

# EXTENDING SOCIAL ENTREPRENEURSHIP RESEARCH: INTEGRATING THEORY AND METHOD

By


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Thesis submitted to the University of Strathclyde  
for the degree of Doctor of Philosophy **Declaration**  
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**Extending Social Entrepreneurship Research: Integrating Theory & Method.**

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**Dedicated to Julie, Aiden and Liam.**

## **ABSTRACT**

The social entrepreneurship research paradigm has been characterised as navigating cross-currents. Scholars are simultaneously tasked with strengthening existing theoretical foundations, while incorporating insights from external disciplines that may further elucidate the phenomenon. This thesis addresses both objectives. In terms of knowledge consolidation, the historical political economy of social entrepreneurship is considered in relation to encompassing social, economic and political trends. The roots of social entrepreneurship are traced to theological figures such as John Calvin who balanced commercial activities with an overarching mission to create social value. This practice was further established in the UK during the Victorian era, where entrepreneurial reformers, unsatisfied with the social welfare efforts of proto-state institutions, developed market-based social innovations that remain in existence. The more recent transformation of the economy is subsequently analysed to demonstrate how liberalisation of welfare provision, coupled with ideological trends towards smaller government, shapes contemporary social entrepreneurship.

In relation to paradigmatic expansion and knowledge integration, this thesis aims to challenge the “relatively narrow range of metatheoretical assumptions” (Jennings et al., 2005: 146) in entrepreneurship research. In so doing, a framework for analysing social interaction is developed, providing an ethnomethodological perspective on the real-time functioning of institutional contexts. Utilising the unique epistemology and strict empiricism afforded by this framework, a novel perspective on hybrid identity tensions’ is revealed. An inductive multiple case study approach is used to examine how organisations configure absorptive capacity routines in order to develop social innovation capabilities. Using the same dataset, the entrepreneurial orientation (EO) of these firms is examined and a revised social entrepreneurship EO scale is presented. The thesis concludes by considering some of the macro-level barriers that are preventing greater impact from social innovation activities. It is proposed that synthesising social innovation with open innovation may ameliorate some of the challenges involved when implementing social innovations.



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## **CHAPTER 1 – THESIS INTRODUCTION**

### **1.1 Introduction to the Study**

Social entrepreneurship is a significant global phenomenon. Over the past 20 years, a growing cohort of individuals and organisations has engaged in activities that address societal problems utilising methods commonly associated with traditional entrepreneurship (Dees, 1998; Seelos and Mair, 2005; Mair and Martí, 2006). This has impacted significantly upon the structure and functioning of the economy; in the era preceding the emergence of social entrepreneurship, boundaries separating the private sector, public sector and the third sector were clearly delineated and rarely breached. This model has now given way to a more complex system in which government and related public institutions across developed countries have reduced the scope of activities across many traditional functions (du Gay, 2004) to be replaced by a patchwork of increasingly localised private, hybrid and non-profit enterprises. Such social entrepreneurship is differentiated from ‘traditional’ entrepreneurship by many scholars on the basis that a higher priority is afforded to creating social value than capturing economic wealth (Santos, 2012; Mair and Martí, 2006). These entrepreneurial social ventures are meanwhile viewed as distinct from traditional non-profit and charitable organisations owing to a willing embrace of market-based approaches for achieving social impact.

This rapid and profound change has created new ways and means of addressing societal problems. Social entrepreneurs have, for example, been emboldened to rebalance inequitable power structures by harnessing market mechanisms (Bornstein, 1998; Bornstein, 2004; Alvord et al., 2004). In developing nations, which are often characterised by weak institutions and widespread market failures, citizens are seeking emancipation through entrepreneurial activities (Desa, 2012; AlDajani et al., 2015), often in lieu of traditional democratic and political actions. Organisations such as the Grameen Bank (Yunus et al., 2010; Hossain, 1988) and Ashoka (Meyskens et al., 2010; Nicholls, 2006) have attained global recognition and prestige for developing

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innovative business models that offer sustainable alternatives to international aid and conventional charity (in more developed contexts). The broad and inclusive conceptualisation of social entrepreneurship has captured the attention of a varied array of powerful actors. These include US president Barack Obama, who instituted the Office of Social Innovation and Civic Participation in 2009; the European Commission who fund Social Innovation Europe; prestigious universities such as Stanford, Wharton, Harvard, Oxford and New York which have each created centres of research and learning; and, leading technology entrepreneurs like Bill Gates and Jeffrey Skoll, who have launched foundations that fund high-profile social entrepreneurship projects across the world. Yet, this is not to suggest that social entrepreneurship is a top-down or otherwise ‘elite’ phenomenon. Social entrepreneurship has taken root organically in communities that range across the socio-economic spectrum and in diverse industry sectors. Examples such as Github<sup>1</sup> (an open source collaborative software platform) and Feedie<sup>2</sup> (an African model that monetises the online trend for sharing meal photographs, returning the proceeds to those in food poverty) demonstrate how many individuals who would otherwise claim to be disenfranchised and disillusioned with established political and market processes, can be engaged through this form of activity (Social Enterprise UK, 2015; Social Enterprise UK, 2013; Mair, 2010).

Measuring the scale and growth of this socially entrepreneurial activity has proven to be fraught with difficulty (Shaw and Carter, 2007; Bosma and Levie, 2010). A popular method has been to examine the volume of social enterprises across a population. In the UK, the number of SME social enterprises is estimated to range between 62,000 (recorded between 2005-2007)(IFF Research, 2007) and 70,000 (recorded 2012)(BMG Research, 2013b). In the 2012 Small Business Survey (BMG Research, 2013b), 24% of all SME organisations considered themselves to be social enterprises (defined as businesses with a mainly social or environmental aim); however, when a set of prescriptive criteria around financing and profit distribution is applied to the data, only 6% achieve a ‘very good’ fit. Nonetheless, the initial response offered by

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<sup>1</sup> <https://github.com>

<sup>2</sup> <http://thelunchboxfund.org>



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the 24% of SMEs which identify themselves as pursuing a social aim (yet would not be considered social enterprises), underlines some of the difficulties faced by those with an interest in measuring and understanding social entrepreneurship - that the range of perspectives, interpretations and inconsistently applied definitions often prevents meaningful comparison within and across studies (Lyon et al., 2010; Teasdale et al., 2013).

It is further suggested by recent survey data that the social enterprise sector is a source of great dynamism in the UK economy, outperforming mainstream businesses across a range of indicators (Social Enterprise UK, 2013). Notably, social enterprises are developing significantly more new products and services in comparison to the 'traditional' SMEs surveyed in the 2012 Small Business Survey (BMG Research, 2013a)(56% compared to 43%). This indicates high levels of organisational innovation across the varied range of industrial sectors that social enterprises are embedded within. These organisations are characterised by a mission-driven behaviour to fulfil social needs that are simultaneously unmet by existing institutions and unattractive to the market (Seelos and Mair, 2005). They are manifest in a wide variety of organisational types (Dees, 1996; Dees, 1998), and employ diverse forms and structures (Low, 2006; Mason et al., 2007). Through adopting revenue generating business models and channelling 'the resourcefulness' of commercial entrepreneurship, it is claimed that social entrepreneurs have successfully optimised social value creation by drawing in talented innovators from beyond the traditional boundaries of the third sector (Mulgan et al., 2007; Kickul and Lyons, 2012). This cross-pollination of ideas has reinvigorated the social economy and led to a range of new mechanisms for tackling intractable societal problems. Teach First<sup>3</sup> (TF) for example, a scheme that links high quality graduates with prestigious private sector firms and underperforming inner-city schools, provides a high-profile demonstration of the ways in which social innovators can develop novel business models that create a desirable public good.

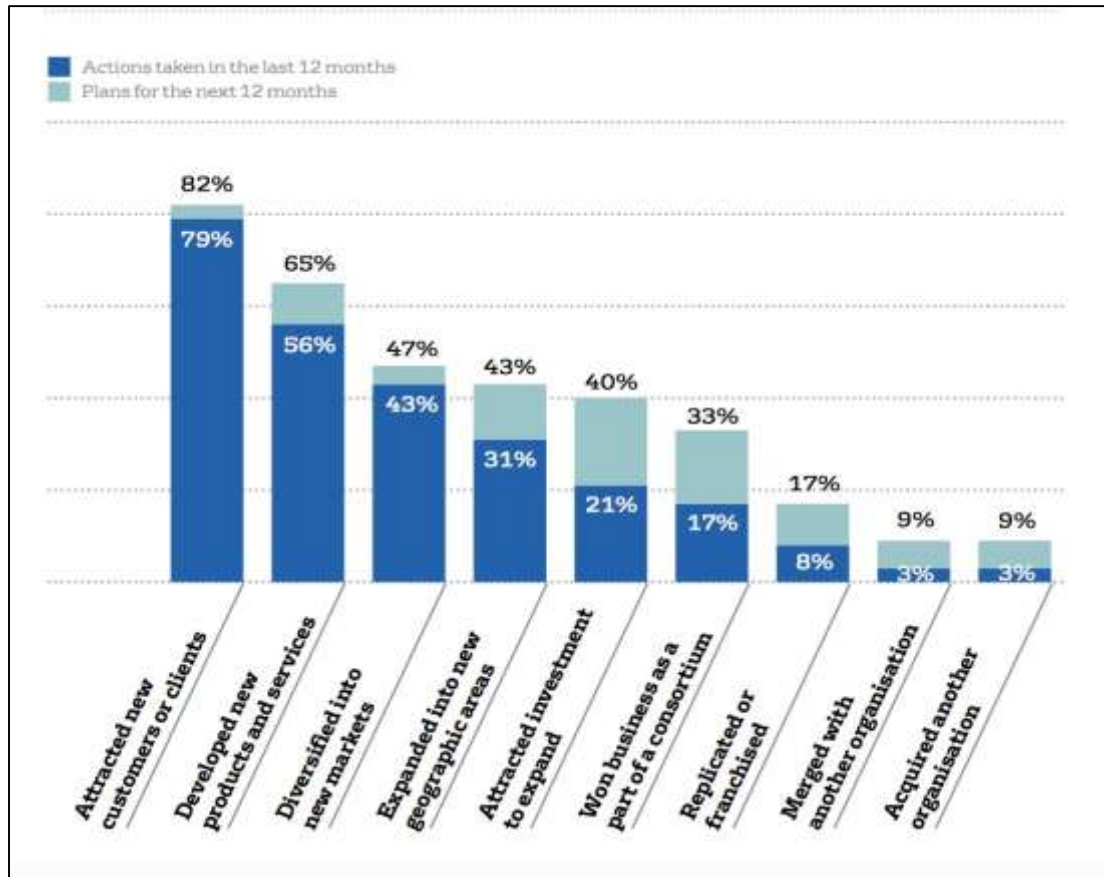
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<sup>3</sup> <http://www.teachfirst.org.uk>

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These emerging socially entrepreneurial organisations are demonstrating increasingly robust commercial practices, principally through more diversified income streams, newly generated business and improving turnover (Figure 1, below).

**Figure 1 - Social Enterprises and Growth: actions over the last year, and plans for the next 2 to 3 years**



Source: Social Enterprise UK (2013)

Social enterprises are considerably more likely to have a black or minority ethnic director (28% in comparison to 11% of SMEs) and have a female leader (38% compared with 19% of SMEs and only 3% of FTSE 100 companies) (Social Enterprise UK, 2013). These statistics serve to underline that the social enterprise sector in the UK is generally a progressive and inclusive space that is growing in stature, both in terms of economic performance and through the development of innovation capabilities.

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With this great socioeconomic change however, exists a corollary of uncertainty. As the architecture of the economy shifts away from the traditional post-war welfare model, and the third sector is increasingly liberalised (Eikenberry and Kluver, 2004), social entrepreneurs, policymakers and the benefactors of socially entrepreneurial activities, are forced to continually make sense of unchartered and rapidly evolving social and economic contexts. As a consequence, opportunities arise with increasing frequency for researchers to explore these interesting new forms of organising and entrepreneurship. The emerging and widely diffused nature of social entrepreneurship *in practice* requires that it be viewed “not as an isolated phenomenon but an integral part of a social system. Thus the role, nature and scale of social entrepreneurship cannot be discussed without taking into consideration the complex set of institutional, social, economic and political factors that make up this context” (Mair, 2010: 9). A central objective for researchers therefore, is to extend Mair’s (2010) contextualised notion of social entrepreneurship by exploring both the conceptual antecedents of the phenomenon and the embedded practices of contemporary social entrepreneurs.

### **1.2 Establishing the Distinctive Domain of Social Entrepreneurship Research**

A foundational issue that requires some discussion, involves clarifying what Santos (2012), acknowledging Venkataraman’s (1997) seminal entrepreneurship article, refers to as the ‘distinctive domain of social entrepreneurship research’. Social entrepreneurship is considered to be an umbrella construct (Mair, 2010) that holds together an array of related, sometimes overlapping and, at times, incompatible conceptual phenomena. These range from social innovation and community entrepreneurship through to social enterprise and institutional entrepreneurship (see Table 1, below). Some interpretations of social entrepreneurship focus on the organisational structures that are used as a vehicle to enact socially entrepreneurial activities (Kistruck and Beamish, 2010); others take a more sociological perspective to social changes processes (possibly even omitting trading/commercial aspects of the phenomenon and instead focussing on more abstract themes such as power and agency)(Khavul et al., 2013).

**Table 1 - A Snapshot of Phenomena Discussed Under the Umbrella Construct of Social Entrepreneurship**

Phenomenon under study	Description	Key author
Community entrepreneurship	The community is the entrepreneurial actor and beneficiary. E.g., a village engaging in fair trade coffee farming and selling.	(Peredo and Chrisman, 2006; Johannisson and Nilsson, 1989)
Social change agents	Individuals who alter public perceptions about (specific) social issues. Examples range from John Elkington, the founder of sustainability, to Bono, of the group U2.	(Waddock and Post, 1991; Drayton, 2002)
Institutional entrepreneurs	Individuals or organizations that alter social arrangements and the institutional fabric hampering development.	(Mair and Marti, 2009; Marti and Mair, 2009)
Social ventures	Business ventures that provide a product or service that creates social or environmental benefit, such as the production and distribution of biodegradable water bottles.	(Dorado 2006; Sharir and Lerner, 2006)
Entrepreneurial non-profit organizations	Non-profit organizations that engage in commercial activities to create an income stream and enhance financial sustainability.	(Fowler, 2000; Frumkin, 2002)
Social enterprise	Organizational forms following principles of cooperatives.	(Borzaga and Defourny, 2001)
Social innovation	Innovation understood broadly and including processes and technology for the social good.	(Alvord, Brown and Letts, 2004; Phills, Deiglmeier and Miller, 2008)

Source: Mair (2010)

This thesis will follow Mair (2010) in using the term social entrepreneurship to refer broadly to various concepts and practices that fall under what can be considered a general umbrella of socially entrepreneurial behaviour (i.e. referring to the use of entrepreneurial agency to create social value). This incorporates the aforementioned research on community entrepreneurship, social change agents, institutional entrepreneurs, social ventures, entrepreneurial non-profit ventures, social enterprise and social innovation. Each of the chapters in this thesis adopts a narrower, more precise focus, drawing on these sub-categories of social entrepreneurship activity. This grounds the work within both emerging frameworks and established research

traditions that provide appropriate meaning and terminology for the specific theoretical problems and empirical contexts addressed.

### **1.3 Study Background and Research Opportunities**

As the social entrepreneurship research paradigm has evolved to a stage where various high-quality field-level review articles have been conducted (Short et al., 2009; Dacin et al., 2010b; Dacin et al., 2011), there is growing clarity and consensus around the direction scholars must travel to address gaps and weaknesses in the existing literature. Of central concern to Short et al. (2009: 173) has been the inward looking nature of social entrepreneurship scholarship:

“To date, integration of theory has been underemphasized in social entrepreneurship research, with less than a third of the articles in our review citing other research streams as the basis for their theory development”.

This infers that social entrepreneurship scholars have been inclined to treat the phenomenon as something entirely novel; that is, something that cannot be properly understood through existing theories. Such a view would appear to find support from Santos (2012: 336), who proposes that new theory may be required if an empirical phenomenon cannot be explained by existing theories. He (Santos 2012: 336) argues, in relation to social entrepreneurship, that “the emergence of a wave of entrepreneurial actors that, in comparison to traditional commercial entrepreneurs, have distinct goals, use different approaches, and focus on different domains of work, begs for theories that can help us explain what we observe and predict outcomes.” While it would indeed be uncontroversial to support claims that social entrepreneurship is unconventional, paradoxical and that it runs contrary to some established conceptions of rational economic behaviour, the case for entirely novel or parallel theory development has not been sufficiently made. As Short et al. (2009) outline in their review of the field, in relative terms, only a limited number of attempts have been made to integrate established theories into social entrepreneurship research, and thus, it may be

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somewhat premature to call for new theories without adequately considering the potential relevance and utility of existing theory.

The impetus for the conceptual and empirical work in this thesis can thus be located in the following research calls:

“If the social entrepreneurship field is to progress, the next two decades should be characterized by unity in construct definition and by examining the social entrepreneurship construct through a variety of established theoretical lenses” (Short et al., 2009: 173)

“We conclude that the greatest opportunity for scholars interested in social entrepreneurship exists in examining valuable assumptions and insights from theories inherent in existing entrepreneurship frameworks and applying these insights in ways that address phenomena in the social entrepreneurship context” (Dacin et al., 2010b: 37)

Following these calls to integrate theories and insights from established research streams into social entrepreneurship research, this thesis will experiment with a variety of data, methods, research philosophies and organisational theories to uncover, challenge and extend conceptions of social entrepreneurship. This approach entails pursuing a path that diverges somewhat from that followed by scholars such as Santos (2012), who make some compelling yet perhaps premature arguments for developing more general theories of social entrepreneurship. Arguably, the overarching phenomenon is too heterogeneous, contextually varied and idiosyncratic (Mair, 2010) to predict and conclusively explain in meaningful terms (at least at this juncture of paradigm development). As Mair (2010: 4) highlights: “*where* social entrepreneurs operate affects *what* they do and *how* they do it” and therefore a greater sensitivity to context is perhaps required from scholars. Santos (2012) does make a significant contribution to the field by attempting to ground social value creation within the established economic architecture (and thus delineating a clear role for the social entrepreneur in relation to other institutional actors (see Table 2, below, for greater

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elaboration of this point), however his general theory is limiting in that it trades an embedded conception of the social entrepreneur for a somewhat blunt macro-economic model through which social entrepreneurship processes – the *how* of social entrepreneurship - remain obscured. It may, of course, eventually be possible for scholars to discuss high-level theories of social entrepreneurship, but clearly this will not happen until current research is more empirically rooted in actual instances of social entrepreneurship practice.

**Table 2: Institutional Actors in Modern Capitalist Economies**

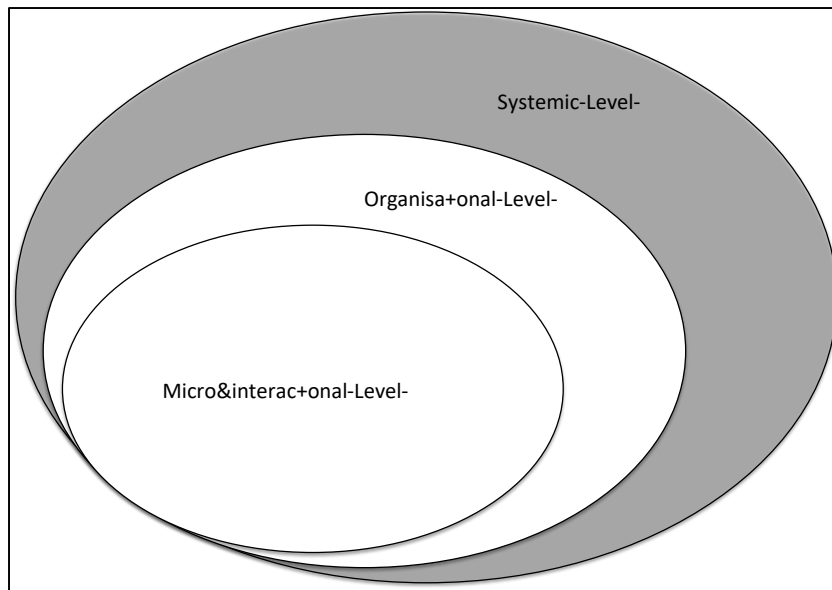
Characteristics	Governments	Business	Charity	Commercial Entrepreneurship	Social Activism	Social Entrepreneurship
<b>Distinct Role in Economic System</b>	Centralized mechanism through which the infrastructure of the economic system is created and enforced (and public goods provisioned)	Distributed mechanism through which society's resources and skills are allocated to the most valued activities	Distributed mechanism through which economic outcomes are made more equitable despite uneven resource endowments	Distributed mechanism through which neglected opportunities for profit are explored	Distributed mechanism through which behaviors that bring negative externalities are selected out	Distributed mechanism through which neglected positive externalities are internalized in the economic system
<b>Dominant Institutional Goal</b>	Defend Public interest	Create sustainable advantage	Support disadvantaged populations	Appropriate value for stakeholders	Change social system	Deliver sustainable solution
<b>Dominant Logic of Action</b>	Regulation	Control	Goodwill	Innovation	Political action	Empowerment

Source: Santos (2012)

The intention in this thesis, in further contrast to Santos' (2012) approach, is to expand understanding of social entrepreneurship *practices* through framing aspects of the phenomenon within established but thus far unutilised or underutilised theoretical perspectives, primarily from the entrepreneurship, management, strategy and sociological fields of research. This has already been successfully accomplished by scholars who have incorporated bricolage (Mair and Marti, 2009; Di Domenico et al., 2010), social exchange theory (Di Domenico et al., 2009) and institutional theory (Townsend and Hart, 2008; Pache and Santos, 2010; Miller et al., 2012; Khavul et al.,

2013) towards processes of social entrepreneurship. However, it is proposed that more can and should be done to unpack the dynamics of social entrepreneurship via tools and techniques that have an established legitimacy from longstanding usage and refinement in other contexts; this variety is important, as Dacin et al. (2011: 1205) note “overreliance on a single methodological approach limits the conclusions that one can draw across research contexts.

**Figure 2: Hierarchy of Analytical Levels in This Thesis**



A further objective of the conceptual and empirical work within this thesis is to analyse social entrepreneurship and social innovation from underexplored levels of analysis (see Figure 2, above, which outlines the levels of analysis contained in this thesis). In their review of the field, Dacin et al. (2011) emphasise the need to move on from an individual-level bias across many previous studies. As such, an explicit decision to research phenomena at the rarely considered micro-interactional level and systemic levels is pursued in addition to research conducted at the more prevalent organisational-level. While each of the empirical chapters in this thesis forms a discrete research project, in the final chapter of this thesis, I will attempt to draw together some aggregate findings from across the various empirical cases. This goes some way to addressing Dacin et al.’s (2011) critique regarding methodologies and levels of analysis in social entrepreneurship research.



## **1.4 Research Aim & Objectives**

In summary, the overarching aim of this thesis is to gain a critical, empirically grounded and context-aware understanding of social entrepreneurship. Scholars have identified a paucity of detailed field-based studies and a lack of integration with established entrepreneurship and management theories. A core objective therefore, is to remedy these weaknesses through generating detailed empirical data and extending theoretical understanding of socially entrepreneurial phenomena.

The first research objective is to establish a framework for studying episodes of situated social interaction in entrepreneurial contexts. Building on this endogenous framework, the second objective is to understand how socially entrepreneurial actors navigate contextual constraints in processes of social value creation. The concluding objective at a micro-interactional level, is to analyse how the socially entrepreneurial identity is constructed through situated interaction, and how issues relating to multiple-identity tensions are resolved by socially entrepreneurial actors in real-time. The fourth objective, adopting a firm-level innovation perspective, is to explain how socially entrepreneurial ventures configure internal organisational routines to develop their capacity to innovate. This is followed by a fifth objective, which is to explore the dimension of entrepreneurial orientation across a range of non-profit organisations forms. The final research objective is to identify the most significant system-wide obstacles to socially innovative activity. Approaches for overcoming these barriers are then considered, leading to a proposed novel form of ‘open’ social innovation.

The rationale for each of these research objectives will now be outlined and justified in further detail.

### ***1.4.1 From an Individual-level to a Micro-interactional Analysis of Social Entrepreneurship***

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As Dacin et al. (2011) and others (Holmquist, 2003) identify, the bias towards studying the entrepreneurial individual has been somewhat unproductive:

“[developing the social entrepreneurship research field] also means counterbalancing purely individual-level analyses that have a tendency to idealize social entrepreneurs and social entrepreneurship with other perspectives that take context and social dynamics into account” (Dacin et al., 2011: 1206)

This is not to suggest that the individual is unworthy of study, rather, that the framing of the socially entrepreneurial actor should instead be broadened to capture social entrepreneurship processes involving actors who are embedded in evolving social contexts. Zahra et al. (2009: 523) go some way to developing this *in situ* notion through their introduction of The Social Bricoleur; a ‘localised’ socially equilibrating actor who utilises situated knowledge to address small-scale market failures:

“...Hayek proposes that entrepreneurial opportunities can only be discovered and acted upon at a very local level. The implication is that distant actors generally lack the relevant facts and knowledge essential to identify, frame and evaluate a potential opportunity.”

While Zahra et al. (2009) recognise the importance of social dynamics and the interrelation of socially entrepreneurial actors, local problems, local knowledge and local resources, their model does not account for the processes through which this happens. Here, scholars such as Goss (2005a); (2008); Goss et al. (2011) and Doern and Goss (2013), who have fully embraced micro-sociological interactionist theories, are better able to provide such an insight. Goss (2005a) argues for an alternative to individualist theories that offer only a ‘one-dimensional’ perspective on entrepreneurial phenomena. Instead, through studying situated social interactions, the processes involved in entrepreneuring and the navigation of institutional constraints can be elucidated and more comprehensively understood.

