are socially constructed given a set of means (who I am, what I know, and whom I know) and contingent human aspirations that an effectuating entrepreneur uses to select from a set of possible, imagined effects (Sarasvathy, 2001; 2008). Both means and aspirations change with time as one learns and invites new people who not only bring their resources but as well their commitments and agendas (Sarasvathy, 2001; Sarasvathy, 2008; Read et al., 2009; Read et al, 2010). The corridor principle further describes how new and unintended opportunities are likely to arise as an outcome of the learning experience (Read et al., 2010). As such, opportunities can only be recognized in retrospect (Dutta & Crossan, 2005; Corner & Ho, 2010). Effectuation suggests that an entrepreneur's choice to pursue a particular effect is a factor of its potential downside (associated affordable loss) and the degree of control over the future that the effectuator seeks to achieve through forging strategic partnerships along the way (Sarasvathy, 2001).

The '*crazy quilt principle*' emphasizes an effectuator's inclination to establish endogenous and exogenous partnership with multiple stakeholders including employees, customers, suppliers and even prospective competitors. Unlike causal networks in which partners are chosen based on their alignment with some pre-conceived vision or goal, effectual partners are self-selected

based on their willingness to commit to the construction of the venture eventually translating into a coherent product, firm or market and/or new sub-goals for the venture which may or may not be what the founding entrepreneur had in mind at the beginning (Sarasvathy et al., 2008; Read et al. 2009; Read et al., 2010). This is made possible because effectual partnerships set in motion two contrasting cycles. The first cycle increases the resources and means available to the venture by increasing stakeholder membership in the effectual network; and the second accretes constraints on the venture that converge into specific goals and sub-goals that get embodied into particular features of an artifact over time. As an effectual network grows to include more elements from the external world, it gradually becomes less effectual slowly turning it into a new market (Sarasvathy & Dew, 2005; Read et al., 2010). The main logic behind establishing pre-commitments and alliances is to maintain some control over the future (rather than having to predict it) and as well to diversify the risk among multiple stakeholders which in turn allows the effectuator to constrain the potential loss, thus making it more affordable (Chandler et al., 2011).

The '*affordable loss principle*' explains an effectuator's predisposition towards risk (Read et al., 2009) and approach to failure management (Sarasvathy et al., 2008). Advocating a 'risk little, fail cheap' attitude, effectuators do not seek to make future speculations and predictions to identify the upside potential of an opportunity. Instead, they calculate an opportunity's downside potential and risk no more than they can afford to lose (Read et al., 2009). Decisions are therefore based on concrete situations and are guided by what one knows and can control. Effectuators also tend to involve other stakeholders to reduce the resources they personally dedicate to the new venture and to identify what they— along with other stakeholders — can afford to lose together (Read et al, 2010). An emphasis on experimentation further enables the design of intelligent failures (that can be locally contained) and the cumulation of small successes; both of which contribute to an effectuator's learning reservoir over time (Sarasvathy et al., 2008). It may therefore be said that following the affordable loss principle not only minimizes the financial risk undertaken by an entrepreneur, but also increases the perception of controllability as one focuses on the downside risk that could be controlled, while apprehending that the upside potential depends on one's actions, , along with those of other stakeholders that are invited to join on board (Sarasvathy, 2008; Read et al., 2010).

The '*lemonade principle*' illustrates an effectuator's predisposition towards contingencies: when life gives you lemons, make lemonade. While an adaptive approach involves thinking inside the box in response to contingencies and a heroic approach advocates thinking outside the box, an effectual response realizes that the box has changed and acts accordingly to see how the revised box could be leveraged in a new direction. In other words, effectuators do not perceive contingencies as a sign of loss of control over the situation, but instead regard these unexpected events as building blocks or valuable resources that enable an entity venture in new directions (Read et al., 2010).

Finally, the '*pilot-on-the-plane principle*' reflects the core logic underlying a theory of effectuation: "To the extent we can control the future, we don't need to predict it" (Sarasvathy, 2001; 2008). Emphasizing non-predictive control, Sarasvathy et al., (2008; 340) explain:

"Effectuators act as though the environment were largely endogenous to their actions. While fully acknowledging external constraints on their actions, effectuators divide the event space into controllable and uncontrollable parts. They then focus on what they can control to reshape the environment. They do not assume opportunities to be pre-existent in the environment; instead they seek to fabricate them".

It may therefore be said that a logic of non-predictive control underlies all of the above-explained principles of effectuation. First, taking actions based on the resources available at hand (i.e. *bird in hand principle*) gives an entrepreneur more control than depending on resources they do not yet have. Second, the evaluation of actions based on the downside potential as opposed to the upside potential (i.e. *affordable loss principle*) gives an entrepreneur more control of the risk assumed. Third, working with partners who are willing to show their commitment (i.e. *crazy quilt principle*) gives an entrepreneur more control than predicting based on indirect market research. Finally, being open to surprises and maintaining flexible responses (i.e. *lemonade principle*) gives an entrepreneur more control over unexpected events as opposed to abiding to pre-defined plan (Read et al., 2010).

4.3.4 Causation and Effectuation Reconciled: Contending or Contingent Logics?

Causation and effectuation approaches have dominated scholarly writings as two competing explanations of entrepreneurial processes (Sarasvathy, 2001; Alvarez & Barney, 2007; Edelman & Yli-Renko, 2010; Suddaby et al., 2015). The above analysis of causation and effectuation theories highlights four theoretical distinctions between both approaches (Chandler et al., 2011). First effectuators use short-term, low-cost experiments to identify business opportunities in an unpredictable future while causal entrepreneurs seek to predict an uncertain future by defining the final objective. Second, in effectuation adopting a project is based on whether the loss in a worst-case scenario is affordable (i.e. downside potential) as opposed to the emphasis of causal entrepreneurs on the maximization of expected returns (i.e. upside potential). Third, effectuation encourages the exploitation of environmental contingencies through remaining flexible while causation emphasizes the exploitation of pre-existing capabilities and resources. Fourth, strategic alliances and pre-commitments play an important role in both causation and effectuation processes albeit for different reasons. In effectuation pre-commitments and strategic alliances are forged to control an unpredictable future, whereas causation depends on business planning and competitive analyses to predict an uncertain future (Chandler et al., 2011). Therefore, while causal partnerships are dictated by the venture's preset vision and goals, effectual partnerships are critical to venture creation where the goals are under-developed (Read et al., 2010). Furthermore, whereas causal precommitments are basically used as a way to acquire essential resources and implement pre-set plans, effectual alliances do not only represent an additional source of resources but more importantly serve as a tool to reduce uncertainty, minimize cost of experimentation, and maintain flexibility (Chandler et al., 2011).

Entrepreneurship scholars have recently explained that the traditional placement of causation and effectuation as a dichotomy challenges the fact that effectual and causal logics are cognitive tools that may occur in a simultaneous, overlapping and intertwining manner in different contexts of decisions and actions, and under variant conditions of risk and uncertainty (Moroz & Hindle, 2012; Sarasvathy et al., 2002; Hindle & Senderovitz, 2010; Short et al., 2010; Suddaby et al., 2015). They accordingly question the strict abidance to a single discovery or creative view

(Ardichvili et al., 2003; Sarasvathy et al., 2005; Dutta & Crossan, 2005; Levie and Lichtenstein, 2010). On one side, although the discovery approach assumes the existence of opportunities as objective realities that await discovery by reference to an entrepreneur's alertness and idiosyncratic knowledge, opportunity discovery and development is more importantly an outcome of how this knowledge is combined with entrepreneurial imagination and interpretation (Shane & Venkataraman, 2000; Dutta & Crossan, 2005; Sarasvathy et al., 2005; Short et al., 2010). Supporters of a strict effectual approach are also advised to reconsider their assumptions. Although effectual opportunities may be subjectively formed, they are in fact objectively evaluated against current resources. Furthermore, while effectuation does not emphasize purposeful human action (in the sense of setting and seeking to achieve goals), the act of planning includes both imaginative and predictive elements and as such is a crucial component of any purposive entrepreneurial process, even if that plan only exists as a cognitive construct and not a formally articulated business plan (Moroz & Hindle, 2012).

In light of the above, scholars conclude that the advancement of a comprehensive theory of entrepreneurship requires an increased application of a view that regards causation and effectuation as two 'contingent' rather than 'contending' logics (Ardichvili et al., 2003; Hindle & Senderovitz, 2010; Dutta & Crossan, 2005; Hindle, 2010a, Korsgaard, 2013; Sarasvathy, 2001; Short et al., 2010; Edelman & Yli-Renko, 2010; Suddaby et al., 2015).

“Any framework that seeks to offer a reasonably complete explanation of the process of entrepreneurial opportunities needs to be able to reconcile or even to synthesize the apparently conflicting positions of the two ontological approaches into a coherent explanation that recognizes the inherent complexities associated with the process of entrepreneurial opportunities” (Dutta & Crossan, 2005: 433).

Although effectuation does not present a better or more efficient approach to understanding the entrepreneurial process, it does in fact offer a more comprehensive and inclusive lens through which the entrepreneurial processes can be analyzed (Sarasvathy et al., 2005; Sarasvathy, 2001; Ardichvili et al., 2003). Adopting a creation view does not violate or overlook the positivist stance assumed by the discovery approach. In other words, the creation view does not deny that some objective truth can and does exist outside of the entrepreneur. It however

emphasizes that an ongoing, constant interaction between that entrepreneur and the environment is as well part of the truth, and that sensitivity towards viewing the environment is determined by the scope of an entrepreneur's actions (Dutta & Crossan, 2005). Moreover, Sarasvathy et al. (2005) suggest that the creative view underlies the discovery view although discovery can do without most key aspects of creativity. "Entrepreneurial opportunities may be posited to have been "created" through the decisions and actions (conscious or unintended) of economic actors before someone can "recognize" or "discover" them" (Sarasvathy et al, 2005: 157).

Researchers supporting a synthesized view of entrepreneurship practice seek to develop and apply a pluralist definition of the opportunity concept in a way that transcends purely subjective or objective notions (Sarasvathy et al., 2005). Ardichvili et al.'s (2003) theory of opportunity development represents a step forward in this direction. At the outset, opportunities are herein defined as "a range of phenomena that begin unformed and become more developed through time", which in turn suggests that opportunities are made (not found) (Ardichvili et al., 2003: 108). This coincides with Sarasvathy et al.'s (2005:143) view:

"An opportunity presupposes actors *for whom* it is *perceived* as an opportunity; at the same time, the opportunity fallacy has no meaning unless the actor/s actually act upon the real world within which the opportunity eventually has to take shape".

Ardichvili et al.'s theory of opportunity development states that the creation of a thriving business is an outcome of a successful opportunity development process, which includes a triad of opportunity recognition, evaluation and development (Figure 4-4). The process is influenced by two major factors; the type of opportunity, and a set of entrepreneur-related factors that determine the level of entrepreneurial alertness (namely information asymmetry and prior knowledge; social networks; personality traits, including optimism and self-efficacy, and creativity; and specific knowledge about market needs and resources). Ardichvili et al. also stress that the development process is cyclical and iterative, which consequently explains the continuous recognition of additional opportunities and/or adjustments to the initial version.

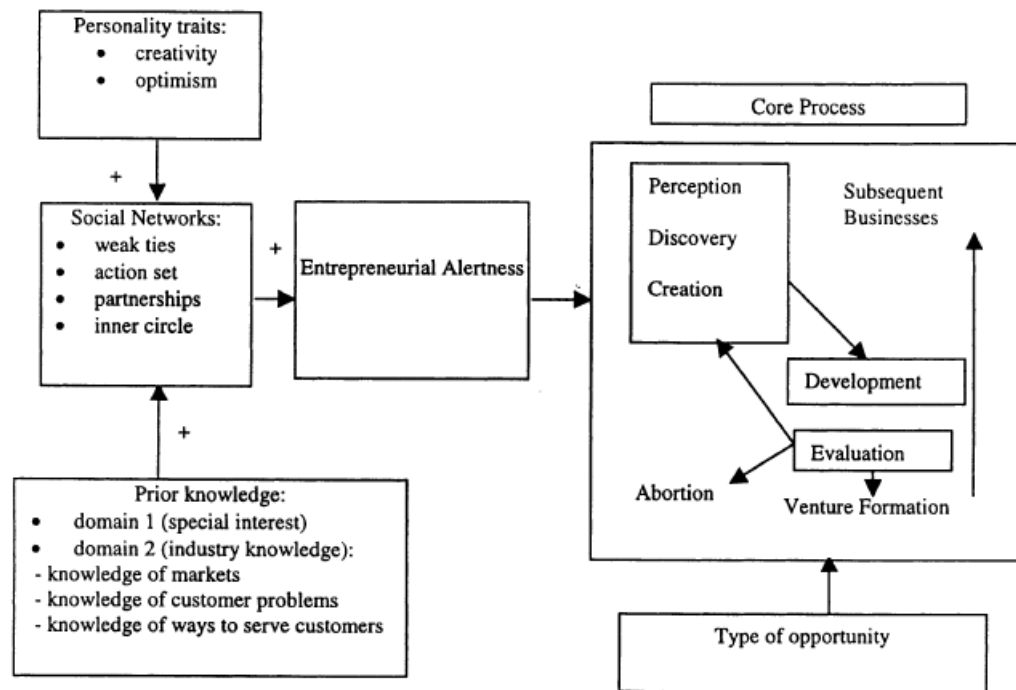


Figure (4-4): The Model and Units for the Opportunity Identification and Development Theory

Source: Ardichvilli et al. (2003)

In a similar attempt to reconcile and advance the apparently conflicting explanations of opportunities arising out of the contrasting ontological positions, Dutta and Crossan (2005) link the literature on entrepreneurship and organizational learning in a way that captures the dynamic nature of opportunities as entrepreneurs unfold them through an ongoing path of self and organizational learning. To do that, Dutta and Crossan extend Crossan et al.'s (1999) 4I organizational learning framework to explain how entrepreneurial engagement with opportunities encompasses both discovery and enactment activities which are linked through the 4I learning processes (intuiting, interpreting, integrating, and institutionalizing) (Figure 4-5). 'Intuiting' refers to an entrepreneur's initial preconscious reflection about a new business idea that has some potential to meet a current or emergent customer need. Whether an opportunity is discovered or enacted, the intuiting process has an element of enactment. By engaging in a

critical process of ‘interpretation’, the individual entrepreneur later uses his own language, images and metaphors to clarify the idea to himself and later share it with other stakeholders participating in the new venture creation process, which consequently results in the development and refinement of the initial concept. ‘Integration’ refers to the attainment of coherent, collective understanding about the opportunity among critical stakeholders. Finally, ‘institutionalization’ allows for broadening the scope beyond the individual entrepreneur to include the critical roles played by internal/external partners who are involved in the corporate entrepreneurship initiative.

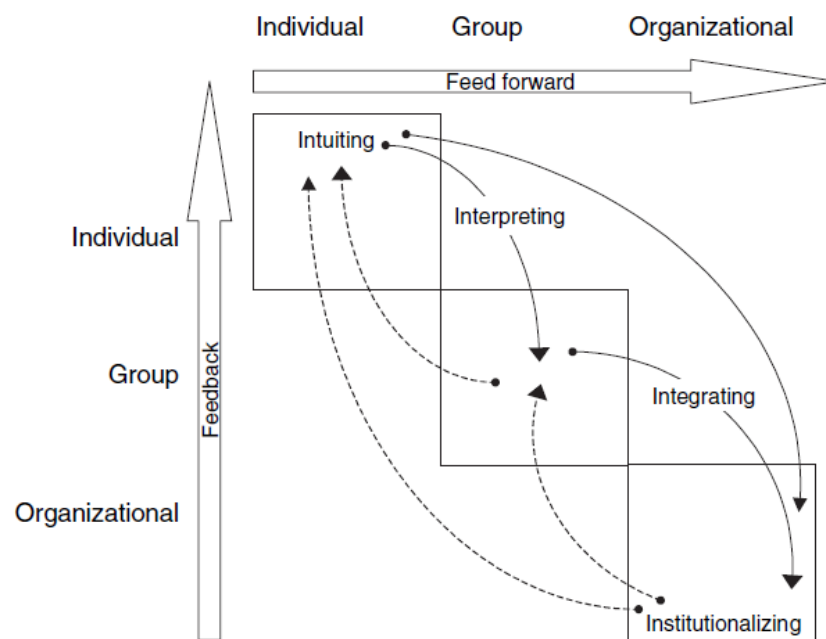


Figure (4-5): Organizational Learning as a Dynamic Process

Source: Crossan et al. (1999)

Besides the theoretical work of Ardichvili et al. (2003) and Dutta and Crossan (2005), the co-application of causation and effectuation approaches in the entrepreneurial context has also been supported by empirical scholarly work such as that conducted by Hindle and Senderovitz (2010), Duening, Shepherd and Czaplewski (2012) and Edelman and Yli-Renko (2010).

Hindle and Senderovitz (2010) conducted a study where they employed Hindle’s (2010) harmonizing model of entrepreneurial process (MEP) as a theoretical framework to reconcile

three seemingly contending views of entrepreneurial process - bricolage, effectuation and causation. MEP conceptualizes the entrepreneurial process as a set of three distinctive, yet inter-related, domains of activity (namely strategic, personal and tactical) that takes the entrepreneur from a starting input of questioning whether an opportunity exists to an output where some kind of value is actually achieved. Hindle and Senderovitz restrict their empirical investigation to the first stage (i.e. strategic domain) where the distinctive core is entrepreneurial capacity, the key activity is some form of evaluation of a potential opportunity, and the focal outcome is the development of an opportunity into (some kind of) a business model. Analysis of the data collected suggests that causation, effectuation and bricolage do not represent mutually exclusive, competing explanations of the entrepreneurial process. Instead, the proportional use of the three logics is circumstantially contingent on the contextual nature of the venture itself and its principal defining characteristics such as degree of innovation, entrepreneurial experience and degree of technological complexity. Hindle and Senderovitz however do not explain the typical conditions under which each logic is likely to prevail.

Duening et al. (2012) offer a more detailed and comprehensive analysis where they use empirical evidence to show how the traditional new product development process that is based on a causal logic can be improved by blending elements of effectuation and effectual logic. At the outset, Duening et al. suggest that principles of non-predictive control and leveraging contingencies can be embedded into each stage of the new development process to enable the immediate (or future) exploitation of a potential opportunity. This may coincide with the existing track of the project or could otherwise lead it to an entirely different direction. More specifically, Duening et al. explain how an effectual logic could enhance the sequenced stages revolving around screening/scoping, business analysis, development, testing/validation stage, and launching/commercialization. At the 'screening/scoping' stage, applying the means at hand principle enables an entrepreneur visualize the business as a whole and work backwards to fit an idea into the overall picture of the organization (rather than focus on a narrow set of goals). At the 'business analysis' stage, the affordable loss principle reduces uncertainty associated with the outcome of the new product development process through identifying a comfortable level of risk prior to resource investment, as opposed to the traditional thinking in which a targeted return is first identified followed by efforts to reduce risk. At the 'development' phase, a control

principle of effectual logic emphasizes market creation where the environment adapts to the novel product introduced as opposed to a predictive approach that adapts to the environment and exploits existing markets. At the ‘testing/validation’ stage, effectuators are highly skeptical and critical of market data that does not suggest moving forward with the launch. Finally, at the ‘launching/commercialization’ stage, effectuators reinforce partnership and alliances that eventually increase the odds of a successful new product launch.

Edelman and Yli-Renko (2010) similarly integrate insights from both causation and effectuation theories as they empirically examine the role that both objective environmental conditions and entrepreneurial perceptions of opportunity and resource availability play in the process of firm creation. The researchers assume that new ventures do not emerge as random, passive by-products of environmental conditions, but are created through purposeful organizing activities exercised by nascent entrepreneurs. As such, Edelman and Yli-Renko hypothesize that whether or not a venture is established is not merely an outcome of the objective opportunity and resource environment, but as well depends on the entrepreneur’s perception and interpretation of these factors. Results obtained from longitudinal data collected from nascent entrepreneurs revealed that while entrepreneurs’ opportunity perceptions mediate between objective characteristics of the environment and the entrepreneurs’ efforts to start a new venture, perceived resource availability did not have the same mediating effect.

4.4 The Social Entrepreneurial Process: A Dynamic View

4.4.1 Introduction

Social entrepreneurship refers to “a dynamic process created and managed by an individual or team (the innovative social entrepreneur), which strives to exploit social innovation with an entrepreneurial mindset and a strong need for achievement in order to create new social value in the market and the community at large” (Perrini & Vurro, 2006: 78). The social entrepreneurial process therefore comprises three critical phases: (a) the identification of a

stable (yet somehow unjust equilibrium that results in the exclusion, marginalization, or suffering of a segment of the society who in turn lack the financial means and/or political power to simulate transformation on its own, (b) the development of a social value proposition (characterized by a high degree of inspiration, creativity, courage and fortitude) that in turn challenges the stable state's hegemony, and finally (c) the introduction of a new stable equilibrium that alleviates the suffering of the target group and eventually contributes to a better future for the society at large (Martin & Osberg, 2007).

Adopting an opportunity perspective, social entrepreneuring is framed by researchers as a dynamic process of opportunity identification, evaluation and exploitation that inherently entails a series of progressive interactions between the entrepreneur and context (Perrini et al., 2010; Perrini & Vurro, 2006; Monllor, 2010). Masse and Dorst (2007) break down the opportunity development process of grassroots social entrepreneurship into three phases: idea generation phase, pilot-phase, and growth phase, which are associated with three levels of collaborations/partnerships. Relating social innovation to the process dimension, Mulgan (2006) explains that social innovation happens over four phases. First, idea generation based on understanding needs and identifying possible solutions. Second, plotting the idea and developing it into a prototype to stimulate others' acceptance and enthusiasm for it. Third, assessing, scaling up and diffusing good ideas through applying a skillful strategy and coherent vision, while marshalling resources and support. Finally, learning and evolving.

Despite the importance of studying the dynamics of the social entrepreneurial process, the contributions devoted to explaining how social enterprises work are "scanty" (Perrini & Vurro, 2006: 65); little is known about the process whereby the venture unfolds through processes of opportunity identification, evaluation and exploitation (Corner & Ho, 2010). Available scholarly work has mostly been devoted to investigate an early stage of opportunity definition, where focus was primarily devoted to the study of the cognitive process that social entrepreneurs follow to identify solutions to existing problems (Mair & Noboa, 2003; Miller et al., 2012). Yet, questions raised by scholars as to whether social opportunities are discovered or created, have been left unanswered. (Perrini et al., 2010; Corner & Ho, 2010; Perrini & Vurro, 2006). Research on subsequent stages explaining the transformation of a viable idea into a functional

organization through the adoption of a composite social strategy and specification of business model is on the other side “exiguous” (Perrini & Vurro, 2006: 66). This in turn opens the door for research – including the current study - exploring opportunity development processes by references to theories of causation, effectuation or a combination (Corner & Ho, 2010).

A review of the social business literature reveals that researchers have recognized the significance of extending logics of causation and/or effectuation to understand the underlying process (Yusuf & Sloan, 2013; Guclu, Dees & Anderson, 2002; Corner & Ho, 2010; York et al.; 2010; Sarasvathy, 2001). In recent years, nonprofits have been facing pressure to become more entrepreneurial and adopt businesslike practices through causal approaches that emphasize structured planning processes and market research techniques. This is reflected in writings that often described the process as a systematic, structured goal oriented series of activities that start with an idea and progresses in a linear fashion to cover other activities including resource acquisition and organization creation with the ultimate objective of creating social value (Yusuf & Sloan, 2013). Textbooks, such as *Enterprising Nonprofits: A Toolkit for Social Entrepreneurs* have been dedicated to explaining the core elements of social entrepreneurship including the mission, identifying opportunities, mobilizing resources, managing risks, creating a business plan, calculating social return on investment, and so on (Dees, Emerson, & Economy, 2002). While doing that, scholars have however drawn attention to the idiosyncratic ways in which social entrepreneurs approach goal-setting and planning. Social entrepreneurs have very different ideas of how a plan may be manifested; all the way from something in their head, to a constantly revised draft, to a formally approved strategy document around which the whole organization is structured (Grenier, 2010). This may in turn explain why the emergence of a new theory of effectuation in 2002 gave rise to a call amongst researchers to advocate a combined logic of effectuation and causation to explain the social entrepreneurial process (Guclu et al., 2002; Corner & Ho, 2010; York et al.; 2010; Sarasvathy, 2001; Yusuf & Sloan, 2013).

In this chapter, section (4.3) included a presentation of processual studies that have been applied in the general entrepreneurship domain. Special attention was given to those studies applying the causal and/or effectual logics given their noticeable application to the current

study's field of interest (i.e. social entrepreneurship domain). The current section (4.4) is dedicated to presenting existing scholarly work on the processual analysis of the social entrepreneurial practice. A review of writings on the social entrepreneurial process points to the existence of two streams of research. Presented in subsection (4.4.2), the first category includes the works of scholars who follow a simple, yet comprehensive, explanation of the process as a series of sequential and/or interrelated steps. Some researchers in this category chose to focus on one (or more) phases of the process, especially those pertaining to the pre-venture stage of the process leaving post start-up activities to future research (Perrini & Vurro, 2006). Their analysis was not however framed within existent or emergent processual theories. The following subsection (4.4.3) on the other hand includes those studies that referred to processual theories (causation, effectuation, bricolage, or a combination of two or more approaches) to explain the process as a whole, or at least to highlight a potential contribution that these approaches could make to understand opportunity formation and development in social entrepreneurial contexts.

4.4.2 The Social Entrepreneurial Process: A General View

Researchers like Perrini & Vurro (2006), Perrini et al. (2010), Robinson (2006), Lumpkin et al. (2013), Mair and Noboa (2003) and Miller et al. (2012) present a general view of the social entrepreneurial process. Perrini and Vurro (2006) offer a simple *practitioner* view of the social entrepreneurial process which starts with defining a clear social entrepreneurial mission, vision and core values, which are in turn driven by elements such as innovation, tension towards specific social change and crisis-oriented factors. The outcome is an identification of a social opportunity which encompasses some level of social innovation that may be manifested in multiple forms. To apply the social innovation, a fitting business model (emphasizing a strong networking orientation, organizational flexibility, a participatory management philosophy, and a wise trade-off between local and global dimensions) is then developed. This business model explicitly seeks to achieve particular social outcomes, whose achievement eventually contributes to social transformation in the long run.

Perrini et al. (2010) offer a more detailed model of the social entrepreneurial process. The model explains how social opportunities are formed, evaluated, formalized, exploited and scaled up, while highlighting the individual and contextual variables that drive the shift from one stage to the next. Broadly speaking, Perrini et al. show how the social entrepreneurial process differs from its traditional counterpart along five stages. In opportunity identification, the social entrepreneur challenges the mainstream view surrounding a social problem as a burden and instead perceives it as an opportunity to improve society. In opportunity evaluation, a social entrepreneur seeks to maintain a balance between a sincere desire to enable social change and an urge to ensure the economic sustainability of the project as a mean to secure long-lasting social change. The third stage of opportunity formalization aims at identifying an entity's mission and core values which guide the future steps of the process and add legitimacy to the project. Opportunity exploitation consequently involves the translation of the mission and principles into a business model and a consistent organizational form. Finally, unlike conventional entrepreneurship which emphasizes first mover advantage, social opportunity scalability aims at spreading social innovation as widely as possible to maximize social change and improve the social conditions. The objective herein is make the model less dependent on the charisma of its leader, while identifying the critical determinants of success and the extent to which they are contingent on the context and difficult to replicate.

Robinson (2006) explains that social entrepreneurship does not merely represent a process by which social problems are solved using entrepreneurial strategies. Of no less importance, social entrepreneurship must be regarded as a process of executing and navigating social and institutional barriers to the markets/communities they want to access. The ability to do both well is part of what makes social entrepreneurs and social entrepreneurship special. On one side, cognitive navigation of entry barriers is the key to identifying, evaluating and exploring social entrepreneurial opportunities. In the cognitive dimension, the perception of social and institutional barriers may prevent entrepreneurs who lack the relevant experience and prior knowledge from recognizing the existence of a relevant opportunity. Strategic navigation on the other hand is exercised throughout the opportunity implementation stage to ensure that entrepreneurs apply the right strategies at the right time to overcome the social and institutional entry barriers to their markets/communities (Robinson, 2006).

In contrast to Perrini and Vurro (2006), Perrini et al. (2010) and Robinson (2006) who present a view of the social entrepreneurial process as a series of interrelated steps, Lumpkin et al. (2013) use an inputs–throughputs–outputs framework to show how the antecedents and outcomes that make social entrepreneurship unique influence entrepreneurial processes. In Lumpkin et al.'s conceptual analysis, the main difference between social entrepreneurial processes and traditional entrepreneurial processes relates to the presence of social motivation and multiple stakeholders as antecedents, and how autonomy, risk orientation and competitive aggressiveness function in a social entrepreneurial context to ensure the delivery of sustainable social solutions that satisfy multiple stakeholders.

Other studies of the social entrepreneurial process include the work of Mair and Noboa (2003) and Miller et al. (2012) whose research is however limited to the early phase of opportunity identification. Mair and Noboa (2003) build on existing work on intention formation in the context of for-profit entrepreneurship to develop a model on how intentions to create a social venture – the tangible outcome of social entrepreneurship – get formed. Their model builds on the individual-based differences as illustrative of the particularities of the social entrepreneurs, suggesting that the behavioral intentions to create a social venture are influenced by perceived venture desirability and perceived venture feasibility. While perceived venture desirability is affected by emotional and cognitive attitudes such as empathy and moral judgment, perceived feasibility is brought about by enabling factors such as self-efficacy (self-directed) and social support (others-directed).

Adopting a similar focus, Miller et al. (2012) explain the mechanism by which compassion (a *narrower manifestation of the broader feeling of empathy*) acts as a powerful pro-social motivator of action in the social entrepreneurship domain. In their model, compassion serves as a pro-social motivator of three cognitive and affective processes/mechanisms that eventually influence the way entrepreneurs think, calculate and analyze personal costs, and commit to organizing for a cause. These processes include (a) promoting holistic, integrative thinking that advocates collective gains and attends to diverse perspectives, views and sources of information about problems and solution, (b) inducing pro-social judgments regarding the costs and benefits of

social entrepreneurship, and (c) fostering dedication and commitment to alleviate others' suffering even in the face of negative feedback.

4.4.3 Social Entrepreneurship and New Processural Theories

The previous subsection highlighted general attempts to analyze the social entrepreneurial process. Adopting a more focused approach, the current subsection displays a recent stream of research that incorporates novel processural theories (mainly causation and effectuation) to explain the social entrepreneurial process. This includes the works of York et al. (2010), Guclu et al. (2002), VanSandt et al. (2009), Corner and Ho (2010), Yusuf and Sloan (2013), Gundry, Kickul, Griffiths and Bacq (2011) and Di Domenico et al. (2010).

Guclu et al. (2002) restrict their analysis to the opportunity creation stage where they explain that attractive opportunities are not simply discovered, nor do they come knocking at the door fully formed. Instead opportunities are “conceived, developed, and refined in a dynamic, creative and thoughtful process” (Guclu et al., 2002:2). As such, Guclu et al. present a framework that breaks social opportunity creation into two major steps; generating promising ideas and developing these promising ideas into attractive opportunities. Both the generation and development steps are neither purely creative nor purely analytic and logical, but rather “combine inspiration, insight, and imagination with research, and analysis” (Guclu et al., 2002:2).

An empirical study conducted by Yusuf and Sloan (2013) on two social ventures suggests that although effectuation and causation are not mutually exclusive in the nonprofit organizing or start-up process, effectuation processes seem to dominate the initiation and development phases of the entrepreneurial process. According to Yusuf and Sloan (2013:2), the developmental path of the nonprofits often does not fit the causal, linear approach. Nonprofits are driven by an urge “to do something”, yet the precise nature of that something is usually not clear which in turn reflects in a vague mission that eventually provides room to pursue alternate paths. The particular organizational direction and development an entity follows is often

shaped by the immediately available resources at hand. Moreover, the acquisition of partners through networking and coalition building brings in new and diverse perspectives and ideas. Yusuf and Sloan therefore suggest that the effectual approach is more fit to explain the social entrepreneurial process, at least in the start-up phase.

“[N]onprofit start-ups demonstrate the use of effectual process by engaging in short-term experimentation to identify opportunities, focusing on projects where the loss in a worst-case scenario is affordable, emphasizing pre-commitments and strategic alliances, and exploiting environmental contingencies by remaining flexible” (Yusuf & Sloan, 2013:3).

York et al. (2010) promote a more sophisticated analysis where they explain the dynamics of opportunity identification, evaluation and exploitation in social entrepreneurial entities by reference to Geroski's (2003) theory of market evolution. Central to Geroski's theory is the existence of an inchoate demand, the pursuit of supply-driven innovations, and an understanding of entrepreneurial innovation as an unconscious, ongoing process of opportunity discovery and exploitation. In their analysis, York et al. touch on the underlying assumptions of effectuation. In their view, the market evolution theory offers a detailed explanation of the mechanism through which social innovations leads to new market creation in the social sector through the transformation of inchoate demand to a dominant design using an inter-subjective process in which consumers and entrepreneurs collectively create a new reality/market (York et al., 2010; Sarasvathy & Dew, 2005). Social entrepreneurs basically recognize and act upon what others miss (i.e. opportunities to improve systems, create solutions, and invent new approaches (Seelos & Mair, 2005) through stimulating a number of supply driven innovations (York et al., 2010). These solutions are not clear at the outset of the formative stages of the venture creation, only *ex-post* – does the opportunity become real when the dominant design actually comes to be (York et al., 2010). This coincides with Dees's (2007) description of social entrepreneurial opportunities as resulting from messy, active learning processes. It also explains why social entrepreneurs are often described as visionaries and/or change promoters in society; they pioneer innovation through the entrepreneurial quality of an innovative idea, their capacity-building aptitude, and their ability to demonstrate the quality of the idea while measuring its social impact or end result rather than the means (Maase & Dorst, 2010; Grenier, 2010).

VanSandt et al. (2009) similarly propose a model that places effectuation as a catalyst that enables social entrepreneurs attain their goals of social improvement. The model is divided into three phases; opportunity recognition, generating momentum, and execution. The opportunity recognition phase entails an application of the so called bird-in-hand principle where the entrepreneur assesses the capital/resources that are readily available to conceptualize an opportunity that he wishes to engage in. The next phase, generating momentum, involves building strategic partnerships, in addition to cooperation and alliances with multiple stakeholders. Finally, execution phase involves a single-minded focus on implementation towards maximizing impact. VanSandt et al. suggest that a virtuous cycle develops when a feedback loop leads to the emergence of new means and goals that are likely to lead a social entity into new, unplanned horizons. Coinciding with the work of York et al. (2010), VanSandt et al. explain that social entrepreneurs initially face inchoate demand that gradually transforms into optimal decision making after a few cycles have resulted in clarity of goals and accumulation of new means.

Corner and Ho (2010) also offer an analysis that extends that of VanSandt et al. (2009) and York et al. (2010). With application to an exemplar social enterprise, they use an inductive, theory-building design to empirically examine the growth, advancement and transformation of an idea of social value creation over time to become a well-developed solution. Broadly speaking, Corner and Ho describe opportunity development as a complex and organic process that incorporates two contrasting approaches; causation and effectuation. Their analysis further shows that although opportunities do not neatly fit into either the effectuation or economic view; an opportunity may however be dominated by one approach over the other, or at best an entrepreneur may equally apply both approaches. Furthermore, in both the rational and effectuation approaches, an entrepreneur moves simultaneously and in a recursive fashion between opportunity identification/recognition and opportunity exploitation using an ongoing process of refinement and experimentation. This in turn contradicts entrepreneurship literature suggesting a clear delineation between the identification and exploitation phases.

Bricolage has often been perceived as an appropriate lens through which the social entrepreneurial processes may be understood (Di Domenico et al., 2010; Gundry et al., 2011). In brief, the term ‘bricolage’ can be defined as “making do by applying combinations of resources at hand to new problems and opportunities” (Baker & Nelson, 2005: 33). Bricolage is mentioned in the context of the current study because of its strong relationship with the social entrepreneurship phenomenon. Emerging theoretical perspectives - such as effectuation and entrepreneurial bricolage appear to have much in common, although they have largely developed and evolved independently to explain different phenomena in the entrepreneurship domain (Fisher, 2012). Fisher (2012) explains that the behaviors associated with both theories tap into the same foundational dimensions: (a) resource constraints as a trigger of creativity, (b) existing resources (rather than market needs) as a source of entrepreneurial opportunity; (c) action as a mechanism for overcoming resource constraints, (d) loss affordability (rather than profit maximization) as a criterion to pursue an opportunity, (e) experimentation as an alternative to long term goals and plans, and (f) community engagement as a catalyst for venture emergence and growth. Baker, Miner, and Eesley (2003) however explain that bricolage occurs in both effectuation and causation processes, albeit for different reasons. Effectuators, for instance, translate the *making do principle* as “what can I accomplish with my current resources?” while followers of a causal logic interpret it as “How can I meet my pre-existing goal through what is at hand”? (Baker et al, 2003: 273). The importance of network bricolage as well goes unquestioned in both the causation and effectuation approaches.

With application to the social entrepreneurship context, bricolage enables the discovery of new and novel ways of solving social problems and meeting needs; access to human and financial capital to implement the selected ideas; and remedy of any strategic weaknesses that obstruct their pursuit of desired social improvements (Gundry et al., 2011). In a survey of 113 social entrepreneurs, Gundry et al. (2011) propose that the degree of bricolage exercised by a social entrepreneur to solve a social problem plays a mediating role between innovation ecology and catalytic social innovation. More specifically, Di Domenico et al. (2010) introduce the concept of social bricolage where they analyze the traditional concept of ‘bricolage’ from a ‘social

entrepreneurship' lens. The researchers explain that the main constructs of bricolage are applicable to and characteristic of social entrepreneurship and further suggest three further constructs that are integral to social enterprise context: creation of social value, stakeholder participation, persuasion. These three constructs, when combined with those constructs identified in the existing literature on bricolage, combine to produce a new model of *social bricolage*.

4.5 Conclusion

Making sense of the entrepreneurial process requires an analysis of how change is created through the transformation of inputs to output, and as well of the ontology of 'becoming' that is reflected in the progressive individual and social change that takes place because of such transformation (Moroz & Hindle, 2012; Tsoukas & Chia, 2002). To understand the social entrepreneurial process, the current study therefore extends Levie and Lichtenstein's (2010) dynamic state approach and Selden and Fletcher's (2015) entrepreneurial hierarchical system as two alternate, yet harmonious, frameworks that could be used to explain how the static and dynamic views of social business model can explain the transformation or conversion of a perceived social opportunity into sustainable value creation, while transcending the ongoing causal/effectual debate.

Figure (4-6) illustrates how the current study connects three related bodies of knowledge: entrepreneurship, social entrepreneurship, and the business model literature (Chapters Two, Three and Four) to propose an analysis of the social entrepreneurial process as a series of business model transformations that lead to sustained value creation. At the outset, Ardichvili et al.'s (2003) theory of opportunity development is used as a starting point to emphasize how social opportunities begin unformed and develop through time. The role played by business model evolution to explain such development draws upon the literature presented in chapters three and four. In chapter three, a static configuration of the core elements of a social business model was proposed to demonstrate how organizational resources, transactive structures and value structures combine in a unique way that enables a social enterprise best match the

prevalent market potential with its management’s value creation efforts at a specific point in time (Figure 3-3). Realizing the centrality of business model change or evolution to sustained value creation, chapter four brings forward the dynamic side of the entrepreneurial process to explain how change happens through the concomitant application of effectuation and causation.

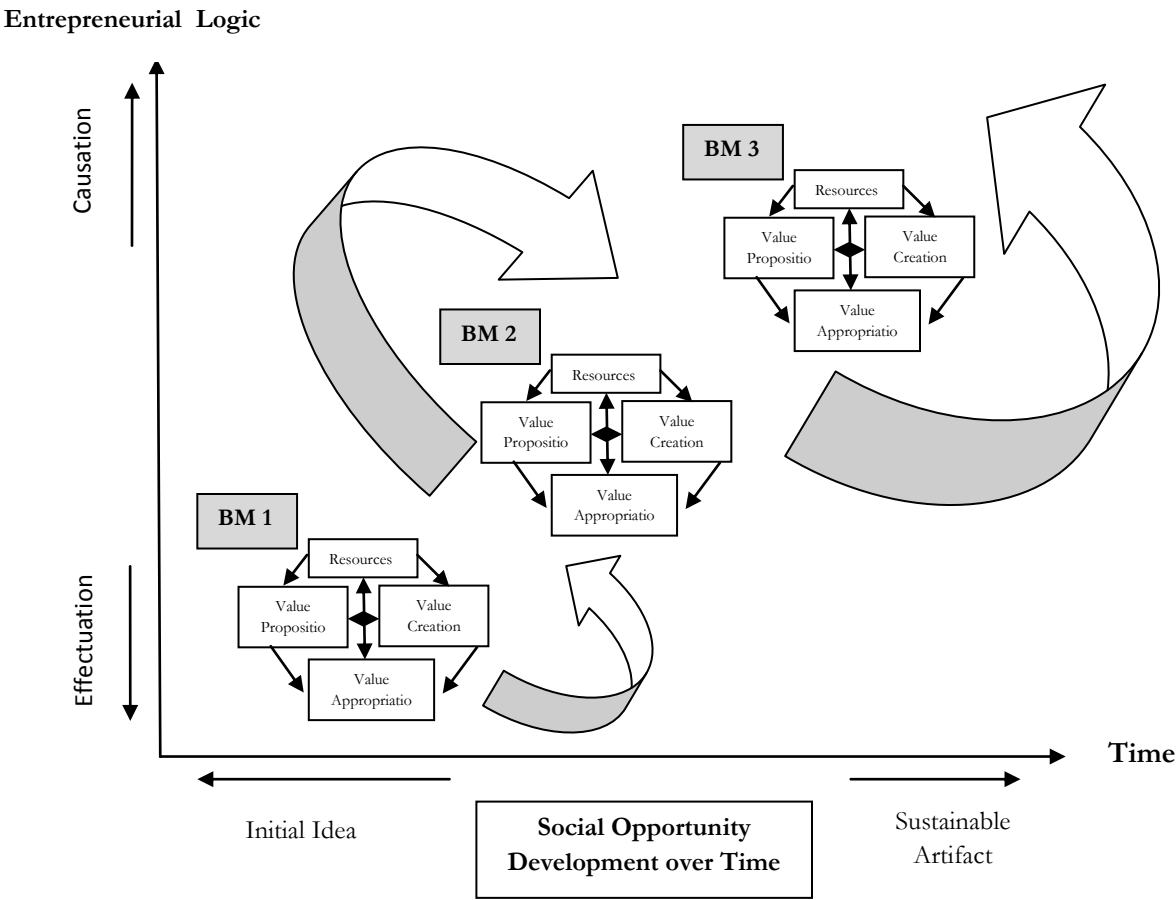


Figure (4-6):
Sustainable Social Value Creation as a Function of Business Model Evolution

Source: Author

A review of earlier scholarly work reveals that research on the topic of the social entrepreneurial process is still at an early stage of development both on the theoretical and

empirical levels, although there seems to be an increasing number of publication on the theme in the past few years. Theoretically speaking, one can note three main trends: (a) research that presents a comprehensive, framing of the social entrepreneurial process as a series of phases without making reference to a particular process theory, (b) an increasing trend that explains the process, as a whole, by reference to novel processural theories such as effectuation, causation and bricolage, and (c) research that applies novel processural theories yet is restricted to one (or more) phases of the process rather than the whole.

On the empirical level, the majority of the research conducted was conceptual eventually presenting a theoretical framework (Perrini & Vurro, 2006; Guclu et al., 2002; Lumpkin et al., 2013; Mair & Noboa, 2003; Miller et al., 2012) that was at best supported by some superficial analysis of illustrative examples (York et al., 2010; VanSandt et al., 2009). At the same time, empirical research that was conducted somehow followed a similar qualitative approach for data collection and analysis. Broadly speaking, all of these empirical studies employed an exploratory, case analysis approach; either a single (Perrini et al., 2010) or multiple case analysis (Di-Dominico et al., 2010; Robinson, 2006; Corner & Ho, 2010; Yusuf & Sloan, 2013), which in the cases of Perrini et al., (2010) and Robinson (2006) involved longitudinal data analysis. Through the process data was collected through primary sources (basically through semi-structured interviews and field observation) and/or secondary/archival sources. In all of these studies, the data collected was analyzed over two stages: (a) the pre-analysis stage that was directed towards the development of case history in which each episode was presented a chronology of events, and (b) the analysis stage that involved within-episode analysis, and when possible, cross-episode analysis to extract explanatory patterns which were then used to draw inferences or propositions (Perrini et al., 2010; Robinson, 2006; Di-Dominico et al., 2010; Yusuf & Sloan, 2013; Corner & Ho). The study conducted by Gundry et al. (2011) however presents a deviation from this qualitative orientation. Gundry et al. employed a quantitative empirical investigation, in which a quantitative survey was used to solicit data from 113 social entrepreneurs over six-month period, which was then analyzed using a mediated regression approach.

In summary, it may be said that despite attention given to the importance of studying the social entrepreneurial process, it is yet noticeable that “the stages of the process by which creative and innovative solutions to complex and persistent social problems are provided and the dimensions affecting the way the process unfolds are still mainly assumed rather than theoretically and empirically examined” (Perrini et al., 2010: 516). Responding to the call for future research that offers an in-depth analysis of the journey through which social opportunities are formed and consequently developed into viable organizations (Austin et al., 2006; Mair & Marti` 2006; Chell et al., 2010; Perrini et al, 2010; Perrini & Vurro, 2006), the following chapter (Chapter Five) aims at presenting the ontological, epistemological and methodological basis of the current study.

CHAPTER FIVE:

RESEARCH ONTOLOGY, EPISTEMOLOGY AND METHODOLOGY

5.1 Introduction

Throughout the past decade, entrepreneurship research has focused on the concept of opportunity (Alvarez et al., 2013; Dimov, 2011). In the majority of research, the existence of opportunities was taken as given and therefore it was implicitly assumed that the process by which opportunities are formed had no impact on the way they are developed and exploited by entrepreneurs. Recent research however sheds light on alternate views of opportunities as discovered, created, or a combination of both discovery and creation (Alvarez et al., 2013; Corner & Ho, 2010; Dew, Read, Sarasvathy & Wiltbank, 2011; Sarasvathy, 2008; Suddaby et al., 2015). These differences were assumed to have implications for how entrepreneurs can effectively develop and exploit these opportunities (Alvarez et al., 2013; Dimov, 2011). Dimov (2011) suggests that the point of dispute between the discovery and creation views is not the ontological status of opportunities but rather how entrepreneurial behavior triggers an ongoing cycle of ideas and actions that aim at developing a particular idea:

“An opportunity can be conceived as a momentary, symbolic blueprint for the entrepreneur’s actions, interweaving the entrepreneur’s resources, aspirations, and business templates. The blueprint pertains to the entrepreneur’s immediate action possibilities and, once a particular action is undertaken, evolves iteratively into a new blueprint for further action that incorporates the new knowledge afforded by the previously undertaken action. It is in this sense that an opportunity can be considered perpetuated through the cycling of ideas and actions (Dimov, 2011: 67-68).

The increased recognition of multiple views on opportunity as discovered, created or a combination of both led entrepreneurship researchers to gradually shift from the study of opportunity per se towards explaining the implications of opportunity type on the unfolding of associated entrepreneurial ‘processes’ that form and exploit them (Tsoukas & Chia, 2002; Alvarez et al., 2013; Corner & Ho, 2010). Adopting a processual frame of reference “is founded upon a worldview that conceptualizes processes, rather than objects, as the basic

building blocks of how we understand the world around us” (Moroz & Hindle, 2012: 786). In essence, the application of a process perspective of entrepreneurship (captured by the notion of ‘entrepreneurship’) transcends the traditional, rational perspective of the phenomenon as an intentionally planned and dramatically staged activity. Instead entrepreneurship is acknowledged to be daily, hands-on practice that combines routines and improvisation in a creative and social/collective organizing process that materializes a venture (Johannisson, 2011; Selden & Fletcher, 2015; Watson, 2013a; 2013b). This entails an analysis of how change is created through the transformation of inputs to outputs, in addition to an understanding of the ontology of ‘becoming’ that is reflected in the progressive individual and social change associated with such transformation (Moroz & Hindle, 2012; Watson, 2013b).

Researchers explain that a process perspective of entrepreneurship coincides with an emergent practice-theory approach (Johannisson, 2011; Watson, 2013a; Stayer, 2007). Through the study of actions and interactions (their source, pattern-making and outcomes), a practice frame of reference aims at generating ‘actionable knowledge’ that seeks to explain how things get done, therefore denying the existence of a general, unified truth or single reality (Johannisson, 2011). This focus on the pursuit of actionable knowledge supports the application of a pragmatic approach to analyze the entrepreneurial processes (Watson, 2013a). Pragmatists emphasize utility as a method for evaluating the truth and advocate principles of philosophical pluralism, social construction of knowledge and the progression of knowledge (Hasting, 2002).

Following a pragmatist approach to analyze the social entrepreneurial process, the current chapter is divided into two sections. The first section elaborates on the ontological and epistemological foundations of earlier processual research conceptualizing opportunity as discovered (positivist perspective) or created (social constructionist perspective). Pragmatism is then introduced as a balanced perspective that is adopted in this study to mitigate the positivist-social constructionist duality. The second section of the chapter proceeds to explain the typical research design that is followed in this study.

5.2 Pragmatism: A Balanced Perspective

5.2.1 Introduction

Developments in the scholarly field of entrepreneurship (*and consequently social entrepreneurship*) should build on a clear understanding of its meta-theoretical foundations as reflected in the underlying philosophy of science and the related ontological and epistemological aspects of a particular research project (Fletcher, 2006). In general, a paradigm refers to a deep philosophical position regarding the nature of a particular phenomenon under study, which in turn influences the kinds of knowledge a researcher seeks and as well the way evidence is collected and interpreted (Morgan, 2007; Felizer, 2010; Bygrave, 1989; Burrell & Morgan, 1979; Hassard, 1991). This in turn requires conceptualizing four sets of assumptions that pertain to ontology, epistemology, human nature, and methodology (Burrell & Morgan, 1979). ‘Ontology’ relates to the very essence of the phenomena under study (Hassard, 1991) therefore describing how a researcher makes sense of the world and his position as to the existence of a real and objective world independent of the human subject (Della Porta & Keating, 2008). ‘Epistemology’ relates to the possibility of knowing this world, in addition to associated matters that pertain to the form of knowledge (natural laws, probabilistic laws, contextual knowledge) and limits of knowledge (explanation and prediction vs understanding) (Della Porta & Keating, 2008). ‘Human nature’ refers to the relationship between human beings (Burrell & Morgan, 1979; Hassard, 1991). Finally, methodology refers to the technical instruments and methods that can be used to acquire, investigate and interpret this knowledge (Della Porta & Keating, 2008; Hassard, 1991). These methods encompass the variables, instruments to measure those variables, populations on which the measurements are made, and analytical techniques that are used to interpret the data measurements (Bygrave, 1989).

Emphasizing the notion of paradigm as a set of shared belief and practices (Morgan, 2007), Kuhn (1970) identifies three phases or stages that explain paradigm emergence and development namely; pre-paradigm phase, normal science phase, and revolutionary science. With application to the field of social entrepreneurship, researchers have consistently described the domain as one that is still at a pre-paradigmatic stage of development with a long way to go

before it could reach maturity (Trivedi, 2010; Grandos et al., 2011; Doherty et al., 2014; Santos, 2012, Short et al., 2009; Hoogendoorn et al., 2010). Bygrave (1989) uses a jig-saw puzzle metaphor to explain the pre-paradigm phase.

“A paradigm in the pre-theory stage is like a jig-saw puzzle with a framework but with most of the pieces missing. We must first find the pieces before we see how they are connected together. At this stage we should be carefully finding those pieces with meticulous research. With enough pieces, we will start to see patterns emerge. From those patterns, we can start to build partial theories” (Bygrave, 1989: 22-23).

Broadly speaking, social entrepreneurship is a multidimensional phenomenon that largely builds on theories and methods that are borrowed from other fundamental and applied sciences such as sociology, psychology, economics, business, biology and mathematics (Bygrave, 1989; Short et al., 2009; Doherty et al., 2010; Haugh, 2005). Although this broad framing has enriched social entrepreneurship by presenting it as a multidimensional concept with a variety of applications, a review of related writings over the past 20 years (presented in Chapters Two, Three and Four) shows that limited progress has been made to establish the theoretical foundation of the field (Short et al., 2009; Gawell, 2013). Using Bygrave’s (1989) metaphor, most of the pieces of the social entrepreneurship jigsaw puzzle are in fact still missing.

“During the last decade, we have seen an increased interest in issues related to social or societal entrepreneurship and social enterprises..... The increased interest, combined with the fact that we are at an early phase in the emergence of this field, means that there is a fragmented understanding of these fields based on slightly different assumptions, theoretical and conceptual approaches as well as different methodological and empirical grounds.” (Gawell, 2013: 1072).

Chapter Two explains that although the majority of research on social entrepreneurship has been conceptual, theoretical topics of potential interest to social entrepreneurship researchers have not yet been fully and/or adequately covered. To a large extent, existing social entrepreneurship research was confined to a limited number of topics. These topics include a presentation of an unresolved definitional debate, in addition to a deconstruction of the social entrepreneurship concept to its constituent elements and how and why these elements are related together (Short et al., 2010; Choi & Majumdar, 2014). Furthermore, while a good

proportion of research was dedicated to the study of individual-level characteristics of social entrepreneurs (Mair & Noboa, 2003; Haugh, 2005; Dacin et al., 2010), only few studies were directed towards the identification of social opportunities and distinct goals and processes that are characteristic of social entrepreneurship (Short et al., 2009; Haugh, 2005; Dacin et al., 2010; York et al., 2010; Mair and Noboa, 2003; Doherty et al., 2014; Granados et al., 2011). When conducted, processural analysis of the social entrepreneurship phenomenon was either too general or otherwise focused on the pre-venture stage (e.g. Perrini & Vurro, 2006; Lumpkin et al., 2013; Mair & Noboa, 2003). Finally, Doherty et al. (2014) point to a new stream of critical research that discusses the dark side of social entrepreneurship. Social entrepreneurship researchers explain that their failure to reach a common definition of the concept and/or a broad conceptual framework to guide analysis negatively affected the quality of related empirical work. Empirical work was characterized by a lack of rigor, minimal quantitative research and heavy reliance on case analysis which consequently obstructed generalization efforts (Di-Dominico et al., 2010; Robinson, 2006; Corner & Ho, 2010; Yusuf & Sloan, 2013).

Advancement of the social entrepreneurship field from a pre-paradigmatic phase requires the development of partial theories that both define and explain unclear patterns of the phenomenon. The current study aims to uncover one of those missing pieces of the social entrepreneurship puzzle that particularly pertains to understanding the entrepreneurial process underlying social value creation. Chapter Four presented three different views as to how social opportunities may be recognized and exploited; discovery, creation and a combination of both. The dominant discovery view and alternate creation view are respectively situated in positivist and social constructionist paradigms.

The existence of multiple schools of thought that are vying for position but however lack sufficient explanatory power to gain preeminence is a defining feature of the pre-paradigmatic phase (Kuhn, 1970). Hassard and Keleman (2002) distinguish between five main camps (non-consumers, integrationists, protectionists, pluralists and postmodernists) that in turn describe responses to the paradigms debate in organizational analysis. Of interest to the current research are the integrationists, protectionists and pluralists. Advocates of a dominant discovery or creation view belong to the 'integrationist' camp that supports a *Pfefferdigm thesis*, which calls for

an overarching integrated paradigm (Pfeffer, 1993). Those who promote the view of discovery and creation as two contending logics belong to the ‘protectionist’ camp, which supports paradigm incommensurability. Finally, advocates of the view of discovery and creation as two contingent logics – like the current research - belong to the ‘pluralist’ camp, which supports the engagement in multi-paradigm research (Hassard & Keleman, 2002). In this section, the ontological and epistemological foundations of the discovery view (positivism) and creative view (social constructionism) are presented. Pragmatism is then proposed as a balanced perspective that accepts the co-existence of the discovery and creative views.

5.2.2 Positivism: A Discovery View

The discovery view underlies the majority of opportunity-centered entrepreneurship research (Watson, 2013a; 2013b; Alvarez et al., 2013; Seymour, 2012; Lindgren & Packendorff, 2009). Related conceptual groundwork for contemporary research on the discovery process is influenced by three research traditions: Austrian economics, individual trait research, and research on recognition of opportunities; all of which assume a set of positivist ontological and epistemological assumptions (Alvarez et al., 2013). Advocates of the discovery view are in essence looking for the one and only truth that is to be discovered by objective and value-free inquiry (Feilzer, 2010). They use the metaphor of opportunities as lost luggage at a train station that are awaiting to be claimed by some unusually alert individual (Alvarez et al., 2013).

An objectivist stream of thought implies an understanding of opportunities as objective/concrete realities that exist independently of the entrepreneurs’ perceptions of their existence and/or related actions that seek to exploit them (Alvarez et al., 2013; Suddaby et al., 2015; Feilzer, 2010). Epistemologically, the adoption of a discovery perspective assumes a dualistic world where entrepreneurs, opportunities and technologies exist independently of each other (Lindgren & Packendorff, 2009; Suddaby et al., 2015). The emphasis on the existence of opportunity as an objective reality implies that human creativity does not play a fundamental role in opportunity recognition and that humans consequently respond (or at least adapt) to that reality in a machine- like manner (Seymour, 2012). The critical question therefore becomes

'how can/do entrepreneurs discover opportunities?' (Seymour, 2012). This eventually gives more legitimacy or priority to research topics that reduces the study of entrepreneurship into simplistic models of psychological traits, rational decision making and economic exchange (Lindgren and Packendorff, 2009; Suddaby et al., 2015). An emphasis on the existence of objective reality as well gives primacy to quantitative research methods and established principles of thought such as causality, generalization, prediction and statistical significance (Lindgren & Packendorff, 2009; Felizer, 2010).

The positivist ontology, epistemology and related ideology have been broadly applied in the mainstream entrepreneurship studies (Watson, 2013a; 2013b; Lindgren & Packendorff, 2009; Alvarez et al., 2013). Yet, criticism has been made to this objectivist orientation because it lacks realism which leads to misleading assumptions of distance, objectivity, predictability and control (Watson, 2013a). Lindgren and Packendorff's (2009) critique is not related to the application of a positivist perspective in the field per se, but is rather based on the opinion that emerging fields like entrepreneurship must discuss and define their ontological and epistemological positions – without offering many clear definitions themselves. Although research on entrepreneurship has made some progress on the level of definitions, theories and methodologies, related issues revolving around basic assumptions on reality and human beings (ontology), the view of knowledge (epistemology) and the views of what is good/legitimate and bad/illegitimate research (ideology) have in fact gone unquestioned. In Lindgren and Packendorff's view, questioning the assumptions based on which a positivist perspective is adopted is likely to lead to a different stream of research that adopts a social constructionist understanding of entrepreneurship as an interactive process between social actors and the contexts in which they operate.

5.2.3 Social Constructionism: A Creative View

The creation view is rooted in constructionism and associated hermeneutic tradition that seeks to provide a theory of knowledge about the becomingness of social reality (Fletcher, 2006). Constructionism holds an ontological position that rejects the existence of truth, objective facts

and laws of human behavior. Instead, knowledge about reality is situated in the individuals' subjective and inter-subjective understanding and interpretations of this reality. In these processes, language is also subjectively and inter-subjectively understood, negotiated and re-formulated. (Lindgren & Packendorff, 2009; Fletcher, 2006; Seymour, 2012).

Following social constructionism, the creation view argues that entrepreneurship is an organic process that emerges dynamically as an outcome of social interactions between people (Fletcher, 2006; Lindgren & Packendorff, 2009). This has important ontological and epistemological implications for research. First, social constructionists focus on the study of entrepreneurial processes in which members of an entrepreneurial team interact and work together to create meaning. The entrepreneurial process as such can best be viewed from a development or a becoming-perspective in which pluralism and emancipation are an outcome (Watson, 2013a; 2013b; Lindgren and Packendorff, 2009). Epistemologically, social constructionists are more concerned with 'how things go on' as a result of the relational and communal processes in which the entrepreneur is involved (Fletcher, 2006). They therefore seek descriptive/interpretive inquiry into how and why opportunities, entrepreneurs, entrepreneurial processes and entrepreneurship are constructed in social interaction between people (Lindgren & Packendorff, 2009). Second, opportunity emergence can best be viewed as relationally and communally constituted (Alvarez et al., 2013). Entrepreneurial opportunities are herein ultimately determined, not in an exogenous fashion by the external environment, but rather in an endogenous way, through the creative imagination and social skill of the entrepreneur (Suddaby et al., 2015). As such, an opportunity does not become meaningful until it becomes part of the socially constructed reality of the society in which the entrepreneur lives (Alvarez et al., 2013; Fletcher, 2006). Social constructionists therefore shift their focus from the study of individual entrepreneurs (their cognitive aspects as social beings) towards the study of the social/cultural situatedness of particular practices and how the interrelationship between agency and structure may shape these practices (Fletcher, 2006; Lindgren & Packendorff, 2009). Topics of interest include entrepreneurial lives/identities, and the relationality between peoples' actions and the cultural, societal, economic and political situational contexts in which entrepreneurial practices are embedded (Fletcher, 2006).

Methodologically speaking, Lindgren and Packendorff (2009) explain that qualitative fieldwork is an appropriate method that social constructionist researchers can use to explain the longitudinal, organic processes of social interactions underlying the entrepreneurship phenomenon. Given their emphasis on linguistic representations, meaning-making and sense-making processes, social constructionists rely on narrative, discursive and textual data and as well pay more attention to the representation systems (language, concepts, images, objects, social processes, relational processes) that are produced in explaining the duality of structure (Watson, 2013b; Fletcher, 2006; Lindgren & Packendorff, 2009).

Despite the efforts made by social constructionists to present the relational and communal nature of entrepreneurship processes, social constructionist studies of entrepreneurship are often criticized for their inability to present solid insights about social reality (Fletcher, 2006). Social constructionists tend to drift away from the study of the social context of entrepreneurship because of their excessive application of meaning and interpretations of texts, narratives, discourses and other cultural representations (Watson, 2013a). Described as linguistic reductionists, social constructionists – in many instances – fail to account for the physical and material entities of the world (Fletcher, 2006). Adopting a pure social constructionist epistemology for theorizing therefore makes it difficult to generate specific testable hypotheses (Alvarez et al., 2013).

5.2.4 Pragmatism: A Pluralistic Perspective

Despite the growing appreciation of research on the processes of opportunity formation and exploitation, researchers have not reached consensus on how to study this phenomenon. In addition to the (illustrated above) positivist and social constructionist approaches to studying entrepreneurial processes, researchers have proposed other epistemological approaches such as relational constructionism (Fletcher, 2006), social constructivism (Lindgren & Packendorff, 2009; Bruyat & Julien, 2000), evolutionary realism (Alvarez et al., 2013) and radical subjectivism (Chiles et al., 2010). A review of entrepreneurial processual theories however point to the dominance of the positivist/social constructionist streams of thoughts on the topic, which have

been adversely referred to in the literature as discovery/creation view (Alvarez et al., 2013; Short et al., 2009; Short et al., 2010), formal/substantive perspective (Dimov, 2011) and/or causation/effectuation (Sarasvathy, 2001).

Existing research advocating discovery or creative view has contributed to elucidating some of the ambiguity surrounding entrepreneurial processes. Yet, the emergent debate has flaws. First, the argument has often been conceptual in nature without empirical content. This may be attributed to the fact that most of this research has been applied post hoc after an opportunity has already been formed which makes it possible to describe it by reference to both effectual and causal logics (Edelman & Yli – Renko, 2010; Dimov, 2011). Second, the presentation of discovery/creation as a dual framework of analysis has encouraged polarity rather than interrelated understandings of how things are in the world. This eventually translated into more fragmentation within the entrepreneurship field of inquiry (Fletcher, 2006).

Researchers argue against the divide between the objective and subjective aspects of the social world because they are in fact intrinsically interlinked (Della Porta & Keating, 2008). Researchers like Hindle and Sederovitz (2010) have extended that to the notion of entrepreneurial opportunity to suggest that the different underlying logics proposed in the literature (causation, effectuation and bricolage) better be described as contingent, rather than contending, logics. Accepting such a pluralistic perspective of entrepreneurial opportunity is rooted in a pragmatic frame of reference which has been presented as a balanced position that incorporates elements from both the positivist and social constructionist paradigms.

Pragmatists are pluralists who question paradigm incommensurability thesis and consequently advocate multi-paradigmatic research that simulates communication across different perspectives (Hassard & Kelemen, 2002). Holding deep and intertwined American and European roots, pragmatism follows the Euro-American ‘sociological imagination’ tradition which emphasizes the role social science theories play to inform the practices of members of societies (Morgan, 2007; Watson, 2013a). The ‘sociological imagination’ way of thinking about the social sciences was developed by Charles Wright Mills (1970), a US scholar who is credited for the translation of pragmatism into a philosophically informed sociological approach. Mills

was inspired by the American philosophical pragmatists, Peirce (1939–1914), James (1842–1910) and Dewey (1859–1914), and was strongly influenced by the European sociologist and economic historian Max Weber (Morgan, 2007).

Broadly speaking, pragmatism reflects a balanced position where scholarship is perceived as a process of continuous learning that is basically concerned with the broader human process of dealing with the realities of their lives (Morgan, 2007; Feilzer, 2010; Watson, 2013). This may in turn explain why recent thinking on entrepreneurship is progressively incorporating an element of pragmatism (Watson, 2013a; Steyaert, 2007; Sarasvathy, 2001; Gheradi, 2000). Pragmatic thinking supports the image of entrepreneuring as believing in an idea and using that belief to guide concrete and affirmative action (Johannisson, 2011). It therefore adopts a pluralistic view of entrepreneurial opportunity that concomitantly emphasizes processes of interpretation, social construction and discursive/narrative practices as a way by which human beings cope with the objectively existing ‘real world’ (Watson, 2013a). A pragmatist approach to entrepreneurship research is inspired by recent Euro-Nordic research that is represented by scholars like Johannisson (2011), Steyaert (2007), Hjorth (Hjorth, Jones & Gartner, 2008) and Gartner (Gartner, Carter & Hills, 2003).

5.2.4.1 Ontological Assumptions

Pragmatists advocate an anti-representational view of knowledge that sidesteps the pursuit of an accurate presentation of truth and reality. For them, the value of research can best be assessed based on its utility in daily life and/or its ability to present new knowledge that is better than competing (or previously existing) knowledge in terms of effectively guiding human actors to cope with the realities of the world (Feilzer, 2010; Watson, 2013a; Hasting, 2002). Prioritization of practice (or action orientation) in fact presents the heart of a pragmatic paradigm (Watson, 2013a; Morgan, 2007). Johannisson (2011) suggests that a pragmatic emphasis on utility is ontologically related to the notion of *phronesis* as a guiding intellectual virtue in the knowledge-creating process. Borrowing the term from Aristotle, Flyvbjerg (2006) proposes *phronesis* as an appropriate paradigmatic platform for the social sciences. *Phronesis* is

associated with “practical wisdom” suggesting that actions are not taken with what they produce in mind but because they themselves are means as well as ends in the making of a better world (Johannisson, 2011).

Broadly speaking, a pragmatist frame of reference combines a realist ontology, with an ontology of relatedness and becoming. While a realist ontology accepts the existence of an objective reality independent of human interpretation, an ontology of relatedness reflects on relationality with social institutions, cultures and political economic structures as well as patterns of interaction, storytelling and ‘conversation (Watson, 2013a). An ontology of becoming further explains that what really exists are things ‘in the making’ not things that are already made (Watson, 2013a; Tsokas & Chia, 2002)). Pragmatism therefore emphasizes the importance of processes of social construction and the existence of a ‘real world (Watson, 2013a), and as such acknowledges the co-existence of single and multiple realities that are open to empirical inquiry (Feilzer, 2010). This explains why a pragmatist view of the measurable world closely relates to an “existential reality” that describes an experiential world with different elements or layers, some of which are objective, subjective, and/or a mixture of both objective and subjective (Feilzer, 2010).

Pragmatism is based on four main tenets; utility as a method for evaluating the truth, philosophical pluralism, social construction of knowledge and the progression of knowledge (Hasting, 2002). First; for pragmatists, the personal utility of a particular concept or a theory to a person is used as a criterion to evaluate ideas and to settle abstract, metaphysical problems. In other words, an idea is said to be true if it has a utility or makes a difference in concrete, daily life (Hasting, 2002). Second; pragmatists embrace the idea of a pluralist reality, which denies the existence of a unified, overarching theory to explain everything. Pluralism implies that all conclusions reached by whatever methodology are tentative explanations, and that theories may partially explain a phenomenon but do not however reduce the world to a unitary explanation (Hassard & Kelemen, 2002). Third; pragmatists view knowledge to be socially constructed. This refers to the subjective, social element inherent in objective knowledge and the power of language. After all, objective knowledge is an outcome of social processes involving an interplay of subjective perspectives. Furthermore, objective knowledge is

expressed through language; a tool of expression that does not necessarily mirror reality and may not correspond directly to the world (Hasting, 2002). Fourth; pragmatism accepts the progression of knowledge. It acknowledges that any knowledge produced through research is relative and not absolute, and can accordingly change over time in turn allowing for new and deeper dimensions to emerge. The survival of a particular theory as such depends on its adaptability (Feilzer, 2010).

5.2.4.2 Epistemological Assumptions

Pragmatism with its American origins and its recent European adoption has considerable relevance for entrepreneurship scholarship. Guided by an ontology of becoming, whilst setting practice as a defining feature of the pragmatic paradigm, pragmatists shift the focus away from the study of entrepreneurs as a special variant of the human species and instead dedicate their efforts towards the study of the broader phenomenon of ‘entrepreneurial action’ (or entrepreneurial action) in its organizational, societal and institutional contexts. The objective is to ‘learn the ropes’ of different social situations or practices so that they can better cope with different eventualities. These ‘ropes’ constitute the reality of the situation, in pragmatist terms (Watson, 2013a).

A pragmatic frame of reference defines entrepreneurial action as “the making of adventurous, creative or innovative exchanges (or ‘deals’) between the entrepreneurial actor’s home ‘enterprise’ and other parties with which that enterprise trades” (Watson, 2013a:28). Through the process emphasis is given to processes of interpretation, social construction and discursive/narrative practice as a way by which human beings cope with the objective ‘real world’ (Watson, 2013a). Johannisson (2011) explains that the pursuit of practical wisdom (i.e. *phronesis*) in the process of studying entrepreneurship as a practice has some epistemological inferences. First, the uniqueness of the entrepreneurial process adopted by each venture (including the detailed patterning of activities constituting elements of an entrepreneurial process) requires that researchers pay detailed attention to individual elements that combine into everyday practices. Second, by focusing on *how things are done*, researchers should liberate

their thinking of the entrepreneurial process from a narrow-minded association with instrumental (economic) action to further include collaborative efforts in order to enact new realities given the social and societal context.

The combination of these epistemological assumptions suggests that pragmatic researchers adopt some version of abductive reasoning combining both deductive and inductive logics (Morgan, 2007). According to Bygrave (1989) the history of science teaches us that in a relatively emergent field like entrepreneurship, successful science rarely adopts a ‘classic’ dissertation approach that in turn follows a fixed sequence of theory building and hypotheses deduction that are tested with an empirical study.

“[A]t the beginnings of a paradigm, inspired inductive logic (or more likely enlightened speculations) applied to exploratory, empirical research may be more useful than deductive reasoning from theory” (Bygrave, 1989:18).

Movement between induction and deduction (that is brought about by the adoption of abductive reasoning) coincides with a pragmatic framing on a number of levels (Morgan, 2007). First, pragmatism emphasizes the study of actual behavior, including both the beliefs that lead to a particular behavior and the consequences that are likely to follow from it. In abductive reasoning, prior inductive inferences could therefore be assessed based on their ability/utility to predict the ‘workability’ or ‘transferability’ of future lines of behavior (Morgan, 2007). Second, abductive thinking presents an optimal method for pragmatic researchers who seek to set themselves free from the mental and practical constraints that are likely to be imposed by the forced dichotomy between positivism and interpretivism (Feilzer, 2010; Morgan, 2007). Finally, pragmatists call for the adoption of research methods that allow them to be flexible and adaptable to the emergence of unexpected data that may not in turn fit with the original research questions due to some uncertainties and/or human element that they failed to consider at the design stage (Feilzer, 2010). The strength of an abductive approach does not stem from being a combination or mixture of deductive and inductive approaches, but rather from its ability to simulate the discovery of new things, new variables and new relationships. This eventually leads to the generation of new concepts and development of theoretical models, rather than confirmation of existing theory (Dubois & Gadde, 2002). The notion of utility

demands an application of an intersubjective approach or reflexive research practice. This requires that researchers continuously question the objectives and values of their inquiries, and consequently revise their choice of research questions and methods used, in addition to interpretations made, in light of the social context in which they operate so as to ensure that these inquiries are more than an attempt to mirror reality (Feilzer, 2010; Morgan, 2007).

Methodologically, pragmatists have therefore been described as ‘anti-dualists’ who do not admit the positivist/interpretivist dichotomy and subsequent quantitative/qualitative divide. Combined with their acknowledgement of an existential reality with multiple layers, pragmatic thinkers are open to the use of different research methods be they quantitative, qualitative or a combination of methods (mixed methods research). A particular method (or combination of methods) is chosen based on its utility or ability to interrogate a particular question, theory or phenomenon (Feilzer, 2010; Morgan, 2007). The flexibility a pragmatic researcher enjoys further reflects in the possibility of (abductively) using conversion mixed methods to analyze the interview data quantitatively as well as qualitatively, even though such decision may not have been initially built into the research design (Feilzer, 2010).

5.3 RESEARCH DESIGN

Research design “addresses the planning of scientific inquiry – designing a strategy for finding out something” (Babbie, 1992: 89). This entails the specification of the purpose of the study (exploration, description, and/or explanation) and subsequently the identification of the research method(s) that can best be applied to the context of the study in question (quantitative, qualitative, or mixed method research) (Babbie, 1992).

The current study aims to explain the social entrepreneurial journey as a process through which opportunities are formed and exploited in social enterprises to ensure sustained value creation. Adopting an opportunity perspective, the social entrepreneurial process is herein manifested as a dynamic process of opportunity formation and consequent development and evaluation, which is made possible through a series of business model transformations. From the

perspective of an aspiring entrepreneur, an opportunity as such comprises the perpetuation of a cycle of venture ideas and actions that are oriented towards the formation and sustenance of market relationships (Dimov, 2011).

5.3.1 Purpose of Research

Methodologically, researchers distinguish between two categories of process-based research namely; variance (causal) research and process (narrative) research (Moroz & Hindle, 2012; Dimov, 2011; Tsoukas & Chia, 2002; Selden & Fletcher, 2015). Variance research regards an entrepreneurial journey as “a retrospectively identified entity within the parameters of which it is possible to isolate independent and inter-temporal causal relationships between conditions, properties, events and outcomes” (Selden & Fletcher, 2015:603-604). A process approach, in contrast, defines an entrepreneurial journey as “an emergent sequence of events in which an event is both path dependent on prior processes and contingent on contemporaneous processes (Selden & Fletcher, 2015:604). The two views are based upon fundamentally different ontological and epistemological assumptions of change that are incompatible and are instead viewed as complementary in that they –combined – can fill research gaps (Moroz & Hindle 2012; Selden & Fletcher, 2015).

Researchers suggest that an emphasis on the notion of opportunity as happening (and manifested in action) suggests the adoption of a process explanation (Dimov, 2011; Tsoukas & Chia, 2002; Selden & Fletcher, 2015). Like the current study, process explanations focus on the specific path – in terms of a sequence of events or concrete experiences—that observed cases follow from one state to another. They accordingly capture and integrate the multiple contextual factors through which the entrepreneurial process unfolds. Researchers adopting this view therefore seek to identify the generative mechanisms underlying the particular sequence of events and are thus alert to the holistic configuration of contributing circumstances and actions (Dimov, 2011; Selden & Fletcher).

The choice of process research to understand the dynamics of a social business model has a few implications on the research design adopted in the current study. First; the previous chapters on social entrepreneurship and emergent theories on entrepreneurial processes (such as effectuation) presented the social entrepreneurial process as a relatively new phenomenon that remains largely unexplored. Little is known about how a social venture unfolds through processes of opportunity formation, development and evaluation. Processual explanation have been mainly assumed rather than theoretically and empirically examined. Add to that, the few available attempts adopting a more focused approach have often concentrated on the pre-venture stage of the process leaving post start-up activities to future research (Bygrave, 1989; Short et al., 2009; Short et al, 2010; Chandler et al., 2011). This in turn suggests the application of an exploratory research design with an orientation to develop propositions rather than test hypotheses. As opposed to descriptive and explanatory research, Babbie (1992) explains that an exploratory research is typically applied when a researcher is breaking new ground or is seeking a better understanding of a relatively new, unstudied topic of interest. The purpose is to capture the complexity and richness of the underlying phenomenon and detect patterns.

Second, the heart of entrepreneurship process is found in the descriptive background (Pentland, 1999; Bygrave, 1989) and therefore process research advocates the use of qualitative research methods that delve into the causal relationship between idea and action (Dimov, 2011; Pentland, 1999; Marion, Eddleston, Friar, & Deeds, 2015; Jennings, Edwards, Jennings, & Delbridge, 2015). Qualitative data preserves chronological flow, assesses local causality, and leads to fruitful explanations that go beyond initial preconceptions and frameworks (Miles & Huberman, 1984).

“Entrepreneurship is a process of becoming rather than a state of being. It is not a steady state phenomenon. Nor does it change smoothly. It changes in quantum jumps. No amount of regression analysis will help us understand what triggers the quantum jump or what happens during the quantum jump” (Bygrave,1989: 21).

5.3.1.1 Research Questions

Adopting an exploratory mindset, the current research builds on the concept of ‘business model’ as an embodiment of “the organization’s configurational enactment of a specific opportunity” (George & Bock, 2011) to answer the broad question of:

‘How are opportunities formed and developed in social enterprises to ensure sustained social value creation?’

This entails answering other queries pertinent to:

1. The description of a holistic pattern that demonstrates how a social entrepreneurial journey unfolds over time to ensure sustained value creation.
2. The explanation of the role that business model plays in the social entrepreneurial process
3. The identification of the role and pattern that processural theories (causation and effectuation) play to explain the social entrepreneurial process.

5.3.2 Qualitative Research in Application

Qualitative research is related to the collection and structural analysis of narrative text, where the latter is argued to lead to better process theories (Pentland, 1999; Dimov, 2011; Jennings et al., 2015; Marion et al., 2015). In general, narrative is an overarching category that encompasses a wealth of data of all kinds that are relevant to a wide range of organizational phenomena (Pentland, 1999).

Researchers like Pentland (1999), Fletcher (2006) and Watson (2013b) highlight some typical features or properties of a narrative that makes it more than just a sequence of events. First; time and sequence are integral elements of a narrative. The actions referred to in a narrative are understood to happen in a chronological order, although this may require that a researcher digs into the deep structure of a story to describe the sequence. Second; narrative always revolves

around a focal actor or actors, which consequently provides some information about the roles, social networks and demographics of the actors. Along with sequence, these actors (be they characters or objects) tie events of a narrative together. Third, the data that someone shares has an ‘identifiable narrative voice’ which reflects his/her own point of view, power and network of social relationships. Fourth; a narrative has an ‘evaluative frame of reference’ that implicitly or explicitly identifies the cultural values and standards/morals against which actions of the characters can be judged as right/wrong or appropriate/inappropriate. Fifth, a narrative contains a variety of textual devices that describe contextual elements, such as time, place, attributes of the characters, attributes of the context, and so on. Although these elements do not advance the plot, they provide information that may be useful in interpreting the event.

In summary, the inherent properties of narrative discourse suggests that text has surface features, in addition to deeper structures, which together make it an attractive approach that can be used to describe the sequential pattern of events constituting a particular organizational phenomenon (*like social value creation*). Narrative can also explain the underlying processes that gave rise to these events, along with the generating mechanisms driving the process (Pentland, 1999; Jennings et al., 2015). Words that are organized into stories and incidents offer convincing, concrete, vivid and meaningful evidence that carries a quality of undeniability that numerical evidence may fail to provide (Miles & Huberman, 1984; Watson, 2013b).

Generally speaking, the entrepreneurial process evolves as the underlying opportunity unfolds from a series of actions and events, each dealing with the uncertainty and possibilities of the future from the point of view of a moving present (Bygrave, 1989; Dimov, 2011). Researchers therefore suggest that a relatively accurate description of the phenomenon be driven by empirical models that rely mostly on fieldwork applying longitudinal designs (Bygrave, 1989; Johannisson, 2011, Clarke, Holt & Blundel, 2014; Jennings et al., 2015). According to Selden and Fletcher (2015), process theorists have given limited attention to the conception of the entrepreneurial journey as a holistic unit of analysis. Approaching the entrepreneurial journey as a distinct unit of explanation uncovers the multi-contextual and multi-level depth and richness of entrepreneurial phenomena. Furthermore, an understanding of phase transitions along the

journey could be achieved through an examination of *relatively* independent entrepreneurial events as a lower unit of analysis.

The following sub-sections elaborate on the case study from which longitudinal data was collected, as well as the means of data collection and methods of data analysis.

5.3.2.1 Furniture Resource Centre: A Case Study

To answer the broad research question (of how opportunities are formed and developed in social enterprises to ensure sustained social value creation), the researcher selected a longitudinal, field case study approach. The application of longitudinal research along with a case study approach provides a better setting for an in-depth, rather than breadth, examination of new concepts and their early operationalization (Yin, 1989; Corner & Ho, 2010; Jennings et al., 2015). Dubois and Gadde (2002, 2014) further advocate the application of single, in-depth case analysis, as opposed to the use of multiple cases, in these situations where the research objective is directed towards the analysis of a number of interdependent variables in complex structures. The combination of case study and longitudinal analysis therefore enables a better understanding of complex, longitudinal phenomena because it avails detailed information that the analyst can use to recognize and assess unexpected patterns that would not be captured by more constrained methodologies (Alvord, et al., 2002; Yin, 1989). With respect to the current study, this will make it possible to develop inferences as to how causation and effectuation occur and interact throughout the social opportunity cycle.

In this study, the Furniture Resource Centre (FRC) group, a leading UK social business in existence since 1988, is chosen to represent the field of application. Originally set up as a charity, FRC group now is successfully running commercial businesses that produce financial profits and create a social dividend by giving people in poverty and unemployment the opportunity to change their lives. The particular selection of FRC is based on the following criteria.

First: FRC has been both nationally and regionally awarded in recognition of its successful transition from the early venture stage towards becoming a self-sustained organization. Through the process FRC has been widely regarded as a successful example of social enterprise that has the potential to catalyze transformations in the social contexts in which its diverse businesses operate.

Second: in operation from 1988 to date, FRC Group has a long history of successes and failures; all of which are brought together by a sincere attempt to generate social impact. These events or episodes necessarily required ongoing adaptations in the adopted social business model. This in turn makes FRC a fertile ground for analyzing how alternate entrepreneurial logics are interchangeably applied under different contextual circumstances that are likely to prevail along the social opportunity cycle. One possible approach is to study the initial phase retrospectively, while throwing shadows on the remaining process and possibly even co-creating it as unfolds in real time (Johannison, 2011).