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The first research objective, addressed in Chapter 5, is therefore to outline a framework that will remedy the current dearth of interaction based studies within (social) entrepreneurship research. Entrepreneurial encounters and interactions are the building blocks of shared intersubjectivity, and hence, establishing a framework for unpicking these processes, can offer a critical and reflexive perspective on various underexplored or reified entrepreneurial processes. The socially constructed context in which entrepreneurial behaviour occurs acts to enable and constrain entrepreneurial action, yet the processes through which these constraints operate is poorly understood (Rindova et al., 2009; Goss et al., 2011). The framework presented in this thesis builds upon the insights of Goss (2005a) and Reveley et al. (2004) who introduce Goffman's (1955; 1961) interaction order into studies of entrepreneurship. Chapter 5 thus serves as a foundational article that underpins analysis in Chapter 6. This chapter (Chapter 6), in turn, pursues a contextualised conception of the socially entrepreneurial actor. The two overarching objectives that are addressed in Chapters 5 and 6 therefore are: how can 'context' be accessed in studies of social entrepreneurship? And, how do socially entrepreneurial actors navigate enabling and constraining contextual factors?

The interaction-based ethnomethodological framework that is developed in Chapter 5 provides a further opportunity to gain uniquely detailed insights into socially entrepreneurial processes. According to Dacin et al. (2011: 1209) "Issues of image and identity remain largely unexplored in the context of social entrepreneurship research" in part because of underdeveloped and narrow methodological frameworks within broader entrepreneurship scholarship (Kašperová and Kitching, 2014). Chapter 6 takes the highly granular ethnomethodology and conversation analysis frameworks and applies them to the emerging research theme of hybrid identity tension (Pache and Santos, 2010; Billis, 2010; Battilana and Dorado, 2010; Garrow, 2013). The adoption of a practice perspective (Yanow, 2006; Samra-Fredericks and Bargiela-Chiappini, 2008) enables both the temporal and embodied nature of identity construction to be uncovered, and provides a lens through which identity may be treated as a dynamic and contingent social construction that exists through social interaction rather than as a feature of cognition. The research objective that guides Chapter 6 thus, is to

understand: how do socially entrepreneurial actors manage identity tensions through everyday social interactions?

#### ***1.4.2 An Organisational-level Analysis of Social Entrepreneurship***

Chapters 7 and 8 take an organisational-level perspective to examine how social enterprises and other non-profit ventures engage in socially entrepreneurial activity. Firstly, Chapter 7 responds to Short et al's (2009: 175) call to better develop the innovation construct within social entrepreneurship research:

“Innovation is a key precursor to change and is necessary for the continued success of an organization (Tushman and Anderson, 2004). Innovation is a key theme in social entrepreneurship research, but more effort is needed to build social entrepreneurship-related innovation theory.”

To gain a better understanding of innovation, the concepts of organisational routines (Feldman and Pentland, 2003; Pentland and Feldman, 2005), absorptive capacity (Lane and Lubatkin, 1998) and dynamic capabilities (Teece et al., 1997; Teece, 2007) are applied for the first time to entrepreneurial social ventures. These related frameworks, which are grounded in an evolutionary economics perspective, provide a means for uncovering processes of change; something that Mair (2010: 5) argues are central to social entrepreneurship and that can be accessed through studying the organisations' enacting socially entrepreneurial change:

“The key to social entrepreneurship is therefore an explicit or implicit theory of change. This theory of change is manifested in strategies, tactics and the (business) model, that is the configuration of resources and activities.”

Chapter 7 will therefore examine how organisations configure bundles of routine activities to enact processes of social entrepreneurship.

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As Short et al. (2009) highlight, there has been a surprising lack of theoretical integration within social entrepreneurship research, both from more distant management fields and the closely related ‘mainstream’ entrepreneurship field. Of particular note is the lack of crossover between certain core constructs such as entrepreneurial orientation (EO), which is one of the key pillars of entrepreneurship research:

“...no social entrepreneurship empirical study has examined EO directly. Comparative research using techniques like interviews, surveys, or content analysis of organizational narratives would reveal if EO dimensions are common between both commercial and social entrepreneurs, and which factors are most associated with organizational performance differences among each type of actor” (Short et al., 2009: 177).

There is hence a considerable opportunity to explore the dimensions of entrepreneurial behaviour in the social entrepreneurship context in order to understand how EO may be conceptualised in this setting. Chapter 8 uses a detailed multiple-case study method to explore the foundations of EO, to elicit practices that may inform a revised EO scale that is more closely aligned to *practiced* socially entrepreneurial behaviours.

### ***1.4.3 A Macro-level Analysis of Social Entrepreneurship and Social Innovation***

The final findings chapter in this thesis (Chapter 9) adopts a social innovation perspective to consider some macro-level constraints on socially entrepreneurial activities. While the literature has been characterised by mostly positive accounts of social entrepreneurship, this conceptual analysis of macro-societal factors strikes a more cautionary note. It is proposed that Chesbrough’s (2003; 2006b) open innovation framework may offer a means of reconsidering these constraints and potentially mitigating them in the future. The final research objective in this thesis therefore, is to establish: *what are the barriers to social innovation and how can they be addressed by socially entrepreneurial organisations?*

## **1.5 The Research Approach**

The empirical core of this thesis is constructed around five research articles, three of which have been published in entrepreneurship and economics journals since 2012, and three of which were co-authored. The articles are linked by the shared objective of forming a critical understanding social entrepreneurship, with each article addressing a specific level of analysis through a range of established theoretical perspectives. It should be acknowledged however, that the empirical cases and theoretical frameworks were not designed to provide cumulative theory development or cross-case triangulation. That said, they do provide new perspectives on the same overarching societal phenomena: social entrepreneurship. Each of these articles is included in this thesis largely as published, with amendments to remove any unnecessary repetition or duplication for the reader. The details of each paper are provided in Table 3 below:

**Table 3: Overview of the Empirical and Conceptual Research Chapters**

<b>Title</b>	<b>Published/ presented</b>	<b>Author(s)</b>	<b>Contribution/ comments</b>	<b>Chapter</b>
The endogenous construction of entrepreneurial contexts: A practice-based perspective	International Small Business Journal, Online First (2015)	Dominic Chalmers & Eleanor Shaw	This article was fully written and conceived by myself with editorial guidance from Prof Shaw.	5
All things to all men? The plasticity of the socially entrepreneurial identity	Academy of Management workshop 2015, Edinburgh University	Dominic Chalmers	This chapter was sole authored.	6

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<p>"Innovating notfor-profit social ventures: Exploring the microfoundations of internal and external absorptive capacity routines</p>	<p>International Small Business Journal (2013) 31(7): 785810.  Also presented at EGOS conference 2012</p>	<p>Dominic Chalmers and Eva Balan-Vnuk</p>	<p>This article was conceived and primarily written by myself. Dr. BalanVnuk collected the Australian data, and worked with me on the analysis, methodology and conclusions.</p>	<p>7</p>
<p>Entrepreneurial orientation in the non-profit sector</p>	<p>International Journal of Entrepreneurial Behaviour and Research (under review)</p>	<p>Eva Balan-Vnuk and Dominic Chalmers</p>	<p>This chapter is from the same project as chapter 7. Dr. BalanVnuk led on the initial draft of this paper. I have since individually written two redrafts as part of journal revise and resubmit submissions.</p>	<p>8</p>
<p>Social innovation: An exploration of the barriers faced by innovating organisations in the social economy</p>	<p>Local Economy, (2012) Vol 28 (1),  Adapted version published in the European Commission magazine<sup>4</sup></p>	<p>Dominic Chalmers</p>	<p>This chapter was sole authored.</p>	<p>9</p>

**1.6 Thesis Structure**

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<sup>4</sup> <https://webgate.ec.europa.eu/socialinnovationeurope/magazine/context/articles-reports/why-socialinnovators-should-embrace-open-paradigm>

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Following this introduction, the thesis reviews the antecedents of social entrepreneurship, tracing the development of the concept to the British Industrial Revolution. The political economy of social entrepreneurship is then considered to provide some explanation for the competing and often inconsistent interpretations of the phenomenon. Chapter 3 analyses the social entrepreneurship research paradigm to understand the key research themes and questions that drive scholarship. In particular, research conducted at the three levels of analysis studied in this thesis (micro-interactive, organisational and systemic level) is examined. Chapter 4 provides a brief overview of the methodological rationale encompassing each of the 5 articles in this thesis (a specific methodology for each of the articles will be contained within the respective chapters). Chapters 5-9 consist of the self-contained research articles, presented largely as published. Finally, chapter 10 summarises the findings and draws out some conclusions across the work. The thesis ends with a consideration of study limitations and a discussion of future research opportunities.

### **1.7 Chapter Summary**

This chapter has provided a brief overview of the social entrepreneurship research terrain. Opportunities to explore socially entrepreneurial phenomena from analytical perspectives that are often underutilised by scholars are outlined and justified. These levels of analysis include interactional, organisational and systemic studies of social entrepreneurship. At each level, a series of research objectives have been outlined and reasoning is provided for incorporating sociological, linguistic and innovation perspectives into social entrepreneurship research.



## **CHAPTER 2 – THE POLITICAL ECONOMY OF SOCIAL ENTREPRENEURSHIP AND SOCIAL INNOVATION**

### **2.1 Introduction**

The aims of this contextual chapter are threefold. Firstly, the historical evolution of social entrepreneurship is explored in order to ground some of the emerging theoretical discussions in their longer-term social, economic and political circumstances. Particular attention is paid to the role of social entrepreneurship in relation to the state, and the resulting tensions and contradictions that arise through such a complex and contested relationship. Attempts are made to integrate some of the diverse antecedents of social entrepreneurship, from Weber's notion of the protestant work ethic, to the Victorian reformers and the Co-operative movement, in order to elicit dynamics that exist across the spectrum of passive and active social interventions and then individualist and collectivist ones. Second, three significant post-war political philosophies, Thatcherism, the Third Way and the Big Society, are evaluated in order to contextualise the contemporary landscape for social entrepreneurs and social innovators. Here, the interplay between deindustrialisation, neoliberal economic policy and distinct spatial dimensions of social inequality are outlined to provide some explanation for the proliferation of community-led socially entrepreneurial activities across the UK. Thirdly, the chapter concludes by critically evaluating the distinct socioeconomic role of the socially entrepreneurial actor and asks, have these individuals and organisations caused a reconsideration of capitalism as some argue, or simply extended the reach of market forces into previously untouched areas of the social and public sectors? The chapter begins by providing a brief overview of the economic concept of entrepreneurship before establishing its relationship to the more recent notion of social entrepreneurship.

## **2.2 Entrepreneurship**

Entrepreneurship is an important and enduring topic of economic inquiry. Due to the integral role of the entrepreneur in driving productivity and economic growth, politicians and scholars demand ever more sophisticated insights into the nature of entrepreneurship. For Baumol (1968), studying business and commerce without studying the entrepreneur, is akin to discussing Hamlet without referencing the Prince of Denmark. Yet, this was the general position within neoclassical economics, where the entrepreneur was often missing from formal models until Weber (1905/2013), Schumpeter (1934b; 1934a) and Knight (1921/2012) directed attention, in often conflicting ways, towards the dynamic change-inducing function of the entrepreneurship process. The reason economic theory either excluded, ignored or under-represented the position of the entrepreneur in equilibrating systems “can be attributed to the widespread idea that entrepreneurship would become more and more obsolete as capitalism developed” (Brouwer, 2002: 84). Following Knight’s (1921/2012) argument that risk and uncertainty are central to entrepreneurial opportunities, it was assumed that capitalism would follow a trajectory towards the economic dominance of large rational bureaucracies operating a model of ‘trustified’ capitalism (Brouwer, 2002). This trend would, in theory, remove the scope (and demand) for entrepreneurs, as risk-minimising corporations could satisfy market needs more efficiently and in a more stable manner than the entrepreneur.

Throughout the mid-late 20<sup>th</sup> century, the move towards large corporate organisations progressed as Knight and Schumpeter has predicted; however, since 1973 there has been a notable structural reversal towards smaller businesses (Brouwer, 2002). Small and medium sized enterprises (SMEs) now account for 99.3% of firms in the UK economy, generating £3,500 billion worth of turnover (Federation of Small Businesses, 2014). Accordingly, small business scholars are tasked with understanding their form and function by policymakers eager to boost the competitiveness of their economic regions. Entrepreneurial SMEs are now recognised and celebrated as a critical source of innovation and dynamism in modern developed economies (Wennekers and Thurik, 1999; Thurik and Wennekers, 2004).

Shane and Venkataraman (2000) identify three primary reasons for studying entrepreneurs and entrepreneurship: to explain how technical knowledge is converted into products and services; to describe how temporal and spatial inefficiencies are discovered and exploited by entrepreneurs; and, to explain change processes in dynamic economic systems. These research objectives underpin much of the contemporary entrepreneurship scholarly field, generally considered to have emerged in the late 1980's and early 1990's in the form of seminal texts by Gartner (1988; 1990) and Bygrave (1993; 1989).

Entrepreneurship as a discrete research paradigm has, over the past three decades advanced various core themes that have elucidated the phenomenon, including the individual-opportunity nexus (Dimov, 2007; Shane, 2000), entrepreneurial orientation (Lumpkin and Dess, 1996; Covin and Miles, 2006) and the new venture creation process (Forbes, 1999; Lichtenstein et al., 2006). Entrepreneurship continues to attract scholars from across disciplines, evidenced, for example, by the Entrepreneurship Division of the Academy of Management growing by 230% between 2001 and 2011, taking the number of members to 2700 and making it now one of the largest divisions within the academy (Wiklund et al., 2011). In recent years, various niche areas of entrepreneurship scholarship have emerged, demonstrating the centrality of entrepreneurial constructs to economic and institutional behaviours that frequently extend beyond the boundaries of traditional small business activity. A burgeoning literature on academic entrepreneurship (Grimaldi et al., 2011; Wright, 2007) and institutional entrepreneurship (Dorado, 2005; Hardy and Maguire, 2008) for instance, emphasises the role of individual agency within large bureaucratic structures. Other scholars have focussed attention on specific entrepreneurial contexts such as family business (Litz, 1995; Sharma, 2004), corporate venturing (Zahra and Covin, 1995; Covin and Miles, 2006) and female-owned business (Carter and Cannon, 1992; Carter et al., 2009). In doing so, researchers have developed methods and insights that are often unique and specific to each area, and have broadened out earlier neoclassical conceptions of the entrepreneur and the entrepreneurial function. Arguably however, the most dynamic area of research relating to entrepreneurial activity has been the rapid

expansion of the social entrepreneurship and social innovation domains (Short et al., 2009).

### **2.3 Social Entrepreneurship**

Social entrepreneurship is considered by many to be a subset of the entrepreneurship research paradigm (Seymour, 2012b; Dacin et al., 2011). A significant quantity of social entrepreneurship scholarship is based around shared economic assumptions concerning the nature of Schumpeterian ‘creative destruction’ (1934a), the individual-opportunity nexus and the logic of equilibrating markets. Both research fields afford the entrepreneur a ‘special’ position in the economy as an agent of change; they embody the role of powerful catalysing actors who can introduce new combinations that improve or destroy incumbent organisations and industries. The linkage between fields is fundamental, and can be evidenced by the highly influential conceptualisation of social entrepreneurship by Dees (1998: 4) that explicitly draws on classical entrepreneurship theorists including Say (1767-1832), Schumpeter (1883-1950) and Drucker (1909-2005):

“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 heightened accountability to the constituencies served and for the outcomes created.”

Arguably, social entrepreneurship scholars have been more eclectic in their framing of this particular form of entrepreneurial behaviour (Short et al., 2009). Departing from a largely econo-centric explanation of entrepreneurial action (and assumptions based around *homo economicus*), scholars have drawn theoretical inspiration from, amongst

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other research fields: social movement theory (Vasi, 2011), new public management, public administration and complexity science (Goldstein et al., 2010).

As Dacin et al. (2011: 1203) explain:

“The area of social entrepreneurship is particularly appealing because of its interdisciplinary focus as it intersects a number of boundaries drawing explicitly from anthropology, economics, political science, psychology, and sociology.”

This eclecticism arguably comes at a price. Despite incorporating a wide range of perspectives, the depth of analysis based on these inputs is often limited, and a significant portion of extant research does not, in fact, reference other established fields (Short et al., 2009). Consequently, social entrepreneurship is widely considered to be fragmented (Nicolopoulou, 2014; Nicholls, 2010) with a lack of cohesion around core constructs hindering theory development (Choi and Majumdar, 2014). Others criticise the lack of empirical research exploring the phenomena as it happens in the field (Short et al., 2009) and the preponderance of ‘individual success stories’ (Dacin et al., 2011) or exemplary vignettes (Hockerts and Wüstenhagen, 2010).

### ***2.3.1 Social Entrepreneurship as a Global Phenomenon***

Social entrepreneurship must also be understood as a global phenomenon that displays different characteristics across the various territories in which it is enacted. While the focus of this thesis is social entrepreneurship within established economies, it is in the developing world that it has arguably had greatest impact. Across Africa and South Asia, social entrepreneurship has filled some of the gaps left by weak social and political institutions that are often marred by corruption. In Bangladesh for example, Muhammed Yunus’ Grameen organisation has formed what essentially constitutes a ‘shadow government’ (Narayan, 2002), providing fundamental services for poor Bangladeshis that are otherwise disenfranchised. There is a similar focus on addressing some of the acute healthcare problems experienced in sub-tropical areas, largely by

working in conjunction with western social enterprises.<sup>5</sup> And finally, social entrepreneurs are tackling fundamental human rights issues such as gender equality<sup>6</sup> by challenging established social and institutional structures.

In western economies conversely, social entrepreneurship is typically introduced as a replacement of existing government welfare services. This shift towards civic society is ideologically driven, and based on the premise that marketization of social welfare can increase efficiency. It is interesting to note however, that despite the diverging drivers of social entrepreneurship, there has been significant cross-fertilisation of ideas across contexts, with concepts such as microfinance, initially developed in Bangladesh, finding huge success in advanced economies such as the USA and UK.

### ***2.3.2 Social Value***

A key term, ubiquitous within social entrepreneurship discourse, is social value. Yet, closer examination of this term reveals that it is highly contested and lacking in definitional consensus (Henriques, 2014). This is largely because value is a subjective, contextually-bound and contingent construct, as Mulgan (2010: :40) argues:

“Because people’s ethics, morals, and priorities vary, social value assessments that look only at costs and benefits are bound not to influence many members of the public and the politicians who represent them.

Philosophers (from John Dewey to Luc Boltanski) have long recognized that societies are made up of competing and conflicting systems of valuation and justification. But measurers of social value have often tried to deny this.”

Thus, taken to an extreme, the social value creation activities of one group can be equally considered as antisocial from another’s perspective, and so sensitivity must be

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<sup>5</sup> See Noora Health for example (<http://www.noorahhealth.org>)

<sup>6</sup> See the launch of the Young Women Social Entrepreneurship Development Programme in India, for example (<http://www.theguardian.com/british-council-partner-zone/empowering-women-socialentrepreneurs-india>)

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applied when considering how the term is used. Even though social value has been enshrined in law, most recently in the 2012 Public Services (Social Value) Act, no strict definition of social value is provided. Instead, the provisions of the Act suggest that public authorities must consider how procurement may improve the economic, social and environmental well-being of an area. Some scholars, interested in concepts such as social return on investment (SROI), attempt to attribute a cost value to such social value, through calculating the money saved for a particular stakeholder (in the instance of Mook et al. (2015), the financial cost of sleep deprivation) Thus, given the lack of any satisfactory way to objectively define social value, this thesis will adopt the approach taken by other scholars, that considers social value in each empirical case study as something that benefits local stakeholders, and society more generally, while recognising that this value may in some instances conflict with a minority of others views.

### **2.4 Historical Foundations of Social Entrepreneurship**

Social entrepreneurship can claim both practical and intellectual foundations ranging across varied domains of social, religious and economic activity. While social entrepreneurship scholars have, at times, neglected these roots, it is argued here that they are important for understanding both the individual motivations of social entrepreneurs and the institutional and economic forces that shape social and political activity at a macro-economic level.

#### ***2.4.1 Early Utopianism and the Victorian Reformers***

Social entrepreneurship is typically considered a modern vehicle for addressing societal problems, though examples of social entrepreneurship and social innovation can be traced to the pre-Victorian era. Robert Owen, a businessman in 19th century South Lanarkshire, Scotland, turned a New Lanark mill into a utopian workers' community by introducing job conditions that countered the prevailing 'dark satanic mills' of the industrial revolution (Morton, 1969; Owen, 1824). Owen's

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counterintuitive insight, that business could be productive and profitable while concurrently pursuing a social mission (in his case, free education and improved employment conditions for children and mill workers) forms the keystone of contemporary social entrepreneurship theory and practice.

The legacy of Owen's utopian philosophy can be traced across the work of other radical Victorian social reformers such as Joseph Rowntree and Octavia Hill. Both these entrepreneurs identified that, in order to be sustainable and impactful, such reforms must be embedded in a market logic rather than a purely charitable one. Hill's principal social objective was to improve housing for the working poor in London. She took on the management of slum housing, created clean and sanitary living spaces and introduced strict enforcement of rent collection and rigid rules relating to property management (Bell, 1986). Her active household management ensured few bad debts or rent arrears from tenants (they were quickly evicted if they failed to pay). It was Hill's belief that developing a reciprocal friendship with the tenants could improve their moral character and reduce the class-reinforced inequality gulf that concerned many wealthy individuals of the period; characterised by Bremner (1965: 222) as an "iron scepter twined with roses," Hill pioneered an approach that blended discipline with compassion.

As a result of Hill's house management system, 'an army' of female rent collectors were trained using surplus rental income (Walker, 2006) and adopted a role akin to the modern social worker for tenant families:

"Henrietta Barnett regarded Miss Hill's plan of women volunteer collectors as one of her most brilliant innovations, for it enabled those with "superior cultivation" to storm the Englishman's castle, where the connection between rent-collector and tenant could, by mutual consent, "ripen into the priceless relation of friendship." (Wohl, 1971: 116)

While such instrumental interventions may be unpalatable to some modern tastes, Hill's reforming ambitions were sincere and the compassion with which she carried out her work was considered absolute by peers. Hill was a steely businesswoman who



ensured a capital return of 5% for her investors (Bell, 1986); she held charity in contempt claiming it sapped the self-esteem and character of recipients. Her ideal, “which so captured the imagination of her generation, was a combination of “philanthropic instinct” and “business aptitude” (Wohl, 1971: 127).

#### ***2.4.2 Entrepreneurial Philanthropy***

These commercial attributes underpin the later entrepreneurial philanthropy of industrial tycoons including Andrew Carnegie and John D. Rockefeller, who, like Hill, held a somewhat disdainful attitude to the both the role and poverty-reducing capacity of centralised government. Carnegie was deeply influenced by the liberal philosopher Herbert Spencer (Lenkowsky, 2015) who, through works such as *Social Statics* (1851) and *The Man Versus the State* (1916), stressed the role of voluntary self-improvement over what he considered the ills of socialism. Unlike traditional philanthropists who passively donate money to established causes, entrepreneurial philanthropists actively invest “their resources (money, know-how, time, social connections, reputation and prestige) in projects that promise high social rates of return” (Harvey et al., 2011: 425). Carnegie used his vast wealth and business knowledge to address what he considered to be policy and market failures across a range of personal interests, including education, diplomacy/international relations, and public realm provision. He also produced, through his writings, a powerful critique of inequality that was influential in shaping social policy. Yet despite his strong opinions, he “resisted specifying mission and purpose” (Harvey et al., 2011: 436) for his various foundations, a foresighted move that has enabled these organisations to operate progressively in response to changing societal needs.

Historically, the role of these philanthropists in creating social innovations that now form taken for granted features of everyday life cannot be underestimated:

“...philanthropic associations traditionally played key roles as pioneers in the development of childcare, education, poor relief, and they had strong links to the State

which gradually took up their initiatives as part of the welfare state's expansion” (Villadsen, 2011: 1058)

Entrepreneurial philanthropists utilise their extensive financial and nonfinancial capital endowments (Harvey et al., 2011; Shaw et al., 2013) to work in a highly focussed and innovative manner. Unlike government, which is often forced into a reactive position in terms of welfare provision and social policy, entrepreneurial philanthropists have shown greater ability and scope to address the root causes of problems. This is perhaps understandable; philanthropists are not constrained by financial resources nor are they accountable to the electoral public should a risky project falter or fail. Yet, despite liberal roots, over the course of time, the (often hated) state typically absorbs responsibility for these entrepreneurial endeavours and the private work of the entrepreneurial philanthropist often becomes embedded in public systems.

#### ***2.4.3 Social Entrepreneurship and Religion***

Following Weber's (1905/2013) conflation of the Protestant work ethic with the 'superior' rationalism (Schluchter, 1985) and capitalist practices of western societies, religion and commerce have been inextricably linked. As Dodd and Gostis explain (2007: 135), “Weber argued that the Protestant work ethic, placing an emphasis on individualism, personal achievement, self-reliance and rational mode of living, was facilitating capital accumulation, thus encouraging entrepreneurial initiatives.” Tracey (2012) and Dyck and Wiebe (2012) each respectively argue that religion and attitudes towards religious salvation (i.e. transcendent ways for humankind to be liberated from suffering) shape the organisational practices of followers (and thus, have a material impact on non-secular organisational practices such as business). Therefore, through different theological periods of history, distinctive approaches to the locus of ethical activity (either at a collective or individual level) powerfully shape organisational outcomes and practices. To illustrate this point, consider the Post-Constantine era, where the dominant ethic was: “*extra ecclesiam nulla salus*— no salvation outside of the church. The church is seen as the unique means of salvation; salvation is not primarily the matter of individuals and their personal relationship with God” (Dyck

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and Wiebe, 2012: 310). Contrast this with the PostReformation era, and the philosophy of individual hard work and self-sufficiency are now central. The theological association of trade and industry as an avenue for emancipation thus had a transformative effect during this era:

“Calvin sees commerce as an integral part of life and does not have the same misgivings about usury, even becoming personally involved in what today might be termed social entrepreneurship by starting up several ventures designed to provide jobs for the poor” (Dyck and Wiebe, 2012: 313).

Dodd and Gostis (2007) are the first to make an explicit link between social enterprise and Calvinism, highlighting Calvin’s own success in establishing a social purpose watch-making business in Geneva (and, prior to that, a failed curtain business in Rome). Other non-Protestant religious groups have also utilised innovative business models to repair institutional voids through commercial activities. Dyck and Wiebe (2012: 313) note “this increased emphasis on individualism also made in-roads among the Catholics.” Miles et al. (2014) highlight the activities of St. Vincent De Paul, who developed a theology of business ethics that underpinned approaches to helping the poor while remaining economically sustainable. A notable example of these Vincentian values in practice, includes Celtic Football Club, one half of the Old Firm in Scottish football. Celtic FC was founded in 1888 by the Marist Brother Walfrid to address the extreme poverty and discrimination facing Irish immigrants in Glasgow’s East-end (McDougall, 2013). Money from the match gate was used for a series of welfare programmes that alleviated hunger and the social stigmatization facing the community (Deuchar and Holligan, 2010) by integrating “young Scottish Catholics into Scottish society” (Murray and Murray, 2003: 139). Although Celtic became a PLC in 1897, the social contract between the club and the community remains strong through outreach work in Glasgow and beyond.

In addition to Celtic FC, a number of religious-based social innovations remain prominent in contemporary society, though are often shorn of their spiritual identities; First Aid, Girl Guiding and the Hospice Movement each have Christian roots (Schon,

2014) and all feature in a NESTA (2014) report detailing 18 everyday social innovations that have positively changed society.

#### ***2.4.4 Social Entrepreneurship and the Cooperative Movement***

Octavia Hill and Andrew Carnegies' form of social entrepreneurship may be characterised by a focus on the forceful power of individual agency; yet, an inverse approach for addressing inequality ran in parallel during the same period of industrial expansion. This came in the form of the vast cooperative networks that formed around Manchester, beginning formally in 1844 with the Equitable Pioneers of Rochdale Society (Conover, 1959; Bonner, 1961)<sup>7</sup>. A cooperative is defined as “a voluntary created organization of people, formed for the purpose of meeting their common needs through mutual action, democratic control, and sharing of economic returns on the basis of individual participation” (Shaffer, 1999: 39). Cooperatives, by their nature, contrast fundamentally with the classic liberalism of the Victorian reformers and the entrepreneurial philanthropists. While these individuals were usually powerful, and had relatively easy access to resources, cooperatives derived their influence through inclusion, community and the participation of members. The Rochdale Pioneers developed a series of ‘practices’ in 1844 that would go on to inform the subsequent global cooperative movement. These seven principals are:

1. “Open membership.
2. Democratic control (one man, one vote).
3. Distribution of surplus in proportion to trade.
4. Payment of limited interest on capital.
5. Political and religious neutrality.
6. Cash trading.
7. Promotion of education” (Thompson, 1994: 1).

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<sup>7</sup> Though cooperative organisations had been operating across the European continent before then.

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Cooperatives sit uncomfortably with many proponents of free-market economics (Wright, 2014) and the individual liberty which appears to characterise social entrepreneurship. Some Marxist theorists consider cooperatives to be a stage on the journey to a state planned economy and communism (Jossa, 2005) and Marx (1894: 571) himself was enthusiastic about the potential for cooperatives to transfer decision-making powers from the bourgeoisie to the worker. However, like the gradual but pronounced obsolescence of Marx in economic theory, Kalmi (2007) traces a decline in scholarly attention paid to cooperatives from 1905-2005, which is attributed to a paradigm shift in economics from institutional analysis to neoclassical analysis. Only recently, following a sustained global recession that has concentrated capital into ever fewer hands (Piketty, 2014), have policymakers and scholars been keen to revisit the stabilising and emancipatory powers of socially innovative workers cooperatives such as the totemic John Lewis Partnership (Paranque and Willmott, 2014)

When reflecting on these varied historical approaches to social entrepreneurship and social innovation, it is evident that the cooperative movement and entrepreneurial philanthropy are two sides of the same coin. Industrialists such as Carnegie earned great wealth on the back of cost-cutting, aggressive business practices and the adoption of automating technology (Harvey et al., 2011; Lenkowsky, 2015).

Cooperatives meanwhile, emerged to deal with the social dislocations associated with the “periodic unemployment, low pay, unhealthy cities, and dangerous workplaces” spawned by capitalism and the industrial revolution (Fairbairn, 1994: 2). Economic liberals, and those sympathetic to the tenets of Weber’s Protestant work ethic, typically view the collectivism of the workers cooperative as a sacrifice of liberty; while, conversely, the working classes would be quick to draw attention towards the irony of paternalistic capitalists using the spoils of labour exploitation, pollution and rent seeking, to remedy those very same negative externalities of industrial production.

### ***2.4.5 Funding of Social Entrepreneurship and Social Innovation: Public Subscriptions as an Antecedent of Crowdfunding***

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In addition to direct taxation, entrepreneurial philanthropy and charitable giving, a successful means of developing public goods has been through public subscription. Pre-dating crowdfunding by over 100 years, many iconic examples still exist of public assets that were funded through small contributions from hundreds and sometimes thousands of individual citizens. These range from well-known landmarks such as the Statue of Liberty in New York (Milbourne, 2014) and Nelson's Column in London (Yarrington, 1983), to educational institutions such as the University of Bangor, which was funded by "the voluntary contributions made by local people, including farmers and quarrymen, from their weekly wages over a period of time." (Bangor University, 2015: 1)

Public subscriptions contribute a significant and distinct dimension to understanding of the social entrepreneurship construct. Their existence demonstrates that individuals' are willing to contribute personal resources to a collective good that, unlike a cooperative, will be largely enjoyed by non-contributing members. Nor will contributors benefit from the personally beneficial symbolic capital often generated by entrepreneurial philanthropists, as individual givers will receive little, if any, public recognition for their contribution (Harvey et al., 2011; Shaw et al., 2013).

Public subscriptions therefore draw attention towards a widespread acceptance that taxation is not an appropriate source of funding for *all* acts of public good creation; an acknowledgement that the state has a theoretically limited role in society and that it is often unresponsive, by accident or design, to certain public demands.

This 'civic crowdfunding' therefore has a structural role in challenging bureaucracy and the often opaque decision-making processes in national and local government (Davies, 2014). Many examples of public subscriptions have been forged in response to a failure of government to financially support specific causes, for example the Statue of Liberty, or to recognise the needs and aspirations of socially marginalised groups. Public subscriptions thus provide a mechanism that endows often powerless actors with an opportunity to collectively challenge and remould power relations in the pursuit of 'the common good'. However, this does come with some caveats: the public subscription system can be inefficient and there exists a threat of vocal minority

interest groups dominating others (Arnstein, 1969); each of which are problems that permeate current social entrepreneurship practice, yet are rarely considered.

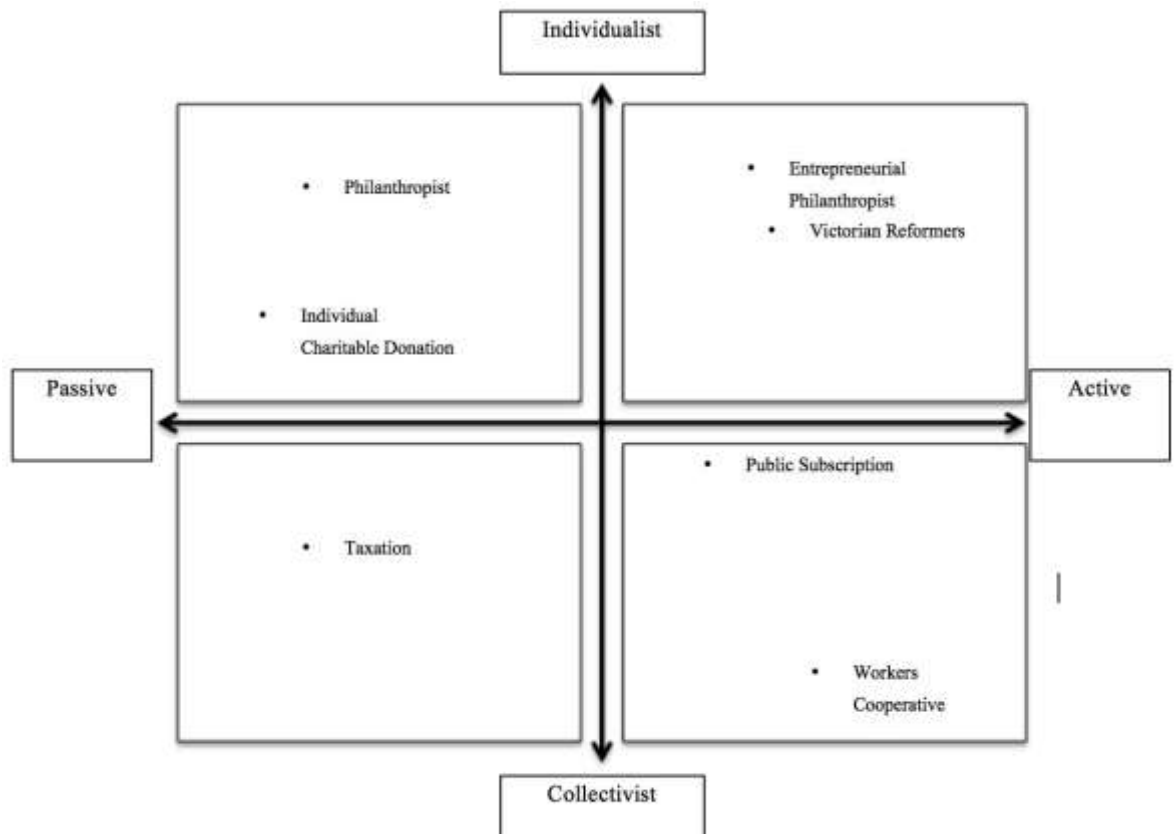
## **2.5 Summary of Social Entrepreneurship Antecedents**

The first conclusion that can be reached from considering some of the historical antecedents of social entrepreneurship and social innovation, is that no economic model has yet proven satisfactory enough *not* to be replaced - or at the very least, rejected by large segments of the population. Of liberal approaches, Polanyi (1944: 73) offers the critique that, "to allow the market mechanism to be sole director of the fate of human beings and their natural environment...would result in the demolition of society." Yet, where the direct alternatives, socialism and communism have been implemented fully, populations have suffered immensely too, as in the cases of Russia and Eastern Europe. Amidst the shifting economic systems of the past, there does not appear therefore to be significant clarity around the socio-economic function of social entrepreneurship or social innovation. In some cases it is presented as a cloth to mop up the social dislocations and negative externalities of the capitalist system. In others, it represents a more active opportunity to challenge power structures and inequitable modes of production, hence limiting or even mitigating the fundamental requirement for welfare services.

### **Figure 3: Mapping the Antecedents of Social Entrepreneurship<sup>8</sup>**

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<sup>8</sup> It is acknowledged that categories such as 'Victorian Reformer' are not homogenous and individual actors will occupy different positions across both continuums.



What those involved in early examples of social entrepreneurship can agree on, across the spectrum of liberal and collectivist players (see Figure 3, above), is that both passive charity and ‘The Omnipotent State’ are incapable of addressing social problems sustainably or with great efficacy. Some figures, such as Octavia Hill, believe in harnessing the market to develop individual solutions to social problems. Others such as the Rochdale Pioneers seek emancipation through attempts to subvert or otherwise resist the same markets, in doing so forcing trade and labour activities towards more collectivist terms. The legacy of each approach and the tensions therein (as will be demonstrated in the following section), still resonates in contemporary political economy discourse.

## 2.6 The Contemporary Political Economy of Social Entrepreneurship in the United Kingdom



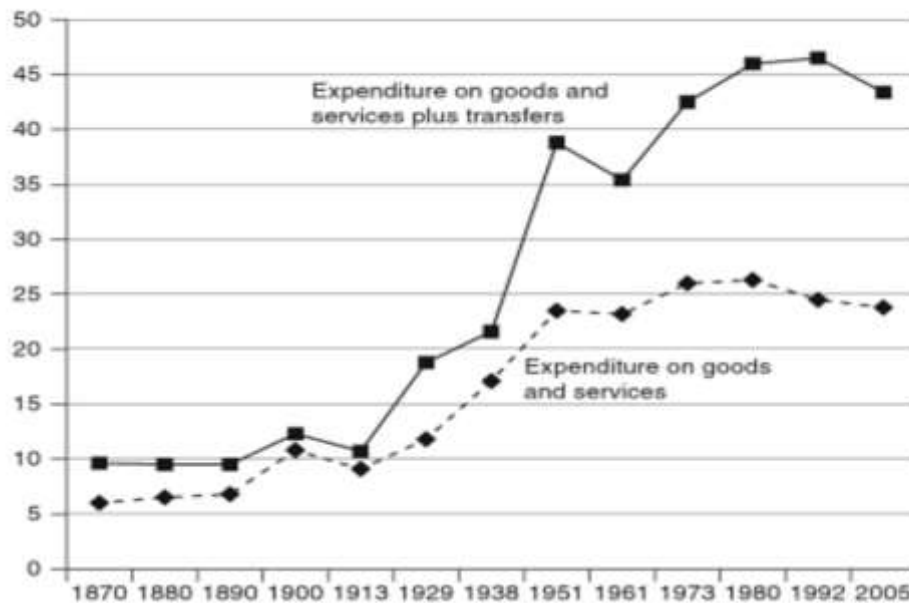
### ***2.6.1 The Rise of the Social Entrepreneur***

Social entrepreneurship as a contemporary economic phenomenon achieved some prominence in 1997 with the publication of Leadbeater's (1997) *The Rise of the Social Entrepreneur*. In this foundational report, published by the centre-left think tank Demos, the author sets out a manifesto calling for an injection of Schumpeterian 'creative destruction' into a creaking and increasingly inadequate welfare state. Leadbeater (2007) identifies a problematic tension in the political economy of the time: that the public acknowledge the system is failing yet are unwilling (fiscally and often ideologically) to pay more tax to maintain or improve services. Consequently, the result of underfunding and gradual disentanglement have left the 'dismantled' (Smith, 2010) welfare state, unrecognisable from the one established in the post-war period by William Beveridge and Nye Bevin.

### ***2.6.2 The Post-war Settlement***

The roots of this retrenchment are various and far-reaching. As Leadbeater (1997) and others (Clark and Newman, 1997) identify, the original post-war welfare settlement was designed around the needs of a fairly homogenous populous who required mostly homogenous services. Families tended to exist in traditional nuclear structures and full employment was commonplace for a historically long period (Matthews, 1968). This created an economy in which central planning and undifferentiated service provision were effective in raising living standards for unprecedented sections of the population (Barr, 1993). Public spending, which had been increased during the war (Table 4, below), was maintained at high-levels following the war, allowing for the expansion of public goods and redistributive transfers through mechanisms such as student grants, pensions and income support.

Table 4: Public Expenditure as a Percentage of National Income, 1870-2005



Source: Millward (2014: 388)

In the 1970s, these economic and social regularities were disrupted by a series of macro-social changes. Mass immigration, the breakdown of traditional family structures and a declining religious observance all undermined the state's ability to meet the needs of an increasingly diverse and fragmented population. The economic shocks of the period such as the stagflation, i.e. high unemployment, high inflation and stagnant growth (Kitson and Michie, 2014), and the Winter of Discontent (Hay, 2010), coupled with the deindustrialisation of former powerhouse regions such as The North, Midlands and Scotland created a volatile socio-political environment. The Winter of Discontent in 1978-1979, is considered to mark the death of Keynesianism in British politics, and the end of the post-war consensus that involved high-levels of state intervention in the economy (Hay, 2010).

### 2.6.3 Thatcherism and Civil Society

When Margaret Thatcher became Prime Minister of the UK, the economic and social turbulence of the preceding years created an opportunity for radical economic policy. As Skidelsky (1988: 2) observes "the voters were not imbued with her cause, but they

realized that the old regime was bankrupt and that something new had to be tried”. In 1979, Thatcher, in step with her ally, the American president Ronald Regan, implemented an extensive program of neoliberal interventions across the economy. Neoliberalism is “the extension of market (and market-like) forms of governance, rule and control across – tendentially [purposively] at least – all spheres of social life” (Peck and Tickell, 2007: 28). The first step for the Thatcher government was to minimise the power of the Trade Union movement; something that was achieved through a series of protracted power struggles (Marsh, 1992). This was immediately followed by the privatisation of state monopolies such as British Gas, British Telecom and the British Steel Corporation. Thatcher argued that providing the opportunity for the general public to become shareholders in formerly public companies would engender a greater stake in society while simultaneously increasing international competitiveness within previously monopolistic industrial sectors.

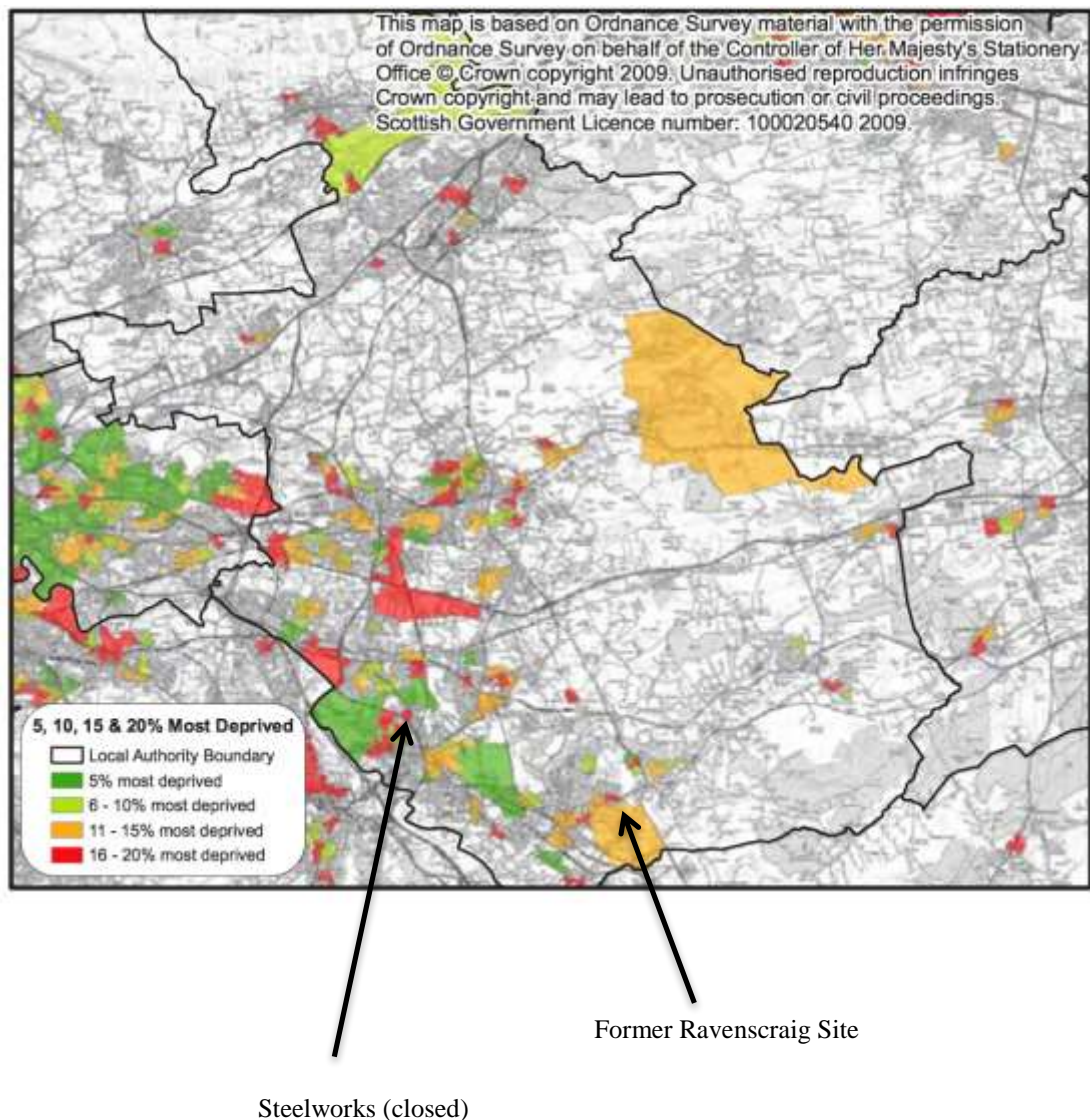
Yet, in pioneering open global markets, and removing state protection for a variety of inefficient and uncompetitive UK companies<sup>9</sup>, established economic and social structures in certain regions were destroyed. While it has been argued that shipbuilding, coalmining and steelworks had no long-term future owing to cheap foreign imports (Torrance, 2009), the economic transition in the short and medium term was problematic. The scale of the social upheaval was considerable for many parts of the UK. In Scotland, a fifth of the workforce lost their jobs within the first two years of the Thatcher government (Stewart, 2009). Traditional energy and manufacturing industries, on which Northern economies were over-reliant, were no longer ‘propped up’ and the effect of this was the large-scale closure of coal mining, steelmaking and textile businesses that each employed thousands of workers across vast sites (Carmichael, 1992). While new economic policy was implemented to encourage the growth of sunrise industries based around information communication technologies (ICT) and the service sector, these ultimately did not make up for the ‘huge contraction’ in Scottish manufacturing (Stewart, 2004: 82)

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<sup>9</sup> Edward Heath had attempted this first, in the early 1970’s, however, he reversed tack following the Upper Clyde Shipbuilders ‘work-in’, the near bankruptcy of Rolls Royce and the high interest rates of the period.

This economic transformation had considerable implications for social welfare and civil society across large areas of the UK. The empirical research in this thesis largely focuses on the West of Scotland region, an area that is broadly representative of other similarly disadvantaged post-industrial areas across the UK such as Merseyside, East Yorkshire, South Wales, North Lincolnshire and Humbershire. In typical industrial towns such as Motherwell, North Lanarkshire, where the Ravenscraig Steel plant was based, social structures were deeply embedded around the vast facility (and other similar industrial works) which employed over 13,500 people at its peak (Hansard, 1982). The steel mill, and other local collieries, spawned welfare clubs, sports teams, trades unions, masonic clubs and orange orders that, together with the churches, bonded together (and sometimes divided) the community. As Putnam (2001; 1995) famously describes in his book *Bowling Alone: America's Declining Social Capital*, the collapse of voluntary civic networks and 'organized reciprocity' has a significant negative effect on overall economic outcomes. The urban topology of Motherwell, which is reflective of many other deindustrialised areas, was constructed around stable patterns of mass-employment. Slum tenement housing had been demolished in the 1950s and was replaced with sprawling estates of modern and clean local authority housing for workers. By the mid-1980s following the collapse of industry, these same 'schemes' were suffering the effects of mass unemployment such as drug abuse, poor health and increasing levels of violence; residents were typically left with poor public transport links (as the estates had been constructed within walking distance of the plants) and limited facilities, preventing them from travelling to find work in other towns. A recent study by Ioris (2013: 12) vividly captures the legacy of deindustrialization on the North Lanarkshire population, with one resident summing up the situation in 2011: "This is now a very undesirable area to live, most people are on benefit until they die, lots of drinking and depression. (...) Very bad, aye, aye... there are no prospects for us here." The area is now only second to neighbouring Glasgow in terms of the most severe areas of multiple deprivation. Figure 4, below, highlights the pockets of extreme poverty and social breakdown that are concentrated around the former industrial sites.

Figure 4: Most Deprived Datazones on the Employment Domain in North Lanarkshire (Scottish Government National Statistics, 2009)



This localisation of social deprivation and the contextually specific nature of deindustrialization has been a major driver in the reformulation of civil society and, latterly, social entrepreneurship and social innovation. Scholars such as Moulaert (2013) and others (Moulaert and Sekia, 2003; Nussbaumer and Moulaert, 2004; Moulaert et al., 2009; Moulaert et al., 2010) have stressed the territorial and sociointeractional dimensions of social innovation, with Van Dyck et al. (2013: 133) arguing that “social innovation mobilizes the concept of territory to understand and explain the spatial processes that obstruct or enhance the capacity of action of disfavoured social groups”. Social Enterprise UK (2013) confirm that social

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enterprises are concentrated in the most deprived areas in the UK (Table 5, where '1' represents the most deprived area), reinforcing the context-specific and localised nature of these organisations.

**Table 5: Where Social Enterprises Work: by level of deprivation compared to SMEs (Social Enterprise UK, 2013)**

Band	1	2	3	4	5
Social enterprises <sup>23</sup>	38%	26%	14%	9%	7%
SMEs	12%	19%	21%	26%	22%

Most deprived ← → Least deprived

This territorial framing offers potential to uncover the institutional functioning of areas such as North Lanarkshire which, like many heavy industry regions is considered to be a Labour heartland (Lever, 1991)<sup>10</sup> and where local councils have consistently been Labour-led<sup>11</sup>. Memories of the Red Clydesiders, who provoked army tanks onto George Square during a labour dispute in 1919 (Knox, 1989; Brotherstone, 1989), remain through the heavily trade unionised population. The driver for social innovation and social entrepreneurship during the Thatcher period stems in part therefore, from a lack of a common ground between the conflicting economic and political philosophies of the national government and the local/regional authorities:

“...there was considerable conflict between the council's objectives of helping the most deprived groups within the community and the government's objectives of freeing the private sector to make increasing profits. In consequence, a range of agencies has come into being to engage in urban economic regeneration. However, the conflict in attitudes

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<sup>10</sup> This only changed in Scotland during the 2014 independence referendum, which saw North Lanarkshire narrowly vote against the Labour position. A similar pattern in English post-industrial areas has arguably been a shift towards right-wing populism, particularly via the United Kingdom Independence Party (UKIP).

<sup>11</sup> Councillors even used to joke about weighing their votes such was the certainty of a Labour victory (Wright, 2015)

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remains with bodies such as the Scottish Development Agency still oriented towards making private industry more profitable and therefore expansionary, and bodies such as community/voluntary organisations and local authorities still stressing the need to target job creations upon the most deprived groups and areas within the conurbation.” (Lever, 1992: 947)

The Conservative government supply-side approach to economic development was problematic in Scotland and many post-industrial areas of England and Wales, as demand was often driven by the public sector, which was now significantly reduced. Margaret Thatcher was keen to ensure that neoliberal restructuring of the economy was not thwarted by quasi-Keynesian interventions or even cold feet from her own ministers concerned at unemployment reaching 3 million for the first time since the 1930s. As she famously retorted “...you turn if you want to. The lady’s not for turning” (Seldon and Collings, 2014: 98). Attention thus turned to the voluntary and social sectors to absorb the welfare-market dislocation. As Lever (1992: 941) explains:

“...the voluntary community sector has become involved as a consequence of the recognition that the formal private sector is unlikely to provide all the necessary additional labour demand to absorb the unemployed and the public sector is unable to make up the shortfall because of restrictions on spending imposed by central government. Thus community businesses and similar enterprises have been created not only to create employment and work-experience opportunities but to supply socially desirable goods and services which the formal sector would have difficulty in supplying profitably.”