Third: researchers agree that relying on a single, longitudinal case, rather than multiple cases, allows for more detail and flexibility in reporting on the analysis (Fisher, 2012). Yet, it is unquestioned that the resultant analytical generalizability comes at the expense of statistical generalizability, which in turn makes it difficult to make systematic comparisons and/or draw unambiguous conclusions (Alvord et al, 2002; Yin, 1989). As such, as shall be shown later in detail in the data analysis section, the history of FRC is broken down to a number of focal episodes or entrepreneurial events, each of which is treated as a separate case or unit of analysis that comprises particular events, settings, or processes (theoretical sampling).

Fourth: the history and ongoing practices of FRC are well described and documented through interim reports, and publications that are periodically produced by the group. Furthermore, given the success achieved by FRC, the group has often been the subject study of many professional and academic articles, reviews and publications. This does not only reflect FRC's openness to share its experience with various stakeholders (including interested researchers), but as well provides evidence on the existence of a sizeable informative database that could be used to solicit answers for the current research questions.

5.3.2.2 Data Collection

Narrative data may be collected from different sources such as interviews with organizational members, published sources, electronic databases and historical records. Researchers suggest that studies that are based on recall should focus on recent events and as well be supplemented by longitudinal designs. This will make it possible to combine retrospective interview data with observable behavioral and action variables, such as actual strategies implemented, and complementing both with historical materials and information from multiple stakeholders (Perry et al, 2012; Jennings et al., 2015). A summary of primary and secondary data sources that are used in empirical analysis is included in appendix (1). The codes listed in appendix (1) are used for referencing purposes in chapters six and seven.

Primary data

Primary data was collected through two main sources: personal interviews and field notes.

Personal Interviews

Primary data were principally collected through semi-structured interviews that were conducted with the FRC management team namely; (1) Shaun Doran (CEO), (2) Verity Timmins (impact manager), (3) Collette Williams (People and Learning Manager), (4) Nicola Hughes (financial manager). Interviews were also conducted with some FRC partners namely; (5) Ian Fyde (Liverpool Mutual Housing), (6) Shaun Alexander (City Council), (7) Adam Richards (Senior Lecturer at Liverpool John Moores University). The informants were selected on the basis of their involvement within the innovation episodes covered in the present study. Their diverse background (in terms of their belonging to different functions across the organization and contrasting affiliation to the organization itself) contributed to reducing bias.

Interviews typically lasted between 90 -150 minutes and were collected over two rounds that were scheduled over the course of two years. This allowed for emergent themes to be followed up in later interviews, which is consistent with the exploratory nature of the research. It as well

meant that the form and direction of each interview was slightly different. All interviews were digitally recorded and transcribed.

Semi-structured interviews were guided by questions whose answers captured detailed data from key organizational informants about complex case history and organizational processes. Interviews were guided by three main themes. First, questions were asked about the informant's history with the organization and their understanding of FRC's social mission. Second, informants were asked about their typical involvement and role in the focal events that FRC has experienced. While informants were encouraged to tell the story from their own point of view, probing questions were asked to acquire further insight into how and why the entrepreneurial process unfolded the way they did. Examples of these questions include: how did the opportunity initially emerge? How did FRC accumulate the resources that were needed to initially develop and later exploit the opportunity? How did the management team finance the growth of the FRC? Did the driving logic change over time? How did the decision-making process change over time? Finally, there were some emergent questions that pertained to other contextual constructs such as the roles played by partners and other stakeholders in a particular focal event.

Field Notes

Interview data were supplemented with field notes and reflective remarks that contained information deducted from conversations with non-focal actors such as FRC support staff and volunteers. Field notes also contained informed observations that were collected during the premise tour that was conducted at the early stages of data collection, in addition to personal remarks that were undertaken to describe the relationships between FRC team members as observed in some casual conversations between them. Finally, as part of the analytic work marginal remarks were made on the data collected through interviews or other secondary sources. This sometimes included second thoughts on the meaning of what a respondent was saying, and/or personal feelings about (or clarification of) what was being said or done. During the stage of the data analysis (Chapters Six and Seven and related appendices) these field notes

were not explicitly included. Instead, they were primarily used to implicitly guide the construction of the journey outline and subsequent interpretations of events.

Secondary data

Primary data collected through interviews and field notes was supplemented by information about FRC that was available through other secondary sources. Whenever possible, secondary data was digitized into text and added to the database. The secondary sources used for data collection included:

Archival documents: These include published and unpublished reports by FRC, newspaper clippings, strategy documents, website materials, job descriptions, educational reports and brochures, FRC annual reports, and audited social accounts. For each report/article, a document summary was drafted to explain its significance and provide a brief summary of its content.

Internet sources: FRC group electronic website: (www.frcgroup.co.uk) and other internet articles.

Published resources that have been written by FRC founder (Nic Frances) and former CEO (Liam Black) who in turn made reference (explicitly or implicitly) to their experience working at FRC. These include:

- Black, L. and Nicholls, J. : There's no business like social business. How to be socially enterprising
- Francis, N. (1998). Turning Houses into Homes. Discussion Paper 41. Fabian Society Members
- Francis, N. and Cuskelly, M. (2008). The End of Charity. Time for Social Enterprise. Allen & Unwin: Australia.

Academic resources (articles and dissertations) that have referred to FRC as a subject case study (amongst others). These include:

- Brennan, S. L. (2004). *Measuring the impact of the social economy in merseyside*. (Order No. U206331, The University of Liverpool (United Kingdom)). *PQDT - UK & Ireland*, Retrieved from <http://search.proquest.com/docview/301626176?accountid=12117>. (301626176).
- Brennan, S., & Ackers, S. (2004). Recycling, best value and social enterprise: assessing the 'Liverpool Model'. *Local Economy*, 19(2), 175-180.
- Di Domenico, M., Haugh, H., & Tracey, P. (2010). Social bricolage: Theorizing social value creation in social enterprises. *Entrepreneurship theory and practice*, 34(4), 681-703.
- Leadbeater, C. (2007). Social enterprise and social innovation: Strategies for the next ten years. *A social enterprise think piece for the Cabinet Office of the Third Sector*.
- Morrin, M., Simmonds, D., & Somerville, W. (2004). In Perspectives: Social enterprise: mainstreamed from the margins?. *Local Economy*, 19(1), 69-84.
- Nicholls, A. (2009). 'We do good things, don't we?': 'Blended Value Accounting' in social entrepreneurship. *Accounting, organizations and society*, 34(6), 755-769.
- Rotheroe, N., & Richards, A. (2007). Social return on investment and social enterprise: transparent accountability for sustainable development. *Social Enterprise Journal*, 3(1), 31-48.

5.3.2.3 Data Analysis

In this study, data analysis is directed towards extracting meanings and patterns from complex, qualitative data through matching an emergent theoretical framework with empirical data obtained from the FRC case study. As shall be explained later in this section, a manual approach was used to analyze the data over three stages (drafting case history, within-episode analysis and cross-episode analysis). Advanced qualitative analysis software (such as Nvivo or Atlas.ti) are widely used by researchers as invaluable data management tools. Yet applying systematic text coding (associated with the use of these software) in this study entails imposing an artificial framing which would likely lead to partial retrieval of information and failure to apply the manual scrutiny that is needed to ensure that data is thoroughly interrogated.

Dubois and Gadde (2002, 2014) explain that a standardized conceptualization of case study research as consisting of a number of planned subsequent phases does not enable the realization of the potential uses and advantages characteristic of in-depth case analysis. In their view, discovery of deep structures that require context-specific explanation can best be realized through adopting an alternate, new, non-linear approach of ‘system combining’ (Figure 5-1). Herein the theoretical framework, empirical fieldwork, and case analysis evolve both continuously and simultaneously in a process where the researcher moves back and forth from one type of research activity to another and between empirical observations and theory so as to expand their understanding of both theory and empirical phenomena.

According to Dubois and Gadde (2002, 2014), the objective of systematic combining is the refinement of existing theories rather than inventing new ones. This in turn presents ‘matching’, and ‘direction and redirection’ as two cornerstones of the research process. ‘Matching’ refers to achieving the closest fit between theory and reality. This is made possible through an ongoing process of ‘direction and redirection’ where the use of multiple methods and sources for data collection is encouraged as a route to explore and discover new dimensions of the research problem which may eventually lead to the emergence of unexpected insights that may entail the redirection of the study and/or the search for complementary theoretical concept.

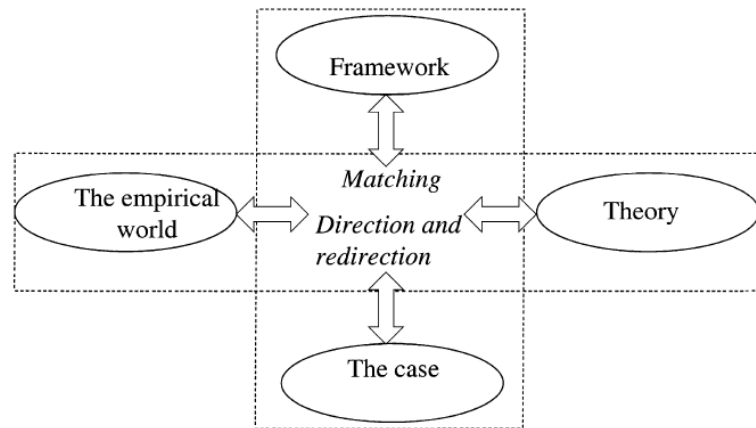


Figure (5-1): Systematic Combining

Source: Dubois and Gadde (2002)

The approach adopted in this study for data analysis follows an abductive approach where data is analyzed over three stages: drafting case history, within-episode analysis, and cross-episode analysis.

Stage One: Drafting Case History

In the pre-analysis stage, the narrative data collected was broken down into a number of theoretical themes; each of which presents a focal event or episode that tells the story of multiple actors who saw a social need or opportunity, and prospected and implemented ideas that nudged that opportunity into manifestation. Combined these narrative case vignettes present a chronological illustration of the journey of FRC and further capture the main decisions and actions undertaken by its entrepreneurial team as they formed and exploited multiple opportunities to create social value. Detailed information collected from key informants on the chronology of events was cross checked against other secondary sources of relevance.

During the stage of data analysis, narrative case vignettes were found to be critical because (1) they represent milestones in the life cycle of FRC (as noted by the interviewees and supported by secondary sources), (2) they shape the context in which FRC operates, and (3) they have a relative beginning and ending which in turn makes it possible to approach each of these entrepreneurial events as a separate unit of analysis that may be described in relation to the overall journey.

Miles and Huberman (1984) refer to this level of analysis as an ‘event listing’ or ‘critical incident chart’. An event listing “arranges a series of concrete events by chronological time periods, sorting them out in several categories” (p.122). A critical incident chart further limits the event listing to a number of events that are deemed by the researcher to be critical, influential or decisive in the course of some process (Miles & Huberman, 1984).

There are two main outputs of this stage; both of which are included in the following chapter (Chapter Six). First: the FRC story is presented as a narrative, which demonstrates how the journey chronologically unfolds into five distinct episodes or entrepreneurial events: (a) FRC – A charity in search of a new identity, (b) FRC – A social enterprise in the making, (c) FRC Group: A bold, adventurous full-fledged social enterprise, (d) FRC Group: Catching breath, and (e) FRC Group: Walking the talk. The narrative highlights the dominant actors at each episode, and also includes a thick description of the transactions, activities and interactions that took place throughout that period. Second, each focal episode is approached as a relatively independent unit of analysis. The underlying core logic and operations at each episode are graphically captured in a business model that is included at the end of each level. Figure (3-1) delineates a social business model along four main constituents: resources and competences, value proposition, value creation architecture, and value appropriation.

Stage Two: Within-Episode Analysis

In this study, there are two units of analysis. First; the FRC entrepreneurial journey – represented as a five-episode chronology - is treated as a holistic unit of analysis. The objective

herein is to understand and describe the overall of the social entrepreneurial process. Second; each of the constituent entrepreneurial episodes or events is treated as a relatively independent unit of analysis. Herein, the construction of multiple case histories (many-to-one) is followed by a detailed individual analysis of each case / episode to obtain a sort of ‘existence proof’ of the application of an effectual/causal approach throughout the opportunity cycle (i.e. the process of opportunity formation and development). To do that, the narrative evidence describing entrepreneurial behavior prevalent at each episode (Chapter Six) is matched against an initial thematic template (Table 5-1) that has been developed by reference to literature on causation and effectuation (Chapter Four).

Presented in Table (5-1), the template includes a list of conceptual categories (or thematic codes) that are carefully chosen to reflect key distinctions between a causal and effectual logic. Effectuation is described as a *multidimensional, formative, second-order construct* where causality flows from lower-order sub-construct indicators (flexibility, experimentation, precommitments, loss affordability, leveraging contingencies and non-predictive control) to the latent, higher-order construct. As such, these lower-level – combined - represent defining characteristics of the effectuation construct. Causation, on the other hand, is a uni-dimensional, reflective construct where causality flows from higher-order constructs to the latent lower-order indicators (items, sub-constructs). In other words, the lower-order indicators are designed to reflect the upper causation construct (Chandler et al., 2011).

Table (5-1): Behaviors Underlying Entrepreneurship Processural Theories

Entrepreneurial Themes	Causation	Effectuation
Underlying Logic	Causation is based on four principles: (1) specify the ends (goal), (2) maximize expected returns, (3) conduct competitive analysis, and (4) control the	Effectuation is based on four main principles: (1) start with the means at hand (bird-in-hand principle), (2) apply the affordable loss principle, (3) establish and leverage strategic relationships (crazy

	future (Fisher, 2012; Read et al., 2010)	quilt principle), (4) leverage contingencies (lemonade principle), and non-predictive control (pilot-on-the plane principle). Embedded into these is an emphasis on principles of (5) experimentation and (6) flexibility (Fisher, 2012; Read et al., 2010)
Goal Setting	<p>The starting point is a well-formulated vision/goal/plan (Hindle & Senderovitz, 2010).</p> <p>The vision is clear and consistent (Fisher, 2012; Chandler et al., 2011)</p>	<p>The starting point is the resource base at hand, no pre-set well defined goal / outcome (Hindle & Senderovitz).</p> <p>It is impossible to see from the beginning where a firm wanted to end, the ultimate product can be totally different from original conception (Chandler et al., 2011)</p>
Opportunity	<p>Opportunities are discovered (objective and identifiable). The search is often limited to existing markets with lower levels of uncertainty (Fisher, 2012). Their exploitation is further constrained by the availability of resources (Chandler et al., 2011)</p>	<p>Opportunities are subjective; they are socially constructed, and created through a process of enactment. Effectuators often identify and exploit opportunities in existing markets with lower levels of uncertainty. (Fisher, 2012)</p>
Planning	<p>Planning is emphasized and takes place before strategic decision and execution (Hindle & Senderovitz, 2010). This involves the planning of business strategies guiding production and marketing</p>	<p>There are no concrete/clear pre-made linear plans (Hindle & Senderovitz, 2010). This gives a firm flexibility to evolve as new opportunities emerge (Chandler et al., 2011).</p>

	efforts, in addition to planning targeted towards the pursuit of long run opportunities that may serve the firm's growth (Fisher, 2012; Chandler et al., 2011)	
Response to Contingencies	<p>Planning, forecasting and control are reinforced to avoid contingencies (Fisher, 2012).</p> <p>The ultimate product/service launched are quite similar to the original conception (Chandler et al., 2011)</p>	Effectuators exhibit openness, flexibility and organicity, and possess transformational leadership that enable them leverage contingencies as they arise (Fisher, 2012)
Internal/External Analysis	Competitive analysis and customer analysis is an integral element (Hindle & Senderovitz, 2010; Chandler et al., 2011)	Extended strategic analysis is not possible. This can be comprised by non-predictive control manifested through forging commitments and strategic alliances Hindle & Senderovitz (2010)
Resources	<p>Resources are well defined.</p> <p>The role of an entrepreneur is to identify and/or externally acquire these resources to achieve the specified goal (Hindle & Senderovitz, 2010)</p>	<p>Resources “objectively” exist (but are “subjectively” perceived to identify how they may be acted upon in unusual ways Hindle & Senderovitz (2010)</p> <p>Means and resources are taken as given, and effectuator chooses amongst likely effects Hindle & Senderovitz (2010)</p>
Partnerships / Alliances	Emphasis on endogenous and exogenous partnerships (Read et al., 2009)	Emphasis on endogenous and exogenous partnerships (Read et al., 2009)

	Emphasis on partnerships is driven by a desire to acquire needed resources and maximize return.	Emphasis on partnerships is driven by a desire to expand resource base, reduce uncertainty, control future, and manage risk
Attitude toward risk	<p>Risk avert: Causation advocates identify and exploit opportunities in existing markets with lower levels of uncertainty. (Fisher, 2012)</p> <p>Forecasting is essential: to the extent you can you can predict the future, you can control it (Hindle & Senderovitz, 2010; Read et al., 2010)</p>	<p>Risk takers: Effectuators identify and exploit opportunities in new markets with high levels of uncertainty (Fisher, 2012)</p> <p>Risk is managed through non-predictive control:</p> <p>Affordable loss is used a strategy to manage risk. Loss affordability entails the pursuir of inexpensive methods of doing things, the commitment of limited amounts of resources to the venture at a time, and the reliance of personal/family resources at the beginning. More importantly it entails limiting the resources committed to the venture to what could be lost (fisher, 2012)</p> <p>Forging partnership and developing precommitments, experimentation, and flexibility is another way by which risk may be controlled (Chandler et al., 2011)</p>
Control	Control mechanisms are emphasized. A clear	Non-predictive control: To the extent you can control the future, you do not

	<p>organizational structure is set, and internal reporting structures are implemented. Furthermore, functional performance is evaluated against preset plans and targets (Fisher, 2012)</p> <p>Internal and external analysis represent an important input into control-related activities (Fisher, 2012)</p>	<p>need to predict it. This is made possible through reinforcing principles of loss affordability, leveraging contingencies and strategic alliances, experimentation, and flexibility (Hindle & Senderovitz, 2010)</p>
Rule-thumb for Decision Making	<p>Decision makers dealing with measurable or predictable future will do systematic information gathering and analysis within certain bounds (fisher, 2012)</p> <p>Decision making between alternate opportunities is made on the basis of probability analysis and maximization of expected returns (Fisher, 2012; Chandler et al., 2011; Dimov, 2011)</p>	<p>Decision makers dealing with unpredictable phenomena will gather information through experimental and iterative learning techniques aimed at discovering the future (Fisher, 2012)</p> <p>Decision making is a flexible process that seeks to take advantage of unexpected opportunities. The choices are largely driven by how much a firm could afford to lose. (Chandler et al., 2011; Dimov, 2011)</p>

The outcome of the multiple-case analysis is displayed in a tabular format (Table 5-2) that is later compiled into five separate appendices (1-5), which correspond with the five-episode classification. The objective herein is to identify the fit between actual entrepreneurial behavior at each episode and the thematic codes developed so as to present proof on the application and dominance of either approaches at each particular episode. Miles and Huberman (1984: 110)

describe this classification as a ‘conceptually clustered matrix’ whose columns are arranged to bring together ‘conceptually coherent’ items.

Table (5-2) consists of three columns. The first column identifies the themes based on which the entrepreneurial behavior at each episode is analyzed. For each of these themes, the second column provides detailed evidence on the practice of an effectual/causal approach, which is then supported by excerpts that are obtained through primary and/or secondary sources. Realizing that each episode is likely to involve a combined application of causal and effectual practices, a summary comment is included on the top of each table to show whether the episode as a whole is dominated by a causal or effectual logic.

Table (5-2): Analysis of Entrepreneurial Approach at Episode 1

***Dominant Logic = Causation / Effectuation**

Entrepreneurial Themes	Evidence	Supportive excerpt from primary /secondary sources
Goal Setting		
Opportunity		
Planning		
Internal/External Analysis		
Using existing resources or acquiring new ones		
Risk Management		
Control (predictive/non-predictive control)		
Response to Contingencies		
Rule-thumb for Decision Making		

Third Stage: Cross-Episode Analysis

Through setting entrepreneurial events or episodes as separate unit of analyses, cross-case analysis aims to extract and identify recurrent patterns that could be used to (1) explain the social entrepreneurial process by reference to the concept of business model evolution, (2) build a logical trail of evidence that explains how opportunities for social value creation are formed and subsequently developed, and (3) associate business model evolution (and opportunity development) to the co-application of causation and effectuation.

Cross-case analysis is the output of matching empirical data with existent conceptual frameworks and theories. The study presents two alternate interpretations of the social entrepreneurial process. In the first level of interpretation, the FRC journey (as a whole) and related episodic narratives are illustrated by reference to Geroski's theory of market evolution and Levie and Lichtenstein's dynamic state approach. The output of this stage of analysis is summarized in table (5-4) in a way that describes the role of business model evolution and opportunity tension in generating sustained value creation. Figure (5-4) shows how the shift from one column to another marks a transition forward in the process of opportunity development, which is in turn associated with some level of business model evolution or change.

Miles and Huberman (1984) describe this table as *time ordered matrix* whose columns are arranged by time period, in sequence, so that one can see when particular phenomenon occurred. The basic principle is "chronology" (Miles & Huberman, 1984:100). Whenever possible, explanatory patterns that might fit across all cases shall be sought because these can be generalized into propositions that may be subject for testing in future, large-sample hypothesis-testing research (Miles & Huberman, 1984). In the current study, these queries pertain as whether the social entrepreneurial process is dominated by effectuation, whether the adoption of an effectual or causal logic is related to particular stages of an opportunity cycle, and how progression along the process may be explained by reference to business model evolution.

Table (5-3): Business Model Evolution

Episode	1	2	3	4	5
Description					
Characteristics					
Dominant Logic (Effectuation/Causation)					

The second level of interpretation, alternatively, presents empirical data on the FRC journey (and constituent focal episodes) as an emergent opportunity-based hierarchy. The model proposed (Figure 7-1) combines the works of Ardichvili et al. (2003)'s theory of opportunity development, Selden and Fletcher's (2015) entrepreneurial emergent hierarchy system, and organizational learning framework (Crossan et al., 1999; Jones & Macpherson, 2006, Dutta & Crossan, 2005). Like the first level of interpretation, the proposed model offers a holistic explanation of the social entrepreneurial process while highlighting the underlying role that is played by the notion of business model evolution. The analysis also answers whether the social entrepreneurial process is dominated by effectuation and whether the adoption of an effectual or causal logic is related to particular stages of an opportunity cycle. In addition, the proposed model explains how organizational learning processes, driving the transition across levels of the hierarchy, explain the concomitant application of causation and effectuation.

5.4 Conclusion

The current study adopts a pragmatic approach to uncover how opportunities are formed and developed in social enterprise to ensure sustained value creation by reference to concepts of business model evolution, and processural theories of causation and effectuation. The extension of pragmatism to the entrepreneurship domain is inspired by recent Euro-Nordic research that is represented by scholars like Johannisson (2011), Steyaert (2007), Hjorth (Hjorth et al., 2008) and Gartner (Gartner et al., 2003). Given its focus on actionable knowledge, pragmatists inherently hold an image of entrepreneuring as believing in an idea and using that belief to guide concrete and affirmative actions (Johannisson, 2011; Hasting, 2002). Through emphasizing a principle of philosophical pluralism, pragmatists consequently follow an abductive approach that sets them free from the mental and practical limitations that are imposed by the forced positivism/interpretivism dichotomy and subsequent quantitative/qualitative divide (Watson, 2013a; Feilzer, 2010; Morgan, 2007). As such, they are neither consumed in the pursuit of causal or generative explanations, nor are they trapped into the quick sands of excessive text interpretations and discourse analysis (Watson 2013a).

In the following chapters (Chapters Six and Seven) and supporting appendices (1-5), a pragmatic, opportunity-centric approach is used to present a longitudinal, processural analysis of the case of the Furniture Resource Center (FRC). First, the journey of the FRC is presented as a chronology of five focal episodes. The case history constructed describes in detail the activities, transactions and networks prevalent at each episode (see Chapter Six). Second, the actual entrepreneurial behavior practiced at each episode is analyzed in search of proof of application and dominance of either effectuation, causation or a combination of both approaches (see appendices 1-5). Third, output of the two previous analyses is used to extract recurrent patterns that shall be used to explain the social entrepreneurial process by reference to the concept of business model evolution and processes of causation and/or effectuation.

The analysis used in this study is captured by Clarke et al.'s (2014) 'co-evolution' metaphor of the entrepreneurial growth process, which the authors suggest could be used to explain the sustainability of social entrepreneurial processes. The metaphor assumes that entrepreneurial

growth is multidimensional and as such may be assessed by multiple criteria including economic, social and environmental outcomes. More importantly, it is assumed that entrepreneurial growth can only be understood at the level of the total system or ecology comprising the individual entrepreneur, firm and external environment.

“According to a co-evolutionary perspective in order to grow the entrepreneurial firm must co-evolve in systematic relations with their environment including suppliers, markets, employees, local and international communities, natural environments and even their competitors. Competition is not stressed here but cooperation is important to ensure that the system as a whole survives and prospers, (Clarke et al., 2014: 244).

The co-evolution metaphor has a number of advantages that are of relevance to the current study. At the outset, the co-evolutionary perspective invites researchers to study the processes underlying entrepreneurial growth (rather than products of entrepreneurial growth) (Clarke et al., 2014). To do that, Clarke et al. (2014) emphasize the collective, systematically intertwined nature of entrepreneurial growth, whilst challenging the idea of the individual entrepreneur and instead emphasizing the importance of collaborative networks and environmental embeddedness. This in turn allows for a relational understanding of entrepreneurial evolution, whereby multiple sub-components (such as actions, behaviors, perceptions, institutions and environments) co-evolve and interact.

CHAPTER SIX: DATA ANALYSIS
FURNITURE RESOURCE CENTRE:
FROM A CHARITY
TO AN AWARD WINNING NATIONAL SOCIAL ENTERPRISE

6.1 Introduction

The current chapter includes a presentation of the primary and secondary data collected on the exemplar case of the Furniture Resource Center (covering the period 1988-2012). Founded in 1988 as a charity, volunteer-run organization that seeks to solve pressing problems of poverty and deprivation, Liverpool-based Furniture Resource Centre (FRC) has now bloomed into a multi-million pound, award winning, nationwide social enterprise. Insights into a long history of almost 24 years of hard, passionate teamwork demonstrate how FRC Group has consistently been devoted to a mission of running businesses that create both opportunities and profits in diverse – yet related – venues that ultimately improve the lives of people in poverty through the provision of social housing and employment. The story of FRC Group – a series of ebbs and flows – represents a rich learning experience to both academics and practitioners who seek to understand how social enterprises work.

In the current chapter and supporting appendices (2-6) the data collected is summarized and consequently presented in two complimentary ways. First, this chapter constructs a case history in which FRC story is chronologically broken down into five main episodes; (a) FRC – A charity in search of a new identity, (b) FRC – A social enterprise in the making, (c) FRC Group: A bold, adventurous full-fledged social enterprise, (d) FRC Group: Catching breath, and (e) FRC Group: Walking the talk. At the conclusion of each episode, a graphical illustration of the prevalent business model is included. Second, to meet the study objectives, each of these

chronologically arranged episodes is supported by an appendix, which adopts a causation/effectuation perspective to analyze in detail the entrepreneurial behavior practiced. Presented in a three-column tabular format, appendix (2), for instance, analyzes the entrepreneurial practices prevalent at the first episode *FRC – A charity in search of a new identity*. The first column highlights the entrepreneurial approach (causation vs effectuation) that is followed along ten dimensions (goal setting, opportunity recognition, resources, planning, internal/external analysis, partnerships/alliances, attitude towards risk, control, response to contingencies, rule thumb for decision making). For each of these dimensions, the second column elaborates on FRC's typical entrepreneurial behavior based on which the effectuation/causation interpretation has been made. The third column supports that interpretation with excerpts or evidence obtained from primary and/or secondary sources. Finally, a vertical overview of the first column (highlighting the causal/effectual orientation along the ten dimensions) is used to summarize the dominant entrepreneurial logic at the first episode, which eventually appears on top of the table. This method of analysis is typically applied throughout the consecutive episodes and their matching appendices.

6.2 Episode One: FRC – A charity in search of a new identity (1988 – 1992)

The story of Furniture Resource Centre began with the arrival of Nic Francis at Liverpool in 1988. Turning his back to a successful career in the corporate world of hospitality as well as stockbroking at the height of the 1980s boom, Francis had developed an interest in Christian socialism. Having heard of the role Priest Neville Black was playing in Liverpool to help the homeless and disadvantaged people, Francis moved in for service. "Initially, my ambitions were very vague. I knew I wanted to explore my own capacity to live differently and to expose myself to a broader range of views and experiences than those that had previously been open to me as a privileged young man determined to make myself wealthy" ⁽⁹⁾.

The turning point in Francis's new life happened when the church asked him to visit some people in need of assistance at their homes to investigate their furniture needs. In that church community where more than half of the people were unemployed, families did not have many of the basic household essentials that most people take for granted. "Without a bed to sleep in, a table to eat off, a chair to sit on, how could these people hope to lead a normal life?", he was appalled⁽⁹⁾. Francis was hit by his unawareness of the fact that in the country where he was born and long lived there were so many people who survived with that little. In his opinion, breaking the cycle of social exclusion was strongly related to the provision of decent housing, where people are given a personal space to live with pride and dignity. Decent housing creates a conducive setup in which people can take up education and training and find and maintain a job as they bring up their children.

"An idea began to crystallize in my mind: I would set up a large furniture resource centre where homeless and disadvantaged people could get the household items they needed quickly and with efficient and professional service"⁽⁹⁾. Identifying what he then thought to be an effective way to address a need in parish, Francis enthusiastically arranged a church meeting to discuss the setup of this centre. His dream was however soon brought to earth when an elderly parishioner made it clear that societal change could only be achieved through extending the proposed project's impact beyond one's direct community.

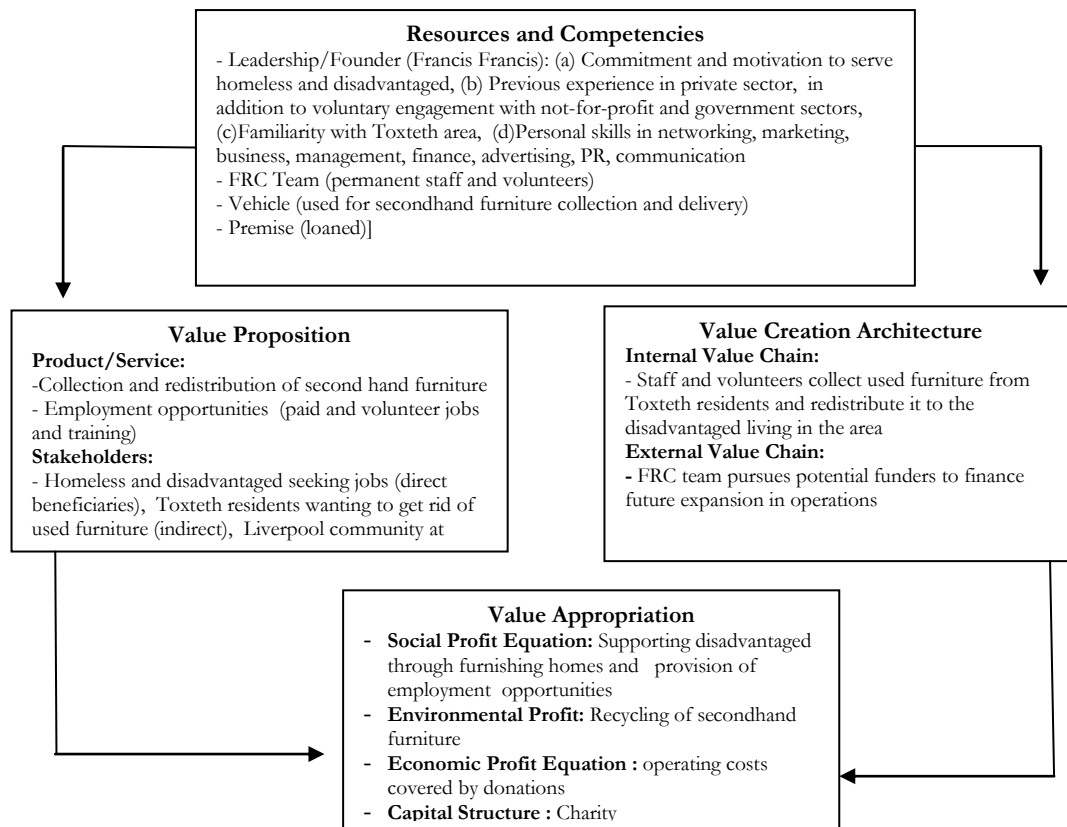
The idea of setting up a place – like Francis's nascent furniture resource centre - to provide the homeless and disadvantaged people with household items was not new to the Liverpool community at the time. Throughout the 1980s Liverpool had been suffering from high levels of unemployment and poverty, a concurrent rise in levels of crime, drugs and ill health, and noticeable cuts in the UK's government Social Fund support. Recognizing the resultant negative impact on the quality of everyday life, a number of charitable, antipoverty and environmental organizations in Liverpool therefore collected and recycled secondhand furniture to distribute it to people in need. Despite the sincerity of their purpose, the efforts exerted by these entities were however unhelpful because they had little regard for the typical needs of the people they purported to be helping.

Contemplating on the words of the elderly parishioner he met earlier at the church meeting and recognizing the failure of existing organizations to offer a sustainable, scalable solution to issues of poverty and unemployment, Francis finally established an ethos that the projected furniture resource centre was committed to follow. “I was determined that FRC would not only meet people’s immediate needs but also aim to assist people out of poverty and disadvantage and, crucially, be a model that could be replicated and expanded – not just in Liverpool, but across the UK ” ⁽⁹⁾. The Furniture Resource Centre was set up to furnish homes and to furnish lives with jobs, training, self-worth and purpose ⁽¹⁰⁾. From the outset, FRC was to incorporate business practices and to operate within market realities which would eventually determine its success or failure.

Registered as a charity on 14th September 1988, Francis developed a business plan for the Furniture Resource Centre where he put together a number of applications for funding grants to secure premises in inner-city Toxteth, and buy a vehicle to collect secondhand furniture. After jumping through a few hoops, Francis eventually attracted the funding needed and the project began. FRC started with a staff of four who were supported by volunteers. The project was a success. Volunteers collected unwanted furniture items and delivered them to those who really needed it. FRC soon took over several other charitable ventures offering similar services and set up charity shops/outlets where some of the furniture items were offered for sale so as to cover the organization’s running costs. Figure (6-1) summarizes the business model prevalent during the early years of episode (1). This business model captures how FRC attempted throughout its early years to break the cycle of social exclusion in Toxteth (Liverpool) through the provision of decent housing and employment opportunities.

Despite the achievement made at this stage, a few problems arose. Francis realized that heavy reliance on volunteers and loanable premises challenged the stability and growth of FRC operations. He was however more concerned with the fact that the furniture collections they made at the time could not provide the volumes or quality required to make a real impact in the lives of the many thousands of people who were in desperate need. Francis and his team

therefore had to search for alternative resources. Rather than working on some abstract scenario, Francis knew he had to respond directly to the situation and community in which he found himself. “This world of supplying goods and services to the needy that I had entered was badly under-resourced”, he highlights. “It was a world where ‘doing good’ involved little management or training and rarely delivered lasting change. I suddenly realized I had skills that had rarely been put at the service of these communities: skills in marketing, business, management, finance, advertising, PR, communication”⁽⁹⁾.



*Opportunity (1988): Breaking the cycle of social exclusion in Toxteth (Liverpool) through the provision of decent housing and employment opportunities.

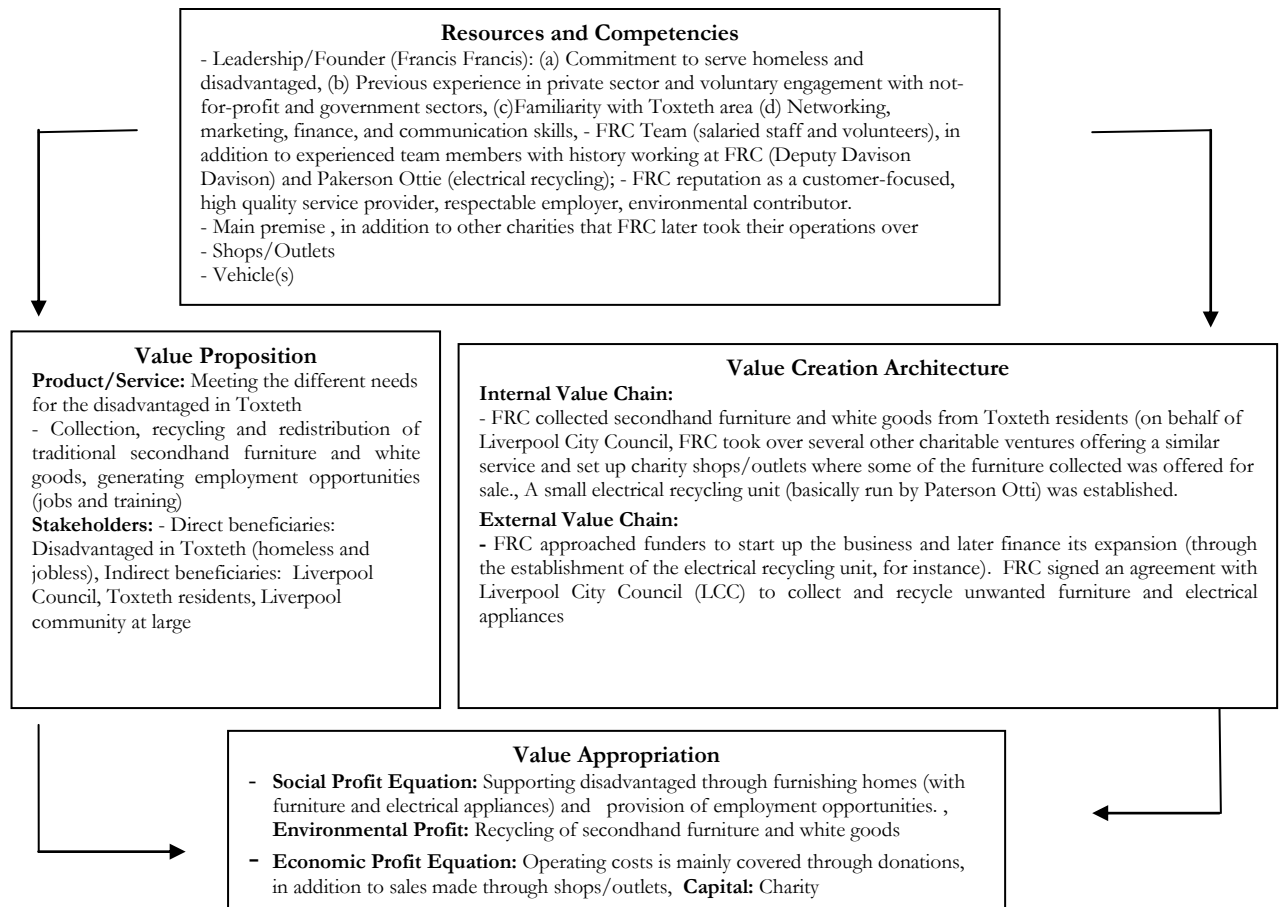
Figure (6-1): FRC Charity in Search of New Identity: The early years (1988)*

Combining his extensive networking capabilities with an entrepreneurial mindset Francis approached Liverpool City Council (LCC) with a mutually beneficial offer. Liverpool City Council had a fleet of trucks that it used to collect unwanted furniture items at residents' request. Often these items would be taken straight to the rubbish dump by the council workers, who would sell anything worthwhile to antique dealers on the way. Francis offered that FRC does this collection service on behalf of LCC. The proposal entailed FRC salvaging and recycling useable goods and delivering the rest to the rubbish dump. This scheme served multiple objectives. The council's recycling figures largely improved. At the same time, FRC increased its reservoir of high quality furniture, which eventually enabled it offer low cost products to the poor, cover its operating costs by selling some of these items, and generate employment opportunities that revolved around furniture collection/delivery and recycling. "The FRC was able to identify the margin of value in that hard rubbish – furniture that was in good enough condition to be resold. In addition, we were able to hire and train previously unemployed people to do the work. Suddenly, by bringing together the problems of waste product disposal, unemployment, the need to train the unemployed, and the need to provide furniture to the disadvantaged, we had made connections and created new value. Where before they had simply been costs – the cost of disposal, of providing furniture, of paying employment benefits, of training – there were now value and opportunities – a training opportunity, a job opportunity, a recycling opportunity" ⁽⁹⁾.

During the first episode, the UK government passed a new environmental law which entailed that LCC collects the cool gas in refrigerators before they were compacted. FRC accordingly signed another deal with LCC to collect used white goods on the latter's behalf. By doing that, the FRC was able to generate more employment opportunities, and even more importantly could satisfy the needs of the disadvantaged in Toxteth given the high cost of new electrical appliances. With the help of a once-unemployed electrician Parkerson Otti, FRC soon established a small white good recycling unit. Francis later drew upon FRC's reputation as a customer-focused, high quality service provider, respectable employer, and environmental contributor to pursue alternate sources of funding that were to be channeled towards the

establishment of a larger electrical unit recycling workshop (which as shall be shown later did not materialize at this stage).

Francis spent three years at FRC watching the demand for the furniture and white goods increase amongst families in the disadvantaged Liverpool communities. He was proud that FRC had successfully become a reputable housing/employment charity in such a short period of time, yet he and the FRC team were very disappointed by their heavy reliance on donations and the fact they could only meet a small part of existent demand. By the end of these three years, Francis decided to move on as he eventually accepted an offer to join an international charity (Christian Aid). Francis handed over his duties to his capable deputy, Robbie Davison who became FRC's CEO starting April 1992. Figure (6-2) summarizes the business model prevalent during the late years of episode (1). The model basically illustrates FRC's attempts to augment social value through bringing together the problems of social housing, waste product disposal, and unemployment.