Hence, in parallel to the ‘Big Bang’ structural changes the Thatcher government introduced to the financial services industry through the deregulation of markets (Plender, 1986; Fishman, 1993), a less celebrated repurposing of the third sector was also commenced. Civil society was now increasingly expected to take over from the state in response to localised socioeconomic issues that would not and could not be effectively addressed through national policies. As Santos (2012: 341) reflects, “The visible hand of the government is blunt and favours general solutions not customized

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actions. Here enter charitable organizations and NGOs, which are groups of citizens concerned about a particular social inequality who create an organization that redistributes resources to reduce that inequality or offer services for free or at low cost to disadvantaged populations”

Various attempts have been made to rationalise the moral and ethical justifications for fully embracing free-markets, despite the social consequences of radical economic transition. Filby (2015) claims the role of Thatcher’s father, a Wesleyan lay preacher and small business owner, was more formative than Hayek or Freidman in legitimising such policies:

...the theological basis of Thatcherism (was): an individualistic interpretation of the Bible, a nod to the spiritual dangers of avarice, the Protestant work ethic, praise of the godly virtues of thrift and self-reliance and, finally, a divine justification for individual liberty and the free market. In short, Thatcherism always owed more to Methodism than to monetary ism. (Filby, 2015: 1)

Through labour market reforms and industrial policy changes, Margaret Thatcher sought to break the connection between the supposed moral superiority of socialism, which was a dominant logic across the industrial regions, and restore the virtues of individualism and self-reliance, returning explicitly to Smilesean-derived Victorian values. This provided a strong justification for ‘rolling back the frontiers of the state’, cutting taxes and returning to a ‘giving society’; something which, to Thatcher’s disappointment and confusion, failed to materialise (Filby, 2015).

### ***2.6.4 The Third Way and New Labour***

*“The Third Way is seen as presenting an essentially right-wing philosophy in a more attractive light – Mrs Thatcher without the handbag” (Giddens, 2013: 8)*

As Thatcherism waned and dissatisfaction with laissez-faire capitalism grew, particularly in the aftermath of the stock market crash on Black Wednesday and the



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expulsion of the UK from the European Exchange Rate Mechanism, public appetite for an alternative political philosophy increased. However, this change did not entail a return to old command and control models of socialism favoured by 1980s Labour leaders such as Michael Foot, nor did it orient towards the new hard right of the Conservatives, but rather a supposedly distinctive model that offered a pathway through dogmatic and counterproductive political ideologies. Termed *The Third Way*, this purportedly ‘new’ approach was given the acronym of PAP to reflect its core characteristics: pragmatism and populism. The architect of Third Way politics is the leading sociologist Anthony Giddens, who has written extensively about the need to transcend traditional arguments around tax, spending and welfare (1994; Giddens, 1999; Giddens, 2001; Giddens, 2002; Giddens, 2013). Hence, the Third Way approach attempts to bridge both ideologies by minimising the inequitable effects of free markets while refusing to slide into centralisation, dependency and inefficiency (see Table 6, below).

The Third Way signalled a change in the left’s attitude towards entrepreneurs and business (du Gay, 2004). Tony Blair enthusiastically built upon the ‘enterprise culture’ created by Thatcher in the 1980s (Peters, 2009) and encouraged the transference of entrepreneurial values and characteristics into the public and social sectors. Amid this political climate, influential think tank reports such as *The Rise of the Social Entrepreneur* (Leadbeater, 1997) and *Civic Entrepreneurship* (Leadbeater and Goss, 1998) found widespread support amongst policymakers and key intermediary organisations. Reforms were introduced through legislation in the 2006 Companies Act that allowed organisations to form as Community Interest Companies (CIC). The act provides an innovative method for social purpose ventures to operate with similar freedoms to a limited company while allowing communities and other local groups to hold shared assets.

**Table 6: Dimensions of the Third Way**

<i>Dimension</i>	<i>Old Left</i>	<i>Third Way</i>	<i>New Right</i>
Approach	Leveller	Investor	Deregulator
Outcome	Equality	Inclusion	Inequality
Citizenship	Rights	Both	Responsibilities
Mixed economy of welfare	State	Public/private civil society	Private
Mode	Command and control	Co-operation/partnership	Competition
Accountability	Central state/upwards/national	Both?	Market/downwards/local
Social expenditure	High	Pragmatic	Low

Source: Powell (2000)

The Third Way has been widely criticised, so much so that Giddens (2013) released a book specifically dealing with what he considers to be misunderstandings of the concept. One central critique of his work remains, however. That is, in setting up the Third Way as a *new way* of structuring the economy, a crude caricature of both the Left and Right as being respectively anti-business and ‘nasty’ is reproduced. Similarly, voices on the left disputed the claim that Third Way practices are inevitable in a globalised economy. Callinicos (2001) argued that Giddens and Tony Blair should have challenged the fundamental logic of market forces rather than embrace them in civic society. They did however chose the opposite path, which, some have viewed as undermining the full electoral basis of labour-oriented and collectivist politics:

“In historical context, privatisation seems to answer a number of dilemmas for the Tories. By spreading market incentives, it erodes the public sector basis for Labourist politics. By opening the public sector to profit, it gets a lot of capital into circulation. And by reducing the power of public sector workers, it suppresses wage pressures, thus in theory making investment more appealing. Above all, perhaps, in shifting the democratic to market-based principles of allocation, it favours those who are strongest

in their control of the market, and who also happen to represent the social basis of Conservatism.” (Seymour, 2012a: 1)

The move towards Third Way politics caused a split within the Labour Party, between those possessing more ‘traditional’ Labour values and those who claim it is electorally important not to return to comfortable though ‘discredited’ old ground (Cramme and Diamond, 2012; Kavanagh, 2013). This schism has resurfaced during the 2015 Labour leader elections, in which Jeremy Corbyn, a long-standing parliamentarian from the traditional far-left of the party, won a large mandate at the expense of so-called Blairite Third Way politicians such as Andy Burnham, Yvette Cooper and Liz Kendall. With the Parliamentary Labour Party appearing to hold increasingly incompatible views with wider party members, the future of the Labour party as a single entity appears precarious.

#### ***2.6.5 Social Entrepreneurship and the Big Society***

*“Thatcherism MkII?”* (Seymour, 2012a)

Despite moving to a Conservative-Liberal coalition government in 2010, many of the reforms started by New Labour were continued under the auspices of new Conservative social and economic policies. The new Conservative leader David Cameron, undertook an ambitious project to detoxify the Conservative image following 13 years in opposition. In order to do this, he promised a brand of more compassionate conservatism that championed environmental matters and took a more liberal stance on social issues such as gay rights. At the centre of this new offering was the concept of the ‘Big Society’.

“Big society – that’s not just two words. It is a guiding philosophy – a society where the leading force for progress is social responsibility, not state control. It includes a whole set of unifying approaches – breaking state monopolies, allowing charities, social enterprises and companies to provide public services, devolving power down to

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neighbourhoods, making government more accountable. And it's the thread that runs consistently through our whole policy programme — our plans to reform public services, mend our broken society, and rebuild trust in politics. They are all part of our big society agenda.” (Cameron, 2010)

The Big Society has proved a useful - though some consider ultimately ‘failed’ (Sloccock et al., 2015) - narrative for promoting the proliferation of outsourcing, often in the guise of social enterprise and sometimes into areas that may be unpalatable for sections of the public who remain sceptical of private sector involvement in social welfare. The policy strategy harks back to traditional Conservative values of “public duty and the responsibility of the well off to the disadvantaged” (Smith, 2010: 830) and creates the institutional environment and legislative power to deconstruct barriers commonly faced by social enterprises. Yet, for some, the narrative is no more than a ‘rhetorical fig-leaf’ (Corbett and Walker, 2013) to divert attention from the ‘hollowing out’ of the state. While the policy has been generally considered a failure, a policy review (Sloccock et al., 2015) concludes this owes as much to poor implementation than ideological substance. Sloccock et al. (2015) highlights that: there has been a failure to deliver promised powers to communities; that resources have not been diverted to the most in need; and, that the ‘market-based’ public sector management model has failed to promote collaboration between civil society and private sector organisations.

Clearly, there has never been greater political will behind the notion of a more widely engaged and enterprising social sector, and this is reflected in the way political and economic structures are shifting to accommodate more social enterprise. Despite the failure of the Big Society (Sloccock et al., 2015), and in the context of a prolonged period of fiscal austerity, United Kingdom voters elected a majority Conservative government at the 2015 general election. However, there is some evidence to suggest that ongoing liberalisation of the public sector and social sector is not necessarily guaranteed to follow previous patterns. Despite emphatically voting for a government committed to such privatisations, there remains widespread support for renationalisation of key industries as the popular support for Labour leader Jeremy Corbyn indicates. A recent YouGov poll (2013) suggests that the British public largely

reject markets in publicly operated healthcare (84%), and in currently dysfunctional quasi-private markets<sup>12</sup> such as the transport (66% support rail nationalisation) and energy (68% would like to see gas and electricity provision nationalised). Thus, despite the legislature holding a mandate to operate a far-reaching free-market economy, and the implications this holds for the ongoing liberalisation of welfare provision and the social economy, public appetite for state involvement in a range of industries, paradoxically, remains significant.

## **2.7 A Great Reformation or the Replacement of the State?**

The evolving relationship between the state and the social economy is fundamental to understanding the phenomenon of social entrepreneurship, yet it is a topic rarely considered by the social entrepreneurship research community. While early social entrepreneurs such as Robert Owen and Octavia Hill operated during a time of weak or fledgling state institutions, present-day social entrepreneurs typically operate in advanced technological democracies with powerful, if financially constrained, government. Yet, the moral critique offered by Hill, on the role of the state and of charity (Nicholls, 2010; Jones, 2012), will sound immediately familiar to those who have encountered the libertarian tone of modern free-market thinking:

“From the first John Ruskin and Miss Hill had agreed that their efforts in the field of housing should not take the form of charity, and from beginning to end she argued that for reform to be effective it had to be conducted along profitable lines. Otherwise the independence of the working classes would be sapped, and the example to other landlords and investors would be lost” (Wohl, 1971: 127)

Hill’s view, that government bureaucracy is a barrier to individual problem solving, is again fashionable. In 2010, the Conservative government under Prime Minister David

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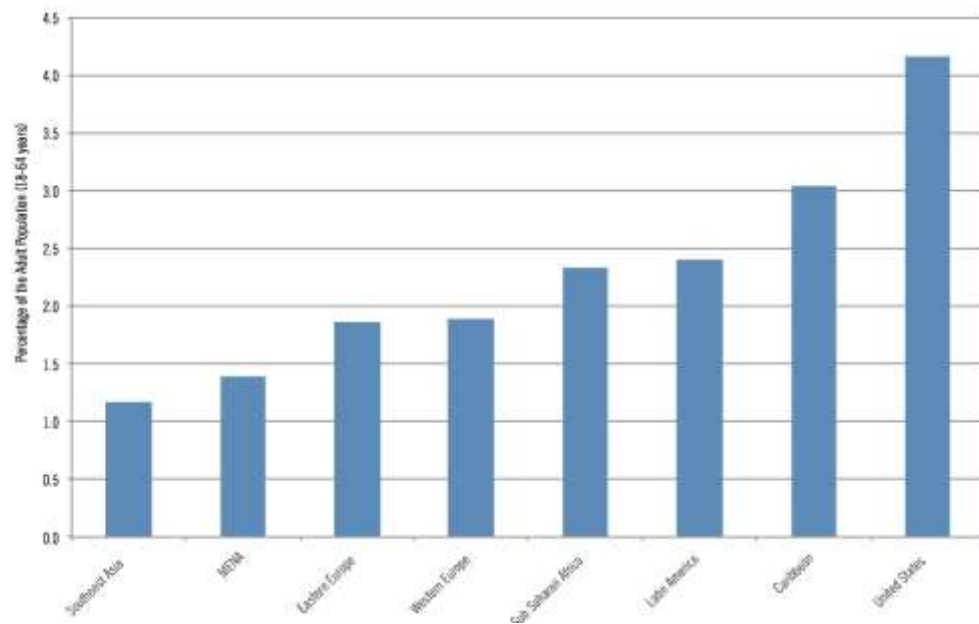
<sup>12</sup> The rail industry for instance operates private franchises on train routes, however the rail infrastructure is owned by a public company.

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Cameron's 'Big Society' (Alcock, 2010; Cameron, 2010; Flinders and Moon, 2011) clearly draws inspiration from the pre-WW2 patchwork of civil society organisations, friendly societies, religious groups and charities that addressed social ills, and provides an alternative, more constructive narrative for unprecedented, and ideological (Lowndes and Pratchett, 2012), cuts to the Welfare state. The premise follows that, should the blunt authoritarian apparatus of the state be removed innovation will flourish in its place. Accordingly, as Hunt (2008) argues, the era of Fordist bureaucracies is crumbling, and the space for pre-statist social enterprises is re-emerging.

The morality of the state benefit system in relation to welfare recipients remains a perennial topic of debate amongst the political classes. The modern, yet distinctly Victorianist (Gentleman, 2010), reforms of Work and Pensions Secretary Ian Duncan Smith favours the supposed efficiency and superior resource allocation of the market over the monolithic welfare state. Not only are the market and civil society considered to be less wasteful when it comes to providing welfare, but they do not engender the sense of 'entitlement' many believe the benefits system does. Influential economists such as Hayek (1944/2014) and Friedman (1969/2009) provide the arguments for the post-war critique of the state, and, in some countries, particularly the USA, these libertarian, anti-statist positions have achieved close to hegemonic status (Plehwe et al., 2007; Birch and Mykhnenko, 2010). Ayn Rand's (1957) *Atlas Shrugged*, an iconic book espousing the role of individualism in opposition to overreaching government, was noted to climb the sales charts every time the US government launched an economic stimulus programme during the 2007 economic recession (Coleman, 2009). Rand's work is quoted and referenced by leading Republican politicians ranging from Ronald Reagan in the 1980's to more recent presidential nominee candidates such as Mitt Romney and the libertarian Ron Paul.

Figure 5: Prevalance of Social Entrepreneurship Early-Stage Activity (SEA) by Global Region



Source: Bosma and Levie (2010), Global Entrepreneurship Monitor 2009, Executive Report

Significantly, these political attitudes towards liberalism are reflected in levels of social entrepreneurship activity. Figure 5, above, highlights the significant disparity in early-stage social entrepreneurship activity between regions such as Western Europe, which are considered to be welfare-based economies, and the USA, which is more market-oriented.

Although libertarian, anti-government socio-political theories are now relatively mainstream and arguably gaining in popularity, they remain controversial. A contrasting school of thought instead conceptualises social entrepreneurship as a means for reforming rather than removing the role and activities of local and national government:

“Social entrepreneurs often confront these problems in new ways and find new solutions. These new approaches could be transferred to the public sector, in much the same way as small biotechnology and software firms often transfer their innovations to larger pharmaceuticals and computer companies.” (Leadbeater, 1997: 22)

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Many local authorities have engaged productively with social innovators to improve service provision from within the public structure (Parker and Leadbeater, 2013). Such approaches intend to develop the capabilities of public sector workers to solve problems from within the current system. Others meanwhile outsource services and act largely as commissioners of social services, something that is contentiously being dominated by large commercial outsourcing groups (Birch and Hunt, 2014; Slocock et al., 2015), yet that may be slightly ameliorated by the Public Services (Social Value) Bill.

Scholars such as Mazzucato (2013; 2011) have vigorously defended the role of government against anti-statist attacks, drawing attention to the critical role public organisations can play in supporting innovation and entrepreneurship. Creating the conditions for individual innovators to flourish is a shared objective across all mainstream ideological perspectives; however, as Mazzucato and others (Musacchio and Lazzarini, 2014) highlight, the state is better placed to absorb the risk associated with radical innovation and arguably only the state possesses the physical infrastructure, bureaucratic apparatus and institutional legitimacy to roll out nationwide social innovations.

The somewhat provocative question posed by Shaw and de Bruin (2013) - have social entrepreneurship and social innovation caused a reconsideration of capitalism - remains unresolved. Research into social entrepreneurship and social innovation has largely avoided engaging in some of the macro-political and ideological questions that address this seismic shift in welfare and social responsibility from the state to the social economy. In academic literature that has considered these fundamental questions, such as a recent interview in *Academy of Management Learning & Education* with the Harvard Strategy Professor, Michael Porter, there is tentative agreement that social entrepreneurship is both transforming capitalism and also that it may be providing a 'Band-Aid' that continues to mask the negative outcomes of the capitalist economic system (Driver, 2012)



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The rapid restructuring of both the funding models and responsibilities for addressing social and environmental problems has created a period of social and economic disequilibrium. Following the wave of creative destruction unleashed through the introduction of Thatcherism and Gidden's (2013; 1999) Third Way, via the New Labour government in the UK and Clinton administration in the USA, in tandem with the rapid diffusion of the social entrepreneurship concept, many marketoriented entrepreneurial actors have seized upon the opportunity to remould the social sector in their image. Long established third sector incumbents meanwhile, have been forced to adapt or risk a terminal decline. Business models that have served social economy organisations for centuries have been rendered obsolete and *earned income* has become the new shibboleth. Octavia Hill's anti-charity anti-state philosophy now dominates the social economy, and the unity of the post-war Welfare state is beginning to resemble a historical anomaly (Mason, 2015).

### **2.8 Chapter Summary**

This chapter frames contemporary social entrepreneurship within a set of broad historical antecedents. Far from being a new phenomenon, examples of social entrepreneurship can be traced back to the Victorian-era, and further if one includes examples of St. Vincent de Paul and John Calvin. The form and function of social entrepreneurship at any time, reflects local trends in government, religion and society; during certain periods the bureaucratic state will hold responsibility for wide-ranging social responsibilities, for example, in the UK following World War II, while in the absence of strong institutions - either by default or design - powerful individual actors such as the Victorian reformers and entrepreneurial philanthropists will emerge alongside less individually powerful cooperative groups who derive strength from collectivism and solidarity.

## **CHAPTER 3 – DEVELOPMENT OF THE SOCIAL ENTREPRENEURSHIP RESEARCH PARADIGM**

### **3.1 Introduction**

This chapter explores the body of academic research that has attempted to elucidate and explain the phenomena of social entrepreneurship. Prior research is split into two chronological categories. The first covers the initial phase of pre-paradigmatic development which, for this thesis, is considered to be the period between the publication of Leadbeater's (1997) *Rise of the Social Entrepreneur* and the special issue on social entrepreneurship in the journal *Entrepreneurship, Theory and Practice* edited by Alex Nicholls, Sara Carter and Greg Dees (2010). The second covers the frontiers of social entrepreneurship research, which here includes work published between 2010-2015. The analysis incorporates some discussion of the various 'schools' in social entrepreneurship research and outlines key diverging assumptions underpinning scholarship. Finally, building on calls from Dacin et al. (2011) to analyse social entrepreneurship from beyond a static *individual* level, extant research at the micro-interactional level, organisational level and systemic levels of analysis is examined to understand how the field is structured and where the most promising research opportunities for social entrepreneurship scholars exist.

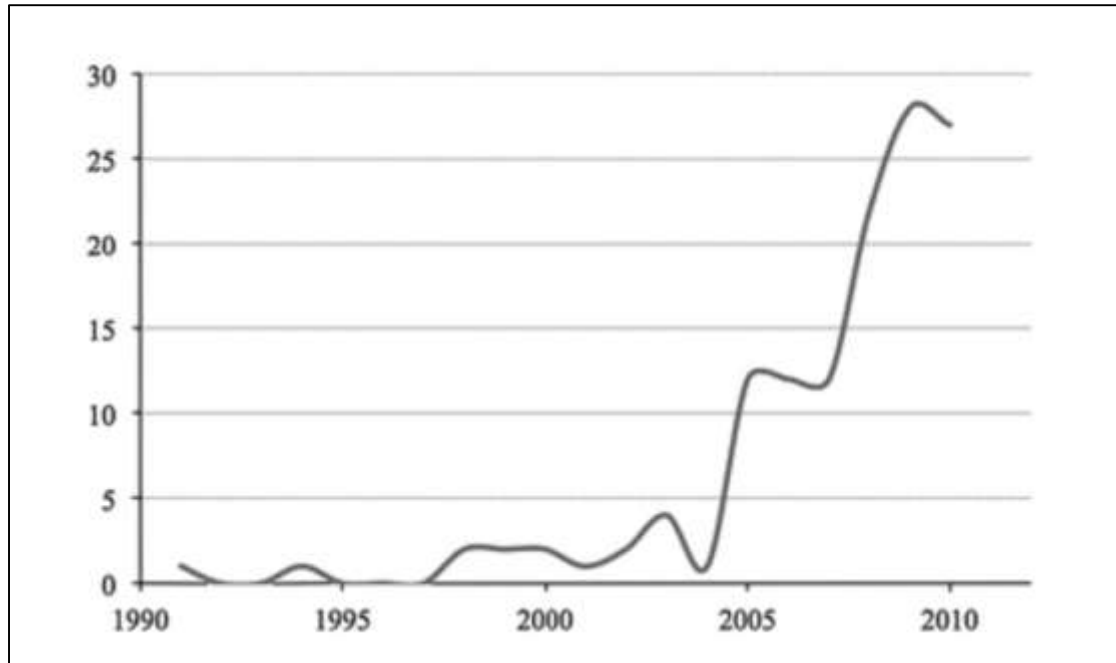
### **3.2 Early (Pre)-paradigmatic Development: 1997-2010**

Development of the social entrepreneurship research paradigm has followed a trajectory that is typical of related domains such as strategic management and even the parent domain of entrepreneurship (Bacq and Janssen, 2011). This has involved an initially limited presence in mainstream journals, a lack of construct legitimacy, narrow theoretical content and contested conceptual boundaries (Short et al., 2009). This pre-paradigmatic status (Nicholls, 2010) is reflected in a preponderance of conceptual articles that mostly attempt to describe aspects of the phenomenon and

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locate, in broad terms, the role and activities of the social entrepreneur (Thompson et al., 2000; Boschee, 2003; Mort et al., 2003).

**Figure 6: The Number of Social Entrepreneurship Articles Per Year (1990-2010)**



Source: Kraus et al. (2014)

As Kraus et al. (2014) illustrate in their bibliometric review (Figure 6), social entrepreneurship research has proliferated markedly since 2004. Yet, despite an increase in scholarly activity, Kraus et al. (2014: 289) confirm that “the majority of recent Social Entrepreneurship articles are conceptual, and empirical studies are rare.” Expansion of the field during this period has contributed to what Harrison and Leitch (1996) term *accumulative fragmentation*. Here, many new perspectives have been applied to social entrepreneurship, yet the internal exchange of ideas between scholars is often low, something that can be partly demonstrated by the 37 different definitions of social entrepreneurship identified by Dacin et al. (2010b) between 1999 and 2009.

Nicholls (2010) and Nicolopoulou (2014) contend that paradigm building is not a neutral process and that tensions exist between dominant institutional actors who each seek to align paradigmatic development to their own, sometimes narrow, interests. These varied actors include resource-rich foundations such as Ashoka and Schwab,

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national governments, practitioner networks and the academic community. Each of these groups is engaged in micro-legitimizing activities that attempt to influence the conceptual development of social entrepreneurship (Nicholls, 2010). As a consequence, theory development in this context must respond not only to other scholarly conceptualisations of the phenomena, but also the more instrumental (and well-funded) private and civil society efforts to shape *how* individuals, organisations and government engage with and reconstruct the idea in practice.

Any form of ideological hegemony is unlikely in the near term however, owing largely to the acute fragmentation and flux that exists within the field. Nicolopoulou (2014: 686) uses the metaphor of ‘cross-currents’ to illustrate the dynamic complexity and chaos of the paradigmatic maturation process currently underway in social entrepreneurship research; attention is directed here towards both the abundance of new ideas entering social entrepreneurship discourse, and the conflicting calls for scholars to both expand and converge disciplinary knowledge:

“These cross-currents are characterized, on the one hand, by the ways in which social entrepreneurship seeks, as a subfield of entrepreneurship, to solidify its theoretical and methodological underpinnings and standpoints. On the other hand, social entrepreneurship is consistently exposed to constant expansion, as a number of its underlying frameworks, commonly shared with other fields, are opening up to wider vistas of conceptualization and theorization” (Nicolopoulou, 2014: 686).

While the cross-disciplinary nature of social entrepreneurship during the preparadigmatic stage has helped to engage an expansive scholarly community (Dacin et al., 2011; Dacin et al., 2010b; Short et al., 2009), in doing so swelling the array of analytical perspectives applied to the phenomenon, it is argued there has not yet been sufficient depth or consolidation of core theoretical concepts (Nicolopoulou, 2014), and there remains a lack of coherence in terms of definitions and boundaries (Dacin et al., 2011; Hill et al., 2010). Yet, far from being considered a burden, some scholars (2013) believe this lack of any theoretical hegemony in SE research provides valuable space for innovation and experimentation.

### ***3.2.1 Key Schools in Social Entrepreneurship Research***

A factor considered to further compound paradigmatic fragmentation in social entrepreneurship research has been the emergence of competing ‘schools’ (Nicholls, 2010) within the scholarly community. These include: the Social Innovation School (e.g. Weerawardena and Mort, 2006; Lettice and Parekh, 2010); the Social Enterprise School (or ‘earned income’ school)(e.g. Boschee, 2003; Stryjan, 2006); and the Emergence des Entreprises Sociales en Europe (EMES) School (e.g. Borzaga and Defourny, 2001; Defourny and Nyssens, 2006). Though commonalities exist between each community, such as a focal interest in social mission (Defourny and Nyssens, 2010), so too are there diverging assumptions that reflect the origins and antecedents of social entrepreneurship scholarship in the economic and political contexts in which constituent members of each academic cohort are based (Bacq and Janssen, 2011; Defourny and Nyssens, 2010). As Defourny and Nyssens (2010) observe, until 2005-06, debates on social entrepreneurship “took place in parallel trajectories,” and implicit, often unarticulated, fault-lines remain between communities of scholars.

Defourny and Nyssens (2010) systematically evaluate the historical development of social entrepreneurship scholarship, demonstrating ways in which these embedded notions of enterprise and welfare influence theory development. Bacq and Janssen (2011: 379) for instance, draw on Albert’s (1991) critique of North-American capitalism to outline how conflicting moral values influence attitudes towards economic and welfare policies between the USA and ‘Rhineland’:

“...the European tradition considers the poor man as a victim rather than a culprit, which explains its very organized social security, viewed as a fair consequence of the economic progress. In the US, such an institution would be considered as promoting laziness and irresponsibility. As a consequence, unemployment benefits are very low, there is no compulsory health insurance and family allowance does not exist.”

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One potential effect of this historical path dependency, is that scholarly discourses of social entrepreneurship in North America, propagated by research communities such as the Harvard Business School Social Enterprise Initiative, typically favour conceptualisations based around the individual heroic entrepreneur and apply an explicitly *business-oriented* logic to construct development (the ‘earned income’ principle). European schools such as the EMES network by contrast, are more firmly grounded in the traditions of the European cooperative movement, stressing the importance of democratic and participative governance structures (Bacq and Janssen, 2011). Meanwhile, a core assumption of the Social Innovation School is that meaningful social change is more likely to materialise at a systemic level, often driven by a Schumpeterian entrepreneur rather than through the more rudimentary ‘socialization’ of business (Nicholls, 2010; Mulgan et al., 2007). A comparative table that outlines the foundations of each school is included in table 7, below<sup>13</sup>.

**Table 7: Comparing 'Schools' of Social Entrepreneurship Research**

<b>Comparative Dimension</b>	<b>Earned Income School (Social Enterprise Approach)</b>	<b>Social Innovation School</b>	<b>EMES school</b>
<b>Primary Unit of Observation</b>	<b>The Enterprise</b> (Hoogendoorn et al., 2010)	<b>The individual, the opportunity and social transformation process</b> (Murray et al., 2010; Hoogendoorn et al., 2010)	<b>The Enterprise</b> (Hoogendoorn et al., 2010)

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<sup>13</sup> Though it should be noted that the ‘schools’ themselves are loosely formed and many scholars will blur boundaries between approaches. Additionally, many scholars would not explicitly consider themselves part of any school, yet, nonetheless, their work can be broadly categorised as falling within a particular approach.

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<p><b>The Social Mission</b></p>	<p><b>Core objective</b></p> <p>the explicit aim to benefit the community or the creation of ‘social value’, rather than the distribution of profit, is the core mission of social entrepreneurship and social enterprise. (Defourny and Nyssens, 2010: 44)</p>	<p><b>Core objective</b></p> <p>the explicit aim to benefit the community or the creation of ‘social value’, rather than the distribution of profit, is the core mission of social entrepreneurship and social enterprise. (Defourny and Nyssens, 2010: 44)</p>	<p><b>Core objective</b></p> <p>the explicit aim to benefit the community or the creation of ‘social value’, rather than the distribution of profit, is the core mission of social entrepreneurship and social enterprise. (Defourny and Nyssens, 2010: 44)</p>
<p><b>The Production of Goods and Services and their Relation to the Social Mission</b></p>	<p><b>Indirect/direct link between mission and services</b></p> <p>for the ‘commercial nonprofit approach’, the trading activity is often simply considered as a source of income, and the nature of the traded goods or services does not really matter as such. So, in this perspective, social enterprises can develop business activities that are only related to the social mission through the financial resources</p>	<p><b>Direct link between mission and services</b></p> <p>This type of approach (referring to the social enterprise approach) is also found in the social innovation school, which considers that social enterprises implement innovative strategies to tackle social needs through the provision of goods or services. Although the innovating behaviour may only refer to the production process or to the way goods or services are delivered, it always remains linked to the latter, the provision of such goods or services therefore representing the reason, or one of the main reasons, for the existence</p>	<p><b>Direct link between mission and services</b></p> <p>When speaking of social enterprise in Europe, it appears that the production of goods and/or services does itself constitute the way in which the social mission is pursued. In other words, the nature of the economic activity is closely connected to the social mission: (Defourny and Nyssens, 2010: 44)</p>
	<p>they help to secure. (Defourny and Nyssens, 2010: 44)</p>	<p>of the social enterprise. (Defourny and Nyssens, 2010: 44)</p>	

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<p><b>Economic Risks</b></p>	<p><b>Direct Relationship</b></p> <p>For the authors belonging to this school, the economic risk tends to be correlated with the amount or the share of income generated through trade. (Defourny and Nyssens, 2010: 44)</p>	<p><b>Mixed Relationship</b></p> <p>the centrality of the social mission implies a very specific mix of human and financial resource, and social entrepreneurs explore all types of resources, from donations to commercial revenues. Bearing economic risks does not necessarily mean that economic sustainability must be achieved only through a trading activity; it rather refers to the fact that those who establish the enterprise assume the risk of the initiative. (Defourny and Nyssens, 2010: 44)</p>	<p><b>Mixed Relationship</b></p> <p>the centrality of the social mission implies a very specific mix of human and financial resource, and social entrepreneurs explore all types of resources, from donations to commercial revenues. Bearing economic risks does not necessarily mean that economic sustainability must be achieved only through a trading activity; it rather refers to the fact that those who establish the enterprise assume the risk of the initiative. (Defourny and Nyssens, 2010: 44)</p>
<p><b>The Structure of Governance</b></p>	<p><b>Typically focussed on the founder.</b></p>	<p><b>Mixed/Multiple Stakeholder</b></p> <p>The Social Innovation School is in favour of involving stakeholders by creating partnership and networks through which ideas, knowledge, and expertise can flow between organisations aiming to achieve the same social objective” (Hoogendoorn et al., 2010: 10)</p>	<p><b>Democratic Multiple Stakeholder</b></p> <p>“Multiple stakeholder involvement emphasised” (Hoogendoorn et al., 2010)</p>
<p><b>Channels for the Diffusion of Social Innovation</b></p>	<p><b>The organisation and its marketbased activities.</b></p>	<p><b>The organisation, public sector and foundations</b></p> <p>social innovation in the US has been expected,</p>	<p><b>Public Policy and Government</b></p> <p>..the process of institutionalization of</p>



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		typically, to expand through the growth of the enterprise itself and/or with the support of foundations (Defourny and Nyssens, 2010: 44)	social enterprises has often been closely linked to the evolution of public policies (Defourny and Nyssens, 2010: 44)
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Bacq and Janssen (2011) acknowledge that broad geographical stereotyping of research schools has limitations and should always be applied with caution. It is recognised that notable patterns endure in the transatlantic conceptualisation of social entrepreneurship (Hill et al., 2010), however these differences also exist internally within the USA and Europe (consider for example differences between Nordic, UK (liberal), Bismarkian and Southern Countries state-welfare models (Defourny and Nyssens, 2010). Nonetheless, discussion around the various ‘schools’ in social entrepreneurship research is to be welcomed, principally as it reinforces the importance of explicitly contextualised scholarship that articulates clearly the various core assumptions underpinning research. Each of the approaches to social entrepreneurship research engenders a relative set of values and limitations; for example, each can be used to ask a set of unique and comparative questions about aspects of the phenomenon. Furthermore, the tensions that exist between schools arguably forces scholars to confront theoretical challenges (such as hybridization) directly, albeit with only modest success thus far.

For this thesis, the social innovation (SI) perspective forms the broad foundations for each of the articles/chapters within. The principal reason for this choice is that by adopting the SI perspective, it is possible to ask more expansive questions that address the dynamic social change dimension of social entrepreneurship as opposed to the more constraining focus on the ‘earned income’ aspects of the phenomenon.

### 3.3 Emergent Research Themes: 1997-2010

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The first wave of social entrepreneurship research (1997-2010) addresses a range of core topics. Kraus et al. (2014) and Nicholls (2010) each identify various thematic clusters that researchers have coalesced around and include: establishing boundaries and defining terms; measuring the impact of socially innovative activities; identifying success factors; examining tensions between social and commercial activities; and, finally, examining the impetus for socially entrepreneurial behaviour.

An overview and analysis of these areas is provided in the following section.

### ***3.3.1 Establishing Boundaries and Defining Terms: Who and What are Social Entrepreneurs?***

Unsurprisingly, significant effort has, and continues to be, expended in establishing the conceptual boundaries of socially entrepreneurial activity, particularly as it relates to other established socio-economic institutions such as the state, the market, social movements and charity. As Martin and Osberg (2007) observe, the field of social entrepreneurship is a ‘large tent’ in which a multiplicity of different perspectives are brought to bear on the meanings of key constructs. This supports Nicholls (2010) claim that various powerful institutional actors are attempting to shape the field in pursuit of narrow, often partisan interests. Definitional clarity is further complicated by competing cultural interpretations of social entrepreneurship that are strongly influenced by the aforementioned national attitudes towards capitalism and the role of the state (Bacq and Janssen, 2011; Chell et al., 2010). While many scholars are happy to accept, or at least tolerate, broad definitions (Light, 2006; Lepoutre et al., 2013), Santos (2012) warns that precision is needed in order to allow cumulative theory development. He argues, “at such a pre-paradigm stage of development (Kuhn 1962), the field is better served if knowledge about social entrepreneurship is developed through the elaboration of sharper, wellbounded theories that compete for attention and validation” (Santos, 2012: 336).

Various authors have attempted to review and synthesise definitions in order to clarify the meaning of social entrepreneurship (Dees, 1998; Bacq and Janssen, 2011; Chell et al., 2010; Short et al., 2009; Peredo and McLean, 2006; Dacin et al., 2011; Zahra et

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al., 2009). The success of such ground clearing work has been muted, with even the most recent scholarly publications diverging on how to delineate the boundaries of the phenomenon (De Bruin and Lewis, 2015).

A dominant approach for defining or otherwise conceptualising social entrepreneurship has been to focus on characteristics (normally referring to innovative or virtuous qualities) and the motivations (such as systemic change or some other positive social objective) of individual social entrepreneurs. Examples in Table 8 provide an illustration of some of these definitions.

**Table 8: Definitions of SEs Focussing on Individual Characteristics & Motivations**

<i>Source</i>	<i>Definition</i>
<i>Thake and Zadek (1997)</i>	<i>Social entrepreneurs are driven by a desire for social justice. They seek a direct link between their actions and an improvement in the quality of life for the people with whom they work and those that they seek to serve. They aim to produce solutions which are sustainable financially, organizationally, socially and environmentally.</i>
<i>Peredo and McLean (2006)</i>	<i>Social entrepreneurship is exercised where some person or group...aim(s) at creating social value...shows a capacity to recognize and take advantage of opportunities...employ innovation...accept an above average degree of risk...and are unusually resourceful ... in pursuing their social venture.</i>
<i>Said Business School (2005)</i>	<i>A professional, innovative and sustainable approach to systematic change that resolves social market failures and grasps opportunities</i>
<i>Harding (2004)</i>	<i>Entrepreneurs motivated by social objectives to instigate some form of new activity or venture.</i>
<i>Drayton (2002)</i>	<i>[They] have the same core temperament as their industry-creating, business entrepreneur peers. . . . What defines a leading social entrepreneur? First, there is no entrepreneur without a powerful, new, system change idea. There are four other necessary ingredients: creativity, widespread impact, entrepreneurial quality, and strong ethical fiber</i>

As these definitions demonstrate, attempting to demarcate commercial from social entrepreneurship based on traits or even entrepreneurial motives is problematic. The characteristics outlined here which include adjectives such as ‘resourceful’,

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‘creativity’, ‘employ innovation’ and even ‘strong ethical fiber [sic]’, are all features common to many - if not most - descriptions of ‘commercial’ entrepreneurs. For example, consider some of the similar language used in early mainstream entrepreneurship articles exploring the traits and characteristics of successful entrepreneurs. As Gartner (1988) argued almost 30 years ago, “Who is an entrepreneur? Is the wrong question”, and this arguably remains applicable to contemporary studies of social entrepreneurship.

The ‘heroic’ narrative that is frequently attached to social entrepreneurs in other conceptualisations (Seelos and Mair, 2005; Alvord et al., 2004) is similarly limiting, as attention is focussed on the entrepreneurial individual, typically at the expense of key partner organizations, NGOs, collectives and other stakeholders (Dacin et al., 2011) that are known, from empirical research, to be instrumental to social entrepreneurship (Khavul et al., 2013; Haugh, 2007). These conceptualisations preclude the mundane, everyday examples of social entrepreneurship that arguably account for the vast majority of activity.

Scholars who primarily focus on individual ‘motivations’ to engage in social entrepreneurship, as opposed to traits or characteristics, also encounter fundamental difficulties. The aspiration to make society better through innovation could reasonably be applied to many commercial entrepreneurs who develop products and services for purely consumer markets (Acs et al., 2013). For example, techinnovators such as Jack Dorsey and Biz Stone of Twitter have created significant social value (and arguably social costs) through the creation of a communication platform that has been used to resist political and religious oppression in various countries and was credited as playing a fundamental role in facilitating the Arab Spring uprising in 2011 (Hermida et al., 2014; Khondker, 2011; Lotan et al., 2011). As the Twitter founders were, by accounts, more concerned with running a commercial organisation than developing an innovation that would remedy the social market failure of free speech, the social value created is not typically considered to be a social innovation (either by the public or the scholarly community) despite the systemic social impact generated. Indeed, by setting up a false dichotomy, that commercial entrepreneurs are primarily profit-oriented and

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social entrepreneurs are driven by social mission, a potentially misleading caricature of each is enforced and definitional clarity is hindered.

A variety of other definitional approaches have been attempted by scholars. These variously endeavour to establish boundaries around social entrepreneurship in terms of *where* the activity occurs, *how* it is accomplished and *what* it achieves. A selection of these conceptualisations is included in Table 9, below.

**Table 9: Definitions of Social Entrepreneurship Based on Outcomes, Operating Sector, Processes & Resources**

<i>Source</i>	<i>Definition Basis</i>	<i>Definition</i>
<i>Peredo and McLean (2006)</i>	<i>Outcome</i>	<i>Social entrepreneurship is exercised where some person or group....aim(s) at creating social value...</i>
<i>Said Business School (2005)</i>	<i>Outcome</i>	<i>A professional, innovative and sustainable approach to systematic change that resolves social market failures and grasps opportunities</i>
<i>Sharir and Lerner (2006)</i>	<i>Outcome and Resources</i>	<i>[T]he social entrepreneur is acting as a change agent to create and sustain social value without being limited to resources currently in hand.</i>
<i>Thake and Zadek (1997)</i>	<i>Outcome and Motive</i>	<i>Social entrepreneurs are driven by a desire for social justice. They seek a direct link between their actions and an improvement in the quality of life for the people with whom they work and those that they seek to serve. They aim to produce solutions which are sustainable financially, organizationally, socially and environmentally.</i>
<i>Harding (2004)</i>	<i>Motives</i>	<i>Entrepreneurs motivated by social objectives to instigate some form of new activity or venture.</i>
<i>Yunus (2007)</i>	<i>Operating Sector</i>	<i>[A]ny innovative initiative to help people may be described as social entrepreneurship. The initiative may be economic or non-economic, for-profit or notfor-profit.</i>

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<i>Hockerts (2006)</i>	<i>Operating Sector</i>	<i>Social purpose business ventures are hybrid enterprises straddling the boundary between the for-profit business world and social mission-driven public and nonprofit organizations. Thus they do not fit completely in either sphere.</i>
<i>(Robinson, 2006)</i>	<i>Process</i>	<i>I define social entrepreneurship as a process that includes: the identification of a specific social problem and a specific solution . . . to address it; the evaluation of the social impact, the business model and the sustainability of the venture; and the creation of a social mission-oriented for-profit or a business-oriented nonprofit entity that pursues the double (or triple) bottom line.</i>

Of these approaches, definitions that focus on the social value creation component of social entrepreneurship (e.g. Peredo and McLean, 2006; Sharir and Lerner, 2006) are considered to be the most promising (Dacin et al., 2010b). This is a theme that is increasingly prominent in more recent definitions such as those by Santos (2012: 340) who argues that “...activities perceived as having a high potential for value creation but a low potential for value capture are a natural domain of action for economic actors predominantly driven by value creation, such as social entrepreneurs.” Hence, it is argued here the unique and differentiating feature of social entrepreneurship is that opportunities are exploited where there may be little or limited potential to personally appropriate any value. Moreover, Santos’ (2012: 345) expanded value-based definition, overcomes limitations that can be found in overly prescriptive definitions that specify a sector (Hockerts, 2006) or process (Robinson, 2006):

“...social entrepreneurship involves a non-dogmatic approach to problem resolution that takes advantage of the varied institutional mechanisms afforded by society (e.g., markets, governments, social enterprise, and community-based efforts). Thus, social entrepreneurship is not specifically about creating market mechanisms or securing government subsidies or creating a social enterprise, it is about crafting effective and sustainable solutions using whatever combination of institutional means is deemed effective.

Dacin et al. (2010) take a contrasting perspective, arguing that social entrepreneurship is simply a context for ‘established’ forms entrepreneurial activity. They demonstrate this by providing a comparative analysis of different forms of entrepreneurship (institutional, cultural and conventional) and highlight the significant overlap between approaches. Santos (2012: 336) cautions however that “if we take social entrepreneurship as a context, we need to subjectively assign a normative connotation of “social” to some activities and not to others.”

### ***3.3.2 Organisational Forms (Ideal Types and Forms)***

Besides these definitional discussions, an enduring and important area of enquiry has involved unpicking the hybrid nature of socially entrepreneurial ventures. The hybridity in question refers to the manner in which organisations straddle both commercial and social realms by adopting elements of each to achieve optimum social outcomes. This diversity has been conceptualised by some as a continuum (Dees and Elias, 1998; Austin et al., 2006; Peredo and McLean, 2006), ranging from purely charitable organisations to for-profit social and commercial ventures. Between each extreme, there exist a multitude of organisational forms and structures that blend varying levels of economic and socially driven activity (Atler, 2007; Kistruck and Beamish, 2010). In recent times, a shifting socio-economic and political environment has driven many traditionally grant-seeking or charitable nonprofits to source new and sustainable income streams. Owing to squeezed fiscal priorities and some notable ideological shifts, traditional funders such as governments and philanthropic organisations are less willing, or able, to dispense money simply to ‘uphold’ the status quo. There is now an implicit demand that social organizations ‘professionalise’ and adopt more market-based approaches in both their internal organisation and service provision. For many social organizations, this change has precipitated a move towards ensuring alternative means of funding and long-term viability. Dart (2004) argues that the increased market-orientation of society has legitimated the use of business methods in the social sector. Examples such as the Energy Savings Trust (which is becoming a social enterprise owing to public funding cuts) point to ways in which the mind-set of

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an organisation can change by making it more alert to opportunities and more operationally efficient. The structural changes have also had a countervailing impact on the social economy as many commercial ventures have been drawn into the previously 'sacrosanct' sector. Large private sector service organizations, outsourcing firms and management consultancies such as Deloitte (in partnership with Ingeus) have identified profitable contracting opportunities in the public and social sectors, while grocery retailers such as Tesco, Asda and Sainsbury's have reacted to changing customer demand and shifted towards more ethical business approaches such as Fairtrade, in doing so, further obfuscating the traditional boundaries between economic sectors. Most significantly, individuals inspired by the promise of social entrepreneurship as a mechanism for change, have formed ventures that are hybrid at conception. These organisations have been able to move more nimbly than either of the more established for-profits or nonprofit organisations as they are unencumbered by the baggage associated with changing the existing organizational orientation toward either more social or more economic goals (Smith et al., 2010).

While it is evident from the literature that many organizations have benefited from adopting a dual social and economic purpose, others appear to have encountered significant challenges and resistance. This has led some to question the appropriateness of concurrently pursuing purportedly dichotomous profit and social goals (Peattie and Morely, 2008) - particularly in cases where commercial activities threaten to undermine the legitimacy of the social mission (Pache and Santos, 2011). This tension is best characterised by Cooney (2006: 143) who speaks of hybrid organisations as being "caught between two fields" - a notion that has resurfaced with some regularity in the literature (Cho, 2006; Grimes, 2010; Miller and Wesley II, 2010; Bacq and Janssen, 2011). At the core of this strain, sit two markedly different institutional logics: commercial and social. Factors such as; governance structure, accountability, competing goals and ownership (Di Domenico et al., 2009) go some way to explaining why those operating at the nexus of these two worlds can be found to exhibit multiple organizational identities (Smith et al., 2010). Taking governance as an illustrative example, it becomes clear that the established structures in place for running a commercial venture may fail to sufficiently account for organizations that choose to



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shift to a hybrid organizational form (Low, 2006). While corporations operate under a stewardship model of governance, traditional voluntary groups and not-for-profits NFPs tend towards more democratic and representative stakeholder models (Mason et al., 2007). It is likely that as social enterprises professionalize, they will move towards the more business-focused Stewardship model (Mason et al., 2007), however it is argued that this may threaten to alienate and disenfranchise key groups of stakeholders from participating in decision-making. Tied to this issue of governance, and compounding issues of management, is a failure to arrive at a set of generally accepted performance measures in social enterprise (Paton, 2003). While it is relatively easy to measure the economic impact of a particular activity, the social has been described as “intangible, hard to quantify, difficult to attribute to a single organization, best evaluated in the future and open to dispute” (Dees and Anderson, 2003: 7).

### **3.4 Critical Appraisal of Initial Paradigm Development (1997-2010)**

The philosopher Bertrand Russell, writing about his theory of knowledge, perhaps best articulates the problems faced by scholars who contributed to the first phase of conceptual development. He notices a trend in animal psychology scholarship, in which animals “always behave in a manner showing the rightness of the philosophy entertained by the man who observes them” (Russell, 1995: 95). For instance, under the influence of Rousseau animals were ‘noble savages’, yet during Queen Victoria’s reign apes were virtuous monogamists. Similarly, according to Russell, when Americans study animal learning, the animals rush around until they stumble across the answer, while “animals observed by Germans sit still and scratch their heads until they evolve the solution out of their inner consciousness” (ibid: 95).

To relate this back to the research field of social entrepreneurship, it is clear that the same broad entrepreneurial phenomenon is being interpreted and reconstructed in various highly context-specific ways, depending on the (often unarticulated) political

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biases, institutional roles and geographic location of individual paradigm building scholars. As Russell (1995: 96) concludes, “the net result of my reading in this subject was to make me very wary of extending any theory beyond the region within which observation had confirmed it.” So, too should work within the first wave of social entrepreneurship research be treated with a degree of caution; few authors specifically outline any of the potentially important economic and political assumptions on which they base conceptualisations of the social entrepreneur (Cho, 2006). Often, the entrepreneurial actor is, at best, presented as a neutral change agent (though more typically is characterised in heroic or virtuous terms), when, in reality, their role in society is highly contested (Eikenberry and Kluver, 2004); the ‘monological’ subject-centred interpretation of the social entrepreneur “supplants important political processes of dialogue, negotiation and social integration” (Cho, 2006: 36) and prioritises subjective values over notions of collective consent. Furthermore, since the early phase of paradigm development has involved scant empirical research (Short et al., 2009), the field has been susceptible to scholars and other paradigm-building actors (perhaps inadvertently) furthering their own personal (and potentially ideological) social entrepreneurship narratives (Nicholls, 2010) amidst the vacuum of field-based empirical data. As Cho (2006: 34) notes “‘social’ concepts that attract such unqualified support are usually vacant of normative content or require further examination to uncover the conflicts of interest that inevitably accompany discussions of the common good.” On this basis, it is suggested that the principal weakness in early social entrepreneurship research is the lack of a more critical perspective on the social entrepreneur, a failure to acknowledge underlying socio-economic assumptions and poor contextualisation of socially entrepreneurial activity.

### **3.5 The Frontiers of Social Entrepreneurship Research: 2010-2015**

As outlined, the initial stage of paradigm development in social entrepreneurship research (1997-2010) can be characterised by concerted efforts to establish the conceptual boundaries of the phenomenon. The second phase of social entrepreneurship research (2010-2015), while still prone to many of the weaknesses

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identified in earlier research such as conceptual ambiguity and paradigmatic fragmentation, is characterised by stronger empirical data, the application of more advanced research methodologies and increasingly sophisticated theory development. Indeed, scholars can be found testing novel methodological approaches while relying less on 'available' data sets or descriptive cases of 'celebrity' social entrepreneurs identified by the key paradigm building actors (Nicholls, 2010). Research networks such as Global Entrepreneurship Monitor (GEM) are now collecting large international survey datasets that measure detailed aspects of social entrepreneurship activity (Terjesen et al., 2012), and scholarly research based on this data is now filtering through to core entrepreneurship journals (Lepoutre et al., 2013; Estrin et al., 2013).

As an outcome of this increasingly comprehensive empirical data, the general tone of research has arguably moved from one of enthusiastic curiosity (e.g. Mair and Martí, 2006) towards a more critical exploration of the dynamics underpinning socially entrepreneurial phenomena (Chell et al., 2014). As Lewis (2013) observes, social entrepreneurship is untethering entrepreneurship from rational and economic assumptions, and, as a result, a more nuanced and socially embedded scholarly understanding of the phenomenon is emerging.

Since 2010, evidence can be found of the growing legitimacy of social entrepreneurship as scholarly field. Until approximately 2007, social entrepreneurship research did not feature regularly in any top-tier academic journals, yet it can now be found with some regularity in prestigious general management outlets such as the *Academy of Management Journal* (Pache and Santos, 2012), leading organisation studies outlets such as *Organization Science* (Dacin et al., 2011) and *Organisation Studies* (Di Domenico et al., 2009) in addition to the principal entrepreneurship journals *Journal of Business Venturing* (Choi and Majumdar, 2014) and *Entrepreneurship Theory and Practice* (Corner and Ho, 2010).

The following section will examine and summarise recent advances in social entrepreneurship literature at the levels of analysis considered in chapters 5-9 of this thesis.

### 3.6 Reviewing Micro-interactional Level Social Entrepreneurship Research

Dacin (2011) and Goss et al. (2011) note that contextualised, interaction-based studies of social entrepreneurship are underrepresented within the research field. In order to develop a baseline understanding of how scholars have employed an interactionist perspective, the search terms ‘SOCIAL ENTRE\*’ OR ‘SOCIAL INNOV\*’ AND ‘INTERA\*’ were entered into EBSCOhost Business Source

Complete. The search results were manually filtered to remove articles that: did not fall within the ‘umbrella’ of social entrepreneurship research (Mair, 2010); were not located in a social entrepreneurship context; or, did not place analytical focus on any forms of social interaction. Articles that remained after this filtering process are summarized in Table 10 below.