*Opportunity (1.2): “Social value augmentation through bringing together the problems of social housing, waste product disposal, and unemployment”.

Figure (6-2): FRC Charity in Search of New Identity: The late years (1992)*

To summarize, appendix (2) demonstrates how FRC’s entrepreneurial practices throughout its early years of operation (1988-1992) have been dominated by an effectual logic. During that period, Francis perceived an inchoate, unsatisfied need to help the homeless and unemployed in Liverpool, yet had no clear or concrete plan about how that could be satisfied. This explains how and why the FRC’s goal gradually emerged and later developed through an entrepreneurial process that was dominated by an innovative and flexible attitude, which in turn made it possible to accumulate more resources, build new alliances and as well exploit previously unexplored opportunity routes.

6.3 Episode Two: FRC: A social enterprise in the making (1992 – 1997)

Like his mentor, Davison was no less-committed or enthusiastic about helping the needy and disadvantaged. Throughout the first two years of his appointment (1992-early 1994), FRC continued to operate as a charity. During that period, the number of secondhand furniture items that were collected and distributed (whether through charity or outlets' sales) almost doubled. Despite the noticeable increase in the volume of activities, Davison however was not happy because FRC's income remained unchanged. In existence for five years now, it was obvious that FRC's operation as a charity was unlikely to bring about the aspired, scale of social impact to the lives of the disadvantaged in Liverpool. As a result, Davison reached out for the help of Francis who agreed to temporally join on board, hoping they could work together to develop FRC's services in new ways.

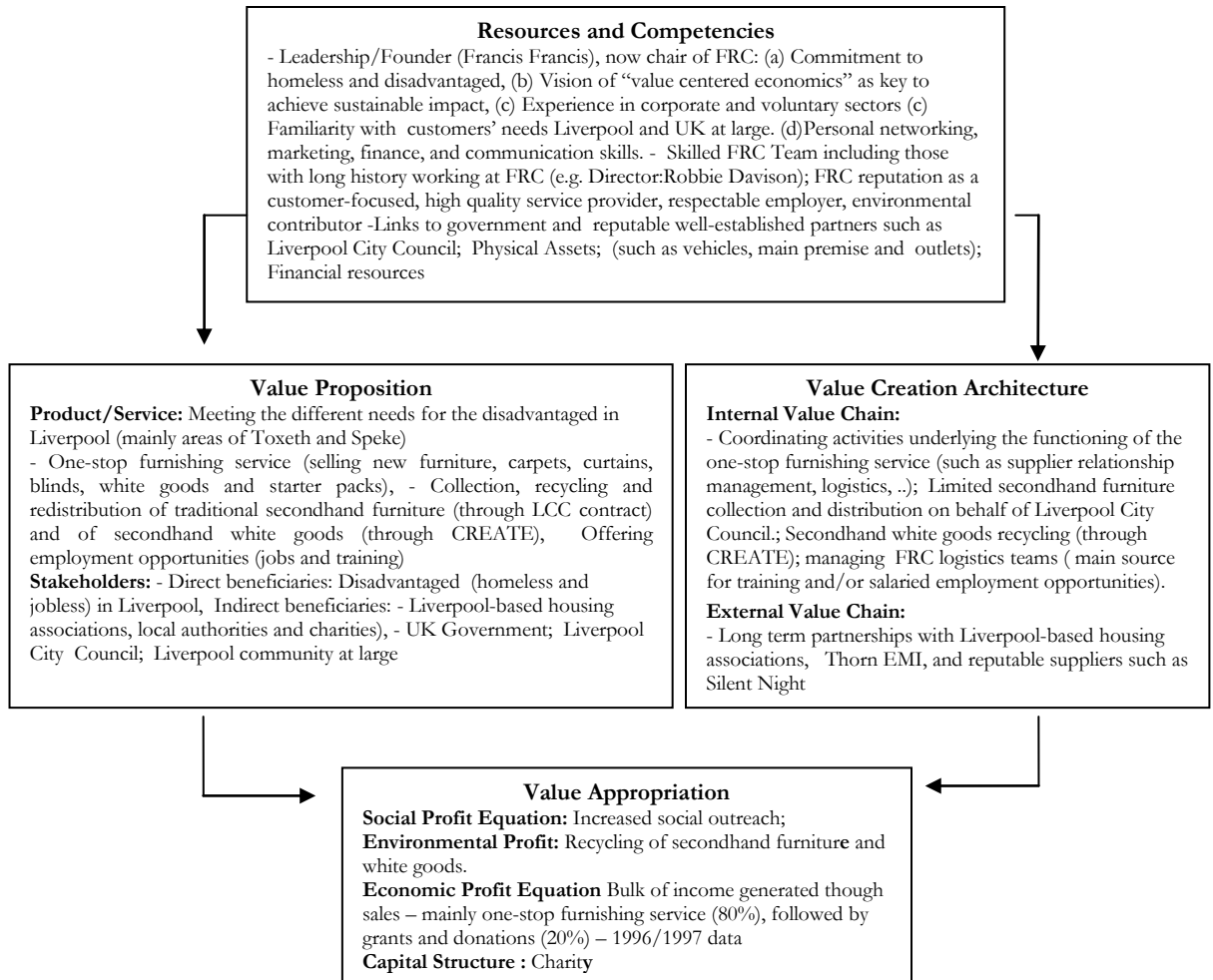
After years of working as a fund raiser at Christian Aid, Francis developed a cemented belief that charity had got to end because it was simply not driving a change in the world. In his opinion, charity and welfare supported the status quo, increasingly widening the gap between the rich and poor. What Francis was proposing this time was a new orientation towards "value-centered market economics". This required that a financial estimate be identified for the value of the service FRC offers, in addition to the cost of not having them (such as unemployment, homelessness, desperation, theft, and so on).

The newly developed FRC pursuit of lucrative (social-related) market opportunities coincided with the UK government implementation of a new soft furnishing safety legislation and the development of a Furnished Homes programme in the early nineties; both of which gave the homeless access to fully furnished accommodation ^(8,9). The changes had a negative impact on FRC's secondhand furniture market. Yet, FRC also found it to be a golden opportunity to penetrate a new business domain that revolves around the production and distribution of new furniture to local housing associations. The proposed market model was multidimensional and involved a strong web of relationships and transactions, which held the promise of generating scalable, social value in many areas. The idea was simple: FRC would offer a one-stop service

that sold packages of new furniture, carpets, curtains, blinds, white goods and starter packs to those organizations providing unfurnished accommodation to homeless people (such as housing associations, local authorities and charities). Through the process, the new business was likely to generate job and training opportunities for the long unemployed through joining FRC logistics team. Add to that, FRC would ally with suppliers who were already creating social value by employing and training the disabled or mentally-ill. In brief, it was a win-win situation for all the parties involved. The society's poorest and disadvantaged could enjoy living in functioning housing with new, high quality furniture. At the same time, FRC would generate more social value through serving a larger base of the homeless and unemployed, while using the income generated to improve its business operations and/or hire professional salaried employees.

It is noticeable that the FRC business of secondhand furniture collection and distribution was given less priority throughout the second episode. Meanwhile, the new furniture business was becoming increasingly successful. This eventually placed the FRC as a local renowned manufacturer and distributor of new, high quality household furnishings; one whose name was associated with big suppliers, such as Silent Night (the largest UK manufacturer of beds). In parallel, Francis was still determined to achieve his old dream of setting an electrical recycling unit at FRC. He was therefore excited to know that Thorn EMI (one of UK's top 100 companies) was searching for a partner in Liverpool who – under existent governmental pressure – could help it improve its environmental credentials by recycling its own ex-rental stock including washing machines, stoves and televisions. After an intense negotiation process, Thorn agreed with FRC to set up a new venture CREATE (Community Recycling Enterprise and Training for Employment) that was not only going to sell reconditioned ex-rental white goods to low-income households, but as well involved the provision of training and jobs to long-term unemployed people. Again, the relationship was based on mutual interest. The FRC was a big player in the deal as Thorn was, not just financially but in terms of its knowledge of the product and the customer. FRC had experience in recycling products and knowledge of the low-income consumer base (the kind of people who needed these products, in addition to how and why they needed them). Furthermore, FRC had experience in recruiting the long-term unemployed and providing them with skills and meaningful work.

Starting 1994 FRC set its foot into the world-changing domain of social enterprise. Three years later FRC was operating four businesses. While the secondhand furniture was temporarily set as a lower priority, the newly introduced business selling ready packages of household items to housing associations was FRC's most lucrative business. CREATE on the other hand introduced FRC to a new practice of waste management and white good recycling. Finally, the employment schemes offered through FRC's logistics operations and supplier networks helped the long unemployed acquire essential skills. In October 1994, Davison eventually left FRC, and Francis as well moved on to pursue a new social challenge elsewhere. Figure (6-3) summarizes the business model prevalent during the second episode where the objective was to scale and sustain social impact through pursuing lucrative market opportunities that satisfy FRC's overarching social mission. Appendix (3) shows how effectuation dominated the entrepreneurial practices underlying the operation of this business model. FRC's actual pursuit of lucrative market opportunities was mainly an outcome of a series of actions that were taken in response to external events that were mostly unplanned. Similar to the first episode, the approach adopted exhibited a high level of flexibility and innovativeness as more resources were accumulated, additional partnerships were forged and new opportunities were explored. The second episode however also witnessed the emergence of the first signs of causation as some level of planning was required to identify and pursue long term market opportunities.



*Opportunity 2: “Scaling and sustaining social impact through pursuing lucrative market opportunities that satisfy FRC’s overarching social mission

Figure (6-3): FRC: A Social Enterprise in the Making*

6.4 Episode Three: FRC Group: A bold, adventurous full-fledged social enterprise (1997 – 2004)

The closure of the second episode set the stage for FRC to take bold, adventurous steps towards becoming a full-fledged, multi-business social enterprise. At the outset, the third episode was marked by the departure of Francis to start a new business, and the appointment of Liam Black to be the new CEO. Black joined FRC in 1994 working as part of the leadership team supporting Francis at the time, eventually becoming CEO from 1997 till 2004.

During Black's appointment the way FRC was achieving its charitable goals radically changed. Initially, an overarching body - FRC Group – was set up to embrace the diverse operations the enterprise was running during that period. Major subsidiaries included Furniture Resource Centre (manufacturing and selling new furniture), Bulky Bob (waste management and recycling), Revive (retail shop) in addition to other ventures like Cat's Pyjamas, Strippers, FRC Consulting, and Ben & Jerry. The transformation FRC experienced through the transition from FRC to FRC group is elaborated on below.

On the grand level of FRC Group, the successful social enterprise moved its premises to Brunswick Business Park in Atlantic Way - Liverpool. Starting 2001, FRC group now had all its subsidiaries gathered under a single roof (with the exception of the retail store). This was accompanied by a formal articulation of the values and ethos on which FRC was founded and managed. To date, the four values "bravery, creativity, passion and professionalism" not only guide how FRC Group works, but as well serve as a strong basis for staff recruitment and reward. The third episode also witnessed the introduction of a formal social auditing processes starting the financial year 1997/1998, which in turn included detailed evidence on the annual social and environmental impact of FRC and set targets for upcoming year. In 2002/2003 FRC Group invented "Juma Tool" which it later used to assess the attractiveness of a new potential venture based on five categories against which an idea was scored; "Good for People? Good for Business? Good for Us? Good Risk? Good Values?". There are a certain number of points available for each criterion and if an idea achieves over 80% it goes to the board for approval. To improve its internal operation, the group further introduced a new performance review system (How is it Going HiG), in addition to a management training programme (Alchemy

Project), a team leader rotation programme (Walk a Mile) and a staff training unit (University for the People). Finally, FRC group established a network of partnerships with the private sector to support its sales and marketing functions.

Taking these changes downwards to the level of subsidiaries, Black along with FRC Group team drastically upscaled the enterprise's performance. When Black took charge in 1997, the lucrative new furnishing business represented the heart of FRC operations. Black exerted no effort to develop the one stop furnishing service; complementing it with new interior design and planning services that helped clients create inspiring residential environments. A new "amovingexperience" service was introduced to offer people a removal service with a chaperone option for particularly vulnerable tenants such as the elderly, and individuals with no relatives to assist them or those with mental or physical health problems. FRC further started manufacturing upholstered goods that it sold as part of the furniture package. The outreach of FRC soon expanded beyond Liverpool to serve St. Helens, Salford, Manchester and Birmingham local authorities. Through the process a procurement department was established to expand FRC's supplier network with priority given to those creating positive social and environmental impact.

Black was fully aware that the expansion of FRC operations should not be made at the expense of the performance of the group's other subsidiaries. Obviously, the last few years of the former episode were dedicated to set up the new furnishing business. Consequently, the traditional charity shops that were established during the early years of operation to sell cheap secondhand furniture were neglected. The retail chain originally peaked at three sites, however but by the year 1997 there was only one shop left. That shop not only lost money but as well presented an image that FRC was far removed from reality and that it was gradually drifting away from its primary mission of providing affordable furniture to the homeless.

To revitalize the secondhand furniture business, the group launched two new ventures. First; the charity shop concept was revisited following a successful lottery bid whose funds were used to develop a new retail store; "Revive". Located in London Road in central Liverpool, Revive opened its doors to the public in 1998. It was developed to (a) offer low income shoppers a

range of high quality low price new, as well as refurbished and recycled domestic furniture, (b) provide salaried training to long term unemployed, and (c) offer Citizen Advice Bureau (CAB) support while establishing a credit union that offers low cost credit. Second, the group launched Bulky Bob in 2000; a secondhand furniture collection, recycling and waste management service.

The FRC team provided a lot of support to roll out Revive into a rewarding experience, yet their efforts were unsuccessful. Decisions regarding the location and opening date of the new store were not properly investigated in advance. Revive was located in High Street where competition was fierce. Add to that, there has been some delay in the launch of Bulky Bob, which not only limited the supply of quality secondhand furniture, but as well shattered earlier plans to market the full Revive proposition to low income consumers. The marketing plan also had its flaws and there were some blunders on product ranges and pricing, not to mention that little marketing of the store was done, eventually relying on passing trade and word of mouth. In June 2000 an experienced retail manager was recruited to improve performance. Yet, performance enhancement plans took a severe setback over Easter 2000 when a fire next door badly damaged Revive. The re-opening of Revive was delayed until 2001. FRC made use of this time to revisit Revive's strategy, conduct a thorough study to launch a related-credit scheme, and more importantly to synchronize the new Revive strategy with Bulky Bob's operations.

Bulky Bob commenced its activities in June 2000 upon negotiating a contract with Liverpool City Council to collect all of the city's bulky household waste. Secondhand household items were sold from the warehouse to people in receipt of benefit. Referral agency clients were given an additional discount and free delivery if they lived in Liverpool. In essence, Bulky Bob was launched with a clear goal of providing low income households with low cost furniture, while creating salaried employment opportunities for the long-term unemployed. Almost two years later, the outstanding performance of Bulky Bob enabled it win its second contract with Halton Borough Council in turn extending its new core service from Liverpool to a national scale. The demand on Bulky Bob service was ahead of all expectations. In the following years Bulky Bob continued to operate as a trading subsidiary and a furniture recycling company. It was also able to outsource items of furniture and white goods for refurbishment with white goods being sent

to CREATE and wooden furniture to Dove Designs; both partners serving FRC's employment objectives. While CREATE employed staff on training contracts, Dove Designs is a mental health charity that has a wooden furniture restoration workshop. Bulky Bob also started running discussions with researchers to improve its recycling of carpets and mixed wood waste. This placed FRC Group amongst those environmental pioneers who brought the Liverpool community's attention to the social value of recycling and waste management efforts.

While Bulky Bob was moving from one success to another, the newly refurbished Revive was struggling to survive; neither did it achieve profitability nor did it achieve its goal of getting furniture to people in real need. In response to this crisis situation, Revive tore up the script and completely re-developed its retail plan. The new plan resulted in closing Bulky Bob's retail unit at Brunswick Business Park, getting rid of all the slow moving items at Revive and instead filling the store with Bulky Bob's collected stock, and finally introducing a new discount scheme for customers based on their financial needs. The results were promising. While Revive was not expected to be a big money spinner it was however able to cover its costs and make small profit. Following the signing of Bulky Bob's new contract in Halton, Revive further opened its second store in Widnes (Halton).

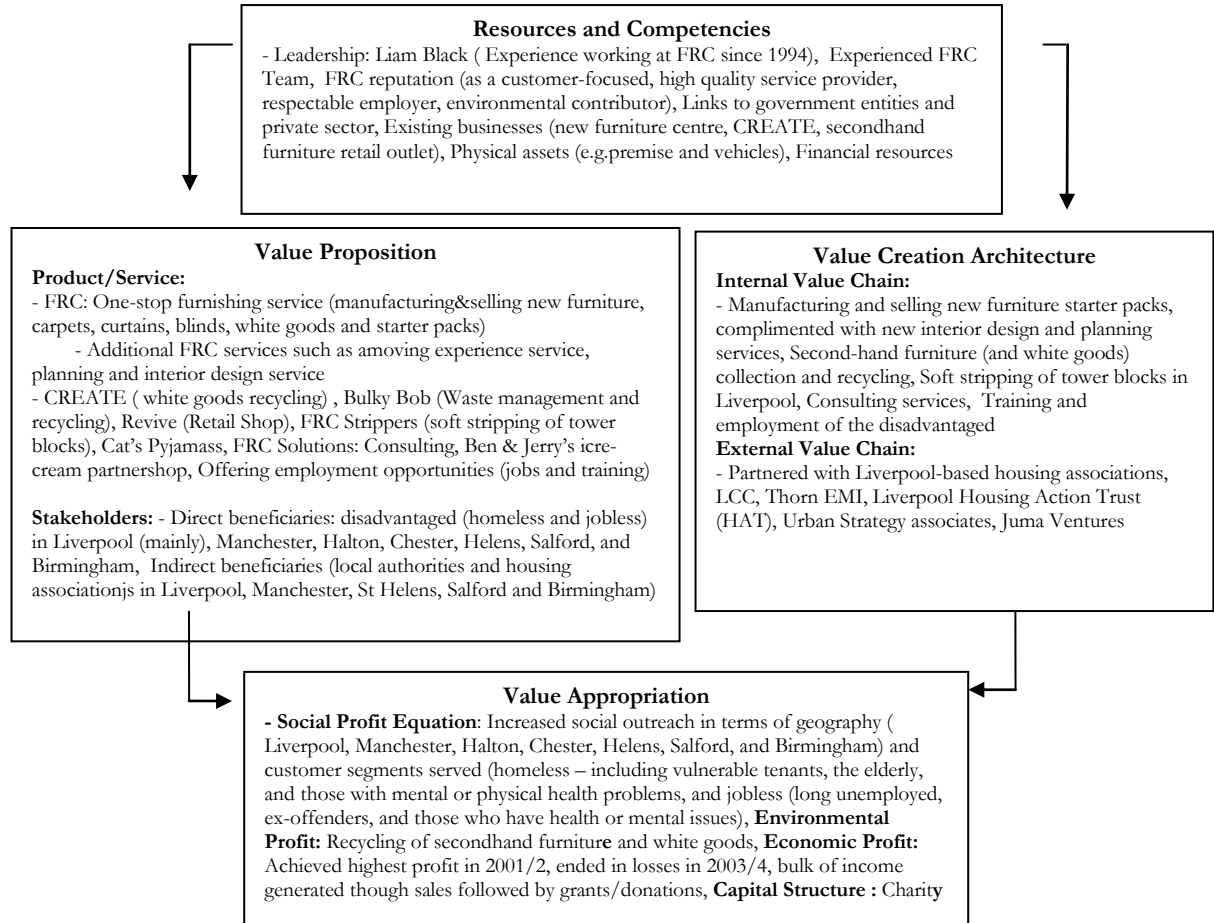
The three businesses that were run by the group (FRC, Bulky Bob and Revive) generated a large number of 12-month salaried training opportunities that were directed to those who encountered serious difficulties joining the labor market (such as the long unemployed, ex-offenders, and those who have health or mental issues). Initially, these training opportunities pertained to three areas; logistics, upholstery and retail. Job search training was also offered to support ongoing networking efforts with potential employers. In 2001/2002, the employment policy was revised to include fewer places, concentrate on people with severe barriers to employment, and close down those programmes for which there was no sizable market demand (such as upholstery and retail). Because of limited external funding, employment and training programs always had to be partially funded by FRC group. This in turn threatened the sustainability of these programs because their existence was dependent on the financial performance of the group.

In addition to the traditional furniture-related businesses that the group operated in the two earlier episodes, the third episode led by Black also witnessed FRC Group venturing into novel venues. The group launched FRC Strippers as a partnership with Liverpool Housing Action Trust (HAT), which in turn carried out soft stripping of tower blocks in Liverpool that were due for demolition. The problem is that there was not a viable market for the items removed and therefore the project came to a halt because there was no social business space for such a venture yet. In 2001, the Cat's Pyjamas program was launched as a joint venture with Urban Strategy Associates with the objective of immersing aspiring social entrepreneurs, funders and policy makers into the realities and challenges of running a social enterprise. In its early years, performance of the training program was very encouraging; events were sold out in advance placing Cat's Pyjamas on the leading edge of practice-based analysis on the potential and limits of the social enterprise business model. A few years later, FRC group decided to transform its intellectual assets into a revenue stream through establishing a new consultancy service; "FRC Solutions".

The third episode ended by the launch of "Ben&Jerry's partnershop" in Chester in 2003. The new venture came about when the Cat's Pyjamas team visited a Ben & Jerry's ice cream franchise in San Francisco and got interested in borrowing the tried and tested model. The partnershop that was run by Juma Ventures not only made money by selling ice cream but recruited, trained and employed homeless young people (between 16 and 17 years old) on a 12 month training programme that combined formal job related training and life skills such as personal presentation, time management, teamwork and customer service.

In conclusion of the third episode, it may be said that FRC group has witnessed a series of successes and setbacks; all of which contributed to its learning reservoir. Financially speaking, it was an overall good episode for the group that however ended in a loss during the last year 2003/2004. Figure (6-4) summarizes the business model prevalent during episode (3). At this stage, the objective was to diversify and expand the social impact pursued by the new social enterprise through the introduction of an overarching body; FRC Group. As shown in appendix (4), the entrepreneurial practices exercised throughout the third episode were dominated by an effectual logic although there was a new pronounced orientation towards

causation. Guided by a vision to become a full-fledged social enterprise and following a more systematic approach to planning (as compared to the two earlier episodes), the opportunities undertaken at this stage were more diverse and adventurous. This in turn explains why flexibility, innovativeness, experimentation and heavy reliance on partnerships and alliances still guided the FRC management's decisions and actions.



*Opportunity 3: Diversifying and expanding the social impact pursued by the new social enterprise through the introduction of an overarching body; FRC Group.

Figure (6-4): FRC Group: A bold, adventurous full-fledged social enterprise*

6.5 Episode Four: FRC Group: Catching breath (2004 – 2007)

Throughout the third episode, the free-spirited FRC Group expanded in diverse domains. This resulted in its cumulation of profits and experience, extending its social outreach and expanding its networks. The non-stop bold and adventurous moves undertaken however had their downside. Too much investment on different fronts over a short time span meant less time was devoted to study and test the potential profitability/contribution of each new move or initiative to the group as a whole. The outcome in 2003/2004 was a sluggish entity with a balance sheet showing a loss. The last time FRC's balance sheet showed a loss was in 1995/1996.

In 2004, Black left FRC Group – after a 10-year association - to open his own business and pursue a new social challenge. Recognizing the skills that the three leadership team members at the time had, the Board decided to create a triumvate of three directors - Shaun Doran, Alison Ball, Phil Tottey - to run the group. The leading team had a daunting task: stop losses, activate potential revenue streams and pause (or terminate) initiatives that were not creating noticeable social impact (or otherwise negatively affecting revenue streams). In short it was “an episode of consolidation”. The situation was aggravated by shrinking markets as a result of the changing priorities of FRC's customers, in addition to increasing competition from the private sector.

FRC Group started its fourth episode with two core businesses (FRC and Bulky Bob), in addition to few other subsidiaries including Revive, Cat's Pyjamas, Ben & Jerry and FRC Solutions. In 2004, the group was ranked 26th on the Financial Times's best place to work list, subsequently introducing a new Employee of the Month award to staff members who demonstrated group values through the month. The Group also realized the need to hire a research and grant officer (and later a fundraising consultant) to enable it raise the resources needed to finance its operations and potential expansions, given its poor financial position which was further complicated by shrinking markets.

The one-stop furnishing service, Furniture Resource Centre, representing the group's lucrative business began the new episode with declining demand. One of the main reasons was that FRC's largest customers had already been saturated over the past 2-3 years with substantial

quantities of furnished housing stocks and therefore did not need to buy new furniture. To deal with this situation FRC hired a business development manager to revisit its strategy. Intensive marketing efforts were directed to target new customers, while introducing novel services to new and existing customers. FRC expanded its customer base from local authorizes and housing associations to include specialized agencies, shared living schemes, hostels, asylum seeker agencies, accommodation for older people, in addition to new social landlords who it persuaded to venture into the business of furnished tenancies. FRC also became a logistics provider to premier franchise furniture stores in Liverpool, and as well a major supplier of furniture to builders' show houses, corporate rentals and the buy-to-let market. In addition to the amovingexperience service that it launched in the former episode, FRC also well put in effect additional services such as "furniture rental" and a "stock management service". The situation slightly improved in 2006 when FRC won a key contract with national organization; Procurement for Housing (PfH) to supply furniture and white goods to a number of social landlords across England and Wales. In 2006, FRC also launched Fresh Start project with Liverpool Housing Trust's Field Lane Hostel. The objective of the project was to provide men leaving the hostel with low cost furniture on credit (from Revive). In conclusion of the fourth episode, Fresh Start was however put on hold in response to the Trust's request. Furthermore, the amovingexperience service was not highly profitable nor was it in great demand, yet FRC was determined to continue because of its perceived value to customers and vulnerable tenants. Despite customers' overt interest in the service, demand for the Stock Management service was also declining.

The group's second core business Bulky Bob did not have quite a good start in the new episode either. In 2004, Bulky Bob was already serving a contract with Liverpool City Council and Halton Borough Council. Later through the episode, negotiations over a contract with Manchester City Council were delayed and that with Northwest City Council failed. It was also frustrating that Halton Borough Council's contract was not renewed due to some changes on the council's side. Bulky Bob therefore realized the need to hire a business development manager to support the venture. In 2005/2006, Bulky Bob finally won contracts with Manchester City Council, Oldham Metropolitan Borough Council, and Warrington Borough Council. It however felt threatened by the emergence of consolidated waste contracts that

sought to award all waste management contracts to a single supplier (or consortium) and therefore Bulky Bob started researching the possibility of forming/joining consortium with waste management companies providing non-bulky waste service. It therefore joined a consortium to bid with REPIC (Recycling Electrical Producers' Industry Consortium) and also started a research project to recycle cathode ray tubes (CRTs) from TVs and computer monitors. On a different level, Bulky Bob further led some new initiatives during this episode. For example, it set up a stock swap scheme with a Wirral based furniture donations charity where it swapped its surplus beds for sofas that were needed at Revive. It also started its first pilot project for commercial bulky waste collection service of unwanted furniture and office equipment from offices, shops, and hotels in the St. Helens area. Unfortunately, the commercial sector in St. Helen's did not exhibit interest in the service and the project came to a halt. Finally, Bulky Bob suspended a furniture deconstruction project it had started with Sefton Metropolitan Council (in the early years of the episode) but then applied the acquired experience to a new similar project in Liverpool.

Revive started and ended the fourth episode on a bad note. "Revive on the Road" initiative was therefore launched where the store took a wagonload of furniture to some of the most disadvantaged communities in the region and opened the door for trading on a Saturday morning. Furthermore, Revive opened a third outlet at Liverpool's Heritage Market (a discount Sunday market) to sell low-quality items that were marked at a lower price than those sold at the London Street outlet. In 2006, FRC took the hard decision of closing both outlets at Widnes and Heritage Market. While the closure of Widnes outlet was associated with the termination of Bulky Bob's contract at Halton, the Heritage Market branch was closed because of rising renting costs.

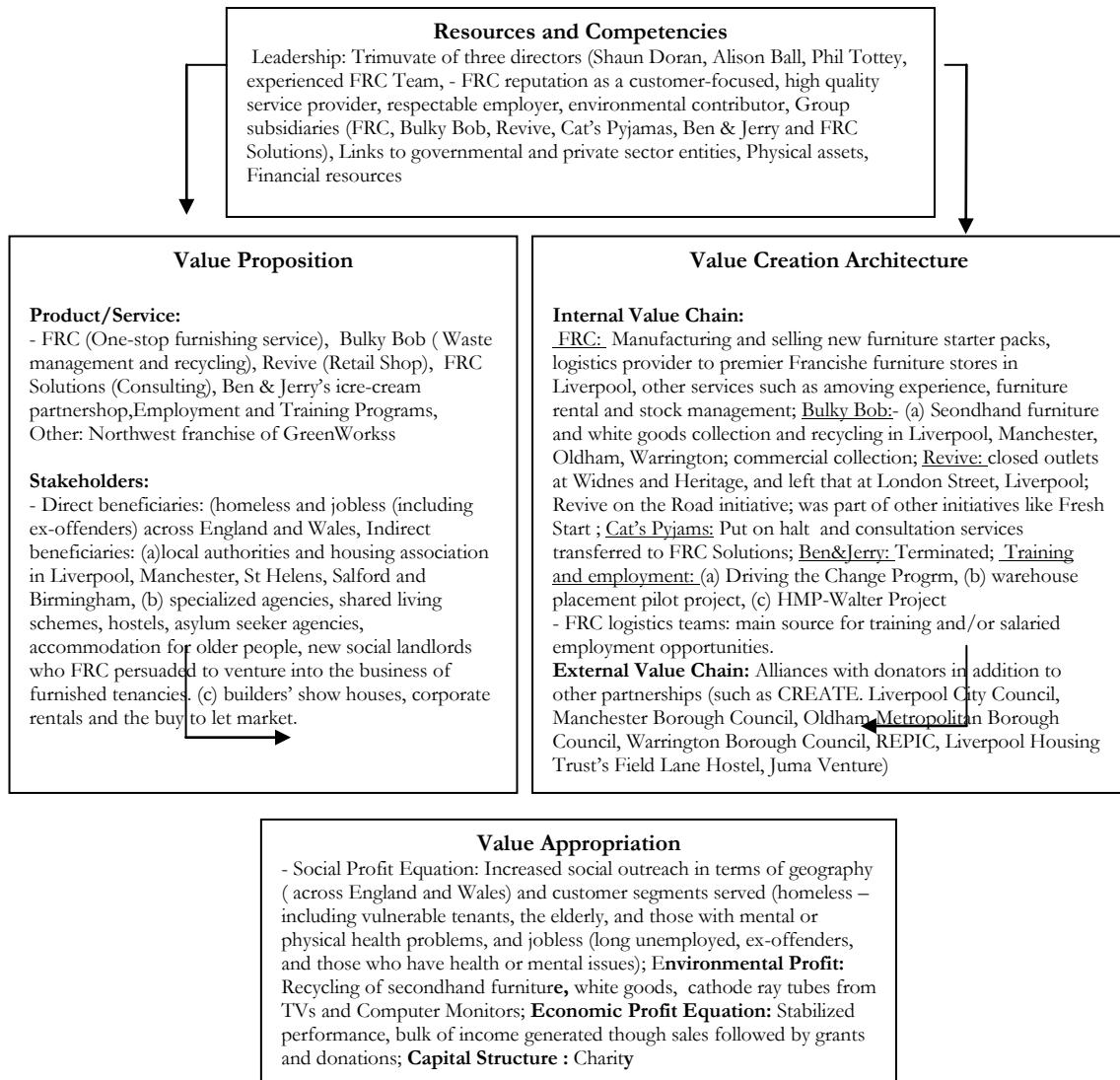
FRC Group continued to pursue its employment objectives throughout the fourth episode. Calling it the "Driving Change Programme", each year the group continued to provide people from the long-term unemployed a chance to join a 12-month salaried logistics training programme. A few other changes occurred this year. First the program was extended to Oldham (coinciding with the launching of Bulky Bob there). A "Driving Change Logbook" was introduced to enable individual trainees work with their assigned mentor to record, monitor

and identify areas of improvement in their driving. While priority was given to logistics-related training, FRC eventually launched a warehouse placement pilot project in the last few years. In 2005/2006, the group also introduced Work Placements program where long term unemployed worked short term – between 2 and 12 weeks – whether in office or warehouse. Upon completion, participants were encouraged to apply to join the 12-month salaried program. This episode also witnessed the group launching HMP-Walton Project as a pilot recruitment program to recruit offenders who were due to be released at the end of their sentence. Through the process FRC was intending to use its links with housing associations to resettle them. The project however did not work because of the inability of the FRC team to effectively manage this category of the socially excluded. FRC employment programs continued to rely on a mixture of grants (from European Social Funding and Neighborhood Renewal funds), besides its own financial contributions. The pursuit of additional sources of funding therefore was still on the priority list.

The highlight of the fourth episode was an unwillingness of the FRC team to accrue more losses that might threaten the sustainability of the group, which would eventually translate into an inability to deliver its social goals. "In and out of the market" decisions were quickly made when new initiatives did not seem to work. Unsuccessful businesses inherited from earlier episodes (such as Ben & Jerry) were as well terminated or deactivated. Ben& Jerry was a very bruising experience that proved to be a commercial failure resulting in substantial trading losses. The business plan set by FRC partner; Juma Venture was based on unrealistic estimates that it generalized from the US market to its first European franchise in Chester. Fortunately, the young men working at the shop completed their 12 month training programme and Ben&Jerry staff were allocated to other operations in the group. Cat's Pyjamas program was also put on hold because it encountered declining demand as a result of increased competition in the field. Related advisory activities were channeled to the consultancy arm – FRC solutions. Throughout the fourth episode, FRC solutions maintained a reactive approach to ensure that priority was given to FRC core operations.

The hard work of the new leadership team throughout the fourth episode succeeded in ending business initiatives that were contributing to the deterioration of the group's income. The

combined effect of shrinking markets, declining donations, and the absence of a single leader to assume responsibility of bold, adventurous moves he/she would take, maintained the financial position of the group close to where it stood at the beginning of the episode. Given the constrained changes and additions that were made to the operations during this period, it may be said that the group was simply catching its breath! Setting business consolidation as the driving objective, figure (6-5) summarizes elements of the business model prevalent throughout the fourth episode. Appendix (5) analyzing the entrepreneurial practices underlying the operation of this business model points to a continued domination of an effectual logic, combined with an increased application of causation. At the outset, the group identified three broad options to execute the broad consolidation objective (namely; expanding existing businesses, pausing/ terminating others, or both expansion and termination). Although the execution of this objective was associated with the application of a risk avert attitude and a relatively increased level of planning (both of which are characteristic of causation), the FRC's management team still exhibited a high degree of innovativeness, flexibility, and experimentation as they altered, adjusted or revisited a set plan that did not seem to work.



*Opportunity 4: Consolidate the business!!

Figure (6-5): FRC Group: Catching Breath *

6.6 Episode Five: FRC Group: Walking the talk (2007 – 2012)

The fifth episode was described by the FRC annual impact report 2008/2009 as a year of “landmark achievements, changing faces and exciting developments” ⁽¹⁸⁾. What characterizes this period is the adoption of a professionally focused, customer-centered approach. The new professional attitude was manifested in multiple ways including the re-articulation of the group’s mission, the introduction of strategic (yet flexible) planning, the adoption of business-like practices such as a structured internal reporting system while excluding what was classified as commercially sensitive information. Above all, changes included the re-identification of the FRC’s stakeholders, which in turn suggested a distinction between immediate beneficiaries of the group’s ventures who in turn represent the target of social value creation, and other stakeholder groups who are more aligned with the way the group does its business).

Initially, the new episode was marked by a switch of FRC Group’s focus from financial recovery to opportunity exploitation. The new direction resulted from a change in leadership team members where Alison Ball and Phil Tottey left the group, leaving Shaun Doran along with three other new directors (Collette Williams, Verity Timmins and Nichola Hughs) to represent the leadership team. This time the board appointed Doran to be CEO. Doran started the new phase by devising a clear statement of the group’s mission and strategic goals. FRC’s mission was “to run businesses to create profits and opportunities to improve the lives of people in poverty and unemployment”. The objective of the group was therefore clearly devised to describe what the FRC Group aims to do in a straight-forward manner; that is “To be Great For People; the “people” referring to direct beneficiaries of the group’s social housing and employment programs”. To achieve this aim, the FRC group runs its business by being “Good for the Planet, A Great Place to Work and Great to Do Business With”. Although the essence of the laid-down mission and related objectives and relationships were not new to FRC, Doran found that focusing the mission and redefining the objectives was a necessary prerequisite step to highlight the group’s priorities and subsequently devise a prospected 5-year strategic growth plan that emphasizes the commercial success of FRC’s businesses as key to sustaining its social impact. The global economic downturn was hitting all businesses, and FRC

Group was not an exception. At times of recession, it was expected that the demand for the group's services was going to increase. Increased unemployment meant a rise in the demand for FRC's training program, not to mention that graduates of the program were likely to face more difficulty securing jobs. It was also natural that demand for both social housing (and therefore new furnishings) and cheap, secondhand furniture was expected to escalate. The credit crunch was however anticipated to negatively affect the quantity and quality of Bulky Bob's future supply of secondhand furniture because households were now less likely to replace their old items. The group also had to plan ahead for the expected rise in costs of raw material that would eventually affect the supply chain and fuel costs. On a different level, it was projected that the mounting demand over FRC services would be coupled with a profound decrease in grants and donations because of the economic downturn.

The strategic plan had a positive impact on the operations of the one-stop furnishing service. In 2008, FRC won its largest furniture supply contract and further renewed its contract with Procurement for Housing (PfH). In anticipation of the growth that was brought about by the new plan FRC hired a separate logistics and operations manager to ensure that its activities were customer focused. This customer orientation translated into the quality of customer services that the delivery crews provided to tenants through their daily interactions. Customer orientation was also reflected in the hiring of a sales and marketing manager to target sales growth in the East and West Midlands, the introduction of a new customer relationship management system to encourage regular feedback with FRC's major customers, and the launch of a separate website for Furniture Resource Centre.

One of the distinctive features of this episode was a correction of the social value contributed by the new furnishing business FRC, given that the social impact created is "owned" by the housing associations that create these furnished tenancy programmes (not by FRC). The growth plan was therefore directed towards the alleviation of Bulky Bob business and the extension of its outreach. Bulky Bulb also launched its own website. Bulky Bob, along with FRC's employment programmes, were as such perceived to be the group's direct route of creating social impact. At the beginning of the episode, Bulky Bob was already operating in

Liverpool, Oldham and Warrington. Consequently, priority was given to retaining existing contracts and winning new ones. After extensive efforts, Bulky Bob was awarded a six year contract with Liverpool City Council, and won a new contract with Oldham MBC for four years. This resulted in the opening of a new retail outlet in Oldham. The growth of Bulky Bob called for the hiring of a separate operation and logistics manager. Furthermore, an Interim Manager was hired to increase the amount of reuse and recycling that could be achieved through Bulky Bob's operations. The fifth episode witnessed the extension of Bulky Bob services to include commercial collections. Also, a new pilot small scale furniture donation programme was developed by Bulky Bob in cooperation with Liverpool City Council's Children Services to provide essential furniture packs at no charge to families being supported by their crisis scheme. In parallel, a pilot voucher system was launched where families were given a voucher listing the furniture items they needed so they could take it to the retail outlet (Revive) and freely choose the pre-loved furniture they want while removing any stigma associated with handouts of furniture. In 2009, Bulky Bob's Upholstery Workshop" was established inside Her Majesty's Prison (HMP) at Liverpool, where up to 14 training opportunities were provided to prisoners at any time. The workshop was branded and designed to spread the group's values and to give the trainees the feel of the worksites at Liverpool and Oldham. Trainees even wore Bulky Bob t-shirts during their workshop sessions and drank from the mugs FRC staff used. Another "wooden furniture training workshop" was also set inside the medical care facility in the prison to 'upcycle' furniture pieces that are physically robust but are not aesthetically pleasing. Bulky Bob further offered simulated field training in industrial training techniques (for upholstered furniture and mattresses). On the negative side, long term partnership with CREATE came to an end.

Bulky Bob and Revive have always been strongly linked because they are part of the same chain of activity that creates social impact by giving Liverpool people access to quality secondhand furniture. Early on the fifth episode the store was redeveloped as a way to uplift its performance. This included the addition of new products such as window coverings and a range of carpet tiles. Additional supplies of quality furniture was expected as an outcome of the advancement of Bulky Bob's operations. Furthermore, the new voucher system was expected to result in an increased demand. "Bulky Bob's on the Road" events were also held in

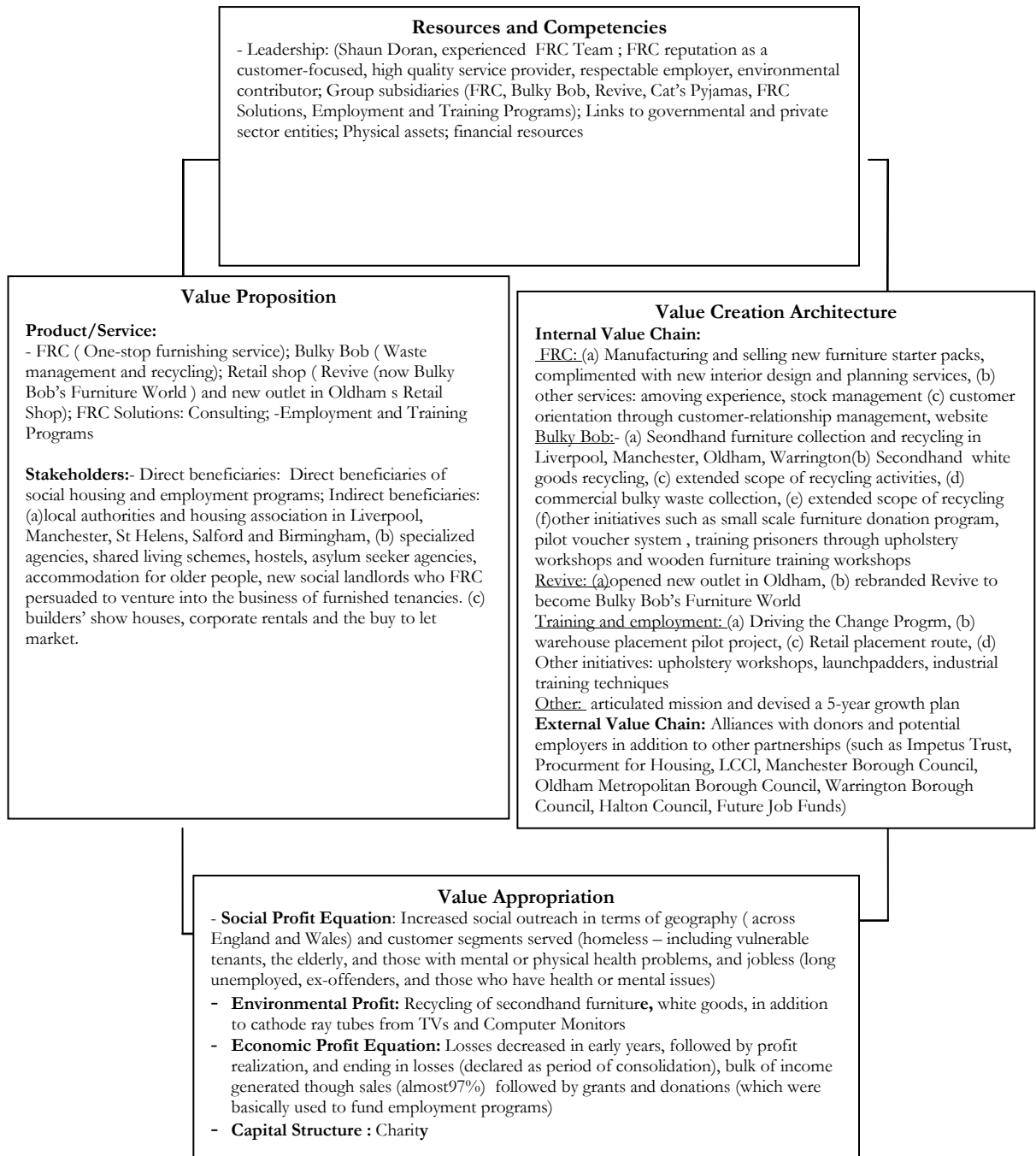
cooperation with Revive. Following the relocation of Revive to a bigger and better store, the time seemed appropriate that a decision be made to rebrand it as “Bulky Bob’s Furniture World”. In the previous years, the FRC management thought it would be better to separate the collection activity from the sale and delivery of secondhand furniture items. Experience however proved that customers do not really care for the name as long as the furniture delivery is not made using Bulky Bob’s collection trucks.

The new store was well furnished and designed to provide a shopping experience that destigmatizes the idea of secondhand furniture by giving great customer service in a well-appointed and attractive retail setting, in contrast to the typical charity shop experience which reduces people’s self esteem. The new store “Bulky Bob’s Furniture World” performed well in 2011/2012 expanding its shopper base to include conventional customers. Furthermore, an area was set at the store for the sale of white good items to replace those items that were placed by CREATE, with whom the long-term partnership came to an end.

In conjunction with developments taking place at FRC and Bulky Bob, meaningful employment and training opportunities emerged. In 2008/2009, training programs suffered as a result of a sharp decline in the funding available from European Social Fund, which suggested that the length of the Driving Change program be reduced from 12-months to be 13 weeks to fit in with the new funding regimes. The FRC management however rejected the idea because it was committed to achieving high quality outcomes for the trainees, and increasing the number of training opportunities that can be created through all businesses within FRC Group. This in turn resulted in establishing new funding partnerships such as those forged with New Deal, Oldham Metropolitan Borough Council and Liverpool City Council. On a different level, more training opportunities were likely to arise because of the contract that FRC won with LCC, not to mention the extension of new collection offers for Bulky Bob from LCC and Oldham MBC, in addition to the increased funds that were made available through Future Job Funds. Logistics training provided through Driving Change and warehouse training was already in existence from 2008 and continued to be provided. The warehouse training program was offered to those aged 18 upwards who could not join the driving change program because of age, basic

skills, or a history of offending. Trainees acquired real life skills by working at FRC, Bulky Bob and Revive store. In 2009/2010, a new Retail Route placement route was developed where young people from a supported accommodation project were offered a three-month programme in retail and customer service. Coinciding with the global downturn course a job search training module was also offered and further relationships with potential employers were forged. FRC's success in launching prison workshop triggered further interest in a partnership with HMP Styal women's prison in Manchester (to be launched 2011/2012).

The fifth episode witnessed a noticeable financial improvement over the previous one despite global economic downturn. In 2008/2009, there has been a noticeable reduction in the losses, which was soon followed by profit realization in the following year that was partially attributed to a rise in grant income. Unable to stand against global forces of continuing recession, losses emerged later in 2010 and the following years 2011/2012. In 2011/2012 FRC Group had to admit that the continuing recession was making it hard to conform to a growth plan and therefore announced this year to be a year of consolidation rather than growth. Figure (6-6) summarizes the business model that guided the FRC Group in its gradual transformation towards becoming a professional business. As shown in appendix (6), the entrepreneurial practices underlying the operation of this business model were dominated by a causal approach, yet still exhibited a strong presence of an effectual logic. Broadly speaking, the group at this stage deliberately followed a causal approach to revise its overarching mission and subsequent 5-year goals/objectives in a clear and consistent manner. This was coupled with a pronounced (yet still unsophisticated) inclination to forecast customer needs and analyze changing environmental and business trends. From an effectual perspective, FRC group remained flexible as it adjusted its plan to experiment with new opportunities or minimize emergent risk in the face of changing external and internal circumstances.



*Opportunity 5: Gradual transformation towards becoming a professional business

Figure (6-6): FRC Group: Walking the Talk*

6.7 Conclusion

The current chapter builds on the primary and secondary data collected on the story of the Furniture Resource Centre (FRC) to construct a case history covering the period from 1988 till 2012. At the outset, FRC's long history of almost 24 years of hard, passionate teamwork is divided into five distinct episodes: (a) FRC – A charity in search of a new identity, (b) FRC – A social enterprise in the making, (c) FRC Group: A bold, adventurous full-fledged social enterprise, (d) FRC Group: Catching breath, and (e) FRC Group: Walking the talk. These are respectively presented in five consecutive sections of this chapter (and consequently analyzed in the supporting appendices 1-5).

On one side, the five episodes reflect the chronological progression of FRC from charity to a well-established social enterprise. More importantly, each episode presents a modified version of the initial business opportunity. Comparing the static business model illustrations included at the end of each episode shows how opportunity progression has always been associated with some changes in the firm's underlying core logic or "business model". Furthermore, an analysis of the entrepreneurial behavior underlying the operations of these business models reveal that the process is neither purely creative nor causal at each stage, although effectuation is more prevalent throughout the early episodes. As a whole, the story of the FRC group also seems to be dominated by an effectual logic. This in turn supports the application of a dynamic business model view that regards sustainable social value creation as an outcome of an ongoing process of opportunity identification and development that combines both effectuation and causation.

In the discussion chapter (Chapter Seven) both the case history and supporting appendices are used as inputs to develop an in-depth understanding of the social entrepreneurial process as an ongoing process of opportunity development that is made possible through a series of business model transformations. These transformations are argued to happen through an organic process that involves a mix of effectual and causal practices, although dominated by the former. As shall be shown later, the transition between causation and effectuation along the social opportunity cycle is explained in this study by reference to writings on the organizational learning framework.

CHAPTER SEVEN:

SOCIAL ENTREPRENEURING

7.1 INTRODUCTION

Social entrepreneurs are described as “one species in the genus entrepreneur” (Dees, 1998a: 3). Realizing the uniqueness of the social entrepreneurial context, the current research adopts a dynamic business model view to explain how opportunities for social change are formed and developed in social enterprises to ensure sustained value creation. In other words, the current study is not primarily interested in the static configuration of the social business model per se, but rather in the process through which business model evolution could be used as a tool to explain sustained social value creation as an output of an ongoing opportunity development process that involves both causation and effectuation. The analysis proposed combines Geroski’s (2003) theory of market evolution, Levie and Lichtenstein’s (2010) dynamic state approach, Selden and Fletcher’s (2015) entrepreneurial emergent system hierarchy, Ardichvili et al.’s (2003) theory of opportunity development and earlier works on the organizational learning framework (Crossan et al., 1999; Zietmsma et al., 2002, Dutta & Crossan, 2005; Jones & Macpherson, 2006).

In the previous chapter (Chapter Six), FRC’s history covering the period from 1988 to 2012 was classified into five distinct, chronological episodes: (a) FRC – A charity in search of a new identity, (b) FRC – A social enterprise in the making, (c) FRC Group: A bold, adventurous full-fledged social enterprise, (d) FRC Group: Catching breath, and (e) FRC Group: Walking the talk. At the end of each episode, a business model was drafted to illustrate elements of value proposition, creation and capture that are applied at this particular stage. This was matched with supporting appendices (1-5) that adopted an effectuation/causation perspective to analyze the entrepreneurial practices underlying the operations of each of these business models. Interestingly, a comparison of the different business model illustrations shows how each episode presents a modified version of the initial business opportunity, which was in turn associated with some changes in the firm’s underlying core logic or ‘business model’. This

clearly emphasizes the notion of ‘a goal in the making’; a key characterizing feature of an effectuation approach (Sarasvathy 2001; Sarasvathy, 2008; Sarasvathy & Dew, 2005; Sarasvathy et al., 2008). The supporting appendices however show that although the social entrepreneurial process as a whole may have been dominated by an effectual logic, the underlying business model transformations do manifest the concomitant application of both effectuation and causation throughout the process.

The objective of the current chapter (Chapter Seven) is to answer the leading question of the study: *how do opportunities get formed and exploited in social enterprise to ensure sustained value creation*. This is done through answering subsequent queries that pertain to: (a) the description of a holistic pattern that demonstrates how a social entrepreneurial journey unfolds over time to ensure sustained value creation, (b) the explanation of the role that business model plays in the social entrepreneurial process, and (c) the identification of the role and pattern that processural theories (causation and effectuation) play to explain the social entrepreneurial process. The analysis presented builds building on both the case history and supporting appendices as inputs to explain the social entrepreneurial process as a series of business model transformations that enable opportunity formation and ongoing developments.

Research findings are displayed in two sections. Section (7.2) combines Levie and Lichtenstein’s (2010) dynamic states approach and Geroski’s (2003) theory of market evolution to portray an overarching pattern of social entrepreneuring as a process that is initially triggered by inchoate demand and gradually transformed into a new artifact through a series of business model alterations that eventually guarantee the sustainability of value creation. This transformation is argued to happen through an organic process that involves a mix of effectual and causal practices, although dominated by the former. Section (7.3) provides an alternate holistic manifestation of the social entrepreneurial process as an emergent opportunity-based hierarchy. This presents an extension to the works of Ardichvili et al. (2003) on opportunity development theory and Selden and Fletcher (2015) on entrepreneurial emergent system hierarchy, and is further combined with application of the organizational learning framework developed by Crossan et al. (1999) and others (Zietmsma et al. (2002), Dutta and Crossan (2005) and Jones and Macpherson (2006).

7.2 Social Entrepreneurship as a Transformation from Inchoate Demand to New Artifact(s)

The current section illustrates the application of Levie and Lichtenstein's (2010) dynamic states approach and Geroski's (2003) theory of market evolution to the social entrepreneurial context. The analysis is a combined application of the literature on social entrepreneurship, business models and processual theories. While the business model evolution perspective describes the process as a transformation from inchoate demand to a new artifact that is made possible through a series of business model alterations, an entrepreneurship perspective posits that this transformation (underlying social business model evolution) is an outcome of a dynamic, organic process that involves an intertwined application of effectual and causal practices.

Quitting a successful corporate career, Nic Francis (*founder of the Furniture Resource Centre*) decided to move to Liverpool in 1988 with the intention of exploring what he then described as the unknown world of the poor and needy. Through immersing himself in a diverse range of church voluntary activities that gradually exposed him to the real world of the unprivileged, Francis developed a firm belief that breaking the cycle of social exclusion was strongly related to the provision of decent housing. Looking around in Liverpool, existing attempts to provide the poor with secondhand furniture (and/or related employment opportunities) were run by a number of charitable and environmental organizations, which despite their noble aims, offered low-quality secondhand items along with some basic, unsustainable job/training opportunities. It was no surprise that this low-quality supply-driven market reinforced a similar low-quality demand on the side of the homeless and unprivileged who were in turn willing to accept shoddy, hazardous items that were sometimes even worse than rubbish. Gersoki (2003) explains that this supply-orientation is characteristic of what he describes as 'inchoate demand'. Inchoate demand refers to general, unformed demand for things that meet certain broadly defined needs or perform certain functions. Because that demand does not yet exist in an articulated form it can only be met through entrepreneurial actions that are directed to offer new goods or services (Geroski, 2003, York et al., 2010; VanSandt et al, 2009).

Researchers confirm that failure of market and institutions to deal with pressing societal problems, combined with the social entrepreneurs' strong desire to change society and consistent questioning of the status quo, point to the existence of inchoate demand (Jiaoh, 2011; VanSandt et al., 2009; Perrini & Vurro, 2006). Social entrepreneurs consequently choose to act for, or on behalf of, the groups that they perceive have certain needs (i.e. *perceived necessities*) (Gawell, 2013). They therefore represent the starting point for the change process as they introduce a stream of innovative, supply-driven solutions (Light 2005; York et al., 2010). Initially, they do not have a tangible, concrete picture in their minds of the future they are aiming for, and as such express their visions, what they are aiming to create and achieve, as principles and values that aim to satisfy an inchoate demand (Grenier, 2010; York et al, 2010; VanSandt et al., 2009). Gradually this inchoate demand is transformed into optimal decision-making after a few cycles have resulted in clarity of goals and accumulation of new means (VanSandt et al., 2009). Through the process, social entrepreneurs' behavior exemplifies an internal locus of control and a high level of self-efficacy and over-optimism (Grenier, 2010; York et al, 2010; VanSandt et al., 2009).

Dees (2007) describes social entrepreneurial opportunities as resulting from messy, active learning processes. Attractive opportunities are not simply discovered, nor do they knock at the door fully formed. Instead opportunities are “conceived, developed, and refined in a dynamic, creative and thoughtful process” (Guclu et al., 2002: 2). On its own, Geroski's theory of market evolution cannot explain how FRC managed to transform inchoate demand to new articulations because of its focus on the macro-context. Geroski (2003) frames a setting in which a group of entrepreneurs (who ‘push’ a series of supply-driven innovations) engage with their consumers in a collective, intersubjective process to introduce a new reality. Eventually the new market is shaped by an unplanned race that is initiated by a flood of firms yielding first mover advantages, who are soon followed by a group of early entrants. This in turn suggests that Geroski's broad perspective could be used to explain how a social enterprise like FRC initiated an innovative social model that resolves issues of homelessness and unemployment in Liverpool, which was then replicated (and modified) by other social enterprises; eventually creating a new artifact of social service in that domain. This is, however, different from the

objective of this study. The current study adopts a micro-focus that seeks to explain the unplanned journey that a single enterprise - such as FRC – embarks on to articulate initial inchoate demand into a value-creating product/service offering. It also asks questions about how and why business model alterations ensure sustained value creation. As such, the analysis presented in this section complements Geroski's meta-framing of FRC's journey with Levie and Lichtenstein's (2010) dynamic state approach (presented in Chapter Four).

Levie and Lichtenstein (2010) regard the business model as an organizational tool or mechanism that transforms a perceived opportunity into a value adding product/service. In their analysis, they distinguish between the static and dynamic features of a business model. Each stable state reflects the best perceived match between the prevalent market potential and the management's value creation efforts. Dynamism, however, is brought about by an opportunity tension (or an inevitable dynamic between stability and change), which eventually translates into either constant, ongoing business model change, or otherwise significant alterations in parts of a firm's business model. Through describing opportunity tension as a combined outcome of an entrepreneur's perception of an untapped market potential and his/her commitment to act on that potential, Levie and Lichtenstein emphasize the role of the individual entrepreneur in the process.

Extending Levie and Lichtenstein's concept of opportunity tension to explain why and how social enterprises are sustainable is supported by empirical evidence from FRC. In Chapter Six the story of FRC was broken down into five distinct, chronological episodes. Combined these episodes describe a long journey that FRC travelled (between the years 1988-2012) as it evolved from a small charity to a large, well-established social enterprise. More importantly, the unfolding of FRC's entrepreneurial journey (as reflected in the transition from one episode to another) shows an alteration or modification of the opportunity that Francis originally pursued in 1988. Applying Levie and Lichtenstein's perspective, table (7-1) displays this long journey (with its own turns, twists and bumps) as an ongoing opportunity tension or otherwise a tension between stability and change. As illustrated below, each episode represents a relatively stable state, whereas the transition from one episode to another reflects some form of

transformation or change that the FRC encountered in response to a set of internal and/or external factors.

**Table (7-1): Business Model Evolution:
Opportunity Tension between Stability and Change (1988-2012)**

	Episode 1: (1988-1992) A Charity in Search of New Identity	Episode 2: (1992-1997) Social Enterprise in the Making	Episode 3: (1997-2004) FRC Group: A Bold, Adventurous, Full-Fledged Social Enterprise	Episode 4: (2004-2007) FRC: Catching Breath	Episode 5: (2007-2012) FRC Group: Walking the Talk
Goals / Underlying Logic	Stage1: Helping the homeless in Liverpool through a traditional charity route Stage2: Experimenting with a new/different route that would enable the charity augment the scale of its social impact, while ensuring the financial sustainability of its operations.	Establishing the main tenants of a social enterprise (as an alternate route to charity as a mode of social service provision)	Reinforcing and fortifying the foundation of FRC as a social enterprise that is targeted towards serving the homeless and unemployed	Evaluating the sustainability of the newly established social enterprise	Scaling up the social impact
Overarching opportunity	1.1: Breaking the cycle of social exclusion in Toxteth (Liverpool) through the provision of decent housing and employment opportunities. 1.2: 'Social value augmentation through bringing together the problems of waste product disposal, unemployment, the need to train the unemployed, and the need to provide furniture to the disadvantaged.'	Scaling and sustaining social impact through pursuing lucrative market opportunities that satisfy FRC's overarching social mission (namely providing furniture to the disadvantaged, training and employing the unemployed, and recycling)	Diversifying and expanding the social impact pursued by the new social enterprise through the introduction of an overarching body; FRC Group.	Consolidate the business!!	Gradual transformation towards becoming a professional business
Leading management team	Nic Francis	Robbie Davison and Nic Francis	Liam Black	Trimuvate (Shaun Doran, Allison Ball, Phil Tottey)	Shaun Doran

Table (7-1) provides an empirical demonstration of the central role that opportunity tension is argued to play as a plausible explanation for social enterprise sustainability. Broadly speaking, the above classification identifies five concrete milestones, episodes or events. Each of these episodes is guided by a distinct strategy or logic that in turn required the application of a specific configuration of resources, activities and networks (i.e. business model) to create a value-adding service (refer back to figures 6-1, 6-2, 6-3, 6-4, 6-5, 6-6). The first episode, for example, represents the pre-venture stage which started by a need/motivation to help the homeless in Liverpool through a traditional charity route (figure 6-1). Failure to bring about the aspired social impact however led the charity to experiment with a new form of social service (figure 6-2). These relatively stable changes (illustrated in the switch from figure (6-1) to figure (6-2)) reflect constant, ongoing interactions between the static components of the business model (i.e. first-order convergent changes) that seek to better serve the interests of its target market. The identification of ‘social enterprise’ as a potentially successful model that was likely to bring about the desired social change later required that Francis makes significant and progressive alterations/iterations in FRC’s business activities. This in turn triggered a number of second-order changes (figure 6-3) which eventually led to the emergence of a new dynamic state (episode 2). From that point onwards, the journey of FRC may be displayed as a replication of this transition between periods of stability and change. This consequently demonstrates that the dynamic management of business models and their recurrent evolutions are key to social enterprise sustainability. Ongoing business model evolution answers the question of *how* social enterprises ensure the sustainability of their operations.

Coinciding with the work of Levie and Lichtenstein, figure (7-1) also illustrates how the entrepreneurial individual (or team) contributes to sustained value creation through promoting and reinforcing an ongoing opportunity tension. Levie and Lichtenstein define opportunity tension as a combined outcome of an entrepreneur’s perception of an untapped market potential and commitment (driven by a desire and personal passion) to act on that potential by creating value. Whilst identifying the critical milestones in the narrative as a step forward to drawing an outline of FRC’s journey, it was found that the beginning of each critical event or episode – unintentionally – coincided with the appointment of a new management team. The new team often brought in a renewed ambition and vision, and as well adopted a different

approach to execute and navigate the social and institutional barriers to the markets and communities served. This however does not deny the fact that the different management teams were all inspired (and consequently unified) by the guiding philosophy, values and ethos of FRC founder, Nic Francis.

“As a social entrepreneur, I have striven to move beyond the confines of business, charity, poverty and philanthropy to a way of working defined by this new language. What I have come to realize is that we will only overcome our problems by ensuring that all citizens get a chance to participate in change, and using the market is the best way to do this. We have to create the opportunities for change in a global, market-driven economy. We will have to let go of our old, safe, comfortable boundaries and well-rehearsed rhetoric in order to work together. We will need new partnerships, friendships and relationships to help us implement the values and achieve the outcomes we aspire to. We will need to challenge all our long-held beliefs to make these real changes”⁽⁹⁾.

As demonstrated in detail above, applying a ‘business model evolution’ perspective that combines Geroski’s (2003) theory of market evolution and Levie and Lichtenstein’s (2010) dynamic states approach presents the social entrepreneurial process as a gradual transformation from inchoate demand to a new artifact. This is made possible through a series of business model alterations that eventually lead to sustainable value creation. Social business model evolution is basically a product or outcome of an opportunity tension that highlights the ongoing dynamics between stability and change, and as well emphasizes the role that is played by the entrepreneurial team in the process.

To enable a better understanding of the social entrepreneurial process, the ‘business model evolution’ perspective proposed is herein complemented by an ‘entrepreneurship’ perspective which highlights the intertwined application of effectual and causal logics throughout the entire process, yet suggests that it is overall dominated by effectuation. The approach adopted in this section is inspired by the work of Corner and Ho (2010) who – in their study - treated each episode of the venture’s story as a distinct unit of analysis. As shown in appendices (1-5), each of the five episodes was separately analyzed along ten dimensions which the literature highlights as variables that distinguish between causal and effectual approaches to entrepreneurship.

These variables are goal setting, opportunity, planning, internal/external analysis, resources, partnerships/alliances, response to contingencies, attitude towards risk, control and rule thumb for decision making. At the level of each episode, detailed evidence on each of these ten dimensions (such as excerpts from interviews, reports and/or other secondary sources) was provided to eventually identify whether and how an effectual or causal logic was applied.

Appendices (2-6) suggest two main findings: First: within-episode analysis shows that the entrepreneurial process at each episode is a combined application of effectuation and causation, although is generally dominated by either. Second, cross-episode analysis reveals that the early stages of pre-venture stage and opportunity identification (*episodes one and two*) were dominated by an effectual logic. Formalization of the opportunity into an elaborate business model (*episodes 3 and 4*) subsequently demanded a gradual increase in the application of causation principles, although effectuation continued to dominate. Finally, as the enterprises expanded and scaled up its operations (*episode 5*) causation eventually presented itself as the dominant logic, although effectual practices were still pronounced. Setting the social entrepreneurial journey as a holistic unit of analysis, it may be concluded that the social entrepreneurial process is dominated by an effectual logic.

7.3 Social Entrepreneuring as an Emergent Opportunity-Based Hierarchy

The above analysis (Section 7.2) presents a holistic, generalizable view of social entrepreneurship as a “gradual transformation of a perceived opportunity from inchoate demand to a sustainable artifact through a series of business model transformations, which are in turn enabled through the co-application of causation and effectuation”. Conclusions that are made regarding the description of the process as effectuation dominated, and/or the typical pattern through which causation/effectuation are interchangeably applied throughout the process is however very specific to the case of FRC and therefore cannot be generalized to other cases of social enterprise. This in turn highlights the need for an alternate analysis where the phases of opportunity development and explanatory mechanisms of causation and effectuation can be explained by reference to established frameworks or theories.

Opportunities are often described as “a range of phenomena that begin unformed and become more developed through time” (Ardichvili et al., 2003:108). They therefore emerge in an iterative process of shaping and development that is driven by the creativity and insight of prospective entrepreneurs (Sarasvathy, 2001; Dimov, 2011; Selden & Fletcher, 2015). Broadly speaking, Ardichvili et al. (2003) present a theory of the opportunity development process that illustrates it as a triad of opportunity recognition, opportunity evaluation and opportunity development. The process is cyclical and iterative, eventually leading to a continuous recognition of additional opportunities and/or adjustments to the initial version. This in turn postulates the co-existence of causal and effectual processes. In a different study, Selden and Fletcher (2015) explicate the entrepreneurial journey as a ‘circular’ form of causality where the contingent interactions of the journey lead to emergent, hierarchically organized outcomes or artifacts. Each of these emergent artifacts both constrain and enable subsequent events. Selden and Fletcher explain artifact emergence using mechanisms such as effectuation, bricolage, dynamic creation, opportunity tension and enactment. Finally, Dutta and Crossan (2005) explain the transition of an opportunity from the individual level, to higher group and organizational level by reference to organizational learning processes. These processes can also be related to principles of causation and effectuation. The model presented in Figure (7-1) is a combined outcome of these researchers’ works, along with an in-depth analysis of the empirical evidence collected from the FRC case (refer to Chapter 6 and appendices 1-5).

Figure (7-1) presents social entrepreneurship as an opportunity-based emergent hierarchy of artifact-creating sub-processes. Following the identification of Selden and Fletcher (2015) of ‘opportunity’ as one form of artifact, artifact sub-processes herein refer to ‘distinct phases of opportunity development where the output is some modified form of the initial opportunity insight’. The model proposed therefore consists of four levels or sub-processes: *pre-venture phase*, *piloting ideas*, *opportunity institutionalization/formalization*, and *scaling-up: learning and evolving*. These sub-processes are connected by circular feedback loops, which indicate that the opportunity development process could, in practice, lead to unpredictable non-linear pathways such as the abandonment of a business idea at an early stage of development, the transformation of an

initial idea into a new unforeseen opportunity, and/or the successful development of an idea into a sustainable, replicable model.

According to Seldon and Fletcher (2015), an entrepreneurial hierarchy system does not only offer a holistic view of the social entrepreneurial process, but also approaches sub-processes as distinct unit of analyses that have *relative* beginnings and ending. Referring back to figure (7-1), each sub-process of the hierarchy (i.e. level of opportunity development) can therefore be demonstrated as a distinct business model that details how social value is created and appropriated at that level. The transition from one level or sub-process of the hierarchy to a subsequent one accordingly reflects some form of business model alteration or evolution. Crucially, an upward movement along the hierarchy also describes the progression of an initial idea from a lower individual level, to higher group, organizational and inter-organizational levels. The model associates this progression across level to the application of organizational learning processes (attending/intuiting, interpreting/experimenting, integrating, institutionalizing, and intertwining), which represent an appropriate lens through which the co-existence of causation and effectuation may be understood.

To uncover how model (7-1) was developed, the remaining part of this section explains in detail how FRC-specific five-episode chronology was re-framed as a generalizable hierarchy of emergent artifact-creating sub-processes. The new framing creates room for the application of organizational learning processes within and across levels of the hierarchy, and consequently offers a lens through which the co-existence of causation and effectuation may be understood. The analysis is guided by earlier scholarly research on the topic of social entrepreneuring (Dorst, 2007; Mulgan, 2006; Perrini & Vurro, 2006; Lumpkin et al., 2013; Corner & Ho, 2010; VanSandt et al., 2009) and writings on organizational learning framework (Crossan et al., 1999; Zietmsma et al., 2002; Dutta & Crossan, 2005; Jones & Macpherson, 2006).

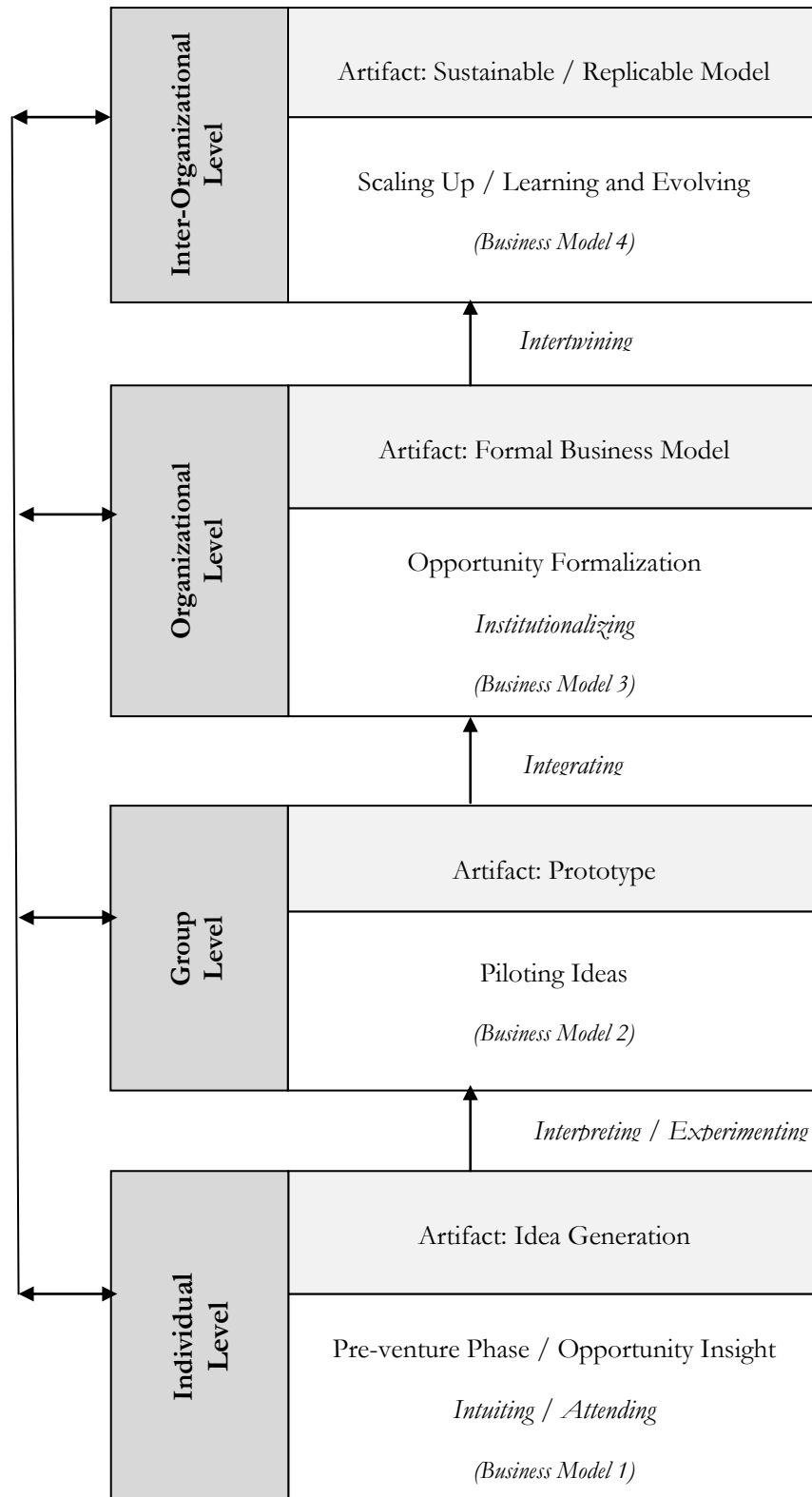


Figure (7-1): Social Entrepreneurship as an Emergent Opportunity-Based Hierarchy

Source: Author

Level One: Pre-venture Phase

The ‘pre-venture phase’ refers to the first level of the social entrepreneurial process, which encompasses early opportunity insight that is subsequently followed by a series of primal experimentation attempts to test its feasibility and attractiveness. As shall be explained below, during this phase the individual entrepreneur exercises processes of ‘intuiting and attending’; the outcome of which is ‘idea generation’. This refers to a preverbal sense of the typical insight or of intended actions. The novel idea is initially subtle and fuzzy, and cannot be shared through verbal language, which in turn makes the individual concerned almost the only one aware of its promise and worthiness. (Crossan et al., 1999; Dutta & Crossan, 2005; Zietsma et al., 2002). The transition from the pre-venture phase to the following level of opportunity development is driven by processes of “interpretation and experimentation”; both of which enable and constrain the emergence of subsequent outcomes or artifacts (piloting idea). This transition entails an upward shift of the idea from the individual level to a higher group level.

Referring back to the journey of the FRC, the pre-venture phase overlaps with Episode 1: A Charity in Search of New Identity (1988-1992) which in essence describes Francis’s early identification and refinement of the business idea. This basically refers to an emergent, broad, vague idea of how Francis foresaw that the provision of social housing could solve the social exclusion problem.

“An idea began to crystallize in my mind: I would set up a large furniture resource centre where homeless and disadvantaged people could get the household items they needed quickly and with efficient and professional service” ⁽⁹⁾

Starting at the individual level of the entrepreneur, idea insight is an outcome of a subconscious and preverbal internal ‘intuiting’ process (Crossan et al., 1999; Dutta & Crossan, 2005). This is necessarily associated with a careful ‘attention’ to external environmental stimuli especially those that bring in multiple perspectives and challenge traditionally-applied cognitive maps (Zietsma et al., 2002; Jones & Machpherson, 2006). As demonstrated in Chapter Six, this phase

witnessed Francis (like other social entrepreneurs) questioning the mainstream view surrounding a social problem as a burden and instead perceiving it as an opportunity to improve society (Perrini et al., 2010). Contrary to Robinson's (2006) view, Masse and Dorst (2007) suggest that initiators tend to identify opportunities in social and institutional contexts that they want to change, which may not necessarily be those same contexts they believe they understand.

“In my naivety, I had no idea that in the country where I was born and had grown up so many people lived with so little. In our church community, more than half the people were unemployed. Many of these people were living in houses without basic essentials such as stoves, refrigerators, washing machines, tables, chairs, heating or even beds. I was appalled”⁽⁹⁾.

Researchers describe the social entrepreneurial context as *demand-driven situations* in which an entrepreneur may be aware of current or emerging customer needs, yet initially lacks awareness of possible products that can meet such needs (Dimov, 2011; York et al., 2010). These demand driven situations simulate divergent insights which result in *supply-driven solutions* that in turn require a high degree of imagination and a willingness to embrace multiple perspectives to enable the entrepreneur to find unusual uses for common things (i.e., new functions) or common uses for unusual things (Dimov, 2011; York et al., 2010). The ‘idea-generation’ process is preconscious because it is embedded in the entrepreneur’s unique personal dispositions and day-to-day knowledge (Dutta & Crossan, 2005). Researchers use the terms *entrepreneurial intuition* to refer to an entrepreneur’s creative capacity to identify gaps, discern future possibilities and make novel connections is captured (Crossan et al., 1999; Dutta & Crossan, 2005) and *attending processes* to describe the incorporation of external stimuli and diverse perspectives to eventually articulate an idea (Zietsma et al., 2002; Jones & Macpherson, 2006).

Dutta and Crossan (2005) explain that the seed of any entrepreneurial action lies in an initial preconscious reflection by an entrepreneur about a potential business idea that is perceived to have some potential in meeting a current or an emerging requirement of customers/potential customers. Because entrepreneurial intuition is oriented towards an indeterminate, uncertain future (Crossan et al., 1999), the success of a novel idea cannot however be judged/evaluated

ex-ante (Dimov, 2011, Yusuf & Sloan, 2013, Chandler et al., 2011) and therefore its feasibility can only be developed by reference to an entrepreneur's individual belief and concrete intention to take it forward (Dimov, 2011).

Figure (7-1) illustrates that the progression of an idea to become an articulated business concept or prototype to be tested is associated with the application of 'interpretation and experimentation' processes. These processes are exercised along the intersecting lines between the individual and group levels, and can both enable and constrain the emergence of artifact(s) at the following level of the hierarchy.

'Interpretation' suggests that an individual entrepreneur seeks to achieve greater coherence over the original idea and to develop it further by explaining it to themselves and to others through interactions and conversations with critical stakeholders and potential entrepreneurial networks who are involved in the process of new venture creation (Crossan et al., 1999; Dutta & Crossan, 2005). "It is through these interactions, as the entrepreneur explains and defends the business concept, that the concept is developed and refined" (Dutta & Crossan, 2005: 437). At this level of hierarchy, the highlight of the interpretation phase is the transition from preverbal to verbal expressions. This is associated with the progressive development of a common language and related vocabulary that enable individuals to name and relate what were once simple feelings, hunches, or sensations, and eventually reach a shared meaning and understanding with critical stakeholders. The ways in which conversations unfold and language develops may ultimately result in great differences in where the company ends up (Crossan et al., 1999). Furthermore, the advice and enthusiasm or pessimism of the potential partners shape if and how the plan develops (Masse & Dorst, 2007). In his book, Francis recalls how a conversation that took place during the first meeting he organized to discuss the set up of a furniture center altered his mindset:

"It took just one comment from an elderly parishioner to bring me back to earth", recalls Francis. The lady said: "I have no doubt that you will be able to do some very good things for some people in this community. But never forget that for every single person you help there will be ninety-nine out there needing assistance. Before you congratulate yourself for the good you're going to do, think how you're going to use that experience to help the other ninety-

nine, because only then will you really have achieved change”. Francis proceeds, “Those words set the stage for the way I was going to work from then on. I was determined that the FRC would not only meet people’s immediate needs but also aim to assist people out of poverty and disadvantage and, crucially be model that could be replicated and expanded – not just in Liverpool, but across the UK ”⁽⁹⁾.

While ‘interpretation’ reflects a cognitive process, ‘experimentation’ reflects an active learning process that emphasizes the reciprocal influences of cognition and action (Zietsma et al., 2002). Experimentation or trial-and-error is a proactive way through which social entrepreneurs can explore alternate courses of action before putting them into application (Masse & Dorst, 2007). While the outcome of unsuccessful experiments can be used to adjust interpretation, the results of successful experimentation lead an entrepreneur to progress more confidently towards subsequent integration and institutionalizing processes (Yusuf & Sloan, 2013; York et al. 2010; Zietsma et al., 2002).

To conclude, the pre-venture phase of the hierarchy initially involves processes of attending and intuiting which lead to the generation of early opportunity insight or an early level of idea generation. Interpretation and experimentation processes (with potential partners and critical stakeholders), which take place towards the end of this phase, eventually *enable* a better articulation of the initial idea and/or may further *constrain* how it would like. By the end of the pre-venture stage, Francis still did not have a concrete idea or vision about how he could best address the problem of social housing and unemployment (in Liverpool). Yet, it is clear that he had now accumulated idiosyncratic knowledge (through his day-to-day knowledge and interactions with others) that eventually made him affirmative about the outline of ‘the’ workable business concept, which was manifested as a *prototype* in the following level of the hierarchy.

“After three years at the Furniture Resource Centre, I knew there was no charity in giving rubbish to somebody in need”⁽⁹⁾.

“The trouble was that recycling products or selling them secondhand is hard to sustain. By the time an item is collected, repaired and stored – even if all the labor is done by volunteers – the margin between its value or sale price

and what it has cost to acquire is minimal. This meant that only the most efficient organizations could survive”⁽⁹⁾.

“From the outset I decided that the FRC would incorporate business practices and that our ability to operate within market realities would determine our success or failure. This, I believed, would also help attract philanthropic and government support”⁽⁹⁾.

Level Two: Piloting Ideas

The progression of an opportunity from its elemental form to become a concrete business concept (that precedes the formulation of a business model) represents the heart of the second phase of the social entrepreneurial process: piloting ideas (Mulgan, 2006; Kasse & Dorst, 2007). Referring back to figure (7-1) this phase of opportunity development is associated with the transition of an idea from the domain or confines of an individual to a broader network of potential partners and critical stakeholders. Piloting basically refers to an iterative process that involves repetitive discussions with potential partners with the objective of soliciting their commitment to collaborate in setting up a ‘prototype’ (Mulgan, 2006; Masse & Dorst, 2007). Collaboration at this stage is project-based suggesting that long term commitments between partners have not yet been established, and that the exchange of resources is minimal and temporary (Masse & Dorst, 2007). According to Marion et al. (2015), new venture relationships often begin as transactional outsourcing arrangements. After the cumulation of competence-based trust, these temporary arrangements progress into alliances where socio-emotional bonds and relational trust are formed.