**Table 10: Interaction-based Studies of Social Entrepreneurship**

	<b>Source</b>	<b>Theoretical Framework(s) and Method(s)</b>	<b>Interaction Context(s)</b>	<b>Findings</b>
1.	(Goss et al., 2011)	Entrepreneurship-as-emancipation; Power and constraint;	Socially entrepreneurial organisation in the UK dealing with forced marriages	Reframe entrepreneurship as a social change activity with various outcomes; Power and constraint as active ongoing processes;
2.	(Lewis, 2013)	Interactive ritual chain analysis; Narrative approach	Aftermath of a natural disaster (earthquake) in New Zealand	Context is critical for understanding social entrepreneurship; Micro behaviours are the basis for macrostructures
3.	(Newman et al., 2014)	Social interaction as a variable (higher levels interaction > easier to gain trust and access resources); Relational Capital	Microfinance in weak institutional contexts	Business support and opportunities for client interaction provided by microfinance provider increase new venture success.

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4.	(Seanor et al., 2014)	Boundary objects; Transgression; Practitioner perspective; 'Everydayness'; narrative and visual methods	Contested interactions between social enterprises and the public sector in the North of England	Boundaries are not static; Identities and practices iteratively across boundaries in relation to different priorities
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As Table 10 demonstrates, social entrepreneurship research conducted at an explicitly micro-interactional level is rare. Of articles published, authors have used a varied selection of theoretical frameworks and methodologies. Goss et al. (2011) and Lewis (2013) both utilise Collins' (1987; 2014) interaction ritual chain to uncover concrete, temporally unfolding social actions in a specific context. Lewis (2013) in particular, focuses on a dramatic single event, the aftermath of the 2011 earthquake in Christchurch, New Zealand, in order to explore the evolution of social structures in this context. Seanor et al. (2014) examines a more mundane though nonetheless important context: the contested boundary between a social enterprise and the public sector. This focal interest in the complexity of 'everydayness' (Steyaert and Landström, 2011) presented in these research papers, enables social entrepreneurship *practitioners* to convey the actions through which they grapple with ongoing change processes and Foucaultian notions of transgression (Seanor et al., 2014) inherent to socially entrepreneurial activity.

Each of the interaction-based studies is notable for taking a dynamic perspective towards social entrepreneurship, recognising that identities and practices are partly contingent on the immediate circumstances of the socially entrepreneurial actor. This offers a novel, more grounded perspective than other social entrepreneurship studies that typically treat the socially entrepreneurial identity and boundaries between fields as largely ossified. Furthermore, interaction based studies enable scholars to adopt ontological approaches that go some way towards mitigating the over-reliance on cognitivist perspectives, in doing so offering the potential to look at social entrepreneurship from novel analytical standpoints.

### 3.7 Reviewing Organizational-Level Social Entrepreneurship Research

In contrast to micro-interaction level studies of social entrepreneurship, a significant body of research exists at an organisational level of analysis. To gain an overview of research within this analytical category, the terms “SOCIAL ENT\*” OR “SOCIAL INN\*” AND “ORGANIZATION\*” OR “ORGANISATION\*” were entered into EBSCOhost Business Source Complete. The search yielded 821 articles, which were subsequently filtered to include only research published in key disciplinary journals, including: *Entrepreneurship, Theory and Practice* (20 articles), *Journal of Business Ethics* (26 articles), *Entrepreneurship & Regional Development* (16 articles), *Journal of Nonprofit and Voluntary Sector Marketing* (10 articles), *Academy of Management Review* (6 articles), *International Small Business Journal* (5 articles), *Local Economy* (5 articles), *Academy of Management Journal* (4 articles), *Journal of Business Venturing* (4 articles), *Organization Studies* (4 articles), *Small Business Economics* (4 articles) and *Academy of Management Perspectives* (3 articles). This corpus of articles were then manually reviewed to identify relevant articles; an edited selection that represents the breadth and diversity of social entrepreneurship research activity at the organisation-level is presented in the following table:

**Table 11: Organization-level Studies of Social Entrepreneurship**

	Source	Theoretical Framework and Method	Organisational Focus and Context	Findings
1.	(Renko, 2013)	Prosocial motivation, quantitative analysis	The nascent entrepreneurship process – how do SEs build viable organisations	Commercially motivated nascent entrepreneurs are more successful than SEs
2.	(Katre and Salipante, 2012)	Blending institutional behaviours, context dependent, qualitative multiple case study.	Exploration of the entrepreneurial behaviours involved in the early stage development of a social venture.	Entrepreneurial social ventures can increase likelihood of success by blending behaviours that conform to commercial and NFP institutions.

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3.	(Corner and Ho, 2010)	Opportunity recognition/ identification; Inductive multiple-case study.	The process of opportunity development in the New Zealand NFP sector.	Opportunities are the outcome of multiple interactions between actors (rather than the individual)
4.	(Sacchetti, 2013)	Governance theory, strategy, conceptual paper.	Organisational form and governance decisions in a range of non-profit organisations.	Historical context shapes governance decisions; governance and strategy preferences can be categorised as inclusive and exclusive.
5.	(Miles et al., 2014)	Vincentian marketing orientation (VMO) – based on the ethics of St. Vincent de Paul, quantitative study.	Marketing orientation and performance measures.	Social enterprises can benefit from leveraging marketing capabilities. Strong correlation between VMO and performance
6.	(Campin et al., 2013)	Business ethics, qualitative multiple case study.	Focus on the organisational and contextual factors that influence small business social responsibility	Low separation between business and personal ethics in social ventures.
7.	(Mair et al., 2012)	Capital theory, discourse, textual analysis, quantitative (content and cluster analysis)	Capital theory to explain the different forms of organising adopted by socially entrepreneurial ventures.	Four ideal type models of social entrepreneurship exist that are formed around social, human, economic and political capital
8.	(Liu et al.,	Strategic Orientation;	Social enterprises	Strategic orientation
	2013)	Entrepreneurial orientation; Marketing orientation; social enterprise performance;	in Japan and the UK	behaviour is mediated by market effectiveness.

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9.	(Di Domenico et al., 2009)	Social exchange theory and dialectical theory; Conceptual paper	Intraorganisational collaborations	Tensions must be resolved between corporate and social enterprise partners for successful collaboration. Explanation of the social processes underpinning collaboration.
10.	(Teasdale, 2010)	Impact; Outcomes of socially entrepreneurial activity; qualitative case study and participant observation.	Inner-city social housing context.	A typology of social enterprises exists along economic/social and individual/collective axis.
11.	(Swanson and Di Zhang, 2010)	Social entrepreneurship definitions; conceptual boundaries.	Conceptual article	A new construct, the social entrepreneurship zone, is explicated. This is an attempt to reconstruct the boundaries of the phenomena to make it easier for researchers and practitioners to move past contested terms.
12.	(Bridgstock et al., 2010)	Organisational heterogeneity; Quantitative survey data and multiple-case based interview data	Diversity management in UK social enterprises.	Promotion of diversity increases the innovation performance of social enterprises.
13.	(Perrini et al., 2010)	Entrepreneurial processes; opportunity identification; scaling opportunities; Qualitative single case study.	The emergence phase of social entrepreneurship in a drug rehabilitation community, San Patrignano	Identification of the stages of the social entrepreneurship opportunity exploitation and scaling process. Outline of differences between commercial and social processes.
14.	(Lumpkin et al., 2013)	Entrepreneurial processes and entrepreneurial orientation;	Conceptual paper.	Broad similarities exist between processes utilised by commercial and social entrepreneurs. There



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				presence of multiple stakeholder has some effect on competitive aggressiveness, risktaking and autonomy.
15.	(Sonnino and Griggs-Trevarthen, 2013)	Resilience and distributed resource mobilisation; qualitative multiple case study	Community food enterprises, UK	Social entrepreneurs can empower local communities by reconnecting them to their resource-base. SEs should be decoupled from narrow political discourses of decontextualised competitiveness.
16.	(Pache and Santos, 2010)	Institutional theory; competing logics; hybridity tensions; Inductive multiple qualitative case studies	Work-integration social enterprises in France	Organisations can acquire legitimacy by incorporating elements of complementary logics.
17.	(Kroeger and Weber, 2014)	Social value creation;	Contextualised social value creation measure that operates across socio-economic levels.	An integrative framework is presented that will measure the effectiveness of social interventions
18.	(Smith et al., 2010)	Emergence; Organisational identity tension; Management; Qualitative interview data	Identity tensions in US non-profit organisations.	Identity tension varies dependent upon the timing of conception of the social enterprise

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19.	(Vickers and Lyon, 2012)	Growth strategies; capabilities; Qualitative multiple case study.	Environmentally motivated enterprises in the UK.	“Strategies for growth are shaped by complex relational processes involving the values of founders, the core team and key stakeholders, their skills and capabilities, the influence of the communities in which they are embedded and wider institutional influences”
20.	(Mair et al., 2015)	Institutional plurality; hybrid organisations; governance structures; quantitative survey data	Governance as a mechanism in Schwab Foundation Fellows	Social enterprises do not conform to a uniform way of organising. Governance structures provide an important
				mechanism for managing competing logics.
21.	(Di Zhang and Swanson, 2013)	Business management practices; structured phone interview (200 participants).	NPOs in a Western Canadian province	Dual social and commercial purpose can converge (as opposed to exist in conflict). Empirical support provided for various qualitatively established assumption in SE research.

At an organisational level, various promising strands of inquiry are emerging. Notably, scholars are now placing a focus on the processes underpinning social entrepreneurship (Corner and Ho, 2010; Di Domenico et al., 2009), a direction that promises to reveal more of the dynamics of socially entrepreneurial behaviour. In terms of the ‘timing’ of entrepreneurial development, many scholars (Renko, 2013; Katre and Salipante, 2012; Corner and Ho, 2010) have empirically examined nascent and early-stage ventures,

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specifically grappling with the flux of commercial and social constraints facing organisations attempting to balance both in pursuit of social value creation. Fewer scholars however, have considered ways in which social entrepreneurs navigate the scaling up process (Perrini et al., 2010).

What is evident from the analysis of organisational-level research, is that, despite progressing important themes such as governance (Sacchetti, 2013), opportunity development (Corner and Ho, 2010) and resilience (Sonnino and Griggs-Trevarthen, 2013), there is a notable dearth of research examining the entrepreneurial capabilities of socially entrepreneurial organisations in order to ascertain how they differ from traditional ventures, (Vickers and Lyon (2012) provide one example, however they touch only briefly on the forms of capital deployed in achieving entrepreneurial growth). Miles et al. (2014) examine the marketing orientation (MO) of entrepreneurial social ventures, but fall short of uncovering dynamics of this concept (owing to the utilisation of a set of fairly limited static variables). Similarly, Lumpkin et al. (2013) explore the antecedents of SE to identify how they differ - if at all - from traditional entrepreneurship. In this instance, the authors' (ibid) apply an entrepreneurial orientation (EO) lens to their analysis and identify various commonalities (such as entrepreneurial processes relating to proactiveness and competitive aggressiveness). They propose that only a small number of differences exist, specifically in relation to collective decision-making, risk-taking and autonomy. Lumpkin et al. (2013) identify some important research themes here, however the article is conceptual and therefore no empirical understanding of EO as it is practiced by social entrepreneurs is provided.

Despite 'innovation' often being an implicit (and at times explicit) outcome of the social entrepreneurship process, innovation research perspectives are rarely adopted (Short et al., 2009). This precludes a vast wealth of established theoretical insight from innovation research fields that could perhaps offer a window to social entrepreneurship that sidesteps the inertia, or 'gridlock' (Agafonow, 2014) associated with debates around definitions, ideologies and conceptual boundaries. Where an innovation lens has been applied, scholars have developed valuable findings around how employee

diversity in social enterprises can lead to increased innovation performance (Bridgstock et al., 2010)

By far the most common research topic at an organisational level concerns the ‘tension’ and conflict associated with hybrid forms of organising. Authors’ frequently adopt institutional theory perspectives to uncover dynamics of organisational practice (Battilana and Dorado, 2010; Pache and Santos, 2010; Mair et al., 2015), others examine external outcomes of this internal complexity (Di Domenico et al., 2009), and others still attempt to overcome contradicting logics by attempting to theoretically reframe the nature of the hybrid ‘problem’ (Swanson and Di Zhang, 2010). All of the papers considered in the review touch on issues associated with hybrid logics in some form, confirming this as a central and, as yet, unresolved issue in social entrepreneurship research.

### **3.8 Reviewing Systemic/Macro-level Knowledge of Social Entrepreneurship**

Social entrepreneurship, and more particularly social innovation, is considered a society-level phenomenon (expressed through individual and organisational actions that can lead to system-level outcomes). The (social) entrepreneurship literature makes frequent reference to the positive social change and social value creation that socially entrepreneurial individuals and organisations enact. However, research typically treats the outcome of socially entrepreneurial activity as a black box or, otherwise, as some kind of binary success or failure. There is very limited discussion of the profound nature of social entrepreneurship and the implications for the structuring and management of an economic system. Instead, scholars have displayed a tendency (perhaps myopically) to examine the organisation or individual involved in processes of social innovation, to understand who social entrepreneurs are and what they do, often at the expense of considering the socio- and macro-economic changes these actions set in motion.

In order to gain an overview of research at this systemic-level of analysis, the terms “SOCIAL ENTRE\*” AND “SOCIAL INNOV\*” AND “SYSTEM\*” OR

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“MACRO\*” were entered into EBSCOhost Business Source Complete. The initial search yielded 64,000 results, mostly as the term “MACRO” picked up a significant volume of non-relevant economics articles. The term “MACRO” was therefore removed and the remaining keywords were restricted to mentions in the abstract or keywords. Following these filtering processes, 207 articles remained. These were manually filtered to remove articles that did not directly address the core *social innovation* topic. An example of this includes articles such as “*Innovation Impacts of Using Social Bookmarking Systems*” (Gray et al., 2011) which contain overlapping keywords, but do not otherwise discuss social innovation. Following the manual filtering process, 17 articles remained. These are reviewed in Table 12, below.

**Table 12: Systems-level Studies of Social Entrepreneurship**

	Source	Theoretical Framework and	Systemic Focus and Context	Findings
		<b>Method</b>		
1.	(Weerakkody et al., 2014)	Editorial commentary for special issue	Ties social innovation to broad political movements such as the EU 2020 Strategy	Contextualises the importance of social innovation at a transnational level and in respect to key global institutions.
2.	(Krlev et al., 2014)	Development of macro-level metric to measure social innovation	Aggregate national level social innovation outcomes.	A framework is proposed that captures framework conditions, entrepreneurial activities and societal outcomes.
3.	(Dzombak et al., 2014)	Systems Thinking; conceptual paper	How social enterprises can be conceptualised as dynamic systems operating within larger dynamic systems.	Social enterprises should consider themselves as part of a set of inter-related and interacting systems rather than individual entities solving problems with unrelated consequences.

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4.	(Kostetska and Berezyak, 2014)	Social innovation as an economic resource; interaction between national institutions	Development of a legal framework for social innovation in the Ukraine	Social innovation is a potential remedy for acute societal problems, however institutions must be coordinated to support this activity
5.	(Dominici, 2015)	Editorial commentary on systems thinking and sustainability	Argues the systems thinking as an analytical framework is uniquely positioned to comprehend the nonlinearity involved in the economy.	Systems thinking can be used to understand the intense transformation of competitive logics, markets and society
6.	(Driver, 2012)	Interview with Michael Porter titled 'social entrepreneurship and the transformation of capitalism'	All businesses (social and non-social) may need to evolve under a new model of capitalism towards a shared value creation model.	Capitalism must move from the current narrow conceptualisation of to evolve a higher form that incorporates shared value.
7.	(Grimm et al., 2013)	Review synthesising approaches to social innovation	Relates concepts to modern political economy and institutional strategies such as EU 2020	Social innovation can offer scope for economic growth, however government should not restrict interventions in all

				market failures
8.	(Lepoutre et al., 2013)	Developing and testing a national level measure for social entrepreneurship activity	Measuring social entrepreneurship across countries.	Various national specificities are identified. Notably, the USA and other liberal economies rank higher for levels of social entrepreneurship activity.
9.	(Acs et al., 2013)	Economic value; outcome evaluation; comparative case study	The intention of entrepreneurs is less relevant than the outcomes for society.	Reframing all entrepreneurial behaviour as either productive, unproductive or destructive offers a

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				means of overcoming conceptual difficulties
10.	(Varadarajan, 2014)	Public goods at the base-of-the-pyramid; Public policy	How to foster market conditions in India to support sustainability	Macro-environmental market conditions can reduce demand for certain product classes and support social innovation.
11.	(Descubes et al., 2013)	Resource based theory; Single case study	Social innovation utilising limited resources in emerging economies.	The resource based view can be applied to human systems to help optimise existing resource endowments.
12.	(Westley et al., 2014)	Systems thinking; Scaling; Institutional entrepreneurship; Qualitative comparative analysis	The link between scales (individualmacro) is used to explain the pathway to enduring institutional change	The relationship between local solutions and systemic changes is outlined. A typology of system change pathways is identified (e.g. the volcano, the beanstalk etc).
13.	(Lundström and Zhou, 2011)	Triple-Helix; open innovation;	Social Innovation Parks (national spaces for bringing together various key actors)	Policymakers should be instrumental in supporting the conditions for effective cross-disciplinary knowledge exchange to support social innovation.
14.	(Kirkman, 2012)	Innovation adoption; multi-level analysis;	NPO launching a new innovation	Social enterprises must deal with conflicts both internally, at an intra-
				organisational level and at a macro level. Innovations may not be utilised as intended.

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15.	(Chell et al., 2010)	Editorial commentary on international and innovation perspectives	The notion of different ‘spaces’ where social innovation can flourish is emphasised	International differences exist in social enterprise distribution. The form of social enterprises is significantly shaped by local welfare and institutional configurations.
16.	(Agafonow, 2014)	Social value creation and capture; Public goods; Market failure	This article is a response to Santos (2012) who argues for a systemic perspective of social entrepreneurship.	Rather than focus on systems, the author argues for a reorientation towards the organisation. This is the best level to identify value capture
17.	(Phillips et al., 2014)	National systems of innovation;	Based on the NSI approach examining human and institutional systems.	Social entrepreneurs exists within a ‘social innovation system’ – this is a dynamic configuration of institutional features that shape and are shaped by the social entrepreneurial actor

What is notable from reviewing system-level research, is that articles are scattered across a diverse range of scholarly disciplines, including: innovation (Lundström and Zhou, 2011), management (Driver, 2012), marketing (Varadarajan, 2014), general social science (Grimm et al., 2013), strategy (Descubes et al., 2013), social change/transformation (Dominici, 2015), applied behavioural science (Westley et al., 2014), and information systems journals (Weerakkody et al., 2014). Research published in the core entrepreneurship journals is limited, with only *Small Business Economics* (Lepoutre et al., 2013; Acs et al., 2013) and *Entrepreneurship & Regional Development* (Chell et al., 2010) returning any results in the search.

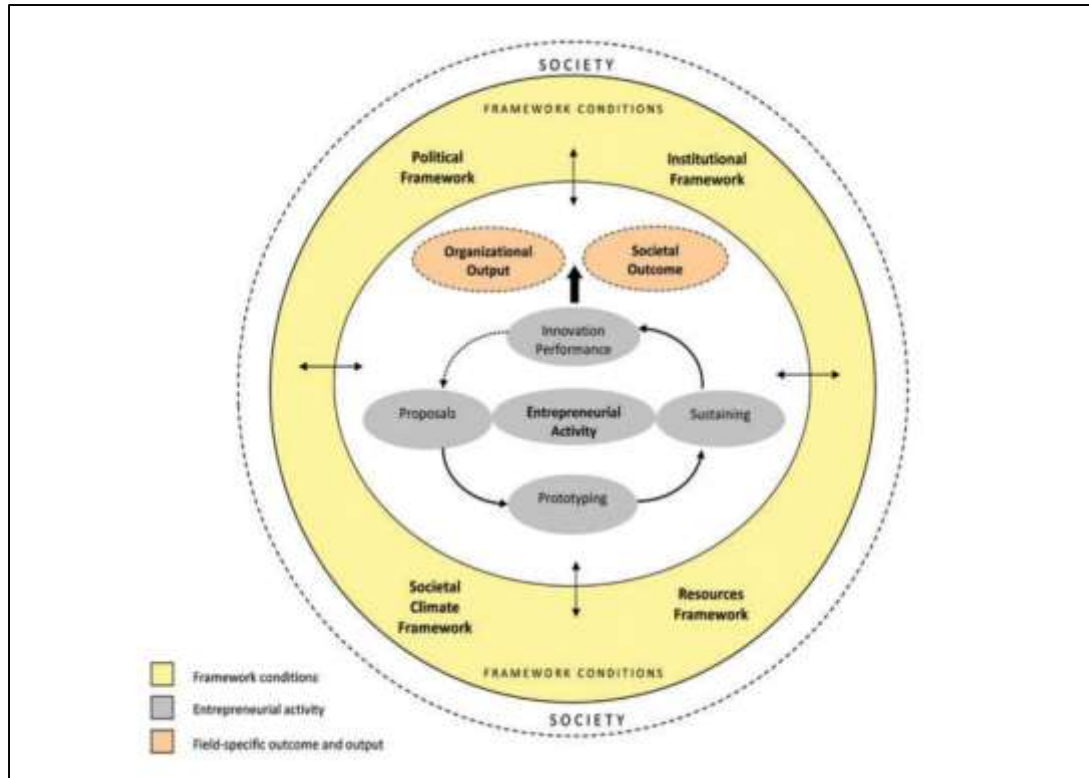
At the systemic level, several attempts have been made to conceptualise social innovation in relation to various levels of activity in the economy. Krlev et al. (2014), in their model (Figure 7, below), put entrepreneurship at the heart of social innovation,



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however they stress the critical importance of containing framework conditions (political, institutional, resource and societal climate).

Figure 7: An Integrated Model for Measuring Social Innovation (Krlev et al. 2014)



The notion of systems thinking adopted here is particularly welcome. Rather than simplifying socially entrepreneurial outcomes to reductionist, linear-causal relations (as much of the organisational-level and individual-level literature does), the cyclical nature of the social innovation process, and the dynamic interconnectedness between the systemic frameworks that Krlev et al. (2014) identifies in Figure 7, above, can be more fully elucidated.

A notable trend in system-level research is an empirical focus on developing nations and emerging regions. For instance, Descubes et al. (2013) examines integrated public transport systems in Brazil, while Kostetska and Berezyak (2014) and Varadarajan (2014) explore the institutional configurations that can support social innovation in the

Ukraine and India (and the wider base-of-the-pyramid) respectively. The notion that social innovation can act as a post-welfare mechanism for addressing market failures in resources constrained environments is widely held, and, notably, several of the research papers reviewed are the outcome of social innovation policy-oriented projects funded by the European Union (e.g. Grimm et al., 2013; Krlev et al., 2014).

### **3.9 Chapter Summary**

This chapter has provided a holistic evaluation of the social entrepreneurship research paradigm. In addition to analysing key research articles, the emergence of three core research schools is considered in order to facilitate a critical interpretation of existing research. It is proposed that divergences in beliefs/assumptions around markets and welfare models, typically - though not exclusively - related to the context researchers operate within, leads to inconsistently applied conceptualisations of social entrepreneurship and paradigmatic fragmentation. A review of research published between 2010-2015 covering interactional, organisational and systemic levels of analysis, confirms the recent progress in social entrepreneurship scholarship and surfaces opportunities to integrate theory and method from micro-sociological, entrepreneurship and innovation perspectives. These insights confirm the need to develop a more detailed understanding of ‘how’ social entrepreneurship is enacted across various levels of analysis.

## **CHAPTER 4 – RESEARCH APPROACH AND METHODOLOGIES**

### **4.1 Introduction**

The empirical materials in this thesis are reported in four individual chapters (Chapters 5-8), which are concluded by a final theoretical chapter (Chapter 9). Each of the findings chapters functions as a self-contained research ‘article’ (three of which have been published); however, in the interests of avoiding repetition, the individual

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methodologies, which are summarised in Table 13, below, have been collated in this chapter to enable general discussion of the research approach. The diverging philosophical assumptions that underpin each of the empirical chapters are explained and this chapter concludes with some critical reflections arising from the ontological and epistemological pluralism contained within the thesis.

The entrepreneurship field is considered ripe for methodological and theoretical innovation (Sarasvathy and Venkataraman, 2011). The dominance of functionalism is well documented by scholars (Jennings et al., 2005) as is a general tendency to romanticise the focal object of analysis, the entrepreneur (Ogbor, 2000; Venkataraman et al., 2012). Scholars such as Shepherd (2015), Steyaert et al. (2011), Venkataraman et al. (2012) and Hjorth et al. (2008) have called on the research community to be more ‘entrepreneurial’ in its scholarship. It is proposed in various ways by these scholars, that only through approaches that are prepared to deviate and diverge from ‘normal science’ within the discipline, can more radical, competing accounts of entrepreneurial phenomena be generated (of which a notable example includes Sarasvathy’s (2001) pragmatist-indebted theory of effectuation). These calls serve as the principal justification and rationale for employing the novel (in entrepreneurship scholarship) ethnomethodological approach, and the practiceorientated micro-foundational analyses of ACAP & EO that will be further elaborated in this methods chapter.

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**Table 13 - Methodology Overview**

<b>Ch</b>	<b>General Research Objective(s)</b>	<b>Methodology</b>	<b>Theoretical Framework(s)</b>	<b>Data</b>	<b>Unit(s) of Analysis</b>	<b>Sampling</b>
5.	How can entrepreneurial interaction be studied <i>in real time</i> ? How do contextual constraints function in practice?	Conversation Analysis & Ethnomethodology, Interaction Analysis	EMCA	Audio-visual data – a single case from the Values and Ventures business pitching competition (2012-2014)	The sequential structure of embodied utterances	No theoretical sampling – ‘unmotivated searching’ strategy
6.	How do socially entrepreneurial actors manage identity tensions?	Conversation Analysis & Ethnomethodology, Interaction Analysis	EMCA, Identity Theory.	Audio-visual data – a single case from the Values and Ventures business pitching competition (2012-2014)	The sequential structure of utterances	No theoretical sampling – ‘unmotivated searching’ strategy
7.	How do socially entrepreneurial organisations configure organisational ACAP routines to develop innovation capabilities?	Inductive Multiplecase Study	Absorptive Capacity, Organisational Routines & Organisational Sensemaking	14 case studies (typically based on 2 to 3 interviews, supplemented by additional documentation and in some cases observation). Cases equally split between the UK and Australia.	Organisational routines and their aggregate dimensions	Purposive sampling

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<b>Ch</b>	<b>Research Objective(s)</b>	<b>Methodology</b>	<b>Theoretical Framework</b>	<b>Data</b>	<b>Unit of Analysis</b>	<b>Sampling</b>
8.	What are the dimensions of EO across a range of nonprofit organisational forms?	Inductive Multiplecase Study	Entrepreneurial Orientation	16 case studies (typically based on 2 to 3 interviews, supplemented by additional documentation and in some cases observation). Cases equally split between the UK and Australia.	EO dimensions (Innovativeness, Proactiveness, Risk) as enacted in socially entrepreneurial organisations.	Purposive sampling
9.	What are the systemlevel barriers to social innovation?	Conceptual	Open Innovation & Social Innovation	Conceptual	N/A	N/A



## **4.2 Research Objectives**

There exist a multitude of analytical paradigms within the social sciences (Burrell and Morgan, 1979) and it is therefore critical for scholars to articulate the specific philosophical foundations that underpin their research. The selection of a sociological research paradigm to operate within is tied closely to the objectives of any particular research project. Paradigmatic decisions reflect personal beliefs held by the researcher on the nature of reality and to the evidence required to satisfy knowledge claims. The purpose of this thesis is to critically explore *the how* of social entrepreneurship across multiple levels of analysis, and from a range of discrete<sup>14</sup> empirical and theoretical perspectives. These *how* questions are most typically associated with interpretivist ontologies which seek to “understand the social world at the level of subjective experience” (Burrell and Morgan, 1979: 28). Furthermore, social entrepreneurship is still, given the heterogeneity of contexts in which it exists, empirically underexplored (Short et al., 2009). Hence, the research conducted within this thesis can be considered, to a large extent, exploratory and theory building in nature. The objectives for each of the empirical chapters are described briefly again in the following sections.