Figure (7-1) demonstrates that the development of the initial opportunity insight or idea to become a well-articulated business concept that is eventually manifested into a prototype or pilot is both enabled and constrained by processes of ‘interpretation (Dutta & Crossan, 2005) and experimentation’ (Zeitsma et al., 2005). Initiated towards the end of the previous level of opportunity development, interpretation and experimentation persist throughout the second level of prototyping. Interpretation processes that are exercised in this phase are however somehow different than those taking place at the pre-venture phase. In the piloting phase, the

main objective of interpreting is to develop a well-articulated business concept and to mobilize critical stakeholder's support and commitment to collaborate in setting up and implementing the prototype. As such, the process is associated with a noticeable development of a common language and vocabulary as a tool to reach a shared understanding of the business concept at the group level (Dutta & Crossan, 2005; Masse & Dorst, 2007). More significantly, interpreting processes at the piloting phase are closely linked with 'integrating' processes. 'Integrating' processes, which take place towards the end of the second phase of piloting and eventually lead to the emergence of the third artifact of the process (business model), play a mediating role between the generation of a business idea in the entrepreneur's mind and its successful implementation as a new venture (Dutta & Crossan, 2005).

With application to the case of FRC, the prototyping/piloting phase is manifest in the second episode: FRC: A Social Enterprise in the Making (1992-1997); the highlight of which is the emergence of a business concept that was later developed into a prototype. The new phase started by the identification of the entity's broad mission and core guiding values.

“I was determined that we at the FRC would begin to measure poverty financially. To do this we would have to become a different type of organization. The key to that would be our ability to forge partnerships outside the welfare sector”⁽⁹⁾.

This was coupled with the emergence of a concrete representation of the underlying business concept, which involved an identification of the product/service (what is to be offered), market (to whom it will be offered), and supply chain/operations (the resources deployed and how the product/service will be delivered to the market) (DeSilva & Trkman, 2014; Ardichvili et al., 2003; Mulgan, 2006). Although the business concept underlying the prototype is not ripe enough at this stage to qualify as a concrete business model, it may be said that all the necessary pieces could now be compiled into a new emergent artifact or prototype that is ready for application. A prototype meets a social entrepreneur's passion and strong drive to get started and act on solving a social problem, rather than waiting until a concrete business model is developed or resources are accumulated (Mulgan, 2006; (Masse & Dorst, 2007).

“Our aim was simple: provide disadvantaged with furniture and household goods. Initially, we did this in a very straightforward way: the goods went from us as the supplier to the poor as the consumers. Within a few years, however, the relationships and number of players in this exchange had changed dramatically”⁽⁹⁾.

“Rather than giving furniture directly to those who needed it, we often sold it to the landlords to put in low-cost accommodation. That allowed landlords to ask for higher rents – but the government also increased homeless people’s social security payments when they moved into furnished accommodation”⁽⁹⁾.

The case of FRC reveals that the emergence of a prototype was an outcome of ‘interpreting’ processes that involved iterative conversations between Francis (and Davison) and their potential partners (like Silent Nights and Thorn EMI) where ‘advanced’ language was used:

“Now I was talking his language – I was talking business..... You don’t understand, Barry, I told him..... I don’t want you to give me anything – I want you to sell me 5000 beds. And I want you to give the FRC, the best rate in the country for a single bed, as if we were already your biggest and best customer”⁽⁹⁾.

The objective of these repeated discussions was to share the proposed value proposition with critical potential partners, solicit their opinion, and consequently reach a shared understanding of the mutual benefit that both parties could realize. Throughout the piloting phase, interpretation/experimentation and integration processes largely overlapped:

“Initially Barry was sceptical that we could achieve our aim of selling thousands of beds in a year. The community we intended to sell to – the poor and unemployed – hardly seemed a significant or reliable base. Over two or meetings, however we were able to convince Barry that we could build a market in this community and that FRC could become a major customer. Silent Nights would also benefit from working with a charity by demonstrating that it was a good corporate citizen”⁽⁹⁾.

Francis describes his negotiations with Donovan from Thorn EMI:

“All that we have learned over the years was about to be applied in proposing a partnership with this corporate giant. The FRC had been scrabbling around with a couple of old trucks asking people to give up their old cookers. As

Donovan walked through the door, I saw a chance to secure not just all the white goods we needed, but also the skills to repair and rebuild these products on a large scale”⁽⁹⁾.

Level Three: Opportunity Institutionalization / Formalization

The development of a new ‘business model’ artifact is a key element of the opportunity institutionalization/formalization phase. Opportunity formalization refers to an advanced level of opportunity development, because the opportunity herein crosses the domains of the individual and group towards the organization as a whole (Perrini et al., 2010). The emergent business model (and its constituent elements) is both enabled and constrained by ‘integrating’ processes (that already started in the previous phase of piloting) and ‘institutionalizing’ processes (that take place throughout the third phase of opportunity formalization). Crossan et al. describe ‘institutionalizing’ as the process through which individuals and groups embed their learning reservoir into the organization through the adoption of routines, systems, structures, procedures, and strategy. In the opportunity formalization/institutionalization phase, the emergence of a formal business model is often accompanied by the implementation of formal control structures, which are devised to manage social-business tensions, management challenges and conflicting institutional demands that are likely to arise from the pursuit of dual mission (Doherty et al., 2014; Smith et al., 2013; Austin et al., 2006). This phase also witnesses the extension of the organizational network structure to include long term commitments with critical stakeholders and partners (Masse & Dorst, 2007). Marion et al. (2015) however emphasizes the importance of maintaining a proper balance between competence-based trust and socio-emotional bonds.

With reference to the case of FRC, opportunity formalization is captured in both Episode 3: FRC Group: A bold, adventurous full-fledged social enterprise (1997-2004) and Episode 4: FRC Group: Catching Breath (2004-2007). The successful implementation of the ‘one-stop furnishing’ prototype towards the end of the previous piloting phase triggered significant and recursive transactions between the newly established social enterprise and its novel project-

based partners (Silent Nights and Thorn EMI, for example) to adjust and better articulate the business concept. It did not take long before FRC diversified into community waste collection and recycling, retailing and social sector consulting. According to Ardichvili et al. (2003), a business model emerges after a business concept matures and becomes more differentiated.

“A complete business model includes not only the detailed and differentiated business concept, but also a financial model, which estimates the value created and how that value might be distributed among stakeholders. As development progresses, that financial model gradually increases in detail and precision, laying the foundation for later cash flow statements and for identifying the major risk factors that could affect cash flow” (Ardichvili et al, 2003; 109).

There are two perspectives through which institutionalizing processes may be used to explain the transition of an entrepreneurial opportunity from the levels of the individual and group, to the organization as a whole. First, the concept of institutionalizing was applied by Dutta and Crossan (2005) in the context of opportunity development to broadly describe how instilling a culture of corporate entrepreneurship (that encourages the tension between exploitation and exploration) enables an organization develop a leading edge in innovation. To do that, institutionalized practices capture the cumulated learning repertory of the individual entrepreneur and critical internal/external partners and stakeholder into a well established system, structure, strategy and the associated routines. Given environmental changes, thriving organizations are those that can continuously manage the tension between embedded institutional practices that promote stability and exploitation practices at the venture level, and intuiting, interpreting, and integrating processes that encourage exploitation activities (Dutta & Crossan, 2005). This view of ‘institutionalizing’ as an element of corporate entrepreneurship is illustrated in the third episode of the case where FRC successfully acted as a proactive enterprise whose strategy, systems, routines and structures simultaneously encouraged exploration and exploitation activities.

“Some of the tools we used to think about business and business development is the Juma Tool. According to this tool, there are a number of elements to a business and a social business that sort of puts an idea through a filter, should we do this, the things that are of interest to us are determined are as being about people, is it going to make good business, is it a good risk

for us, this is around have we got the skills and up to now this is all objective, and then the environmental impacts” ⁽¹⁾

“We must not lose sight of the importance of monitoring the effectiveness of providing furnished accommodation, and we must think of a more creative way to carry out this monitoring so that we can improve our service and meet the needs of more low income households” ⁽¹¹⁾

“When I joined FRC I just felt you know, it's brilliant to be encouraged to put in ideas, to be encouraged to be creative, it was not "no stop you can't do that because we need to go and speak to this person in this office" and it was well you've done it, brilliant. And you get the word for it and it was like, it was completely different” ⁽³⁾

Second, given the ‘opportunity focus’ adopted in this research, ‘institutionalizing’ may also be used to explain how an opportunity that has initially been generated by an individual entrepreneur and subsequently developed through entrepreneurial network interactions (*to become a prototype*) escalates to an organizational level and eventually becomes part of its institutionalized practices. These institutionalized practices are manifest in the organization’s strategy, structure, system, procedure or system of routines, which then guide the venture’s operations and govern its relationship with internal/external stakeholders. This coincides with the view of Perrini et al. (2010), who use the term ‘formalization’ instead of ‘institutionalizing’. According to Perrini et al. (2010: 253);

“Social opportunity formalization articulates consistently the innovativeness of the offering, its expected social impact and the bases for its sustainability... The social entrepreneurial opportunity is exploited when its mission and principles are translated into a fitting intervention model and a consistent organizational form... The more formalized the opportunity, through the definition of a mission and a related set of core operating principles, the higher the ability of the project to gain legitimacy and mobilize resources”.

This view of ‘institutionalizing’ is manifested in FRC’s attempts to embed its business model into a set of routines, systems and values.

“The FRC Group is committed to a sustainability agenda and we want to persuade our customers to think this way too. We need to develop strategies to do this, which may include more work with existing suppliers, may mean

finding new suppliers or a combination of both. We also need more information on the cradle to grave impacts of our existing products so that our FRC customers can make more informed decisions.”⁽¹²⁾

“For us reporting is a discipline of integrity and, if a business claims to deliver added value, then it needs to be able to robustly prove it. Our ever improving practice of accounting and reporting gives us systems, key performance indicators and the data to measure and make improvements on the increasingly stretching targets that we set for the FRC Group” ⁽¹⁴⁾.

“We’ve got 4 values; professionalism and passions, creativity and bravery and they are the sort of frame and how we want to be as a company, how we act in as business” ⁽³⁾

Level Four: Scaling Up: Learning and Evolving

The previous level of opportunity development (i.e. opportunity institutionalization) was marked by the emergence of a business model that explains an enterprise’s core logic underlying value proposition, creation and appropriation. Perrini et al. (2010) however explain that taking advantage of opportunities does not mark the end of the social entrepreneurial process. Given their commitment to maximizing social change and the improvement of social conditions, social enterprises are evaluated in terms of their ability to generate ‘sustainable and scalable’ artifacts or solutions. Scalability aims at increasing the potential impact of the social value proposition model to better match the magnitude of the social problem it seeks to address, and consequently maximize the resultant social change. This can either be done through offering a holistic solution in which more aspects of a single problem are being addressed (i.e. scaling deep), or otherwise increasing the number of beneficiaries (scaling wide) (Heinecke & Mayer, 2012; Doherty et al., 2014).

Researchers explain that scaling social enterprises does not necessarily correspond to organizational growth. More importantly it emphasizes the ability to spread and replicate the social innovation as widely as possible. This in turn requires that a business model crosses the organizational boundaries and reaches out to a higher inter-organizational level (Perrini et al., 2010). This in turn explains why the emergence of a well-articulated and implemented business

model at the third phase of opportunity development may enable or constrain the sustainability or scalability of an enterprise's operations (at the fourth level). At the outset, a business model serves as an appropriate tool that an enterprise can share with its stakeholders as a proof of concept that exemplifies objective, convincing evidence of the success of its value proposition, and consequently illustrate the potential benefits of its scaling (Heinecke and Mayer, 2012). Heinecke and Mayer basically explain that the articulation of a well-devised mission and business model, and the subsequent development of objective measures of success are critical prerequisites for scaling initiatives in social entrepreneurial entities. As important as they are, it may be argued that these two factors – on their own - cannot guarantee the emergence of a sustainable, scalable solution, as reflected in the transition from the early scaling phase to the widespread scaling and saturation/maturity phases. This in turn draws attention to the importance of 'intertwining processes'.

Presented in figure (7-1) as a process that enables the transition of a business model from a lower organizational domain to a higher inter-organizational level, intertwining enables (or constrains) the emergence of a scalable and sustainable model. This is made possible through opening up the enterprise to new, sustainable sources of exchange, while developing its internal systems and structures that are needed to capture, share and institutionalize that knowledge. Intertwining processes are defined as learning mechanisms that take place at the interstices between organizations (not just within organizational boundaries) (Jones & Macpherson, 2006). "Such relationships are likely to be influential in the nature and direction of organizational learning as part of on-going network relationships in which knowledge sharing benefits both parties" (Jones & Macpherson, 2006:169).

Referring to the case of FRC, the fourth phase of the social entrepreneurial process; Scaling Up: Learning and Evolving partially overlaps with the fifth episode (led by Shaun Doran 2008-2012). Heinecke and Mayer (2012) identify three sequential phases of scaling: early scaling attempts, widespread scaling, and saturation/maturity. There is concrete evidence of early scaling attempts (both scaling wide and scaling deep) that took place throughout the the third phase of opportunity formalization (episodes 3 and 4). For example, the one-stop-furnishing centre and Bulky Bob's expanded their beneficiary base beyond residents of Liverpool to

include other cities such as Manchester, Oldham, Salford, Warrington and Birmingham. Furthermore, the Group introduced FRC Consulting and Cat's Pyjamas; both of which helped the group share its social entrepreneuring experience and advice with interested social enterprises.

By the end of the formalization phase and throughout the first years of scaling up: learning and evolving stage, FRC had already fulfilled several prerequisites that researchers deem important before widespread scaling starts. Widespread scaling combines more advanced testing and adaptation with modest attempts to scale one's approach to others. (Heinecke & Mayer, 2012).

At the outset, Doran started the fifth episode by re-articulating the group's mission and re-identifying its stakeholders, which in turn resulted in a more precise elaboration of the FRC's business model.

FRC's mission is "to run businesses to create profits and opportunities to improve the lives of people in poverty and unemployment" ⁽¹⁵⁾.

The objective of the group is "To be Great For People; the "people" referring to direct beneficiaries of the group's social housing and employment programs". To achieve this aim, FRC group runs its business by being "Good for the Planet, A Great Place to Work and Great to Do Business With" ⁽¹⁵⁾.

Although the essence of the laid-down mission and related objectives and relationships were not new to FRC, Doran found that focusing the mission and redefining the FRC's objectives was a necessary prerequisite to identify the group's priorities and devise a strategic growth plan that emphasized the commercial success of FRC's businesses as key to sustaining its social impact. Setting a 5 year-strategic plan did not only seek to offer material evidence on the success of the group, but aimed at reinforcing its legitimacy as a social enterprise that commits to conventional operational, planning and control practices. The plan was coupled with the adoption of business-like practices such as a structured internal reporting system and the revision of data to be included in the impact report to exclude what may be classified as commercially sensitive information.

Empirical evidence collected till the year 2012 suggests that FRC had already reached the widespread scaling stage.

“FRC Group is working to an ambitious five-year growth plan that will see the scale of social impacts we create increase as a result of the growth of social businesses we run. For both Furniture Resource Centre and Bulky Bob’s there are exciting opportunities to increase the operations we run, and 2010/11 is best characterized as a year of investing resources to create that growth”⁽¹⁸⁾.

Data collected on the fifth episode provides evidence that FRC practiced two types of learning (normative, mimetic) that have been posited to facilitate the intertwining process (Jones & Macpherson, 2006). The examples below show that both types of learning overlapped. This may be partially attributed to the peculiarities of social enterprise in which the social mission is actualized through the application of business practices. Social enterprises combine features from both the social and commercial sectors.

Normative learning refers to the adoption of ‘industry standard’ practices or the acquisition of knowledge from institutional bodies and regulatory environmentalist (Jones & Macpherson, 2006). In order to be considered as a credible contract bidder, fund applicant, award-winner and/or attractive employer or partner, FRC had to meet stringent performance criteria and evidence-based performance; all of which demonstrated its capacity as a professional and well reputed social enterprise.

“We operate a performance management system which monitors progress against targets on a monthly basis. FRC Group has devised a model of triple-bottom line accounts which bring together our social, environmental and financial performance into one review document. This is used by staff members, managers, directors and members of the board to see how we are performing against our triple bottom line targets throughout the year. A final document showing our triple bottom line account for each year is included with each year’s impact report”⁽¹⁹⁾.

“Statistics give a sense of overall performance, but what about the individual’s experiences? As well as gathering performance data for Driving Change, FRC Group collects information about how the participants feel. During the training programme, all trainees have a one-to-one review with the training programme coordinator every 6-weeks to discuss their progress and any issues

or queries that may arise. They also have a leaving review to round off their time on the programme”⁽¹⁸⁾.

“What you will read is our honest appraisal on how we have done. We focus on the impact that we create and we are tough on ourselves. We are not afraid to be clear about what is the impact of FRC Group and what is actually the impact of other organizations work. In these difficult times of austerity budgets and economic recession, we need to have honest information about the impacts we create so that we can make the right decisions about how we allocate our time and resources. Creating impact is about doing as much as we can, not about laying claim to the impacts created by others”⁽¹⁸⁾.

‘Mimetic learning involves the copying of particular skills from other organizations and is often based on ‘benchmarking’” (Jones & Macpherson, 2006: 171). FRC simultaneously tried to mimic both private institutions, in addition to its social enterprise counterparts.

“I think the practices of Bulky Bob involve a high degree of professionalism. Bulky Bobs may almost be the best example I can see of a non-commercial organization. They are very professional in everything even in the way they treat their staff. There are some private organizations that I don't even think they run as well as Bulky Bob does. As compared to Bulky Bob, many private and non-profit making organizations do not perform business planning or conduct any form of thought-processing”⁽⁶⁾.

“This year the placement offer was reviewed and a more structured programme was developed to be out into practice in 2011/12. The review considered why, how and where we should create placement opportunities that offered people a meaningful experience without relying on voluntary labour or compromising the training programme that we can also offer. We reviewed our capacity and expertise in working with people from a range of different backgrounds to ensure that we focus our placement programme on people we are best placed to support”⁽¹⁸⁾.

7.3.1 An Emergent Opportunity-Based Hierarchy System as a Combined Effectual- Causal Logic

Figure (7-1) presents social entrepreneurship as an emergent opportunity-based hierarchy that consists of four main levels or sub-processes: pre-venture phase, piloting ideas, opportunity formalization, and scaling up: learning and evolving. The model explains the forward progression from one level of the hierarchy to another by reference to enabling organizational learning processes of attending/intuition, interpreting/experimenting, integrating, institutionalizing and intertwining. Dutta and Crossan (2005) explain that these learning processes manifest the co-application of causal and effectual logics. In this section, the learning processes underlying the operation of the social entrepreneurial journey are analyzed to identify the pattern of application of causation and/or effectuation across the different levels of the hierarchy, eventually identifying whether the social entrepreneurial process is dominated by an effectual or causal logic.

Level One: Pre-venture Phase

Evidence collected from FRC on the pre-venture phase (i.e. episode 1) points to a domination of an effectual logic (refer to appendix 2). Social opportunity identification reflects “the entrepreneurial awareness of the need for challenging mainstream views surrounding a social burden” (Perrini et al., 2010:521), which as shown in section 7.3 is an outcome of attending, intuiting, interpreting, and experimenting processes. Zietsma et al. (2002) explain that attending and intuiting are simulated by external stimuli, and are later internalized through individual interpreting processes and experimentation efforts.

During the first years of their operation, social enterprises operate in an uncertain, demand-driven context in which entrepreneurial insight is targeted towards the exploration of unusual solutions to existing social problems/needs. An entrepreneur may not even be familiar with the social and institutional domain in which operates (Robinson, 2006). This in turn makes it almost impossible at that early stage of new venture creation to develop a clear vision or goal of

where the venture is heading. This is further complicated by the entrepreneur's use of premature language (such as imagery and metaphors) to communicate and exchange ideas with others. The centrality of language and metaphors in the interpretation process as well advocates an enacted view of entrepreneurial opportunities in which the entrepreneurial learning occurs in situated practice and is subject to a process of social construction involving continuous interpretation and enactment of multiple realities (Dutta & Crossan, 2005; Clarke et al., 2014). All of these factors combined suggest that goals and opportunities at this stage are 'still in the making'. It is impossible to see from the beginning where a venture wanted to end and as such the ultimate product can be totally different from original conception (Sarasvathy, 2001). This in turn makes it difficult for social entrepreneurs to commit themselves to systematic strategic planning, competitive analysis or control processes. Instead, they encourage principles that reinforce low-cost experimentation, flexibility, exploration, and non-predictive control; all of which are characteristic of an effectual logic.

Level Two: Piloting Ideas

The second phase of the social entrepreneurial process is centered around iterative discussions with potential partners where the objective is to develop, and consequently test, a prototype/pilot of the agreed upon business concept in real life (Masse and Dorst, 2007). This is enabled through processes of interpretation (which again reflects a situated use of language) and experimentation, in addition to integration (through which potential partners commit themselves to engage in pilot testing). The piloting phase (overlapping with the second episode illustrated in appendix 3) is again dominated by an effectual logic.

The idea of developing a prototype and putting it into application represents a typical manifestation of effectuation principles. To start with, a prototype is an output of recursive discussions with potential stakeholders. Using the language of effectuation, it may be said that the first patches of the 'quilt' are stitched together during that stage. Researchers emphasize how early (effectual) partners who self-select to join the venture eventually shape the goals and business concept pursued by a new venture, which may in fact be different than what the founding entrepreneur originally had in mind (Sarasvathy et al., 2008; Read et al. 2009).

Prototyping is also an obvious illustration of non-predictive control where risk is reduced through short-term experimentation, focusing on projects where the loss in a worst-case scenario is affordable, emphasizing pre-commitments and strategic alliances, and exploiting environmental contingencies by remaining flexible.

Level Three: Opportunity Formalization

The formalization phase is exemplified in episodes three and four, and is dominated by an effectual logic yet reflects a gradually increasing application of causation (refer to appendices 3 and 4). Opportunity formalization marks the transformation of an opportunity from the group domain to the organizational level through a process of ‘institutionalizing’ which entails the adoption of a combination of systems, procedures and routines structures to integrate the business model into institutionalized practices, and to institutionalize the learning repertoire of the individual entrepreneur and the entrepreneurial team. Formalization is closely related to activities such as planning, internal/external analysis and control; all of which are characteristic of causation.

Initially, an overarching body - FRC Group – was set up to embrace the diverse operations the enterprise was to run during that period and onto the future. This was accompanied by a formal articulation of four values ‘bravery, creativity, passion and professionalism’, which not only guided how FRC Group worked till now, but served as a strong basis for staff recruitment and reward. Emphasizing business practices as key to success, FRC Group introduced formal social auditing processes which in turn included detailed evidence on the social and environmental impact that FRC brought about at the end of each year, and set targets for upcoming year.

On a different level, FRC realized that social innovation was at the heart of its value proposition. This in turn made it important that it sustained its corporate entrepreneurial culture through reinforcing the concomitant application of exploitation and exploration processes. This may in turn explain why effectuation principles continued throughout this phase of opportunity formalization.

“With regard to our retail operation in Liverpool city centre, Revive, the year was very a game of two halves. In the first two quarters Revive Stores Limited neither achieved profitability nor our goal of getting furniture to people in real need. In response to this crisis situation we tore up the script and completely remodeled how we market and retail furniture to the public” ⁽¹⁾.

“I thought that the Ben and Jerry experience was a great opportunity for us to enter a new field that wasn’t furniture to move away from being wholly reliant on furniture and in the process make some money and engage with a completely new set of people who would be the trainees working in the store”
⁽¹⁾.

Level Four: Scaling-up: Learning and Evolving

By reference to appendix (6), the scaling up: learning and evolving phase demonstrates a mix of both causal and effectual practices, yet is dominated by the former. At the outset, by the time FRC had reached this stage of development, it had already grown both in terms of size and impact. Successful scaling of these social initiatives should normally be preceded and continuously accompanied by the application of formal business operational, planning, and monitoring practices so as to maintain better control over the growing body, and to reflect the legitimacy and credibility of FRC as an objective and professional social enterprise. Add to that advanced stages of scaling require that the social enterprise clearly communicate its model in detail and in an objective manner to other social enterprises who want to copy it. This in turn explains why scaling up stage is dominated by a causal logic that emphasizes planning, competitive analysis and systematic goal setting.

The concomitant practice of an effectual logic stems from the fact that scaling objectives pursued by a social enterprise aims at augmenting the impact of its social ‘innovation’. Ongoing development of existing and new innovations requires that an enterprise moves from opportunity exploitation to exploration. This in turn requires the application of principles that foster flexibility, experimentation, loss affordability, partnerships and alliances persist throughout this stage.

7.4 Conclusion

The current study aims to explore how opportunities are formed and consequently developed in social enterprise to ensure sustained value creation. The two alternate analyses presented in this chapter accordingly answer subsequent queries that pertain to: (a) the description of a holistic pattern that demonstrates how a social entrepreneurial journey unfolds over time to ensure sustained value creation, (b) the explanation of the role that business model plays in the social entrepreneurial process, and (c) the identification of the role and pattern that processural theories (causation and effectuation) play to explain the social entrepreneurial process.

In the first section of this chapter (Section 7.2), social entrepreneuring was presented as a “gradual transformation of a perceived opportunity from inchoate demand to a sustainable artifact through a series of business model transformations, which are in turn enabled through the co-application of causation and effectuation”. The analysis was based on the works of Geroski et al. (2003) on market evolution and Levie and Lichtenstein (2010) on the dynamic states approach. Conclusions that were made at this stage describing the overall (and detailed) pattern of application of causation and effectuation throughout the social entrepreneurial process could not however be generalized because they were solely based on the empirical data collected from the case study.

The second section of this paper (Section 7.3) presents an alternate explanation of the social entrepreneurial process as an emergent opportunity-based hierarchy. The analysis presented describes both the unfolding of the social entrepreneurial journey as a whole, and further approaches sub-processes of the hierarchy describing progressive levels of opportunity development as relatively independent unit of analysis. Supported by empirical evidence, the proposed model (Figure 7-1) is based on established frameworks or theories including that by Selden and Fletcher (2015) on entrepreneurial hierarchy system, Ardichvili et al. (2003) on the opportunity development process, and Dutta and Crossan (2005) who extend the organizational learning framework to the entrepreneurial context.

In brief, figure (7-1) presents social entrepreneuring as a multi-level opportunity based hierarchy that displays how the social opportunity unfolds over time. The hierarchy consists of four levels each of which describes a distinct phases of opportunity development where the output is some modified form of the initial opportunity insight. These sub-processes are *pre-venture phase*, *piloting ideas*, *opportunity institutionalization/formalization*, and *scaling-up: learning and evolving*. As part of the holistic value-creating journey, each of these sub-processes is basically captured by a distinct business model that displays how social value is created and appropriated at each level. The transition from one level or sub-process to another therefore reflects some form of business model alteration or evolution. Crucially, the hierarchy also coincides with an upward shift of an initial idea from a lower individual level, to higher group, organizational and inter-organizational levels. Organizational learning processes (attending/intuiting, interpreting/experimenting, institutionalizing, and intertwining), which underlie this shift, reflect a combined application of causal and effectual logics. Holistically, the social entrepreneurial process is overall dominated by an effectual logic. Effectuation is however more evident at the early stages of idea generating and piloting, which is then gradually coupled with a more pronounced inclination towards causation as the venture moves towards the opportunity formalization stage. The scaling up approach eventually is dominated by causation, although the application of effectuation still persists.

CHAPTER EIGHT: CONCLUSIONS

8.1 Introduction

Social entrepreneurship, the simultaneous pursuit of economic, social, and environmental goals by enterprising ventures, is gradually earning its place in today's world as a practical solution that catalyzes social transformation through responding to unmet social and environmental needs (Mair & Schoen, 2005; Haugh 2007. Haugh, 2012). From Grameen Bank in Bangladesh, to Cafedirect in UK, Easybeinggreen in Australia, Trade Plus Aid in Ghana, Sekem in Egypt, Institute for OneWorld Health in US and so goes the list, hope is cumulating in distant corners of the world around hybrid structures that successfully combine the social commitment of the third sector and the discipline of the private sector in a way that meets the needs of the socially marginalized and underprivileged (Seelos & Mair, 2005; Thompson & Doherty, 2006; Seanor et al., 2007). A social enterprise is in essence driven by two strong forces. First, a mission that shapes the social value creation that is to be realized through an innovative, entrepreneurial, or enterprise-based solution. Second, a financial objective that emphasizes profit generation as a means to ensure financial sustainability and to reduce the need for donations through creating a diversified funding base, while reinforcing a market discipline that enhances the quality of the program (Alter, 2006; Dees, 1998b).

Realizing the significant role that is played by social entrepreneurship and social enterprise to solve pressing social problems, the phenomenon has attracted the attention of both academic and practitioners (Granados et al., 2011). Yet, a thorough review of existing social entrepreneurship literature (Chapter Two) points to a relatively fragmented and disjointed understanding of the topic that in turn seems to be based on multiple assumptions, theoretical and conceptual approaches as well as different methodological and empirical grounds (Gawell, 2013; Trivedi, 2010). Researchers have consequently placed the field at a pre-paradigmatic stage of development (Trivedi, 2010; Grandos et al., 2011; Doherty et al., 2014; Santos, 2012, Short et al., 2009; Gawell, 2013; Hoogendoorn et al., 2010).

“A paradigm in the pre-theory stage is like a jig-saw puzzle with a framework but with most of the pieces missing. We must first find the pieces before we see how they are connected together. At this stage we should be carefully finding those pieces with meticulous research. With enough pieces, we will start to see patterns emerge. From those patterns, we can start to build partial theories” (Bygrave, 1989: 22-23).

Broadly speaking, social entrepreneurship is a multidimensional phenomenon that largely builds on theories and methods that are borrowed from other fundamental and applied sciences such as sociology, psychology, economics, business, biology and mathematics (Bygrave, 1989; Short et al., 2009; Doherty et al., 2014; Haugh, 2005). This multidimensionality enriches the concept by presenting it as one with a diversity of applications. On the other hand, it however makes it difficult for researchers to identify a guiding paradigm that describes the nature of the phenomenon and consequently the underlying epistemological and methodological assumptions that are needed to guide their work (Gawell, 2013; Trivedi, 2010). This in turn impacted scholarly production in the field.

On the conceptual level, a significant proportion of social entrepreneurship writings have revolved around an (unresolved) definitional debate (Short et al., 2010; Choi & Majumdar, 2014) and/or the study of individual-level characteristics that in many cases failed to set social entrepreneurs as different from other types of entrepreneurs (Mair & Noboa, 2003; Haugh, 2005; Dacin et al., 2010). Meanwhile, limited attention has been given to the study of the distinct mission, goals and processes that are characteristic of social entrepreneurship (Short et al., 2009; Haugh, 2005; Dacin et al., 2010; Mair and Noboa, 2003; Doherty et al., 2014; Granados et al., 2011). On the empirical level, the absence of a common definition of the concept and/or a broad conceptual framework to guide analysis negatively affected both the quantity and quality of related output. When administrated, empirical work was characterized by the lack of rigor, minimal quantitative research and heavy reliance on case analysis which consequently obstructed generalization efforts (Di-Dominico et al., 2010; Robinson, 2006; Corner & Ho, 2010; Yusuf & Sloan, 2013).

The advancement of social entrepreneurship from an early, pre-paradigmatic stage of development to a more advanced level requires a dual effort. At the outset, Kuhn (1970)

explains that the existence of multiple schools of thought that are vying for position but however lack sufficient explanatory success to their credit to gain preeminence is a defining feature of the pre-paradigmatic phase. Extending Hassard and Keleman's (2002) taxonomy (non-consumers, integrationists, protectionists, pluralists and postmodernists) as a framework to classify the paradigm's debate in social entrepreneurship field is likely to encourage fruitful intellectual debate that encourages multi-paradigm application while providing adequate logic for the application of each. On a lower level, social entrepreneurship scholars suggest that advancement of the field largely hinges on filling theoretical research gaps through transcending the definitional debate and focusing instead on research that aims at understanding the distinct mission of social entrepreneurship and related activities. Mission- and process- related research not only has noticeable practical implications, but as well holds the promise of generating novel insights into the field through extending theories and frameworks from related organizational and entrepreneurship domains to the social entrepreneurship context (Dacin et al., 2010; Haugh, 2005).

8.2 Scope of the Research

The current study responds to the call for a processual analysis of the social entrepreneurship phenomenon defined as a set of "activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner" (Zahra et al.; 2009:5). Consequently, the current study aims to answer the leading question of *'how opportunities are formed and developed in social enterprise to ensure sustained value creation'* through connecting three related bodies of knowledge: entrepreneurship, social entrepreneurship, and the business model literature (Chapters Two, Three and Four). Empirical data is then analyzed using an exploratory, pragmatic approach that applies a logic of 'systematic combining' (Chapter Five). Systematic combining explains how the theoretical framework, empirical fieldwork, and case analysis evolve both continuously and simultaneously in a process where the researcher moves back and forth from one type of research activity to another and between empirical observations and

theory so as expand their understanding of both theory and empirical phenomena (Dubois & Gadde, 2002, 2014).

Broadly speaking, the study builds on the concept of business model to present social business model (figure 3-3) as “the configuration of resource, transactive and value structures that are designed to enact a social opportunity while satisfying both social and economic strategic objectives”. Interest in the concept does not primarily relate to the static configuration of the social business model per se, but rather in how a transformational or dynamic view of business model could be used to address how the social opportunity formation and development process could eventually lead to sustained value creation. The analysis further incorporates the role and pattern that processual theories of effectuation and causation play in the social entrepreneurial process as a whole. The conceptual framing of this study is somehow captured by Clarke et al. (2014)’s ‘co-evolution’ metaphor of the entrepreneurial growth process, which the authors suggest could be used to explain the sustainability of social entrepreneurial processes.

“According to a co-evolutionary perspective in order to grow the entrepreneurial firm must co-evolve in systematic relations with their environment including suppliers, markets, employees, local and international communities, natural environments and even their competitors. Competition is not stressed here but cooperation is important to ensure that the system as a whole survives and prospers, (Clarke et al., 2014: 244).

The main references cited as a basis for analysis included the works of George and Bock (2011) on opportunity-centric business model design, Geroski’s (2003) theory of market evolution, Levie and Lichtenstein (2010) on business model evolution, Ardichvili et al. (2003) on opportunity development process, Selden and Fletcher (2015) on entrepreneurial system hierarchy, Dutta and Crossan (2005) who extend the organizational learning framework to the entrepreneurial context, and combined writings on theories of causation and effectuation (e.g. Sarasvathy et al 2001; Read et al., 2005; Fisher, 2012). Authors of these works overly exhibited their tolerance to some level of pragmatic synthesis between the apparently conflicting explanations of opportunities as created or discovered.

For the purpose of empirical investigation, the study followed an in-depth, longitudinal case analysis of the journey of Liverpool-based Furniture Resource Centre (FRC) covering the period (1988-2012). Founded in 1988 as a charity, FRC started as a volunteer-run organization seeking to solve pressing problems of homelessness and unemployment. FRC's gradual diversification into the fields of community waste collection, retailing and social sector consulting eventually placed it as a nationwide, multi-million pound award winning social enterprise by the year 2012. Detailed data describing the story of FRC was collected through semi-structured interviews conducted with its management team and critical stakeholders. This was coupled with an analysis of archival data that is available through FRC's website and published/unpublished reports, as well as other external academic and practitioner sources that made reference to the case of FRC.

Data collected was analyzed over three stages (constructing case history, within-episode analysis, and cross-episode analysis). First: FRC's journey (1988-2012) as a whole was narrated as a chronology of five focal episodes. Each of these episodes was then approached as a distinct case or unit of analysis with a relative beginning and ending. At the end of each episode, a business model graphical illustration was included to demonstrate the prevalent operations, relationships and networks at that particular level (Chapter Six). Detailed proof on the entrepreneurial behavior exercised at each episode (effectuation vs causation) was extracted and compiled in appendices (1-5). Evidence collected in chapter six and supporting appendices (1-5) was then used as an input for the analysis presented in the discussion chapter (Chapter Seven). Chapter Seven identified recurrent patterns that were eventually used to understand the social entrepreneuring process. A summary of the main findings of the study is included in the following section.

8.3 Main Findings: A Summary

The analysis presented in Chapter Seven aims to answer the leading question of *how opportunities are formed and developed in social enterprise to ensure sustained value creation* through responding to three main queries that pertain to: (a) the description of a holistic pattern that demonstrates how a

social entrepreneurial journey unfolds over time to ensure sustained value creation, (b) the explanation of the role that business model plays in the social entrepreneurial process, and (c) the identification of the role and pattern that processual theories (causation and effectuation) play to explain the social entrepreneurial process. To do that two alternate, yet harmonious, explanations of the social entrepreneurial process are offered. These are ‘social entrepreneuring as a transformation from inchoate demand to a new artifact’ and ‘social entrepreneuring as an emergent opportunity-based hierarchy’.

8.3.1 Social Entrepreneuring: From Inchoate Demand to New Artifacts

This analysis defines social entrepreneuring as ‘the gradual transformation of a social opportunity that is initially manifested in the form of inchoate demand to an innovative, sustainable social solution. This is made possible through a series of ongoing, business model transformations that are enabled through a combination of effectual and causal logics’.

With application to the case study of FRC, social entrepreneuring is herein presented as a chronological progression of focal episodes/events; each of which is initially illustrated as a static business model that describes the underlying activities, transactions and networks at that point of time. Transition across episodes or static states (i.e. business model evolution/transformation) describes some level of opportunity development that is brought about by an opportunity tension. This opportunity tension eventually leads to a change in the direction of the enterprise management in response to a set of internal and/or external factors. The application of effectuation and causation approaches is manifest in both the working of business model at the level of each episode, as well as in the alterations that a business model encounters during the transition from one episode to another.

The proposed analysis at this stage successfully answers two main queries that relate to the identification of an overall pattern of the social entrepreneurial process (that incorporates a combination of causation and effectuation) and the illumination of the role that business model evolution plays to ensure sustained value creation. In this view, opportunity tension, reflecting

an ongoing dynamic between stability and change, serves as the main driving force of the social entrepreneurial process. Opportunity tension highlights the role of the individual social entrepreneur (or team) who is continuously trying to strike a balance between maintaining the status quo (i.e. stability) and introducing minor/major changes to the core logic or business model that underlies the configurational enactment of a specific opportunity (i.e. dynamism). The simultaneous urge for exploitation and exploration activities consequently demands that a social enterprise adopts both causation (that is based on systematic planning, competitive analysis and market research) and effectuation (that emphasizes principles of non-predictive control, experimentation, loss affordability and heavy reliance on partnerships and alliances).

Empirical data analysis, based on which the above conceptualization of social entrepreneuring is proposed, suggests that the process is dominated by effectuation. Effectual practices are more evident at the early stages of venture formation, which are then gradually accompanied by causal practices as an opportunity becomes more formalized. Causation eventually dominates as the venture scales up its operations, although effectuation is still well-pronounced at this stage. Unfortunately, output of this analysis cannot be generalized to other cases of social enterprise because it was solely based on empirical data collected from the single case of FRC. This in turn explains the need for an alternate explanation that is guided by existent theoretical frameworks of theories.

8.3.2 Social Entrepreneuring as an Emergent Opportunity-Based Hierarchy

In this view, social entrepreneuring is presented as an opportunity-based emergent hierarchy of artifact-creating sub-processes. These sub-processes refer to ‘distinct phases of opportunity development where the output is some modified form of the initial opportunity insight’. As such the model (figure 7-1) consists of four levels or sub-processes; pre-venture phase, piloting ideas, opportunity institutionalization/formalization, and scaling-up: learning and evolving. These sub-processes are connected by circular feedback loops, which indicate that the opportunity development process could, in practice, lead to unpredictable non-linear pathways

such as the abandonment of a business idea at an early stage of development, the transformation of an initial idea into a new unforeseen opportunity, and/or the successful development of an idea into a sustainable, replicable model.

The proposed model successfully answers the leading question (and subsequent queries) that the current study is designed to answer, by approaching the social entrepreneurial journey as a whole as holistic unit of analysis and the emergent sub-processes as a lower unit of explanation. Starting at a lower level of analysis that recognizes each sub-process as one with a relative beginning and ending, figure (7-1) demonstrates each level of opportunity development as a distinct business model that details how social value is created and appropriated at that level. The transition from one level or sub-process of the hierarchy to a subsequent one accordingly reflects some form of business model alteration or evolution. Crucially, an upward movement along the hierarchy also describes the progression of an initial idea from a lower individual level, to higher group, organizational and inter-organizational levels. The model associates this progression across level to the application of organizational learning processes (attending / intuiting, interpreting / experimenting, integrating, institutionalizing, and intertwining). These processes represent an appropriate lens through which the co-existence of causation and effectuation may be understood.

In summary, this view presents social entrepreneuring as an effectuation-dominated hierarchy of sub-processes; each of which represents one level of opportunity development. These levels are the pre-venture phase, piloting ideas, opportunity institutionalization/formalization and scaling up: learning and evolving. The notion of 'hierarchy' in this model suggests that transition along levels of opportunity development is driven by: (a) a series of business model alterations (i.e. business model evolution), and (b) the application of organizational learning processes that push the idea forward from the individual domain to higher group, organizational and inter-organizational levels. These processes explain the co-application of causation and effectuation along the social entrepreneurial process. It further explains why the process is initially dominated by an effectual logic, which is increasingly accompanied by the application of causation as an opportunity reaches the opportunity institutionalization phase.

Causation finally dominates during the final scaling-up phase, although effectuation remains to be applied.

8.4 Research Importance

8.4.1 Theoretical Importance

Through adopting a dynamic ‘business model’ view to explain the ‘social entrepreneurial process’ by reference to ‘theories of causation and effectuation’, the key academic contribution of this study stems from finding common ground through which one can simultaneously address a number of research gaps that pertain to three bodies of knowledge: social entrepreneurship, entrepreneurship and business model literature.