### ***4.2.1 Chapter 5 Objectives***

The objective of Chapter 5 is to establish a framework for analysing episodes of situated social interaction. This entails adoption of an unconventional epistemological position that applies an endogenous perspective to knowledge creation. Furthermore, the only data considered valid for analytical purposes are natural recordings of everyday social interaction; any background information, documentation, interview, or other contextual data are not considered relevant for describing the shared members’ methods for achieving social order (unless they are made consequential by members’ during interaction).

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<sup>14</sup> ‘Discrete’ in the sense that each chapter has not been designed to be either cumulative or comparative

### ***4.2.2 Chapter 6 Objectives***

Developing upon this interactionist framework, Chapter 6 uses ethnomethodology/conversation analysis to produce an account of the methods through which a socially entrepreneurial actor manages identity tensions during a ‘social business pitch’ competition. Identity tensions are a central feature of social enterprise activity and recent research has begun to unpick the dynamics of these tensions (Wry and York, 2015; Tracey and Phillips, 2015). Chapter 6 will therefore ask *how do socially entrepreneurial actors manage identity tensions through everyday social interactions?* In order to ground the relatively unique form of analysis in entrepreneurship scholarship, a detailed explanation of ethnomethodology and the related theory-method of conversation analysis are outlined in section 4.3 below.<sup>15</sup>

### ***4.2.3 Chapter 7 Objectives***

Chapter 7, adopting an organisation-level perspective, addresses two specific research needs. Firstly, there is now increasing momentum behind further exploration and operationalization of the absorptive capacity construct beyond traditional hi-tech and R&D intensive settings (Lane et al., 2006). Spithoven et al., (2011) argue that, despite lacking formal R&D departments and often disposing of low-levels of absorptive capacity, SMEs in traditional sectors require scholarly attention. This is supported by McAdam et al. (2011) who base their absorptive capacity study on SME firms, and also by Lane et al., (2006) who challenge the ‘limiting assumption’ that absorptive capacity is only relevant in the R&D context, and hence call for empirical investigation of all dimensions of absorptive capacity in non-R&D settings. Secondly, no evidence of the absorptive capacity construct being used to examine innovation within the social sector, or in relation to social enterprise and social entrepreneurship could be found. It

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<sup>15</sup> A deeper continuation of these philosophical and theoretical discussions is contained in Chapter 5, where the implications of an ethnomethodological ontology, as it relates to ways in which ‘context’ is accounted for in research, is examined.



is therefore proposed that this chapter provides a first step towards understanding the micro-foundations of absorptive capacity capabilities in socially entrepreneurial organizations, and thus delivers an insight into the processes of social innovation. Specifically, details of practiced organisational routines will be uncovered and the configuration of these routines in relation to developing social innovations will be analysed in detail.

#### ***4.2.4 Chapter 8 Objectives***

Prior research has established the strategic significance of EO in NPOs (Morris et al., 2007), however further empirical research is required to better understand the manifestation of EO in the nonprofit context, in order that an appropriate EO scale can be developed (Lumpkin et al., 2011; Morris et al., 2011). Lyon et al., (2000) identify a weakness in EO scholarship in which environmental and organisational contingencies are often treated as a black box. They accordingly advise “To address these issues, researchers should employ more fine-grained research methods (Harrigan, 1983: 398) such as in-depth case analysis, that would better capture the inherent “richness” of entrepreneurial processes and behaviors”. A multiple case study approach is therefore adopted to gain insights regarding the manifestation of EO dimensions in ‘born’ and ‘adapted’ nonprofit social enterprises, and traditional NPOs. The research problem is addressed by focusing on the following research questions:

- 1: How does innovativeness manifest in nonprofit social enterprises and traditional NPOs?
- 2: How does proactiveness manifest in nonprofit social enterprises and traditional NPOs?
- 3: How does risk manifest in nonprofit social enterprises and traditional NPOs?

### **4.3 Conversation Analysis and Ethnomethodology (Chapters 5 and 6)**

Chapters 5 and 6 adopt a practice-based perspective (Samra-Fredericks and BargielaChiappini, 2008; Miettinen et al., 2009) that examines, in various ways, the methods through which socially entrepreneurial actors accomplish intersubjective order during episodes of *in situ* interaction. The first research objective in Chapter 5, as outlined above, is to establish a set of analytical foundations for interpreting granular real-time audio-visual interaction data. This involves developing a framework that draws on the interactionist theories of Goffman (1955; 1961), Garfinkel (1967) and Sacks (1984). As the literature review (section 3.6) has demonstrated, explicitly interactionist studies of social entrepreneurship are rare. In the broader entrepreneurship paradigm too, few scholars have capitalised on the ontological and epistemological advantages provided through close empirical analysis of situated interaction (for example Down and Reveley, 2004). Of those that have incorporated such analyses, Goffman's (1955; 1967) ground-breaking 'interaction order' typically provides a core foundation (Goss, 2008; Goss et al., 2011). Garfinkel (1967) and Sacks (1984) who each build upon Goffman's (1955; 1967) insights to develop systematic methods for analysing embodied interaction, are conspicuously absent from entrepreneurship scholarship. Studies of language and discourse are established in entrepreneurship research, however, these largely take Foucauldian (FDA) or critical discourse analysis (CDA) perspectives (Ahl and Marlow, 2012; Ahl and Nelson, 2015; McAdam and Treanor, 2012). This thesis therefore presents an opportunity to advance ethnomethodology/conversation analysis (EMCA) as an approach that counteracts some of the criticisms directed towards FDA and CDA, particularly around the often polemical and politicised basis of much work in this area (Wooffitt, 2005). While FDA and CDA rely on established theoretical frameworks to examine and interpret themes such as power, gender and oppression, as reconstructed through discourse, EMCA adopts a fundamentally data-driven approach which requires the analyst to 'bracket' understanding of these themes and instead only describe meaning as (re)produced *by* and *for* participants in an interaction. The following chapter, Chapter 5, will thus build further on the EMCA framework outlined in the following methodology section, by

specifically focussing on ways in which features of socially entrepreneurial contexts' may be incorporated into analyses of entrepreneurial practice.

In Chapter 6, this EMCA framework is deployed to explore multiple identity tensions, as dialogically constructed *in situ* by socially entrepreneurial actors. This builds upon a long established scholarly tradition that explores institutional talk in sociology, psychology and medical practice (Heritage and Greatbatch, 1991; Drew and Heritage, 1992b; Heritage and Sefi, 1992). In these studies, the unique structures of situated interaction have been explored to ascertain how identities, institutions and power asymmetries *influence* and are *influenced* by everyday performances of work.

#### ***4.3.1 Philosophical Overview***

Conversation analysis, defined by Sidnell (2009: 35), as “a rigorously empirical approach to social interaction that involves working with recordings of conversation and other forms of talk”, is one of the enduring legacies of a reaction against the mainstream social theory of the 1960s<sup>16</sup>. During this period, there existed a widely held assumption that social actions could be explained and predicted in the same manner as natural and physical phenomena. This notion was controversially, and somewhat successfully, challenged by a small group of academics working across Harvard University, Massachusetts Institute of Technology and the University of California at Berkeley. Harvey Sacks, the founder of the CA approach, built upon the unique insights of Erving Goffman and Harold Garfinkel who had each earlier devised radical approaches to studying commonsense reasoning and human interaction. Garfinkel, in particular, rejected the Parsonian notion of functionalism (e.g. Parsons, 1949) where individuals internalize social norms through processes of socialization and then unconsciously reproduce these norms through their daily activities (Hutchby

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<sup>16</sup> Another being Glaser and Strauss' (1967) Grounded Theory which similarly rejected functionalist approaches to social theory.

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& Wooffitt, 2008). This Garfinkel believed, denied the knowledgability and rational accountability of individuals, hence creating the ‘cultural dope’ in sociological studies. Building on these theoretical insights, Sacks developed the bones of what would become conversation analysis during a spell of field research at a suicide prevention helpline in 1964. After listening to countless hours of telephone calls he began noticing patterns in the interactions between suicidal callers and staff working at the centre. This prompted Sacks to pose some profound questions around the nature and properties of talk-in-interaction. The following example of a call to the suicide prevention centre forms the basis of Sacks’ first lecture on CA (Sacks & Jefferson, 1995: xvi):

A: This is Mr Smith, may I help you.

B: I can’t hear you.

A: This is Mr Smith.

B: Smith.

Sacks’ notes that a practical problem, recurrently faced by helpline operators, involves getting callers to identify themselves. If individuals are asked outright, they may resist, or as this instance illustrates, avoid giving their name entirely. This led Sacks to an intriguing insight: “Is it possible that the caller’s declared problem in hearing is a methodological way of avoiding giving one’s name in response to the other’s having done so? Could talk be organized at that level of detail? And in so designed a manner?” (Sacks & Jefferson, 1995: xvii).

If this observation were to be true, then it would require a radically different way of conceptualising language and talk; from a ‘common sense’ approach in which talk is a “medium through which we pass thoughts (ideas, intentions, directions, information) between each other” (Hutchby & Wooffitt, 2008: 8), to one where talk performs a social action independent of its content (i.e. “whatever information may be in transit between the brains of participants” (ibid: 8):

“For Sacks, ordinary language can be analyzed as a vehicle through which we perform interpersonal actions; moreover, these actions are organized socially; that is, they

display regular patterns which emerge out of the contributions of different participants.” (Hutchby & Wooffitt, 2008: 19)

Sacks began working on these ideas with Harold Garfinkel, scholars such as Emmanuel Schegloff and UCLA students including Gail Jefferson. The CA approach remained somewhat ‘underground’ during the late 1960’s, and indeed, was treated inhospitably by fellow sociologists (Ten Have, 1999). Sacks developed most of his ideas during class lectures, which were all recorded and transcribed. These lectures were mimeographed and distributed amongst a growing cohort of interested scholars. Yet, despite the prolific rate of Sacks’ creative and intellectual development, he published very few journal papers (e.g. Sacks et al., 1974) or research monographs, making his enduring impact on social science all the more remarkable.

Following Sacks’ death in 1974, CA diffused further across an array of scientific disciplines, from psychology (Gregory Jr and Hoyt, 1982) to artificial intelligence and human-computer interaction (Reichman-Adar, 1984) and gender studies (Wowk, 1984); scholars had rapidly developed a set of robust tools and conventions, broadly agreed underlying assumptions and, arguably, achieved the status of ‘normal science’ (Ten Have, 1999).

The next significant phase in CA’s evolution was a concerted effort towards studying institutional talk and developing means to explore the role of context in situated interaction. Early studies of social interaction, despite often being conducted in institutional settings (e.g. many of the examples used by Sacks during his lectures, Sacks & Jefferson, 1995), were relatively ambivalent to context. Ensuing work by Drew and Heritage (1992b) and others (Clayman & Heritage, 2002; Greatbatch, 1998; Heritage, 1985) gravitated more towards context when they started conducting comparative studies of speech exchange systems in different goal-oriented environments. This stream has evolved into a praxiological domain with scholars such as Arminen (2000, 2001) conducting important work into *how* settings such as Alcoholics Anonymous meetings function as an ongoing co-constructed institutional context. A further elaboration of how ‘context’ can be accessed through this

methodological approach is outlined in greater detail in the following chapter (Chapter 5).

The philosophical roots of ethnomethodology and conversation analysis are largely traced to the transcendental phenomenology of Husserl (2012; 1970) and Schulz (1963) and the late work of Wittgenstein (1974). There is a general acceptance amongst social theorists that “ethnomethodology exemplifies a sociological application of Wittgenstein’s philosophy” (Pleasants, 2002: 123), though it must be acknowledged that Garfinkel himself was less keen to emphasise the link. The similarities, specifically with Wittgenstein’s *Philosophical Investigations* (1974), concern the privileging of practical knowledge, local reasoning and the indexicality of language. Both scholars agree that ‘meaning’ is bound in structures of practices, procedures and assumptions rather than in abstract formulation.

“...the relationship between ethnomethodology and social theory mirrors Wittgenstein’s relationship to philosophy. In both cases there is an assiduous attempt to problematize the assumptions, methods, concepts and aims of mainstream social theory and philosophy respectively. At the same time, there is an abiding vigilance against mounting their critique from an epistemically privileged viewpoint, and against surreptitiously offering alternative theories to replace those which they reject” (Pleasants, 2002: 122)

Despite appearing to be indifferent to sociology, and, at times even arguing for an alternative discipline, Garfinkel in later years clarified his position, stating that ‘working out’ Durkheim’s Aphorism (i.e. that the concreteness of social facts is sociology’s most fundamental phenomenon), *is* ethnomethodology’s program too (Garfinkel and Rawls, 2002). Despite signalling a rapprochement of sorts with the larger sociological discipline Garfinkel and Rawls (2002) offer the strong critique that, over the past century, phenomena have largely been treated by sociologists as theoretical or conceptual constructions rather than in any meaningful praxiological sense. Echoing Wittgenstein, the objective for ethnomethodologists and conversation analysts has been to subvert the epistemic position that assumes the analyst/researcher

has a superior understanding of social phenomena, in relation to those engaged in social practices themselves. This forms the core rationale for the ethnomethodological insistence that the objective reality of social facts is an accomplishment of members'<sup>17</sup> everyday practical activities.

#### ***4.3.2 Theoretical Basis***

Conversation Analysis, the framework used to analyse data in Chapters 5 and 6, is an applied branch of ethnomethodology, and can be clearly distinguished from most other sociological and linguistic approaches to science. While the previous section has emphasised a shared philosophical objective, that is, to gain a better understanding of how the social world organises and functions, it entails an almost entirely opposite starting point. As Arminen (2005: 1) explains, “in comparison to many sociological approaches, CA is an exact and empirical enterprise, avoiding immature theoretical speculations and informed by a set of theoretical propositions.” The purpose of CA therefore, is not to prove some theory or other, but rather to provide a formal description of ‘something’ in the world. It seeks to “discover and describe the architecture of (a) structure: the properties of the ways in which interaction proceeds through activities produced through successive turns” (Wooffitt, 2005: 8). Perhaps the most significant departure from ‘conventional’ social science, is the strict prohibition of *a priori* analytical frameworks. Published CA works, for example, will in some instances include no literature review at the beginning of a paper and may only refer to other published work in the empirical discussion. The goal is not to establish a hypothesis and then find data to support it (Hutchby & Wooffitt, 2008; Wooffitt, 2005); Instead, EMCA more generally, seeks to study concrete examples of practice to explain the methodic tools participants deploy to create and sustain intersubjectivity. This is an important epistemological advantage (and, for some, perhaps disadvantage); it means that EMCA is distinctly nonjudgemental or otherwise politically motivated in

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<sup>17</sup> ‘Member’ is a term used in CA research to refer to those involved in an interaction. Similarly, the term analyst is used to describe the researcher.

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its pursuit of knowledge (Garfinkel & Sacks, 1970). Thus, in traditional research methodologies, where a researcher examines a particular phenomenon by working on the assumption that certain preestablished power differentials exist (for example the role of women in corporate boardrooms), they may, subconsciously, project their own values, understanding and political commitments onto participants' behaviour:

“The question is clearly not whether social life is contested, equitable or asymmetrical, but rather how far the analyst allows their own *a priori* commitments to inform their work” (Hindmarsh & Llewellyn, 2010: 31)

Although ‘conventional’ interpretivist sociologists may strongly protest that they do not let personal preferences or prejudices materially colour research (and that adequate steps are taken to mitigate bias), it is, owing to the nature and logic of most subjectivist research processes, largely inevitable and inescapable. Referring briefly to the notional empirical context of this thesis, social entrepreneurship, a powerful case can be made that scholars here have ‘idealized’ the social entrepreneur in a potentially unhelpful way (e.g. Mair & Marti, 2006; Peredo & McLean, 2006 and the discussion in Chapter 3.3.1 and 3.4 of this thesis). Conceptualisations of these entrepreneurs have traced ‘the heroic individual’ trajectory of entrepreneurship scholarship, and empirical work has been framed (and shaped) by the aspirational, politicised and highly moral language of ‘change makers’, ‘pioneers’, and individuals ‘doing well while doing good’. EMCA demarcates an important shift in analytical focus, from observing and interpreting participants’ actions within a general context to observing participants’ methods for understanding each other in a specific context to understand indexical meaning. Through this shift, the CA analyst eliminates the process of attempting to interpret what *they* as informed researchers think actors are doing, and replace it with a concern as to how participants display for each other what they are doing - whether it fits some established theoretical model or not. This perhaps begs the question therefore, in Chapter 6, where the research is established to examine identity tensions in a socially entrepreneurial organisation - would this objective therefore not presume an *a priori* knowledge of structure and ‘roles’ for participants? The answer, simply, is yes. However the research overcomes this problem, by exploring an episode of practice



(the pitch) in a theoretically unmotivated manner and brackets (as best possible) *a priori* knowledge. Identity tensions thus, are only described when *made relevant* by participants for each other during interaction, and this is supported by precise empirical data<sup>18</sup>. Through this approach, the ‘identity’ debate in conventional social entrepreneurship theory is revealed to be artificially constricting, and incapable of accounting for the range of indexical and temporal identities that are relevant and utilised for *doing* socially entrepreneurial work.

### **4.3.3 Dataset**

The dataset for the research contained in Chapters 5 and 6 is sourced from video recordings of business pitch competitions held at Texas Christian University between the years 2011 and 2014. This data is supplemented by ethnographic field notes and observations from 2013 and 2014<sup>19</sup>. The recordings were not produced specifically for this thesis, but were instead published online as a learning resource for other students and entrepreneurs. The video data are currently publicly viewable through the Values and Ventures competition website<sup>20</sup> and on Youtube<sup>21,22</sup>. In utilising such data, this research follows the pragmatic spirit of Sacks (1984: 26) who worked with “whatever data he could get (his) hands on.” This is not to imply however, that Sacks’ took an easy or in any way lazy approach to data; in fact, the opposite is true. The rationale for working with such wide ranging, often mundane data, can be located in one of the founding principles of the EMCA approach; that organisation can be found ‘at all points’ in social conduct, and hence, even (and perhaps especially) mundane or otherwise unexceptional instances of social interaction have some form of analytically recoverable ‘orderliness’ to them. In this light, Tolmie and Rouncefield (2012) note a

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<sup>18</sup> This methodological issue is covered in further detail in the limitations section, 4.3.7.

<sup>19</sup> The author was part of the audience in the videos that form the analysis in these chapters.

<sup>20</sup> <http://www.neeley.tcu.edu/vandv/>

<sup>21</sup> Chapter 5 analysis - <https://youtu.be/j6uPp8BQugc>

<sup>22</sup> Chapter 6 analysis - <https://www.youtube.com/watch?v=o-YJOrwxCD4>

stubborn refusal of ethnomethodologists to ‘fetishize’ data collection methods (and indeed, there is no formal method for ethnomethodological work – conversation analysis has a stricter set of conventions that will be discussed below). The present data, while somewhat contrived in an institutional sense, meets one of the core conversation analysis requirements for working with naturalistic data (Ten Have, 1999). That is, the analytic material is studied *as it happened* in *real time* with no editing of the content or the sequential ordering of interaction.

Following a general review of the whole data corpus that involved listening repeatedly to the various pitches, single specific cases were selected for analysis in each chapter, owing primarily to the presence of analytically interesting features of interaction. Permission was sought from the competition organiser, Ann McDonald, to use the videos for this study. All those who feature in the video were contacted by the competition organisers on behalf of the author and provided consent for the video data to be used in this research.

This form of multimedia technology has a fundamental role in the enablement of conversation analysis; without portable tape recorders and, latterly, video recorders, analysis would not be possible. This is because CA relies on audio/visual recordings of naturally occurring interaction that analysts’ can use to ‘reverse-engineer’ (Arminen, 2005) the architecture of intersubjectivity. Before such technology was available, it would not have been possible to process the subtleties of interaction, as they happen in real time, much in the same way a biologist would be unable to study the composition of human cells without powerful electronic telescopes. The ‘uniquely adequate’ properties of tape recordings provide an unobtrusive means of collecting specimens of everyday interaction, without invoking the Observers Paradox (Labov, 1972).

As previously mentioned, collecting this naturalistic data is a fundamental tenet of CA. Ten Have (1999; 48) considers the call for ‘natural’ data to refer “to the ideal that the interactions recorded should be ‘naturally occurring’, that is, ‘nonexperimental’, not co-produced with or provoked by the researcher.” Sacks took issue with such

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approaches (including *even* ethnomethodology, in which Garfinkel conducted some ‘breach’ experiments using artificially constructed conversations):

“I want to argue that however rich our imaginations are, if we use hypothetical, or hypothetical type versions of the world we are constrained by reference to what an audience, an audience of professionals, can accept as reasonable. That might not appear to be a terrible constraint until we come to look at the kinds of things that actually occur. Were I to say about many of the objects we work with “Let us suppose that this happened; now I am going to consider it,” then an audience might feel hesitant about what I would make of it by reference to whether such things happen. That is to say, under such a constraint many things that actually occur are debarred from use as a basis for theorizing about conversation. I taking it that this debarring affects the character of social sciences very strongly” (Harvey Sacks quoted in Sidnell, 2009: 21)

Moreover, if ‘real’ data are not utilised, then it is unlikely that interesting, unanticipated or otherwise unknown aspects of the social world can emerge. It is worth noting that this is still an important ongoing discussion in contemporary organisational and management scholarship. The main thrust of the recent ‘turn to practice’ in organisation studies for instance (Miettinen et al., 2009; Samra-Fredericks and Bargiela-Chiappini, 2008) concerns a lack of engagement with organisation ‘as it happens’. Sacks’ and Garfinkel’s work therefore, is still surprisingly unique in its form, despite being over 50 years old. In the field of entrepreneurship, real time ‘natural’ data of entrepreneurial work is almost never used. This has precluded many potentially interesting insights into the ‘how’ of entrepreneuring and has resulted in very few concrete, detailed accounts of practice within the literature. As Boden (1994: 45) notes, EMCA and related practice-oriented approaches have the “potential to explode long-standing myths about both the *how* and *why* of organizing and, ultimately, of organizations,” something it is argued is urgently required in the entrepreneurship research paradigm where only 28% of process-based models are empirically derived (Moroz and Hindle, 2012).

#### ***4.3.4 Sample***

Working with this naturalistic ‘real time’ data requires some specific theoretical considerations. Firstly, CA typically does not follow conventional sampling procedures as other methods do, owing to a belief that ‘organisation’ can be found in all instances of interaction. As Ten Have (1999: 51) states “the *logic* of CA...suggests that *any* specimen is a ‘good’ one...worthy of an intense and detailed examination”. Sacks, as previously stated, worked pragmatically with whatever data he could lay his hands on. This as it turns out, happened to be recordings from a call centre, a source of data that has been richly harvested by many ensuing EMCA scholars (Whalen et al., 2002; Whalen and Zimmerman, 1990; Paoletti, 2009). Other opportunistic sources of data have included CCTV footage, public service recordings of political meetings (Llewellyn, 2005), recruitment interviews (Llewellyn and Spence, 2009), business meetings (Boden, 1994), counselling sessions (Arminen, 2001) and doctor-patient interactions (Maynard and Heritage, 2005). Many scholars have utilised recordings of whatever publicly available data is available to them, hence the interest in news interviews (Clayman and Heritage, 2002; Greatbatch, 1998; Heritage, 1985; Heritage and Greatbatch, 1991) and courtrooms (Atkinson and Drew, 1979). The limitation of this sampling procedure is primarily that findings cannot - and are not intended to be - generalised beyond the immediate interaction. Tolmie and Rouncefield (2012: xxiv) argue “Ethnomethodology generally bewilders its sociological critics because it apparently and stubbornly refuses to ‘get the big picture of buy into the ‘big idea’”. However, as the extensive corpus of conversation analysis and ethnomethodology research demonstrates, in many instances the robust analysis of interaction fragments from even single cases can reveal truths that are otherwise hidden in managerial claims, theoretical models or received wisdom. Indeed, a core thrust of EMCA is that generalisation or the aggregation of multiple instances of a particular phenomenon is partly responsible for the alleged poor quality (Garfinkel and Rawls, 2002) of some scientific knowledge. As Tolmie and Rouncefield (2012) conclude, quoting P.J. O'Rourke (2012: 12), “half the world’s suffering is caused by earnest messages contained in grand theories bearing no relation to reality” and this perhaps best

encapsulates the mentality of those scholars working within this particular philosophical perspective.

#### ***4.3.5 Materiality, Embodied Action and Audio-visual Recording Technology***

EMCA studies use audio or video recordings of naturally occurring interactions – a source of data that, thus far, has rarely formed a central component of analyses in studies of entrepreneurship. The distinctive properties of recorded multimedia address some important concerns raised by Gartner (2010: 13) in relation to openness and integrity in the research process, where “the failure to provide readers with opportunities to see all of the data is...asking the scientific community to trust me in ways that are incredibly naïve.” Working within an EMCA framework, it is strictly prohibited for the analyst to hide or otherwise shield data from others (i.e. fellow researchers). Part of Sacks’ objective was to create an observational science of social life where “the reader has as much information as the author, and can reproduce the analysis” (Sacks and Jefferson, 1995: 27).