Social Entrepreneurship Domain

Although the social entrepreneurship phenomenon has been the subject of academic and practitioner interest over the past twenty years, scholarly writings on the topic have been subject to criticism for a number of reasons. (a) The majority of social entrepreneurship research is definitional; highlighting main components of the concept and/or individual-level characteristics of the social entrepreneur. In most of the cases, definitional research however failed to pinpoint those elements that set social entrepreneurship as distinct from other types of entrepreneurship (Short et al., 2010; Choi & Majumdar, 2014; Mair & Noboa, 2003; Haugh, 2005; Dacin et al., 2010). (b) Although scholars suggest that mission and/or process – based research holds the promise of advancing the social entrepreneurship domain, there is still limited research on that topic (Short et al., 2009; Haugh, 2005; Dacin et al., 2010; Mair and Noboa, 2003; Doherty et al., 2014; Granados et al., 2011). (c) Empirical social entrepreneurship research is relatively limited (as compared to conceptual work), and more importantly lacks rigor (Doherty et al., 2014; Short et al., 2009; Hoogendoorn et al., 2010; Haugh, 2005). In this study, the previous research gaps are addressed as follows:

First; the social business model illustrated in figure (3-3) presents a positive contribution to existing definitional debates. The static model builds on earlier writings to identify distinctive elements of a social enterprise which are then compiled into a single, comprehensive illustration that displays the constituent elements of the business model (i.e. resources, value proposition, value creation architecture and value appropriation) and the relationships between them. More importantly, the proposed social business model highlights some elements (such as combined social/economic orientation, emphasis on capital recovery as opposed to profit maximization, stakeholder emphasis and resource paucity), which clearly establish social enterprises as different from both traditional entrepreneurial entities and other broad forms of social entrepreneurship (such as enterprises practicing social responsibility, socially responsible businesses, and non-profit enterprises with income-generating activities). Given popular use of business models in practice, the proposed conceptual business model framing bridges the gap between academics and practitioners by offering a common communication tool.

Secondly, Chapter Seven presents two alternate interpretations of social entrepreneuring which in turn responds to calls for social processural research that borrows, tests and extends popular frameworks, concepts and theories, which could eventually conduce (social entrepreneurship) theory generation (Haugh, 2012). Earlier scholarly work either offered a comprehensive definitions of the social entrepreneurial process as a simple progression of interrelated stages, or otherwise restricted its analysis to one (or more) phases of the process (e.g. Perrini & Vurro, 2006; Lumpkin et al., 2013). More advanced research framed the analysis within emergent processural theories (causation, effectuation, bricolage, or a combination of two or more approaches) (e.g. Corner & Ho, 2010; VanSandt et al., 2009). Both views presented in this study suggest advancement over earlier stage-based opportunity framing of social entrepreneurship (Dorst, 2007; Mulgan, 2006; Perrini & Vurro, 2006; Lumpkin et al., 2013; Corner & Ho, 2010; VanSandt et al., 2009). As explained in the previous section, the first analysis builds on the works of Levie and Lichtenstein (2010) and Geroski (2003) to develop an opportunity-based view of social entrepreneuring that simultaneously integrates the business model literature and processural theories. Alternatively, the second view of social entrepreneuring builds on the works of Ardichvili et al. (2003), Selden and Fletcher (2015), Dutta and Crossan (2005) and

Jones and Macpherson (2006); which integrates the business model literature and processural theories, in addition to earlier writings on the organizational learning framework.

Thirdly, the current study adopts a pragmatist approach, which in turn holds the prospect of advancing social processural research (Watson, 2013a; Steyeart, 2007; Sarasvathy, 2001; Gheradi, 2000). Following Hassard and Kelemen (2002) taxonomy of paradigmatic debates, the majority of writing on the social entrepreneurial process fall into one of three camps: ‘non-consumers’ who make no mention of the underlying paradigm (e.g. Perrini & Vurro, 2006; Perrini et al., 2010; Robinson, 2006; Lumpkin et al., 2013; Mair & Noboa, 2003; Miller et al., 2012), ‘integrationists’ who advocate the dominance of a creative view (e.g. York et al., 2010), and finally ‘pluralists’ who support the view of discovery and creation as two contingent logics (Guclu et al., 2002; Yusuf & Sloan, 2013; Corner & Ho, 2010). Setting non-consumers aside, researchers explain that the presentation of discovery/creation as a dual framework of analysis has encouraged polarity and fragmentation rather than interrelated understandings of how things are in the world (Fletcher, 2006). Pragmatism on the other hand is credited for applying a philosophical pluralism principle that enables it rise above the mental and practical limitations that are imposed by the forced positivist/social constructionist dichotomy. Instead, pragmatism focuses on generating actionable knowledge that enables scholars and practitioners to understand different social practices and better cope with different eventualities (Watson, 2003a; Feilzer, 2010; Morgan, 2007). The pragmatic framing adopted in this study was enriched by the longitudinal data collected from a case study covering the period from 1988-2012. This enabled the application of an abductive reasoning and systematic combining logic; both of which simulated the discovery of new variables and relationships that was eventually combined into the conceptual model illustrated in figure (7-1).

Entrepreneurship Domain

As opposed to interpretations of causation and effectuation as two competing or contending explanations of entrepreneurial processes, there is now a rising stream of research that advocates a complementary view in which both logics are combined to advance a theory of entrepreneurship (Ardichvili et al., 2003; Hindle & Senderovitz, 2010; Dutta & Crossan, 2005;

Hindle, 2010a, Korsgaard, 2013; Sarasvathy, 2001; Short et al., 2010; Edelman & Yli-Renko, 2010). Researchers supporting the latter view argue that “any framework that seeks to offer a reasonably complete explanation of the process of entrepreneurial opportunities needs to be able to reconcile or even to synthesize the apparently conflicting positions of the two ontological approaches into a coherent explanation that recognizes the inherent complexities associated with the process of entrepreneurial opportunities” (Dutta & Crossan, 2005: 433). As illustrated in Chapter Seven, empirical evidence supports the co-existence of effectuation and causation as explanatory processes that underlie a comprehensive theory of entrepreneuring. More importantly, the incorporation of elements of effectuation to explain the dynamics of the social business model presents a cumulation to research that is directed towards developing a theory of effectuation. Output of the case study analysis addresses gaps in effectuation research through extending the logic to a social entrepreneurship landscape, while relating the analysis to existing frameworks such as Levie and Lichtenstein’s (2010) dynamic state approach, Selden and Fletcher’s (2015)’s emergent entrepreneurial hierarchy and the organizational learning framework (Dutta & Crossan, 2005; Jones & Macpherson, 2006).

The current study also offers empirical evidence that supports the conceptual works of Levie and Lichtenstein’s (2010) on a dynamic state approach, and Dutta and Crossan (2005) who applied the 4I organizational learning framework to explain how entrepreneurial engagement with opportunities encompasses both discovery and enactment activities that are linked through the 4I learning processes (intuiting, interpreting, integrating, and institutionalizing). The study further extends Dutta and Crossan’s conceptual analysis through providing theoretical and empirical evidence that incorporates Jones and Macpherson’s (2006) fifth element of ‘intertwining’.

Business Model Domain

Business model scholars highlight two streams of research that are likely to advance the field. These include additional empirical research to supplement existing conceptual work (Smith et al., 2010; Smith et al., 2013), in addition to further cumulation of typological research (Pateli & Giaglis, 2003). This study contributes to both streams. In Chapter Three, a conceptual, static

framing of the social business model was presented (figure 3-3). In Chapter Six, the social business model typology was supported by empirical data. More importantly, in Chapter Seven, empirical evidence was used to illustrate how a dynamic business model view could explain the social entrepreneurial process. A conceptual framework was eventually presented (Figure 7-1).

With its focus on ‘social business model’ and subsequent exploration of the social entrepreneurial process, the current study therefore presents a contribution to the business model literature in general by adding a social business typology to its existing reservoir of typological research. Furthermore, by building on established frameworks (such as organizational learning and emergent hierarchy system) and novel processural theories (namely causation and effectuation) to explain business model dynamics (*underlying the progression of the social entrepreneurial process*), the current study represents an addition to existing scholarly writing on dynamic business model evolution. Sosna et al. (2010) criticize earlier scholarly work on business model evolution for its failure to explain the phenomenon by reference to established literature and/or a solid theoretical ground.

8.4.2 Practical Importance

The attractiveness of the social entrepreneurship field is primarily attributed to its practical utility as a solution to many social problems facing humankind. This consequently raises the importance of research that is directed towards illuminating our understanding of how social enterprises operate (Haugh, 2007; Haugh, 2012; Yunus et al., 2010). A cumulation of scholarly work that focuses on practice-relevant concepts is expected to bridge the gap between academic thinking and what is happening in real life, and as such helps to make academic research more credible and useful to practitioners. With its focus on practice-oriented concepts such as business model and effectuation, the current study accordingly presents a merging of the academic study of social entrepreneurship and practice in a way that facilitates mutual understanding and learning.

First; as a typology of business model, the proposed ‘social business model’ is expected to serve as ‘a tool that helps managers to capture, understand, communicate, design, analyze, and change the business logic of their firm (Osterwalder et al., 2005; Baden-Fuller & Morgan, 2010; Pateli & Giaglis, 2003). Internally, this model could be formally or informally used by the management team to establish a comprehensive, fully-integrated understanding of their venture through conceptualizing the typical structure of its constituent elements and as well how these could best be related to ensure optimal value proposition, creation and capture. Externally, a well-developed business model serves as a professional communication tool that enhances the credibility and legitimacy of a social enterprise throughout its interactions with potential partners and funders, in addition to critical governmental bodies.

Second; an ‘academic’ declaration of the social entrepreneurial process as a dynamic mechanism that involves the intertwined application of causal and effectual logics would encourage managers to revisit their organizational practices to tolerate and encourage more forms of effectual practices. This is likely to reflect in the content of the training programs, criterion for recruitment and basis for motivation and compensation. Traditionally, social entrepreneurship textbooks presented an image of professional social enterprise as one that emphasizes the role of business plans, market research, competitor analysis, and strategic plans (Dees et al., 2002). This eventually deterred many managers from overtly admitting their application of effectual principles (such as experimentation, flexibility, loss affordability, and non-predictive control), despite the existence of empirical proof of their application in their enterprises. Managers basically hold to a false impression that the application of such logic would make them their ventures seem less professional. Giving an ‘effectuation’ label to these dominant practices is expected to address this misconception or myth while bridging the gap between academic thinking and practice. In one of the interviews, Shaun Doran, CEO at FRC was explaining how they were successfully applying a random set of practices such as flexibility and low-cost experimentation as an efficient way to respond their uncertain, resource-constrained environments. When I told him that what he was doing was not only professional, but as well had the name of ‘effectuation’, he instantly smiled and said: “Well, I am glad there is a name in the books for what we are doing here”.

8.5 The Nature Knowledge

The application of an emerging theory or framework to explain a relatively new phenomenon represents a rich setting that carries opportunities for theory building and imaginative research. Yet, this carries some risk, which stem from a researcher's inability to clearly articulate the research domain and/or tendency to ignore already established theoretical anchors that may provide useful explanations of the phenomenon (Zahra, 2007). Zahra's (2007) argument clearly applies to the current study where Selden and Fletcher's entrepreneurial emergent hierarchy that was recently published in 2015 (Selden & Fletcher, 2015) was extended to explain opportunity development in a social entrepreneurial context. This was also manifested in the application of a new processural theory of effectuation to a yet unexplored process of social entrepreneurship. To minimize such risk, Zahra (2007) suggests that a researcher contextualizes a particular theory within the frame of the phenomenon studied.

First; in this study the entrepreneurial emergent hierarchy system of artifact creating processes is reframed as an emergent opportunity-based hierarchy. The term 'hierarchy' describes both; phases of opportunity development and the transition of an opportunity from the individual domain to higher group, organizational and inter-organizational levels. To ensure proper contextualization, the five-episode chronology that was proposed in Chapter Six was first reframed as an opportunity development process. The typical description and labeling of each sub-process and emergent artifact was guided by earlier scholarly research on the topic of social entrepreneuring (Dorst, 2007; Mulgan, 2006; Perrini & Vurro, 2006; Lumpkin et al., 2013; Corner & Ho, 2010; VanSandt et al., 2009). Furthermore, the transition across individual, group, organizational and inter-organizational levels was made by reference to earlier writings on organizational learning framework (Crossan et al., 1999; Zietmsma et al., 2002; Dutta & Crossan, 2005; Jones & Macpherson, 2006).

Second, the current study explores how a theory of effectuation can be used to address the issue of whether opportunities are created or discovered in the social entrepreneurial context, and consequently how that is likely to determine the way entrepreneurs develop and exploit these opportunities. To ensure consistent contextualization, social entrepreneurship was as well

defined from an opportunity perspective as the set of “activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner” (Zahra et al.; 2009:5). Later, an opportunity-based approach was used as a common theme based on which scholarly work from the domains of entrepreneurship, social entrepreneurship and business model literature were integrated (George and Bock, 2011; Geroski, 2003; Levie & Lichtenstein, 2010; Ardichvili et al., 2003; Dutta & Crossan, 2005; Fletcher & Selden, 2015). Authors of the references cited expressed their tolerance to a pragmatic synthesis between causal and effectual views of opportunity.

Third, the current study follows a pragmatic approach that emphasizes principles of systematic combining, which set ‘matching’, and ‘direction and redirection’ as two cornerstones of the research process (Dubois & Gadde, 2002; 2014). Through the course of pursuing the closest fit between theory and reality, systematic combining permits a high degree of flexibility which made it possible to uncover new dimensions of the research problem under investigation which, at many instances, led to the redirection of the study in search for alternative and/or complementary theoretical framings and concepts. A better match between theory and reality was also made possible through the application of a pragmatic, pluralistic approach, which presents advancement over earlier processual research advocating the duality of discovery/creation view as a framework of analysis. Research emphasizing ‘theoretical’ polarity between both views hinders our understanding of how things are in the real world (Watson, 2013a; 2013b; Alvarez et al., 2013; Seymour, 2012; Lindgren & Packendorff, 2009; Fletcher, 2006).

In this study, the application of a systematic combining approach was coupled with an in-depth single case analysis. Empirical scholarly work on the topics of social entrepreneurship and business model have often been criticized for a lack of rigor, which in many cases has been attributed too heavy a reliance on qualitative research methods where in-depth single case analysis was mostly used (Hoogendoorn et al., 2010; Short et al., 2009; Doherty et al., 2014; Smith et al, 2010; Smith et al., 2013). Researchers like Dubois and Gadde (2002, 2014) however argue against such generalization and instead emphasize that the choice of a particular research

design should be context dependent (Dubois & Gadde, 2002; 2014). It may therefore be said that there are two perspectives through which applying a single-case design in the current study may be assessed:

At the outset, researchers like Jennings et al. (2015); Alvord, et al. (2002) and Yin (1989) explain that qualitative case study analysis offers a better setting for an in-depth understanding and examination of complex, longitudinal phenomena. This is because it avails detailed information that could be used by the analyst to identify and assess unexpected patterns that are unlikely to be captured by more constrained methodologies. More specifically, Dubois and Gadde (2002, 2014) support the application of a single, in depth case analysis, as opposed to the use of multiple cases, in situations – like the current study - where the research objective is directed towards the analysis of a number of interdependent variables in complex structures. In this study this refers to the application of the business model concept, novel processural theories (effectuation/causation), emergent hierarchy system, and the organizational learning framework to explain an unexplored social entrepreneuring phenomenon. Dubois and Gadde base their argument on the fact that in-depth case analysis allows for the simultaneous application of a systematic combining approach along with an abductive logic. Systematic combining is based on the development of a ‘tight and emerging’ framework, where dominant concepts in a particular domain are initially used to build a framework. This framework then consistently evolves as a result of unanticipated empirical findings, in addition to theoretical insights gained during the process (Dubois & Gadde, 2002; 2014). A complementary abductive also simulates the discovery of new variables and relationships, which eventually lead to the introduction of new concepts and development of new theoretical models (Morgan, 2007).

It is unquestioned that the current study’s single case-design offered an in-depth insightful view of some variables and relationships underling the social entrepreneurial process; insights that would have not been possible to acquire using alternate research designs (given time limitations). This does not however deny the fact that the analysis adopted in this study was based on the single case of FRC, which of course does not present a standard example of social enterprises worldwide, even those particularly operating in the housing/furnishing and or employment sector in the UK. For example, the five-episode chronology is solely based on the

journey of FRC. Applying the same study in a different context or sub-sector may result in a somehow different route of development. This in turn explains why outcomes of the first analysis (that was based on the application of the dynamic states approach) could only be generalized to describe the overall pattern of social entrepreneuring rather than the detailed application of causation and effectuation throughout the process. It also explains why an alternate explanation that builds on existing theories and frameworks was consequently applied in the second analysis. The conceptual model presented in figure (7-1) combines business model literature, processual theories and organizational learning analysis in a way that has not been previously approached in existing writings on the topic. Supported by empirical evidence from the current study, this conceptual framing can offer valuable direction for future research which can consequently adapt the theoretical model proposed to different cases and contexts.

8.6 Future Research

The current research is expected to trigger further research in the entrepreneurship field in general and the social entrepreneurship domain in specific.

Social Entrepreneurship Research

The core contribution of this research is a conceptual / theoretical model (figure 7-1) that describes social entrepreneuring as an emergent opportunity based hierarchy that starts with idea generation and eventually leads to sustained value creation. It is proposed that this process may be explained by reference to three complementary perspectives: business model evolution, processual theories of causation/effectuation and the 5I organizational learning framework. As aforementioned, this model is an output of an empirical investigation that was based on an in-depth analysis of a single exemplar case of social enterprise that in turn had its own contextual features. To assess the validity and generalizability of this model to the social entrepreneurship domain, future research should aim to apply it to multiple cases and as well in different contexts or sub-sectors. Apart from testing the validity of the propositions underlying the development of the model itself, it is expected that output of future research shall distinguish

between elements of the model that could be generalized to the social entrepreneurial phenomenon as whole, and more specific context-related elements that may entail revising some aspects of the proposed model such as the nature, number or sequence of levels/ sub-processes.

Empirical evidence collected on the FRC case (and other future cases) is also likely to trigger further research that adopts a 'more focused' examination of the application of causal/effectual logic within each level/sub-process (and as well across levels) of the social entrepreneurial process. Referring back to appendices (1-5), entrepreneurial behavior at each episode or stage has been analyzed along a number of organizational dimensions (such as goal setting, resources, planning, internal/external analysis, attitude towards risk, response to contingencies, control, rule thumb for decision making). In the current study, this detailed data was basically used to identify whether that episode was dominated by a causal or effectual logic as a step forwards towards identifying the overall entrepreneurial pattern within each stage and eventually comparing this pattern across stages. The current research however fails to make use of the rich readily-available detailed evidence on the dynamic working of causation and effectuation at each level by reference to these organizational dimensions. This may be a subject of future research. Furthermore, this data could be used to explain how and why each of these organizational variables (such as goal setting, or resource acquisition) has been variably approached by a casual or effectual logic across the different levels or phases of opportunity development. For example, the data show that goal setting was initially approached using an effectual mindset during the first two phases (pre-venture phase and piloting ideas), which continued during the early stages of the formalization when the enterprise was still encountering growth, yet the process was eventually dominated by a causal approach during the scaling-up and learning stage. A possible explanation provided by empirical evidence shows that heavy reliance on effectuation during the formalization stage had a negative impact on performance, which in turn led managers to enforce the application of more causal mechanisms towards the end of this stage. Alternate explanations or analysis could be the subject of further research.

Finally, a review of earlier writings on social entrepreneuring adversely highlighted causation, effectuation and bricolage as three novel processual theories that could be used to understand social value creation. Broadly speaking, writings on causation and effectuation were inconclusive as to whether they should be approached as two competing or contending logics. Yet, researchers like Baker et al. (2003) explain that bricolage occurs in both effectuation and causation processes, albeit for different reasons. To avoid confusion, the empirical analysis presented in this study has been restricted to theories of causation and effectuation without making reference to the role played by bricolage. Consequently, future research may investigate how insights from bricolage theory could be embedded to better explain the proposed view of social entrepreneuring as an opportunity-based hierarchy. At the outset, social bricolage may explicate why and how causation and effectuation overlap within each level of opportunity development.

Entrepreneurship Research

Although the current research has been specifically applied to the social entrepreneuring context there is no reason why the proposed model and adopted methodology for data analysis not be extended to the broader entrepreneurship domain. For example, researchers can explore if and how phases of the social entrepreneurial process are different from that applied in other institutional contexts. More importantly, future research can explain whether the 5I learning framework can as well be applied in non-social entrepreneurial context to relate the alternation between causation and effectuation to processes of intuiting/attending, interpreting/experimenting, integrating, institutionalizing and intertwining. Furthermore, future research can as well analyze the dominant entrepreneurial behavior at each stage of the entrepreneuring process by reference to the organizational dimensions that have been highlighted in this research. As mentioned in the above section, this detailed data offers rich insights to the application of causal/effectual entrepreneurial practices at each level and across levels.

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APPENDIX (1)

Summary of Primary and Secondary Data Sources

Summary of Primary and Secondary Data Sources

Episode	Data Sources	Description	Code ³
Episode 1: (1988-1992) A Charity in Search of New Identity	Interviews	Shaun Doran (CEO)	1
	FRC Report	FRC Social Audit (1999-2000):39 pages	11
	Other	Francis, N. (1998). Turning Houses into Homes (Vol. 41). Fabian Society.	8
		Francis, N. and Cuskelly, M. (2008). The End of Charity. Time for Social Enterprise. Allen & Unwin: Australia.	9
Episode 2: (1992-1997) Social Enterprise in the Making	Interviews	Shaun Doran (CEO)	1
	FRC Report	FRC Social Audit (1999-2000):39 pages	10
	Other	Francis, N. (1998). Turning Houses into Homes (Vol. 41). Fabian Society.	8
		Francis, N. and Cuskelly, M. (2008). The End of Charity. Time for Social Enterprise. Allen & Unwin: Australia.	9
Episode 3: (1997-2004) FRC Group: A Bold, Adventurous, Full-Fledged Social Enterprise	Interviews	Shaun Doran (CEO),	1
		Verity Timmins (impact manager),	2
		Collette Williams (People and Learning Manager),	3
		Nicola Hughes (financial manager),	4
		Ian Fyde (Liverpool Mutual Housing),	5
		Shaun Alexander (City Council),	6
	FRC Reports	Adam Richards (Senior Lecturer at Liverpool).	7
		FRC Social Audit (1999-2000):39 pages	10
		Proving it? Social Report (2001-2002): 85 pages	11

³ The codes are used for referencing purposes in chapters six and seven.

Episode 4: (2004-2007) FRC: Catching Breath	Interviews	Shaun Doran (CEO), Verity Timmins (impact manager), Collette Williams (People and Learning Manager), Nicola Hughes (financial manager), Ian Fyde (Liverpool Mutual Housing), Shaun Alexander (City Council), Adam Richards (Senior Lecturer at Liverpool).	1 2 3 4 5 6 7
	FRC Reports	FRC Sustainability Report (2004-2005): 46 pages	12
		FRC Sustainability Report (2005-2006): 75 pages	13
		FRC Sustainability Report (2006-2007): 70 pages	14
Episode5: (2007-2012) FRC Group: Walking the Talk	Interviews	Shaun Doran (CEO), Verity Timmins (impact manager), Collette Williams (People and Learning Manager), Nicola Hughes (financial manager), Ian Fyde (Liverpool Mutual Housing), Shaun Alexander (City Council), Adam Richards (Senior Lecturer at Liverpool).	1 2 3 4 5 6 7
	FRC Reports	FRC Sustainability Report (2006-2007): 70 pages	14
		FRC Impact Report (2007-2008): 70 pages	15
		FRC Impact Report (2008–2009): 35 pages	16
		FRC Group’s Social Impact Report (2009-2010): 96 pages	17
		Creating Social Value (2011-2012): 26 pages	18
		Sustainable Impact Plan (2007-2013): 36 pages	19

APPENDIX (2)

Episode 1: Entrepreneurial Behavior Analyzed

**EPISODE ONE:
FRC – A CHARITY IN SEARCH OF A NEW IDENTITY (1988 – 1992)**

Entrepreneurial Behavior Underlying the Shift from BM 1.1 to BM 1.2

Dominant Logic : Effectuation

Dimension	Summary	Supportive Evidence from Primary and Secondary Sources
Goal Setting: Effectuation	<p>Since inception, FRC was guided by Francis's vision of the new enterprise. Initially, the social business started as a secondhand furniture collection/redistribution charity. In response to limited furniture supply, FRC signed a contract with Liverpool City Council which not only expanded its resource base of secondhand furniture, but as well opened new doors into the collection and recycling of secondhand white goods. Francis's overarching goal gradually became more crystallized and focused as FRC accumulated resources and brought more partners on board.</p>	<p>"I was determined that FRC would not only meet people's immediate needs but also aim to assist people out of poverty and disadvantage and, crucially, be a model that could be replicated and expanded – not just in Liverpool, but across the UK " (Francis & Cuskelly, 2008)</p> <p>"An idea began to crystallize in my mind: I would set up a large furniture resource centre where homeless and disadvantaged people could get the household items they needed quickly and with efficient and professional service" (Francis & Cuskelly, 2008)</p> <p>"At the first meeting to discuss the setting up of the Furniture Resource Centre (FRC), I was proud of my initiative and full of my own importance: I had identified a need in the parish and I was going to provide for that need. It took just one comment from an elderly parishioner to bring me back to earth". (Francis & Cuskelly, 2008)</p>

Opportunity: Effectuation	Setting its target to be pursuing potential venues to alleviate social exclusion of the homeless and disadvantaged, FRC was forced to exhibit a high level of flexibility, innovativeness, and a refusal to be constrained by resource limitations as new opportunities emerged. This was evidenced in the gradual expansion of the new charity from the random collection/re-distribution service of secondhand furniture to the homeless and disadvantaged, to a more organized, contractual arrangement with Liverpool City Council, which was coupled with the addition of a new line for the collection and recycling of white goods.	<p>“Our success at the FRC was partly due to our flexibility: we could respond quickly to change and to opportunities as they presented themselves. Rather than working on some hypothetical scenario or conforming mindlessly to a strategy worked out by a committee in some boardroom, we were responding directly to the situation and the community in which we found ourselves”. (Francis & Cuskelly, 2008)</p> <p>“The FRC set outlets for the furniture we collected and began selling it to those who needed it. Such was our success that we took over several other charitable ventures offering a similar service. Soon the demand for furniture outstripped our ability to supply it, and we looked around for alternative sources”. (Francis & Cuskelly, 2008)</p>
Planning: Mainly Effectuation	Throughout the first episode, FRC had no clear or concrete plan about how it intended to satisfy the broad goal of alleviating social exclusion of the homeless and disadvantaged in Toxteth, in specific, and Liverpool and UK at large. Plans were made and revised along the way as more resources accumulated and new doors of opportunities opened. It is expected however that some traditional planning methods have been applied every now and	<p><u>Effectuation:</u></p> <p>“Rather than working on some hypothetical scenario or conforming mindlessly to a strategy worked out by a committee in some boardroom, we were responding directly to the situation and the community in which we found ourselves”. (Francis & Cuskelly, 2008)</p> <p>“On meeting Pakerson and being confronted with his need, his passion, his poverty, his skills and his experience, I was able to act on my gut response: here was someone who could add real value</p>

	then for funding related purposes	<p>to the FRC and for whom a skilled job would make an enormous difference”. (Francis & Cuskelly, 2008)</p> <p><u>Causation:</u> “ I developed a business plan for the Furniture Resource Centre and put together several application for founding grants to help us secure premises in Toxteth, an inner-city area, and buy a vehicle to collect secondhand furniture. Eventually, after jumping through a few hoops, we attracted the funding we needed and the project began.” (Francis & Cuskelly, 2008)</p>
Internal/ External Analysis : Mainly Effectuation	<p>Given the ambiguity of the social entrepreneurial domain, conducting an extended strategic analysis was not possible at the inception stage. Rather than working on some hypothetical scenario, Francis knew he had to respond directly to the situation and community in which he found himself.</p> <p>It goes unquestioned however that – like any social or traditional business – FRC had to conduct <i>at least</i> minimal analysis of its clientele base and/or similar service providers in the area .</p>	<p>“The FRC was not a new idea. At least a dozen organizations in Liverpool were collecting secondhand furniture and recycling it or distributing it to people in need. However, these organizations were extremely inefficient. They were of three main types: charitable and anti-poverty groups; those offering retraining or employment for the long-term unemployed; and environmental groups, whose paramount motivation was recycling” (Francis & Cuskelly, 2008)</p>

Response to Contingencies : Effectuation	<p>It may be said that the ultimate social service offered by FRC by the end of the first episode was different than the original charity conception. This transformation is an output of its team ability to leverage contingencies as they arose, in turn exhibiting a high level of openness, flexibility and organicity.</p>	<p>“Our success at the FRC was partly due to our flexibility: we could respond quickly to change and to opportunities as they presented themselves”. (Francis & Cuskelly, 2008)</p> <p>“Where before they had simply been costs – the cost of disposal, of providing furniture, of paying employment benefits, of training – there were now value and opportunities – a training opportunity, a job opportunity, a recycling opportunity”. (Francis & Cuskelly, 2008)</p>
Resources: Effectuation	<p>Like other social entrepreneurial entities, FRC was operating in a highly under-resourced environment. The resources available at hand determined FRC’s next step(s). This motivated FRC to continuously seek to expand its resource base in unusual ways, and to maximize its use of existing (and expanded) resources through identifying multiple and innovative ways through which the same resources could be used to meet diverse social objectives often at the same time (creating employment opportunities while furnishing homes).</p>	<p>“This world of supplying goods and services to the needy that I had entered was badly under-resourced. It was a world where ‘doing good’ involved little management or training and rarely delivered lasting change. I suddenly realized I had skills that had rarely been put at the service of these communities: skills in marketing, business, management, finance, advertising, PR, communication” (Francis & Cuskelly, 2008).</p>

Partnerships / Alliances: Mix of Causation and Effectuation	<p>FRC exhibited a strong emphasis on building partnerships as a way to expand its resource base, reduce uncertainty, control future, and manage risk. Effectual partnership are not formed on the basis of preset vision, but are rather invited to create one. Causal alliances on the other hand are formed to maximize returns. In social entrepreneurial entities, it may be said that these returns encompass both social and economic returns/outcomes.</p> <p>Given that any of the strategic alliances forged by FRC result (whether directly or indirectly) in maximizing the venture's social impact, it may be said that in all of the episodes partnerships and alliances were rooted in both causal and effectual motives.</p> <p>The guiding rule for establishing and maintaining endogenous and exogenous partnership has always been an emphasis on the existence of "mutual interest".</p>	<p>"To be successful, the FRC would need to forge strong partnerships. For these partnerships to endure the tough times, our partners needed not only to be clear about what they were doing for us, but to understand and appreciate the benefits of working with FRC". (Francis & Cuskelly, 2008)</p> <p>"This scheme would benefit not only the FRC but the council and the whole community. Running the service would provide an opportunity for the FRC to employ and train long-term unemployed people; the council's recycling figures would improve; our costs would be reduced by selling some of the collected items; the service would be better and more efficient and we would be able to offer a low-cost product to the poor". (Francis & Cuskelly, 2008)</p>
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Attitude toward risk: Effectuation	<p>Effectuators are risk takers. Instead of forecasting, FRC managed its risk through non-predictive control which was made possible through reinforcing principles of loss affordability, leveraging contingencies, forging strategic alliances, experimentation, and flexibility.</p> <p>The charity was initially launched in a loaned premise and used loaned vehicles, before FRC started to move ahead and took over other charity stores and outlets</p> <p>.</p>	<p>“Rather than working on some hypothetical scenario or conforming mindlessly to a strategy worked out by a committee in some boardroom, we were responding directly to the situation and the community in which we found ourselves”. (Francis & Cuskelly, 2008)</p> <p>“Suddenly I knew I was going to refuse grant. ‘What a shame,’ I was thinking. ‘I’m not going to get to enjoy the rest of this meal or have another glass of that wonderful claret because I’m about to suggest that these people have something to learn’. Taking money from the very people who were behind the policies that contribute to poverty to help twenty, thirty, or even a thousand people while doing nothing to alleviate the suffering of another 59,000 in the rest of the country was, I decided, just not worth it”. (Francis & Cuskelly, 2008)</p>
Control: Mainly effectuation	<p>Limited form of formal control, if any was applied at this episode. FRC mainly applied non-predictive control. Initially, FRC team was very small size. There was no need to draw an organizational structure, especially given the high degree of overlapping duties and responsibilities.</p> <p>On a different note, to secure funding business proposals were submitted to potential funders. It is likely that these included at least minimal information on functional performance, plans and targets.</p> <p>.</p>	<p>“Our success at the FRC was partly due to our flexibility: we could respond quickly to change and to opportunities as they presented themselves. Rather than working on some hypothetical scenario or conforming mindlessly o a strategy worked out by a committee in some boardroom, we were responding directly to the situation and the community in which we found ourselves”. (Francis & Cuskelly, 2008)</p>

Rule-thumb for Decision Making : Effectuation	<p>In Episode 1, the majority of decisions were either related to potential sources of funding, or future expansion plans. Throughout the episode, decision making was a flexible process targeted to take advantage of unexpected opportunities. The decisions made were largely driven by prioritization of social objective, an incorporation of business practices, and an emphasis on forging strong partnerships of mutual interest, and limiting operating activities and decisions to the amount resources FRC could afford to lose.</p>	<p>“From the outset, I decided that the FRC would incorporate business practices and that our ability to operate within market realities would determine our success or failure. This I believed, would also help attract philanthropic and government support” (Francis & Cuskelly, 2008)</p> <p>“It was a big leap: I realized that it was not enough simply to take charity.. If the FRC said yes to this money, we would be letting powerful people of the hook. I was determined that the FRC would enter only into relationships that allowed us to fully participate as equal partners. Eventually such relationships would come. (Francis & Cuskelly, 2008)</p>
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APPENDIX (3)

Episode 2: Entrepreneurial Behavior Analyzed

**EPISODE TWO:
FRC – A SOCIAL ENTERPRISE IN THE MAKING (1992 – 1997)**

**Entrepreneurial Behavior Underlying the Shift from Episode 1 to Episode 2
Dominant Logic: Effectuation**

Dimension	Summary	Supportive Evidence from Primary and Secondary Sources
Goal Setting: Effectuation	Sensing potential threats to the financial and operational sustainability of FRC as a charity, FRC changed its goal towards “the pursuit of lucrative market opportunities with the objective of scaling and sustaining the social mission that FRC originally existed to serve . The way that revised goal was achieved was not clear in advance but was rather shaped by the resources that FRC had in hand, especially the established links and contacts that it later used to expand its resource base.	<p>“FRC did its job well and was getting better at doing it, but the world was changing and the FRC needed to change with it”. (Francis & Cuskelly, 2008)</p> <p>“I was determined that we at the FRC would begin to measure poverty financially. To do this we would have to become a different type of organization”. (Francis & Cuskelly, 2008)</p>

Opportunity: Effectuation	<p>The newly developed FRC pursuit of lucrative market opportunities as a way to augment and sustain its social impact was an outcome of a series of actions that FRC took in response to external events that were mostly unplanned.</p>	<p>“This partnership was profound in more ways than I could have envisioned. The level of professionalism and skills we brought to the welfare sector changed it forever. And not just in one isolated community – the changes were happening all over Britain”. (Francis & Cuskelly, 2008)</p> <p>“We were no longer a community business. We had developed a <i>social business</i> that met social needs for jobs and local empowerment. We had developed solutions and models that could be employed across the country. We had more than achieved our aim of helping people who were desperate to create a home obtain high-quality furniture that was built and delivered by people who had long been unemployed” (Francis & Cuskelly, 2008)</p>
Planning: Mainly Effectuation	<p>The pursuit of lucrative market opportunities, as opposed to operating in a charity mode required some level of planning regarding the nature of long term opportunities to be pursued.</p> <p>Yet, although more signs of causation started to emerge at this stage, effectuation was reflected in the flexible adopted in identifying and exploiting potential opportunities.</p>	<p><u>Effectuation:</u></p> <p>“What we hit on was that the local social landlords, the Council and Housing Associations own lots of properties that are standing empty and that homeless people would love to live in those properties, but they didn’t have the money to buy the furniture. So what we thought was, is there a way to put those two elements together? - Shaun Doran, CEO</p> <p>“Looking back, I now see the experience of setting up the FRC and being part of its evolution as a watershed. It was critical in developing my ideas on social entrepreneurship and confirmed my belief in what I now term value-centered market economics”. (Francis & Cuskelly, 2008)</p> <p><u>Causation:</u></p>

		<p>“Rather than giving furniture directly to those who needed it, we often sold it to landlords to put in low-cost accommodation. That allowed landlords to ask for higher rents – but the government also increased homeless people’s social security payments when they moved into furnished accommodation. Our research showed that previously homeless tenants stayed longer in furnished than in unfurnished accommodation”. (Francis & Cuskelly, 2008)</p> <p>“I tracked down the man who was organizing Jim’s Donovan’s itinerary and managed to convince him to arrange a visit to the FRC. I was determined that by the end of Donovan’s visit our electrical business would be working hand-in-hand with Thorn EMI” (Francis & Cuskelly, 2008)</p> <p>.</p>
Internal/ External Analysis : Mainly Effectuation	<p>Indicators of internal analysis was reflected early on when performance indicators pointed out that FRC’s social outreach was expanding, yet its income remained unchanged. Signs of external analysis emerged when FRC identified opportunities to pursue lucrative market opportunities by making use of changes in UK legislations which had repercussions on the emergence of a new window of opportunity in the new furniture area.</p> <p>The absence of extended, sophisticated strategic analysis was however compromised by non-predictive control that was obvious in the pursuit of long-</p>	<p>“Traditionally, markets have been understood in simple, binary terms: buyers and sellers; supply and demand; producers and consumers. It didn’t take long for me to realize, however, that the market model in which the FRC operated was in fact multi-dimensional”. (Francis & Cuskelly, 2008)</p> <p>“The Furniture Resource Centre had started in Toxteth, but from the beginning we aimed to serve a much wider area. First we expanded our operations throughout Liverpool, then extended all over northwest England. By the time I left, we were supplying furniture from London to Glasgow”. (Francis & Cuskelly, 2008)</p> <p>“Thorn was looking for ways to recycle its ex-rental stock: items such as washing machines, stoves and televisions. The government, in the light of environmental concerns about the disposal of such products, was pressuring the company to find an alternative to</p>

	term, strong alliances and partnerships, and an emphasis on flexibility and experimentation.	simply using them as landfill. Thorn was looking to improve its environmental credentials by making these goods available to the disadvantaged”. (Francis & Cuskelly, 2008)
Response to Contingencies: Effectuation	FRC exhibited a high level of flexibility and organicity. Early on, when FRC’s operation as a charity was threatened by unchanged income, the management team soon decided to explore a new market-based approach that later proved to be a success. Furthermore, the UK government implementation of a new soft furnishing safety legislation in the early nineties was a double-sword. While it negatively affected FRC’s current secondhand market, it opened a much more lucrative window of opportunity in the new furnishing area.	<p>“FRC did its job well and was getting better at doing it, but the world was changing and the FRC needed to change with it... Robbie continued in his management role and I had an opportunity, with him, to start confronting the issues of poverty and charity from a whole new perspective”. (Francis & Cuskelly, 2008)</p> <p>“All that we had learned over the years was about to be applied in proposing a partnership with this corporate giant. The FRC had been scrabbling around with a couple of old trucks asking people to give us their old cookers. As Donovan walked through the door, I saw a chance to secure not just all the white goods we needed, but also the skills to repair and rebuild these products on a large scale”. (Francis & Cuskelly, 2008)</p>
Resources: Mainly effectuation	FRC mostly built upon its newly acquired resources (such as reputation, networking capability and knowledge/understanding of disadvantaged market) as a starting point towards achieving the aspired goal of scaling its social impact.	“Pakerson had been rebuilding cookers with precision and loving care, but we needed to take the operation to a new level. To do that, we needed Thorn’s resources, but we also had things to offer Donovan. The FRC had experience in recycling products and knowledge of the low-income consumer base – the kind of people who needed these products, how they needed them and why. We also had experience in recruiting long-term unemployed people and

	<p>On a different level, being a charity (and later an emergent social enterprise) required that FRC sometimes set a plan in which a financial target was set, based on which resources had to be raised.</p>	<p>providing them with skills and meaning work”. (Francis & Cuskelly, 2008)</p> <p>“Thorn put out £250,000 on the table, and the FRC put in £500,000 obtained through its links to government networks and contacts that Thorn couldn’t have accessed without us”. (Francis & Cuskelly, 2008)</p>
<p>Partnerships / Alliances: Mix</p>	<p>Partnerships were forged to serve multiple purposes. In choosing its potential allies, FRC’s choice emphasized both mutual interest (win-win relationship), and as well the fact that each partner on his own brought a complex web of resources, relationships and networks that was beneficial to FRC on the long term. Furthermore, FRC’s network of partners was diverse ranging from governmental institutions, to private sectors and philanthropic NGOs, yet they were all brought together by their commitment to the social mission FRC was serving. Finally, FRC had now earned a good reputation that enabled it secure partnerships with big suppliers who no doubt added to the credibility of the new social enterprise.</p>	<p>“Traditionally, markets have been understood in simple, binary terms: buyers and sellers; supply and demand; producers and consumers. It didn’t take long for me to realize, however, that the market model in which the FRC operated was in fact multi-dimensional”. (Francis & Cuskelly, 2008)</p> <p>“Over two or three meetings, however, we were able to convince Barry that we could build a market in this community and that the FRC could become a major customer. Silent Nights would also benefit from working with a charity by demonstrating that it was a good corporate citizen”. (Francis & Cuskelly, 2008)</p> <p>“Through CREATE, both Thorn EMI and the FRC had moved beyond mere ‘business’ or ‘welfare’. We were working together, changing society for the better. Finally the partnerships I had envisioned all those years ago were a reality”. (Francis & Cuskelly, 2008)</p>

Attitude toward risk: Effectuation	<p>The greatest risk FRC encountered in this episode related to the fact that the sustainability of its operations was threatened because the increasing social outreach was not translated into a higher income. FRC management team took the risk and switched to market-oriented approach. This was made possible through non-predictive control achieved via forging partnerships whenever possible, and emphasizing principles of loss affordability, flexibility and experimentation.</p>	<p>“I was determined that we at the FRC would begin to measure performance financially. To do this we would have to become a different type of organization. The key to that would be our ability to forge partnerships outside the welfare sector”. (Francis & Cuskelly, 2008)</p> <p>“Initially Barry was skeptical that we could achieve our aim of selling thousands of beds in a year. The community we intended to sell to – the poor and unemployed – hardly seemed a significant or reliable consumer base. Over two or three meetings, however, we were able to convince Barry that we could build a market in this community and that the FRC could become a major customer. (Francis & Cuskelly, 2008)</p>
Control : Mainly effectuation	<p>Associated with a modest orientation towards planning, some signs of control began to emerge. This, for example, reflected in the records that FRC started to keep about its performance.</p> <p>At the same time, FRC still emphasized non-predictive control through exhibiting a high level of flexibility and experimentation, combined with strong reliance on strategic alliances and partnership”</p>	<p>“We had to weigh the costs to our society of people being denied the resources they needed to take their place as fully contributing citizens. These costs were huge: unemployment, theft, vandalism, drug use, suicide, gambling, homelessness, fear and desperation. Yet, the community had never measured them. Our calculations took into account how much it cost us to <i>help</i> the homeless but not what it cost to <i>keep</i> them homeless. I was determined that we at the FRC would begin to measure performance financially. To do this we would have to become a different type of organization. The key to that would be our ability to forge partnerships outside the welfare sector”. (Francis & Cuskelly, 2008)</p>

<p>Rule-thumb for Decision Making: Mainly effectuation</p>	<p>Most decision were made on an effectual basis which entailed a high degree of flexibility and a tendency to experiment with the different alternate course of action, with “social value augmentation” being the rule of thumb. Choosing amongst potential partners and allies, was also based on the maximization of expected “social” returns and an emphasis on mutually beneficial relationships, rather than a strict probability analysis of financial returns.</p> <p>Some signs of causal practices however started to emerge. For example, the decision to switch from a charity to a market model was based on a systematic (although preliminary/basic) analysis of performance.</p>	<p>“I agreed to return for a year to really scrutinize the service the FRC provided and to promote its development. Robbie continued in his management role and I had an opportunity, with him, to start confronting the issues of poverty and charity from a whole new perspective”</p> <p>“I was determined that we at the FRC would begin to measure poverty financially. To do this we would have to become a different type of organization. The key to that would be our ability to forge partnerships outside the welfare sector”.</p> <p>“There were more intangible benefits which are difficult to assess because the changes are so profound: a more stable community, for example, and more environmentally sustainable practices. The FRC was also using suppliers who themselves were creating social value by employing and training the disabled or mentally ill. The transactions and relationships formed an ever stronger web that supported many people and created value in many areas and whose size and impact expanded exponentially”.</p>
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APPENDIX (4)

Episode 3: Entrepreneurial Behavior Analyzed

**EPISODE THREE:
FRC GROUP:
A BOLD, ADVENTUROUS FULL-FLEDGED SOCIAL ENTERPRISE (1997-2004)**

**Entrepreneurial Behavior Underlying the Shift from Episode 2 to Episode 3
Dominant Logic: Effectuation (with a new pronounced orientation towards causation)**

Dimension	Summary	Supportive Evidence from Primary and Secondary Sources
Goal Setting: Effectuation	Taking its new orientation towards becoming a social enterprise to a higher level of execution, the third episode was marked by a new, extended vision/goal in which the newly developed social enterprise was to transform into a group (FRC Group); a full-fledged, multi-business social enterprise. At the outset it was not clear how the FRC team intended to make this vision come true. The addition and/or termination of new/existing subsidiaries was an outcome of the Group's response to opportunities as they emerged, combined with its ability to make use of the resources it had in hand.	“It is a cliché of documents such as this to say in conclusion that the coming year will be full of challenges. This though has never been truer for Furniture Resource Centre. Our main market place, the social housing sector, is undergoing profound and irreversible change. Our market is literally being broken up around us as local authority stock is transferred to new housing agencies. As never before we will be challenged to steer this small business through choppy waters and to create new social business opportunities to replace lost market share and revenues”– Social Report2001-2

<p>Opportunity: Effectuation</p>	<p>Guided by a vision to become a full-fledged social enterprise, FRC team undertook a series of opportunities as they emerged. Like the former two episodes, FRC's identification and pursuit of opportunities had never been restricted by the availability of resources. Whenever the team foresaw a potential opportunity, they found a way to make it work. Add to that, in many of the cases, FRC's pursuit of a specific opportunity often generated a broad array of social impact. Speaking about "opportunities", what makes the third episode different (from the first and second episodes) is that the moves taken were more diverse and adventurous - though flexibility and experimentation remained to be FRC's way of making things work. This episode witnessed FRC (a)struggle to save existing businesses, (b)introduce new businesses, and (c)make quick, bold decision to exit new businesses that did not turn out to be as promising as expected</p>	<p>"So then we started saying to ourselves, if we have done that in one business, which was our furniture resource centre, let's look at our other areas to see if we can apply that logic as well". Shaun Doran, CEO</p> <p>"So we looked at the used furniture collection business and we said – well, what can we do, we can't carry on this way – we either need to stop doing it completely or we need to find a much better way of doing it" Shaun Doran, CEO</p> <p>"Inspired by what we had seen in the USA, in October 2003 we opened a Ben and Jerry's Partnership in central Chester, a prime retail location and the first franchise of this kind in outside the USA. We wanted to diversify our business using a tried and tested business model and offer an attractive training opportunity to young people". Shaun Doran, CEO</p>
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Planning: Mix: Pronounced new orientation towards causation	<p>Systematic planning that is targeted towards the pursuit of long term opportunities is more pronounced at this episode (as compared to earlier episodes). The group was now performing a social auditing process that included detailed evidence on the social and environmental impact that FRC brought about at the end of each year, and set targets for upcoming year.</p> <p>Although subsequent plans and decision were based on that audit, FRC was still flexible when it came to changing the content or targets of the plan whenever it had to. This meant the group was still new to organized planning at this stage and still had much left to be learnt.</p>	<p>“We have found that social auditing provides us with profound and challenging insights into the scope and quality of the impact we claim we have as a social enterprise. What follows is a huge amount of data and analysis from an organization deep in the struggle of sustaining and maintaining a triple bottom line business. The evidence is showing that in some areas we are right on the button, exceeding our targets, in others we have missed the mark by some way and still in other areas it is difficult to tell”. Social Report 2001-2</p> <p>“This social audit is still too backward looking and we have yet to develop systems and processes, which put the data in front of us in the regular way, that financial information is organized to help us manage the business. Unless over the coming year we can embed in our systems and culture the capturing and presentation of social accounts then our social audit will continue to be a valuable but limited annual exercise which absorbs too much of the time of some of our best brains”- Social Report 2001-2</p>
Internal/ External Analysis: Mix: Pronounced new orientation	<p>Associated with an increased inclination towards planning and venturing into unexplored areas that FRC had not been familiar with in the past two stages, the newly expanding social enterprise was forced to increasingly apply some sort of customer analysis and competitive analysis to make things work.</p>	<p>“The social audit like our financial audit is a snapshot of where we are. Indeed it is a collection of snapshots. We talked to our customers in the autumn, our staff in January, and our suppliers in March. I am not convinced that this is the best way to do it and we will be trying to be creative and innovative in the processes we use for Social Audit 2000/2001.— Social Audit 1999/2000.</p> <p>“Staff retention rates are very high and there is a low rate of turnover. In some teams – if redundancies and dismissals are excluded – there has been zero turnover for more than four years..</p>

towards causation	On a different level, it may be said that FRC Group did not really perform an extended strategic analysis at this stage. Flexibility was maintained through emphasizing non-predictive control that was based on forging commitments and strategic alliances.	The organization has little difficulty recruiting staff. Nearly all job vacancies receive large responses. Whether these facts are due to how much people enjoy working here or simply a reflection on the lack of jobs elsewhere (or a combination of both) is hard to tell. We must ask them next year” – Social Audit 1999/2000.
Response to Contingencies: Mix: Mainly effectuation	<p>Throughout the story of FRC, the social enterprise has always exhibited an exceptional ability to leverage contingencies as they emerged (through exhibiting an open and flexible attitude).</p> <p>On a different level, the introduction of planning-oriented initiatives reflect FRC's new inclination to avoid contingencies (or at best minimize their impact) through better control.</p>	<p>“With regard to our retail operation in Liverpool city centre, Revive, the year was very a game of two halves. In the first two quarters Revive Stores Limited neither achieved profitability nor our goal of getting furniture to people in real need. In response to this crisis situation we tore up the script and completely remodeled how we market and retail furniture to the public”. Social Report 2001-2</p> <p>“I thought that the Ben and Jerry experience was a great opportunity for us to enter a new field that wasn't furniture to move away from being wholly reliant on furniture and in the process make some money and engage with a completely new set of people who would be the trainees working in the store” Shaun Doran, CEO.</p> <p>“Our main market place, the social housing sector, is undergoing profound and irreversible change. Our market is literally being broken up around us as local authority stock is transferred to new housing agencies. As never before we will be challenged to steer this small business through choppy waters and to create new social business opportunities to replace lost market share and revenues”. – Social Report 2001-2</p>

Resources: Mix: Mainly effectuation	<p>Although it was not explicitly mentioned in primary or secondary data sources, I believe that franchise partnerships with Juma Ventures (Ben&Jerry) and Urban Strategy Associates (Cat's Pyjamas), and Bulky Bob – related bids suggest that specified financial investments were set prior to launching these partnerships. This in turn point to some level of causal practice.</p> <p>At the same time, FRC Group continued to adopt an effectual approach that maximized the use of existing resources through identifying how they could be used in multiple and/or unusual ways to serve diverse objectives.</p>	<p>“So we worked with Liverpool City Council and we said we think we can do the used furniture collection on your behalf and their view at the time was great idea, great people, you are well intentioned, but we have got some real reservations about your ability to get to the scale that you need to, to persuade us to give you what you are trying to get us to give to you. What we wanted to do was to get to the point where they felt comfortable enough to give to a, social enterprise, who are delivering, rather than a private sector company that was doing this prior to us. Now we were aided in that the furniture resource centre had started to grow and was a credible business and when they said to us, what do you know aboutwe could say, well actually in our other business we collect things, we issue invoices, we deliver things, we have customer service issues, but we do this and we do that”. – Shaun Doran</p>
Partnerships / Alliances: Mix	<p>FRC group continuously pursued the forging of partnerships with multiple allies from different sectors.</p> <p>On one side, these partnerships were used as a source of financial and non-financial resources. At the same time, through the process, each partner contributed to shaping the final effect</p>	<p>“We set up a separate company to deal with the learning around this called, ‘Cats Pyjamas’. So what we did with this was we got ourselves and a few other social entrepreneurs from Liverpool and we did kind of, study talk sessions for people. They would pay to come to us for two or three days and during that time, we would give them a kind of, this is what it was like for us. And so that is how and why we started the Cats Pyjamas. Hundreds of people pay to come on these sessions and you should be able to get an exact number from our records, but because there was lots of talk around</p>

	<p>pursued by the FRC group as a whole. Meanwhile, these partnerships helped FRC group manage its risk and control the future, while reducing uncertainty.</p>	<p>social enterprise, but very little actually going on. We made some good money out of that and some great contacts, and we learnt as much out of those sessions as the people who were paying to come because there were some big brains in those sessions which was great for us”. Shaun Doran, CEO</p>
<p>Attitude toward risk: Mix: Pronounced new orientation towards causation</p>	<p>In this episode, FRC was facing a dilemma. The desire to extend its social outreach led the group to undertake a series of bold, adventurous moves to diversify and/or its operations. Yet, the bigger the enterprise grew and the higher the potential it developed to help the disadvantaged, the more FRC group realized the need to maintain its existence and secure its operations. This in turn explains FRC’s new orientations towards forecasting and planning, in addition to other micro-practices such as the incorporation of a risk factor as part of the Juma tool that was used to assess the attractiveness of new ideas.</p> <p>Although planning-related practices were more evident in this, FRC Group however continued to adopt an effectual approach to managing risk through non-predictive control that was</p>	<p>“So Liverpool City Council took a chance on us and we were the first to get one of the contracts for Bulky Bob. The six-year contract was then extended for three more years which was the maximum you could extend it under current Government law. So a six-year contract became a nine-year contract and so straight away there was a level of stability. So we could say, ok, we know where we are going to be in six years time so we can start making investments towards that which gives us a sense of security and that was really good for us”. – Shaun Doran, CEO</p> <p>“Some of the tools we used to think about business and business development is the Juma Tool. According to this tool, there are a number of elements to a business and a social business that sort of puts an idea through a filter, should we do this, the things that are of interest to us are determined are as being about people, is it going to make good business, is it a good risk for us, this is around have we got the skills and up to now this is all objective, and then the environmental impacts”. – Shaun Doran, CEO</p>

	<p>achieved through fostering partnerships and an emphasis on principles of loss affordability, flexibility and experimentation.</p>	
<p>Control : Mix: Pronounced new orientation towards causation</p>	<p>Although non-predictive means of control were still heavily applied at this stage, there was some noticeable application of causal control methods.</p> <p>First, an overarching body - FRC Group – was set up to embrace the diverse operations the enterprise was to run during that period and onto the future. This was accompanied by a formal articulation of the values and ethos on which FRC was founded and managed, and later used as a basis for staff recruitment and rewarding. Furthermore, the application of business practices was emphasized as key to success. This involved the application of a formal social auditing process</p>	<p>“Juma Foundation was making investments off the back of this and what was happening was they needed a process, a set of metrics to show if they should invest in your idea or my great idea and the truth is that they had enough to invest in all of them, but in the early days more from a academic thinking point of view, they wanted to have a process that enabled them to compare and discuss completely different ideas that were social change. We consider this tool to be fairly instrumental in our assessment of the relationship between the financial profit and the social profit.” Shaun Doran, CEO</p> <p>“We’ve got 4 values; professionalism and passions, creativity and bravery and they are the sort of frame that demonstrates how we want to be as a company, how we act in as business”. Collette Williams, HR Manager.</p> <p>“We must not lose sight of the importance of monitoring the effectiveness of providing furnished accommodation, and we must think of a more creative way to carry out this monitoring so that we can improve our service and meet the needs of more low income households” – Social Report 2001-2.</p>

<p>Rule-thumb for Decision Making : Mix: Pronounced new orientation towards causation</p>	<p>FRC was committed to a grand vision of maximizing social impact, which was in turn accompanied by an increased adoption of experimental learning techniques to explore potential opportunities. More importantly, FRC exhibited extreme flexibility.</p> <p>FRC management however set a few rules to guide its decisions such as developing the four values (bravery, creativity, passion and professionalism) to be a frame of reference for action, in addition the use of Juma tool to evaluate potential social opportunities</p> <p>..</p>	<p>“Some of the tools we used to think about business and business development is the Juma Tool. According to this tool, there are a number of elements to a business and a social business that sort of puts an idea through a filter, should we do this, the things that are of interest to us are determined as being about people, is it going to make good business, is it a good risk for us, this is around have we got the skills and up to now this is all objective, and then the environmental impacts”. – Shaun Doran, CEO</p> <p>We’ve got 4 values; professionalism and passions, creativity and bravery and they are the sort of frame that demonstrates how we want to be as a company, how we act in as business”. Collette Williams, HR Manager.</p>
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APPENDIX (5)

Episode 4: Entrepreneurial Behavior Analyzed

EPISODE FOUR
FRC GROUP: CATCHING BREATH (2004-2007)

Entrepreneurial Behavior Underlying the Shift from Episode 3 to Episode 4
Dominant Logic: Effectuation (with an increased application of causation)

Dimension	Summary	Supportive Evidence from Primary and Secondary Sources
<p>Goal Setting: Mainly effectuation with some signs of causal practice</p>	<p>In light of the poor financial performance of FRC at the beginning of this episode, the management team set a “consolidation” objective that entailed stopping losses through two main streams: activating potential revenue streams and pausing (or terminating) initiatives that were not creating noticeable social impact (or negatively affected revenue streams).</p> <p>The application of both objectives however entailed some level of flexibility, openness and experimentation when it came to exploring potential opportunities or terminating existing ones.</p>	<p>“We have not added any other additional contracts to our portfolio this year. A principal focus has been in securing our Bulky Bob’s Liverpool contract”. – Impact Report 2007-8.</p> <p>“We set ourselves a target of 75% diversion from landfill through recycling and reuse in the knowledge that we would have deconstruction operational in Liverpool. Whilst we failed to achieve this target, we did achieve our highest ever rate of diversion. We are committed to maximizing our diversion rate but we found that the 75% target we had set based on our action learning pilot in Liverpool was overly ambitious. For 2008/9 we have set a more achievable target we will seek opportunities to recycle more reducing waste to landfill”. - Impact Report 2007-8.</p>

<p>Opportunity: Mix with a new announced orientation towards causation</p>	<p><u>Causation:</u> Although FRC identified its existing subsidiaries to be its starting point, their utilization was targeted towards an ongoing search for opportunities that satisfied the set-objective of consolidation.</p> <p><u>Effectuation:</u> starting with the resources it had in hand (i.e. business subsidiaries), the Group refused to be limited by the availability of resources. Not only did it remain open to exploring, creating and/or inventing new markets that may have initially seemed to be unattractive, FRC team has more importantly exhibited a high degree of experimentation and flexibility when making this type of “in and out” decisions. As such, FRC often chose to adopt “initiatives” rather than introduce new subsidiaries.</p>	<p>“We are particularly positive about the opportunities in reuse and recycling that the Government’s expanding waste management agendas will bring us. We know Bulky Bob’s is a leader in this sector delivering concurrent environmental, social and economic returns to the local authorities we work for. Our plan for next year is to capitalise on this as much as we can to win more business. Sustainability Report 2005-6</p> <p>“We have not added any other additional contracts to our portfolio this year. A principal focus has been in securing our Bulky Bob’s Liverpool contract”. – Impact Report 2007-8.</p> <p>“Disappointed with our Halton sales and knowing that there was still a great need for low cost furniture we used the idea of getting furniture out to those most in need. So we came up with the idea of Revive on the Road”.</p>
<p>Planning: Mix. Causation is becoming more evident</p>	<p>The inability of management team to tolerate further losses drove the group to adopt some planning practices to guide its production and marketing efforts. Despite an increased inclination towards causation, effectuation still manifested itself in the application of flexibility and experimentation attitudes. When a plan</p>	<p>“We worked hard to review and improve business performance across the Group working with our managers to introduce a new set of performance indicators. To ensure increased efficiencies and maximum returns on our financial, social and environmental performance we set stretching targets in all areas of our business”. – Sustainability Report 2006-7</p> <p>“We set ourselves a target of 75% diversion from landfill through</p>

as compared to earlier episodes	did not seem to work, the group's team swiftly altered, adjusted or revisited the set plan.	recycling and reuse in the knowledge that we would have deconstruction operational in Liverpool. Whilst we failed to achieve this target, we did achieve our highest ever rate of diversion. We are committed to maximizing our diversion rate but we found that the 75% target we had set based on our action learning pilot in Liverpool was overly ambitious. For 2008/9 we have set a more achievable target we will seek opportunities to recycle more reducing waste to landfill". - Impact Report 2007-8.
Internal/ External Analysis: Mix. Causation is becoming more evident as compared to earlier episodes	<p>Given the seriousness of the consolidation objective, FRC realized the need to analyze customers' needs and existing/future patterns of demand. Although this analysis was not overtly documented in periodic reports, evidence points that expansion and/or termination decisions were made in light of such analysis.</p> <p>It is however clear that FRC at this stage did not conduct extended strategic analysis and instead comprised that with non-predictive control (though forging commitments and alliances)</p>	<p>"In 2005/06 we furnished 2,974 properties, which is a decrease of 13% on last year (3,428: 2003/04) this had a disproportionate effect on turnover, which decreased by 25%. This is due to our larger customers being under increasing financial constraints and offering tenants less comprehensive packages of furniture". – Sustainability Report 2005-6</p> <p>"Once again we worked with Liverpool John Moores University to calculate the social return on investment (SROI) for our Bulky Bob's training programme in Liverpool and the social impacts of our Revive store".</p>
Response to Contingencies	The episode did not start at a good note. Not only did the previous episode end with some financial losses, but as well the current situation did not seem to be	"Disappointed with our Halton sales and knowing that there was still a great need for low cost furniture we used the idea of getting furniture out to those most in need. So we came up with the idea of Revive on the Road".– Sustainability Report 2004-5

<p>: Mix. Mainly effectuation, yet causation is becoming more evident as compared to earlier episodes</p>	<p>promising as the markets the group served were shrinking because of the general financial crises, changing priorities of FRC customers, in addition to increasing competition from the private sector.</p> <p>As expected, FRC management team still maintained the usual level of flexibility and openness when responding to these contingencies through both expansion and termination decisions When it came to expansion-related decisions it is however noticeable that FRC responses were more “controlled” throughout this episode.</p>	<p>“This year when we reviewed the business we concluded that the Cat’s Pyjamas events have increasingly diverted employees time and attention from our own increasingly complex core businesses. Working on the Cat’s Pyjamas has an opportunity cost for the other Group activities. It was agreed with our Board that we would put the FRC Group’s involvement with the Cat’s Pyjamas on hold for a year – leaving its running and development to Urban Strategy Associates. We will keep up to date with business activities and decide on our future involvement towards the end of 2006/07”. - Sustainability Report 2005-6</p>
<p>Resources: Effectuation</p>	<p>Given shrinking market and declining donations, FRC had to make the best use out of its existing resources; mainly its existing subsidiaries, and its reputation and experience</p> <p>.</p>	<p>“We have not added any other additional contracts to our portfolio this year. A principal focus has been in securing our Bulky Bob’s Liverpool contract”. – Impact Report 2007-8.</p>
<p>Partnerships / Alliances: Mix</p>	<p>It is not clear whether the partnerships and alliances forged during this episode were merely driven by the desire to expand resource base, manage risk and reduce uncertainty (i.e. effectual), or</p>	<p>“Our PfH contract continues to give us direct access to a greater number of social landlords across England and Wales and has helped us reach a greater diversity of vulnerable tenants who now have furniture supplied by us”. – Impact Report 2007-8.</p>

	<p>were as well driven by the desire to achieve preset goals and maximize returns (characteristic of causal approach). Unlike earlier episodes, FRC had a clear objective this time to pursue lucrative social opportunities so as to overcome the losses it achieved earlier and eventually restore its balance. The researcher does not suggest that the primary reason for pursuing partnerships was return maximization, but instead points out that maximizing return would serve FRC's overarching goal of eliminating losses.</p>	
<p>Attitude toward risk: Mix. Noticeable shift towards causation</p>	<p>As compared to the three previous episodes, the fourth episode witnessed a strong inclination towards a conservative, risk avert attitude (characteristic of causation) with limited indicators of effectual practices. In short, the group could not tolerate the incurrence of further losses. The new attitude may be explained by an inherited income statement showing losses (from episode 3), which threatened the sustainability of the social businesses and as such required the undertaking of conservative expansion decisions and</p>	<p>“Sadly in October 2004, after a year of trading on the high street our ice cream business was not working on a commercial basis and was making substantial losses trading well below the expected levels that Ben and Jerry’s had advised us. We therefore decided to close this business. We were very disappointed to have to do this. The closure resulted in minimal impact on employees the manager was transferred to our Revive store in Halton, the assistant manager and the one remaining trainee were leaving to go back to full time education”. – Sustainability Report 2004/5</p> <p>“For us reporting is a discipline of integrity and, if a business claims to deliver added value, then it needs to be able to robustly prove it. Our ever improving practice of accounting and reporting gives us systems, key performance indicators and the data to measure and make</p>

	<p>bold termination decisions. The new risk-averse attitude may as well be explained by the absence of transformational leadership.</p> <p>It may however be said that although this stage was dominated by causal practices, there were some signs of effectuation. For example, termination decisions were basically guided by the loss affordability principle. Furthermore, non-predictive control was exemplified throughout the different expansion decisions where FRC heavily relied on partnerships and applied principles of experimentation and flexibility</p>	<p>improvements on the increasingly stretching targets that we set for the FRC Group”. – Sustainability Report 2006-7.</p>
Control : Mix – Mainly Effectuation	<p>The commitment to “stopping losses” was accompanied by a pronounced application of traditional control practices. This was reflected on the both the group level at the level of the group’s internal operations.</p> <p>The group had as well to rely on some forms of non-predictive control to achieve its overarching goal of stopping losses.</p>	<p>“This year our triple bottom line accounting system has allowed us to measure and record our environmental impacts on a month-by-month basis. We have not met all of our targets and we have had a positive impact where we had not meant. Once again it has been difficult to find a comprehensive set of measures that allows us to compare a year on year performance. This is because events affecting our environmental impacts change along with our business”. – Sustainability Report 2004-5.</p> <p>“Sadly in October 2004, after a year of trading on the high street our ice cream business was not working on a commercial basis and was making substantial losses trading well below the expected levels that</p>

		<p>Ben and Jerry's had advised us. We therefore decided to close this business". – Sustainability Report 2004-5.</p> <p>"For us reporting is a discipline of integrity and, if a business claims to deliver added value, then it needs to be able to robustly prove it. Our ever improving practice of accounting and reporting gives us systems, key performance indicators and the data to measure and make improvements on the increasingly stretching targets that we set for the FRC Group". – Sustainability Report 2006-7.</p>
<p>Rule-thumb for Decision Mix. Mainly effectuation</p>	<p>FRC's predictions of the future did not follow a systematic process but instead developed in an experimental, iterative learning pattern. Furthermore, the rule thumb for expansion and/or termination decisions was "how much a firm could afford to lose".</p> <p>While this presents strong evidence on the application of effectuation, the risk-avert attitude of the management underlying both the expansion and termination decisions that were made during the period reflect some inclination towards causation. While expansion decisions were more conservative and cautious, and less bold,</p>	<p>"The FRC Group is committed to a sustainability agenda and we want to persuade our customers to think this way too. We need to develop strategies to do this, which may include more work with existing suppliers, may mean finding new suppliers or a combination of both. We also need more information on the cradle to grave impacts of our existing products so that our FRC customers can make more informed decisions." - – Sustainability Report 2004-5.</p> <p>""This year we were disappointed to close our outlet at Liverpool's Heritage Market, a discount Sunday Market at a dockside venue. Rising rents forced us to leave the Heritage Market in April 2006. Our decision to do this meant we lost an outlet for very low cost and low quality items that we may not have been able to sell through Revive. We are still committed to finding the time and resources to publicise Revive to referral agencies in treaty because we are determined to get our furniture out to the people who need it most". – Sustainability</p>

	<p>“out of the market” decisions were swiftly made once a newly introduced business failed to show positive signs of performance; the group was intolerant to assume further risks.</p>	<p>Report 2006-7</p> <p>“Sadly in October 2004, after a year of trading on the high street our ice cream business was not working on a commercial basis and was making substantial losses trading well below the expected levels that Ben and Jerry’s had advised us. We therefore decided to close this business”. – Sustainability Report 2004-5.</p>
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APPENDIX (6)

Episode 5: Entrepreneurial Behavior Analyzed

**EPISODE FIVE:
FRC GROUP: WALKING THE TALK (2007 – 2012)**

**Entrepreneurial Behavior Underlying the Shift from Episode 4 to Episode 5
Dominant Logic: Causation (with a strong presence of effectuation)**

Dimension	Summary	Supportive Evidence from Primary and Secondary Sources
Goal Setting: Mix. Mainly Causation	In this episode, the group deliberately followed a causal approach to formulate its overarching mission and subsequent goals/objectives in a clear and consistent manner. Although the essence of the laid-down mission and related objectives and relationships were not new to FRC, focusing the mission and redefining the objectives in such a manner served two purposes: First, it represented a milestone in the transformation of FRC group from a social enterprise that aspires to become a commercial success through adopting some businesslike practices in a piecemeal fashion to one that follows a systematic, strategic planning processes that starts with setting its vision, underlying goals and subsequent long term and short term	<p>“This year has been a turning point for FRC Group from focusing on the financial recovery that has dominated our agenda in recent years, to positioning our businesses to be ready to take on the challenges and opportunities we see as the future for the Group”. – Impact Report 2008-9</p> <p>“FRC Group is working to an ambitious five-year growth plan that will see the scale of social impacts we create increase as a result of the growth of social businesses we run. For both Furniture Resource Centre and Bulky Bob’s there are exciting opportunities to increase the operations we run, and 2010/11 is best characterized as a year of investing resources to create that growth”. FRC Group’s Social Impact Report 2010-11.</p> <p>In FRC Group’s long-term strategy for growth 2011/12 was a year of development and investment. The reality was that the continuing recession made it even harder for FRC Group to implement the</p>

	<p>plans. Second, following such systematic, in-depth approach enabled FRC group to critically re-identify the primary/direct routes through which it created social impact (as opposed to other indirect routes), which in turn resulted in readjusting its investment priorities.</p> <p>Although all the above reflects a new orientation towards causation, FRC group still maintained a high level of flexibility that was exhibited in openness towards re-adjusting its plans and sub-goals of the period in light of the prevalent circumstances.</p> <p>.</p>	<p>business plan for growth. As a result it was a year of consolidation”. - Creating Social Value 2011-12</p>
<p>Opportunity: Mix</p>	<p>The overt announcement of a switch from financial recovery to opportunity exploitation drove FRC to pursue growth opportunities in all possible ways: using both causation and effectuation. More importantly, the setup of a clear mission that re-identified the group’s direct beneficiaries (from the social impact delivered by the group) led the team to give priority to potential opportunities that were targeted towards the expansion of Bulky Bob operations and employment</p>	<p>“Bulky Bob’s has continued to increase the percentage of waste stream that it collects that is diverted from landfill by our reuse and recycling activities. Bulky Bob’s has delivered a pattern of continuous improvement by refining the processes it uses and by innovating to find new ways of working with the materials within the waste stream”. - FRC Group’s Social Impact Report 2010-11</p> <p>“2011/12 should have been a year that Bulky Bob’s announced a new contract with Oldham Council. Having successfully tendered for a new contract in March 2011, the uncertainty around public sector spending had an effect on this contract. The May 2011 local elections saw Oldham Council change from Liberal Democrat control to</p>

	<p>programs provided through FRC.</p> <p>On one side, some of the initiatives that were taken were an outcome of a search process that was oriented to improving or expanding the group's direct routes of social impact. Some other initiatives however remained initially unplanned for and came about to exploit emergent opportunities</p> <p>.</p>	<p>Labour and a block on the award of any new contracts was put in place.”</p>
<p>Planning: Mix. Mainly Causation</p>	<p>Aiming to be a professional enterprise, FRC now adopted a “professionally focused, customer-centered approach” that was manifested in multiple ways including the re-articulation of the group's mission and re-identification of its stakeholders, the introduction of a 5-year strategic growth plan.</p> <p>Actualizing the set 5-year growth plan was coupled with need to forecast customer needs and analyze changing environmental and business trends (although it was not sophisticated), which was then translated into implications on the group's practices.</p>	<p>Our 5 year business plan sets out a clear path. The commercial success of our social businesses is the means to the end, which is making more impacts – impacting on the lives of more people and reducing the negative impacts to the environment”. Impact Report 2008-9</p> <p>“Also included in the report are lots of exciting and relevant things that we didn't set a target for because when we set our targets back in late 2007 / early 2008, we didn't know that they were going to happen”. - Impact Report 2008-9</p> <p>“In FRC Group's long-term strategy for growth 2011/12 was a year of development and investment. The reality was that the continuing recession made it even harder for FRC Group to implement the</p>

	Again, although there was a pronounced, formal inclination towards planning, FRC group remained flexible as it adjusted its plan in the face of changing external and internal circumstances.	business plan for growth. As a result it was a year of consolidation”. Creating Social Value 2011-12
Internal/ External Analysis: Mix: Mainly causation	Although the outcome of the 5-year plan did not really coincide with the outcomes achieved, it however shows that FRC was taking its first steps towards extended strategic analysis, while potential gaps in analysis/planning were consequently dealt with through multiple forms of non-predictive control.	<p>Like all businesses, the global economic downturn has had an impact on FRC Group. For our training programmes, increased unemployment means that demand for places on our training programme is increased and also that the recruitment market our ex-trainees are entering is more competitive”. - Impact report 2008-09</p> <p>“We planned ahead for the rising raw materials prices that would affect our supply chain and the increase in fuel costs. The finance team worked hard to manage cash flow successfully at a time of rising sales for Furniture Resource Centre and the delivery of our largest furniture supply contract for many years”. - Impact report 2008-09</p> <p>“Evaluating performance is not just about statistics. There are a number of other ways of understanding the outcomes that have been achieved. To compliment the quantitative data that we collect, we also spend a lot of time listening to our trainees and keeping in touch with them when they have left to understand more about the wider impacts for them of their training experience”. - FRC Group’s Social Impact Report 2009-10</p> <p>“This year the placement offer was reviewed and a more structured programme was developed to be out into practice in 2011/12. The review considered why, how and where we should create placement</p>

		opportunities that offered people a meaningful experience without relying on voluntary labour or compromising the training programme that we can also offer”.
Response to Contingencies: Mix. Mainly effectuation, yet causation is becoming more evident	<p>This episode witnessed a new orientation towards planning, forecasting and control. Setting growth to be the objective of the preset 5-year plan, this attitude was well needed given that the global economic downturn was likely to affect the demand on the group’s services in diverse ways; increasing the demand for some, while decreasing it for others, not to mention an expected decrease for funding sources.</p> <p>It is worth noting however that real-time impact of the global economic recession did not really match the projections of many businesses in the economy; FRC group was not an exception. This required that FRC exhibit openness and flexibility to leverage contingencies as they arose.</p>	<p>The performance against our targets reflects the current economic situation – our trainees are working very hard, are committed to the training programme but have found it more challenging to find work when the programme comes to an end. To respond to the recession, trainees received an extended Job Search training module which began earlier in the programme than in previous years and we have also been working pro-actively to engage with potential employers – one example of this has been to make contact with the recruitment lead for Tesco Home Delivery in the North West” – Impact Repot 2008-9</p> <p>“A feature of this year has been the radical change in policy and the funding available. FRC Group’s response to the changing national picture has been to commit to deliver the Driving Change programme entirely within our own resources if necessary but to seek sources of funding which complement the work we are doing. In recent years, - Creating Social Value 2011-12</p>

Resources: Mix. Mainly effectuation	Effectuation continued to dominate FRC's operations especially in light of shortage of financial resources. Causation was still apparent in active creation of opportunities to expand certain businesses such as Bulky Bob.	<p>"We managed to bring together a mix of resources – our own investment of profits created by our social businesses combined with different funding streams for our different training programmes. Funding sources that have contributed to our training programmes have included from European Social Fund, Working Neighbourhoods Fund, New Deal, Oldham Metropolitan Borough Council, Liverpool City Council and Working Links". - Impact report 2008/09</p> <p>"A feature of this year has been the radical change in policy and the funding available. FRC Group's response to the changing national picture has been to commit to deliver the Driving Change programme entirely within our own resources if necessary but to seek sources of funding which complement the work we are doing. In recent years, - Creating Social Value 2011-12</p>
Partnerships / Alliances: Mix. Causation is becoming more pronounced compared to earlier	<p>Partnerships have always played a remarkable role in achieving the social objectives of the group. Yet, this stage witnessed a formal declaration/documentation of the significance of such relationship when FRC group articulated "a Great Place to Do Business With" as one way through which it aspired to achieve its social objectives.</p> <p>As the organization grew however and objectives were becoming more clear,</p>	<p>"We have a contract in place...Yet our deal with FRC is probably the best example that we've got in terms of 'informal client relationship'" – Shaun Alexander – Liverpool City Council</p> <p>"Another measure of what we are like to do business with is our relationships with our suppliers. We prioritize working with social enterprises and local suppliers where we can. To measure this we have looked at where our suppliers of furniture, white goods and other household products are based". Impact report 2008-09</p> <p>"A significant venture in 2011/12 was FRC Group's attempt to make an acquisition of a private sector company. Ultimately we were not successful in buying a private sector company this year but this forms</p>

episodes.	<p>partners were mostly joining in now to achieve particular objectives (such as being source of funding or to expand impact of a particular operation) rather than shape a new direction for FRC.</p> <p>.</p>	<p>part of our future plans. Our intention is to acquire a business which can be 'retrofitted' to become a social business". Creating Social Value 2011-12</p>
<p>Attitude toward risk: Mix. Mainly effectuation but causation is being increasingly applied</p>	<p>Although the new orientation towards planning may partially be explained by a desire to manage the group's operations like a real, professional business, in my opinion devising a 5 year-growth plan was also a sign that group was not willing to encounter another downturn in its performance (which would threaten the sustainability of its operations).</p> <p>As the situation became more complicated because of the prevalent economic recession at the time, planning (based on forecasting) presented one way of averting risk and reducing uncertainty. Given that the group was still new to planning practices however made it as well open to other forms of non-predictive control (such as partnerships flexibility and experimentation) so as to manage the inevitable risk.</p>	<p>"We planned ahead for the rising raw materials prices that would affect our supply chain and the increase in fuel costs. The finance team worked hard to manage cash flow successfully at a time of rising sales for Furniture Resource Centre and the delivery of our largest furniture supply contract for many years". - Impact report 2008-09</p> <p>"2011-12 has seen radical change in government policy and funding around supporting unemployed people back into work. FRC Group is committed to delivering training and support for long-term unemployed people and has always been successful in attracting funding aligned to the service we deliver. A feature of this year has been the radical change in policy and the funding available. FRC Group's response to the changing national picture has been to commit to deliver the Driving Change programme entirely within our own resources if necessary but to seek sources of funding which complement the work we are doing. In recent years, - Creating Social Value 2011-12</p>

<p>Control : Mix. Mainly causation</p>	<p>The adoption of a “professionally focused, customer-centered approach” was associated with the application of traditional control methods such as formal manifestation of FRC’s mission, redefinition of social impact, draft of a 5-year growth plan, hiring of profession, dedicated staff to devise lead the expansion strategies at FRC and Bulky Bob, adoption of a structured internal reporting system, and transparency in reporting results.</p> <p>On a different level, FRC group continued to use non-predictive control methods in re-adjusting its goals and courses of action in response to unplanned circumstances.</p>	<p>FRC Group’s Board of Trustees redefined our vision statement in summer 2008 and during the rest of the year the Leadership Team worked to redefine our strategic goals. We also focused on “<i>Leading with Impact</i>” across the organisation, through staff consultations and changes to our structure. As a result of all these elements, by January 2009 FRC Group had a new language to describe its mission and goals, putting social and environmental impact at the heart and making it easy for all staff members to see how their work fits in”. - Impact report 2008-09</p> <p>“FRC Group has had a great reputation for publishing information that gives a fair and honest perspective on how it is doing. Looking at the first social accounts, we have learned a lot about this technique and we are using the tools and techniques available now with more confidence and clarity from twelve years of organizational experience”. - FRC Group’s Social Impact Report 2009-10</p> <p>“We operate a performance management system which monitors progress against targets on a monthly basis... This is used by staff members, managers, directors and members of the board to see how we are performing against our triple bottom line targets throughout the year. A final document showing our triple bottom line account for each year is included with each year’s impact report”. - Sustainable impact plan 2007-13</p> <p>“Evaluating performance is not just about statistics. There are a number of other ways of understanding the outcomes that have been achieved. To compliment the quantitative data that we collect, we also spend a lot of time listening to our trainees and keeping in touch with them when they have left to understand more about the wider</p>
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		<p>impacts for them of their training experience”. - FRC Group’s Social Impact Report 2009-10</p> <p>“Statistics give a sense of overall performance, but what about the individual’s experiences? As well as gathering performance data for Driving Change, FRC Group collects information about how the participants feel. During the training programme, all trainees have a one-to-one review with the training programme coordinator every 6-weeks to discuss their progress and any issues or queries that may arise. They also have a leaving review to round off their time on the programme”. - Creating Social Value 2011-12</p>
<p>Rule-thumb for Decision Making: Mix. Mainly Effectuation</p>	<p>Although increased implementation of traditional control methods implied that FRC was now applying a more systematic process of information gathering and analysis, the rule thumb for decision making was still dominated by an effectual approach.</p> <p>Decision making between alternative investment opportunities was characterized by: (a) maximization of social impact, (b) re-identification of the group’s direct beneficiaries which in turn resulted in the resetting of its investment priorities, (c) application of principles of flexibility and experimentation in a way that allowed</p>	<p>“Our culture is not to settle for what is good-enough, but to strive to deliver the maximum benefit we can from everything that we do”. - Sustainable impact plan 2007-13</p> <p>“What you will read is our honest appraisal on how we have done. We focus on the impact that we create and we are tough on ourselves. We are not afraid to be clear about what is the impact of FRC Group and what is actually the impact of other organisations work. In these difficult times of austerity budgets and economic recession, we need to have honest information about the impacts we create so that we can make the right decisions about how we allocate our time and resources. Creating impact is about doing as much as we can, not about laying claim to the impacts created by others”. - Creating Social Value 2011-12</p>

	it take advantage of unexpected opportunities	<p>“Another measure of what we are like to do business with is our relationships with our suppliers. We prioritise working with social enterprises and local suppliers where we can. To measure this we have looked at where our suppliers of furniture, white goods and other household products are based. Buying from within our local economy has benefits on an economic and social level, supporting local businesses and people. It also reduces the distance of deliveries from our suppliers to us, helping reduce carbon emissions”. - Impact report 2008-09</p> <p>“This year saw a significant investment of resource into FRC Group’s work with long-term unemployed people. FRC Group’s Board took the decision to invest in this social impact activity despite the financial performance of the commercial businesses and the lack of any external funding”.- Creating Social Value 2011-12</p>
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