Open access audio and video recordings therefore arguably present an opportunity to increase the rigour and relevance of entrepreneurship studies. Without a permanent reproducible record of events, analysis can only ever offer a single *prima facie* account of a phenomenon in a given time and place. This account cannot be empirically reviewed, challenged or reinterpreted by other scholars, hence placing primacy on the initial recollection and interpretation of the author(s). Davidsson and Wiklund (2001) acknowledge this in their review of the entrepreneurship field where they argue “real time studies are valuable as retrospective approaches are likely to be flawed by memory decay, hindsight bias and rationalization after the fact.” Yet, since publication of their article, few have taken up the call (interesting examples include Miller and Sardais, 2013: who utilise a diary approach to capture detailed temporal dynamics of practice, and Maxwell & Lévesque, 2011, who conduct real time analysis of business pitch interactions)

Video recordings add a further, often critical, dimension to EMCA work and support the growing interest in materiality in organisation and management scholarship. Studies of discourse, particularly Foucauldian-oriented analyses, are increasingly being critiqued on the basis that there is limited engagement with non-discursive aspects of organisation (Orlikowski and Scott, 2015; Hardy and Thomas, 2015). Scholars working in the EMCA tradition (Streeck et al., 2011; Goodwin, 2000), have, for a long time, stressed the importance of embodied action as a fundamental component of interaction (Excerpt 3 from Chapter 5 in this thesis will illustrate this point). The utilisation of artefacts can also be important features of interaction (see the burgeoning research field of human-computer interaction which builds on EM, e.g. Dourish and Button, 1998), and this is something that can be effectively incorporated into EMCA analyses. However, many scholars (Jarzabkowski et al., 2014; Huxham and Vangen, 2003) will also concede that video, while analytically useful, poses many operational, ontological and even ethical problems for scholars when deciding on research design:

“Too often, researchers regard video as a lens on reality, without fully appreciating that the most basic cinematic decisions constitute theories about the world and how it should be studied. By locating, pointing, and starting a camera, researchers make decisions about what is important. By using a camera to frame, focus, or crop a particular scene, researchers already begin to analyze human activity in progress. With secondary video data, the intentions of the recorder may thus be imposed upon the researcher” (Jarzabkowski et al., 2014: 3)

There are, thus, a multitude of critical dialogues that can take place around the operationalization of video methods (including camera positioning and setting up the recordings). However, since the data in this thesis concentrates on existing video material, whose recording was unconnected to this thesis, and where the act of filming the pitch forms an explicit and normative part of the institutional context (business pitches were live-streamed as part of the event), many of the more problematic philosophical issues are mitigated. Thus, any discussions of the *consequentiality* of the filming process, or the materiality of the camera for the social interaction in hand,

would notionally be incorporated into the analysis. For the extracts selected in Chapters 5 and 6 however, the ‘camera’ (or the filming process) was *not* made relevant by those involved in the interaction, and hence it did not form part of the account<sup>23</sup>.

#### ***4.3.6 Analysis procedure***

Ten Have (1990) identifies an idealised model for conducting conversation analysis research. Following sourcing of the naturalistic data, and subsequent transcription from audio/video to text/picture (utilising the Jefferson conventions detailed below), the researcher must then identify episodes of interaction to examine from the larger corpus:

“The episodes to be analyzed can be selected from the transcripts on the grounds of a variety of considerations. One can select a particular set of circumstances, such as consultation openings.... Or one can spot the presence of an interesting 'candidate phenomenon' (as 'discussions' about the meaning of lay term such as 'sick'). Or one can be intuitively intrigued by some materials” (Ten Have, 1990: 1)

On first listening to these interaction fragments, the analyst attempts to understand the episode using their own ‘common sense’ knowledge. From here, attention turns to analysing what each utterance is ‘doing’ in the interaction, and how these ‘doings’ are interconnected (Ten Have, 1990).

The sequential organisation of talk-in-interaction (i.e. utterances and bodily movements) comprises the primary analytical unit of CA. Each utterance a member makes can only be understood with reference to the immediately preceding conversational turn. It is through these turns, that it becomes possible for the analyst

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<sup>23</sup> It is possible to imagine the camera equipment or filming activities becoming analytically relevant if the actors involved the camera in the interaction, perhaps by explicitly looking directly towards the camera to acknowledge a non-present audience, in the manner some politicians do during televised debates.

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(and the participants in interaction) to see how intersubjective understanding is endogenously achieved (the reaction from each interlocutor confirms their understanding of the previous utterance in an iterative manner). Hence social order is an empirical accomplishment, made available for all interaction participants as opposed to existing as a hidden cognitive feat.

“In producing next-turn responses, participants display, to interlocutors and analysts alike, a practical analysis of what a prior was doing or at least might have been doing” (Llewellyn, 2008: 769)

Therefore, if there exists a misunderstanding between parties, it is possible to witness, second by second, the methods used by each participant to bring about some form of realignment to the interaction (perhaps revealing the relevance of some identity, power asymmetry or gender for the interactive goal). In doing so, the architecture of intersubjectivity is revealed and members' methods for sustaining a scene are made visible to each other *and* the analyst.

For scholars studying institutional talk, as this thesis does, the repertoire of analytical resources is extended to include: Turn-taking organization, the overall structural organization of the interaction (for example the formal structures that are reproduced in job interviews or courtroom proceedings), the sequential organization of interaction, turn design, lexical choice (accountable 'jargon' that may signal membership of or disaffiliation from a particular category) and interactional asymmetries (such as unequal questioning rights). Each CA analysis can involve single or multiple of these interaction features, as required, in order to uncover the methods used for achieving some form of local social order.



Figure 8 - An Example of CA Transcription Notation

Extract 5 [EB4. 49. Fish/Pos]  
1 IR: and twenty five is huh just about enough  
2 isn't it, [for a:  
3 CD: [well, in my first year someone tried  
4 to run a choir with eight ((continues))  
5 twenty-five was actually pretty massive  
6 (.)  
7 IR: okay okay  
8 CD: it filled the length and the width of  
9 the room ((continues))  
10 IR: okay so it worked very well, very good (.4)  
11 well that's plenty on the kind of life skills

Source: (Llewellyn and Spence, 2009: 1429)

An additionally striking facet of CA research papers, and an integral part of the analytic procedure, involves the process of transcribing the interaction data through the established CA transcription system (a relatively simplified illustration of which is presented in Figure 8). It is, at least initially, “daunting to the untrained eye” (Hutchby & Wooffitt, 2008: 11) filled with “mysterious looking symbols” (Sidnell, 2009: 25). This detail is however an entirely necessary part of the CA process. Gail Jefferson first devised the unique CA transcription convention during her work transcribing Sacks’ lectures. Sacks had initially transcribed his interaction fragments in a relatively straightforward manner (i.e. without expressive detail). Jefferson, however concluded that a central part of the methodology required faithfully capturing all nuances of an interaction in order that the reader can reach the most accurate analytical conclusions:

“Why put all that stuff in? Well, as they say, because it’s there. Of course there’s a whole lot of stuff “there,” i.e., in the tapes, and it doesn’t all show up in my transcripts; so it’s because it’s there, plus I think it’s interesting. Things like overlap, laughter, and ‘pronunciational particulars’, (what others call ‘comic book’ and/or stereotyped renderings), for example. My transcripts pay a lot of attention to those sorts of features.” (Jefferson, 2004: 15).

In Jefferson's transcription system (a simplified version of the transcription system used by Llewellyn and Spence (2009) is included in Appendix 1), seemingly innocuous actions and utterances become potentially significant. For instance dynamics may include the placement of a sigh, the overlapping of utterances, the length of a pause, speech emphasis, volume or the speed of delivery. Each of these elements of interaction may be analytically significant as they display some participant's understanding of a previous utterance or their context.

#### ***4.3.7 Limitations of CA***

An issue that requires some discussion is conversation analysts' own interpretive practices relating to the analysis procedure. While this methodology chapter has, thus far, emphasised the accomplishment of order as a members' phenomenon, the knowledgability of the analyst in recognising these social practices is contested by some (Paltridge, 2012; Hammersley, 2003). Paltridge (2012: 105) for example, calls in to question the ability of the analyst to 'bracket' *a priori* knowledge:

"It is also not, in reality, possible for an analyst to start on the analysis of their text completely unmotivated; that is, just looking at the text to see 'what's there' without any preconceived notion of what this might be"

Similarly, Hammersley (2003) identifies that leading CA scholars such as (Schegloff, 1997) are often found not abiding by some of the methodological proscriptions of CA, such as providing no *a priori* contextual information about members' and their relationships. The ethnomethodological assertion, that because something is not observable it is not relevant (Paltridge, 2012), is contested by many, and has led to claims that EMCA could be improved by combining with other discursive methods (Hammersley, 2003). This argument holds some significance, as CA and discourse analysis more generally, are considered by practitioners to be self-contained paradigms rather than research methods (Hammersley, 2003). In a positive sense, this monistic approach has resulted in a uniquely cumulative body of knowledge within each

research community, however it has also prevented social scientists from combining these ‘methods’ with other forms of analysis. Hammersley (2003) claims this unnecessary isolation is based on two fundamental conditions. Firstly, that CA rejects psychosocial attributes such as personalities or attributes as an explanation for social action. And second, that the content of what people say about the world (for example through an interview) is not valid data (everyday accounts should be treated as a *topic* not *resource*)(Hammersley, 2003). However, as antecedent work has shown (Schegloff, 1997), EMCA research, in practice, has been less ‘methodologically severe’ than proscribed (Hammersley, 2003), with various scholars even combining ethnographic accounts with conversation analysis in a single study (Nelson, 1994; Jimerson and Oware, 2006).

#### **4.4 Multiple-case Based Research (Chapter 7 and 8)**

Following Chapters 5 and 6, where ethnomethodologically-informed conversation analysis studies of social entrepreneuring are presented, Chapters 7 and 8 respectively, adopt a firm-level absorptive capacity and entrepreneurial orientation theoretical lens towards social entrepreneurship practices. As both these theoretical areas have not been empirically explored in relation to socially entrepreneurial phenomena, an exploratory multiple-case study approach is proposed as the most appropriate research strategy for theory development:

“there are times when little is known about a phenomenon, current perspectives seem inadequate because they have little empirical substantiation, or they conflict with each other or common sense...in these situations, theory building from case studies is particularly appropriate because theory building from case studies does not rely on previous literature or prior empirical evidence” (Eisenhardt, 1989: 548)

Multiple-case study strategies are considered appropriate for projects that seek to ask ‘how’ and ‘why’ questions as opposed to hypotheses testing. Yin (1994: 13) describes a case study as “an empirical enquiry that investigates a contemporary phenomenon

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within its real-life context, especially when the boundaries between the phenomenon and context are not clearly evident; it copes with the technically distinctive situation in which there will be many more variables of interest than data points; and as one result relies on multiple sources of evidence.” In comparison to conversation analysis, case study research involves the researcher engaging closely with the data to obtain an intimate sense of things (Mintzberg, 1979).

Viewed by some as more robust than single case studies, multiple case studies allow for the observation and analysis of a phenomenon in multiple settings that supports the development of replication logic, where individual cases are considered to be independent experiments (Eisenhardt, 1989; Yin, 1994; Eisenhardt and Graebner, 2007). Case studies have been applied within the social entrepreneurship context (Weerawardena and Mort, 2006; Haugh, 2007; Kistruck and Beamish, 2010), and the wider entrepreneurship domain (Urbano et al., 2011). The approach provides researchers with the opportunity to convey important subjective detail and allows for the complexity and heterogeneity of organisational life to be revealed by those engaged in social practices.

### ***4.4.1 Dataset***

The dataset for Chapters 7 and 8 were collected in the UK and Australia by the author (UK) and Dr. Eva Balan-Vnuk (Australia). The following section will describe the characteristics of this dataset and explains the rationale for incorporating transnational data.

Kreiser et al. (2002) and others emphasise the effect of national culture on individual behaviour and hence firm-level entrepreneurial orientation (Lumpkin & Dess, 1996; Miller, 1983), while Kerlin (2013) underlines the role of national institutional contexts’ on practice. To explore these dynamics in greater detail and in keeping with discussion in this chapter concerning the importance of contextualising research, two countries, Australia and the UK, were selected. Both nations share many historical and cultural

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similarities yet have social sectors of contrasting maturity. More pertinent, however, are the differing levels of policy and financial support provided to social enterprises in each country, with the UK Blair government advocating the important role of the social sector from 1997 onwards (Thompson, 2002). This political focus culminated in the development of a new legal form specifically for hybrid forms of organisations that combine both social mission activities and market-based principles (Low, 2006). The National Council for Voluntary Organisations (NCVO) estimate that 2 million are employed within 900,000 civil society organisations in the UK (2012).

The Australian Government's Productivity Commission Report on the Nonprofit sector reports the operation of over 600,000 nonprofit organisations, employing around 890,000 people, and accounting for 4.1% of GDP, with approximately half of the sector's income as self-generated, excluding contracted government services (Australian Government, 2010). This suggests that a large proportion of nonprofit organisations engage in social enterprise activities. Despite the size of the sector, and the estimated 20,000 social enterprises in Australia (Barraket et al., 2010), there is only recent evidence of policy support for the social sector (Australian Government, 2010). Overall, the level of infrastructure as well as financial and policy support for social enterprises is considerably more limited in Australia than in the UK.
















The three types of nonprofit organisations investigated in this research include: 'born' social enterprises, 'adapted' social enterprises, and traditional NPOs. In this research, 'born' social enterprises are NPOs that have implemented trading activities since inception, and 'adapted' social enterprises implemented trading activities subsequent to inception, initially relying on traditional forms of funding (Smith et al., 2010). Traditional NPOs are those that do not undertake any ongoing form of trading activity to supplement their income streams. Given the turbulence in the social economy, it was considered to be important that the present status of the NPO was recorded, as was any shift in form (for example from a charity to a social enterprise).

Selection criteria were drawn from the literature and are outlined in Table 14, in doing so, answering calls in the social entrepreneurship literature for scholars to explicitly

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describe what types of organisations they are including in social enterprise research (Lyon and Sepulveda, 2009).

**Table 14: Organisational Selection Criteria**

	<b>Selection criteria for nonprofit organisations in this study</b>	Trad NPOs	Born SEs	Adapted SEs
1	The organisation has a social objective or mission (Haugh, 2007; Di Domenico et al., 2010).			
2	The legal status of the organisation prohibits profit distribution to individuals or shareholders (Morris et al., 2011; Considine, 2003).			
3	The organisation is not a government department (Leadbeater, 1997; Haugh, 2005; Bull and Crompton, 2006: 11).			
4	Traditional NPOs rely on traditional sources of funding (DiMaggio and Anheier, 1990; Considine, 2003), and are not committed to any ongoing trading activity (Lyon and Sepulveda, 2009).			
5	‘Born’ social enterprises, established as NPOs, have implemented trading activities to generate earned income since inception (Smith et al., 2010).			
6	‘Adapted’ social enterprises, established as NPOs, have implemented trading activities at a later stage, having relied on traditional sources of funding only from inception (adapted from Smith et al., 2010).			
7	The organisation generates total annual income of less than USD 13 million per year from a variety of sources, including income from grants, donations, bequests, trading activities, and other sources (European Commission, 2003; NCVO, 2008; Weerawardena et al., 2010).			

### 4.4.2 Sample

For Chapters 7 and 8 of this thesis, existing databases of nonprofit (Pro Bono Australia Pty Ltd, 2011) and social enterprise (Barraket et al., 2010) organisations in Australia, and the United Kingdom were examined (Social Enterprise UK, 2011; Social Enterprise Scotland, 2011; Social Enterprise London, 2011; Office of the Scottish Charity Regulator, 2011). An equal number of organisations from Australia

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and the UK were selected from a range of social enterprise contexts, as outlined by Pearce and Kay (2003). The websites and annual reports of the organizations were first screened to identify whether any new initiatives had been launched by the organization, and any relevant organizations were invited via email to participate in the study. 42% of Australian NFP social ventures contacted participated in the study, and 36% of UK NFP social ventures participated. This purposive sample was examined to determine common patterns among the cases, therefore allowing greater claims for theoretical extraction (Di Domenico et al., 2010) (Table 15 provides further details of the sample characteristics). Considerable effort was expended in recruiting a diverse sample of cases, particularly to ascertain the profile of the nonprofit organisation as either a ‘born’ or ‘adapted’ social enterprise, or as a ‘traditional’ NPO. A total of 16 organizations, eight in each country, took part in this research; an appropriate sample size to generate rich narrative data for providing insights related specifically to the research questions (Teddlie and Yu, 2007; Eisenhardt, 1989)<sup>24</sup>. Organisations in the sample were relatively small, with employee numbers ranging from five to 140. The size of these organisations represents a departure from previous absorptive capacity and organisational routine studies (Chapter 7), where the focus has predominantly been on larger organisations. As Zhang et al. (2006) note however, “learning processes in small firms are complex” (314) and therefore research is required to identify how routines develop and evolve under these organisational conditions.

**Table 15: Characteristics of the Sample**

<b>Case</b>	<b>NPO Type</b>	<b>Industry Sector</b>	<b>Size<sup>a</sup></b>	<b>Persons Interviewed</b>
AU01	Adapted SE	Health	Small	CEO, Business Manager, Health Services Manager
AU02	Born SE	Technology & Env. Sustainability	Small	CEO, COO, Projects Manager
AU03	Born SE	Env. Sustainability	Micro	Company Secretary
AU04	Born SE	Community Services	Small	General Manager, Manager
AU05	Trad NPO	Food Rescue and Distribution	Small	Acting CEO/National Manager, Research Manager

<sup>24</sup> Chapter 7 only utilizes 14 cases as no suitable data could be obtained from 2 cases (Case AU08 and UK08)

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AU06	Trad NPO	Health	Micro	CEO, Project Manager
AU07	Born SE	Consultancy & Services	Small	CEO, Business Manager
AU08	Adapted SE	The Arts & Technology	Micro	CEO, Business Manager, Program Manager
UK01	Adapted SE	Carbon Reduction	Medium	Director of Operations, Organisational Development Officer, Head of Projects.
UK02	Born SE	Financial Services	Micro	CEO
UK03	Adapted SE	The Arts	Small	Director, Development and Marketing Assistant
UK04	Trad NPO	Homeless Care & Education	Small	Director, Project Manager
UK05	Adapted SE	Renewables & Carbon Reduction	Small	Operations Manager, Project Worker
UK06	Trad NPO	Asylum Seeker Integration & Employment	Micro	Director, Case Worker
UK07	Born SE	The Arts & Education	Medium	Director, Project Assistant
UK08	Trad NPO	Respite Care	Small	Director, Project Assistant

<sup>a</sup> Small < 10 people employed; medium < 50; large < 250 (European Commission, 2003)

**4.4.3 Data Collection**

Semi-structured in-depth interviews lasting on average between 60-90 minutes were conducted with 34 participants from a total of 16 organisations, eight in each country. Questions relating to ACAP and EO were asked as part of the same interview. The UK data was collected entirely by The Author, and the Australian data was collected by Dr. Eva Balan-Vnuk, with each researcher using the same protocol. The initial interview with the organisation was typically conducted with the Chief Executive Officer or most senior staff member, and then with relevant staff members, as suggested by the first participant. Informants were selected due to their comprehensive knowledge of the attributes of the organisation, its strategy, and operations (Miller and Toulouse, 1986).



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For Chapter 7 (ACAP), a separate interview protocol was developed. Drawing on Lewin et al.'s (2011) description of five internal and three external metaroutines for ACAP, open-ended questions with appropriate prompts were deployed to explore the presence and manifestation of these metaroutines within the social entrepreneurship context. By focusing on either one or two recently deployed innovations in the organization, with which the interview participants were very familiar, the in-depth discussion elucidated some key insights. As the same innovation(s) were explored in detail with multiple informants providing different perspectives, triangulated narrative data was collected (Tellis, 1997).

The interview protocol for Chapter 8 is based on evidence that EO is integral to social entrepreneurship (Weerawardena and Mort, 2006), and, more specifically, from propositions developed by Morris et al. (2011) in their study of EO. The openended interview questions, with relevant prompts, were further developed from the established EO definitions of innovativeness, proactiveness, and risk taking (Lumpkin and Dess, 1996), and were deployed to explore innovativeness, proactiveness, and risk taking, as practiced and perceived by traditional NPOs and nonprofit social enterprises. Informants were asked to provide examples that illustrated organisational behaviour in relation to each EO dimension. These questions were followed by an in-depth discussion of a recently implemented innovation with which the interview participants were familiar. This approach was designed to reveal additional insights regarding the three dimensions that may not have been disclosed through the first set of questions.

### ***4.4.4 Analysis Procedure***

The interviews for each of chapters 7 and 8 were audio-recorded and transcribed verbatim to facilitate with the data analysis. Documents, including interview transcripts, annual and financial reports, as well as website material, were collected to aid in thematic analysis and post-research inquiry (Creswell 2003). Where possible the interviews were conducted 'on-site' in order to generate insights into the relevance of physical workplace configurations. Matrices were used to organize and analyse the data (Miles and Huberman, 1994). This technique is considered to aid pattern matching

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and the appropriate categorization of data. Furthermore, it is appropriate for describing and explaining phenomena attached to multiple cases from which comparable data has been gathered (Miles and Huberman, 1994).

To begin, a matrix based on the three EO dimensions under investigation in this research was developed. This matrix was used to systematically sort the data gathered from each informant. Each of the researchers independently reviewed interview transcripts from both countries, and extracted “thick” description (Denzin, 1989) from respondents to illustrate how each EO dimension was perceived. The purpose of this process was to summarize segments of data into more meaningful units of analysis (Miles and Huberman, 1994). A similar approach was followed for analysing ACAP practiced routines (based on the established internal and external metaroutines identified by Lewin et al. (2011)). Each researcher kept a record of themes for each EO dimension and ACAP routine as they were observed. The two separate matrices were then consolidated into a single document, keeping a record of which researcher added each row. The consolidated matrix contained 135 rows of data from 34 interviews, with each row containing between 50 to 350 words. More than 90% of the verbatim extractions were duplicated. The researchers then discussed and compared the independently identified themes, working recursively between data from the case studies and established literature (Eisenhardt, 1989) to determine which themes contribute to a more holistic understanding of EO and ACAP in entrepreneurial NPOs. Verbatim quotes were selected to illustrate and evidence each theme. Finally, a report for the 16 (14) case studies was produced, and feedback was sought from the respondents as to the appropriateness and relevance of the themes and findings (Creswell and Miller, 2000). This sense-checking activity helped calibrate the analysis as some ambiguous findings were clarified following discussions with participants.

### ***4.4.5 Limitations of Multiple Case Studies***

The limitations of multiple-case study approaches are in many ways directly related to the benefits of an ethnomethodological perspective. The most significant weakness

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related to qualitative case-study research, is that data are typically generated from post-hoc participant interviews. As Hammersley (2003: 755) argues, “relying on informants’ accounts of the world trades on the informants’ exercise of members’ methods in making sense of this world, so that those methods remain unexplicated”. Furthermore, hindsight bias, where research participants may distort the image of something that happened in the past, is a significant concern for scholars (Davidsson, 2006). The outcome of this post-hoc rationalisation is that the researcher does not obtain a satisfactory account of a phenomenon, and theory is thus constructed on poor, possibly even invalid foundations.

In order to mitigate these weaknesses, multiple sources of data have been collected for each case in this thesis. This data were subsequently triangulated, in order that multiple respondents from the same company agreed on key points, hence increasing the reliability of data. Despite taking this step however, Davidsson (2006: 62) claims that “serious distortions are likely to remain regardless of such efforts.” Yet, although these issues pose a considerable weakness to non-real time case study work, there is widespread acceptance that Eisenhardt (1989) and Eisenhardt and Graebener’s (2007) have afforded this form of work a legitimacy that had previously been lacking (Ravenswood, 2011), something that can be evidenced by the usage of the methodology across top journals such as the *Academy of Management Journal*.

### **4.5 Epistemological and Ontological Pluralism**

In electing to research socially entrepreneurial phenomena across various analytical perspectives, it has been necessary to adopt ontological and epistemological positions that share a desire to “understand the process by which actors construct meaning out of intersubjective experience” (Suddaby, 2006: 634), yet that are in many respects, incommensurate. While the interpretivist multiple-case study approach falls within a mainstream approach to sociology that accepts aspects of structure such as hierarchy, rules, authority etc. as, to some extent, predetermined social facts, the interactionist ethnomethodological perspective takes a contrasting position, viewing these features as fundamental ongoing achievements of social interaction. This prompts a return to discussions around Garfinkel’s objective of resolving Durkheim’s Aphorism

(Garfinkel and Rawls, 2002) as it relates to the concreteness of social facts. While the general purpose of Chapters 5 and 6 has been to understand how order and objectivity are achieved *by members*’ in a bounded social setting (hence treating social facts as something locally achieved through social interaction), Chapters 7 and 8 have in various ways pre-structured actors’ realities in terms of absorptive capacity and entrepreneurial orientation frameworks. Furthermore, in these chapters, the research process has involved interpretation and meaning-making by The Author, and hence there is scope for ‘endogenous’ local meaning to be displaced through creative theorising processes in which the theorist has the privileged task of explaining the social order, rather than the describing the methods used by members’ to practically analyse the same order (Ten Have, 2004).

Though at a surface level these disagreements over the nature of reality and knowledge claims are intractable, and preclude comparative analysis across the chapters in this thesis, closer inspection reveals at least some shared and perhaps even complementary objectives. For instance, the case study focus on microfoundational activities in Chapter 7, chimes with Garfinkel’s (1967) interest in practice and making sense of the *seen but unseen* aspects of work and organisation. However, the post-hoc reconstruction of these practices (via interview data), and the step to generalise this knowledge across multiple cases would likely garner accusations (from ethnomethodologists) that the research made “spurious claim[s] to scientificity and objectivity” (Pleasants, 2002: 124).

The decision to incorporate these contrasting approaches to social theory in a single thesis is based largely on the epistemological constraints associated with each of the specific levels of analysis contained within (and, it should be noted again, the intention is not to analyse the same data from plural ontological and epistemological positions). Interpretivist case study work can provide a broad vista to understand and conceptualise complex multifaceted phenomena via multiple triangulated sources of data. Furthermore, in studying microfoundational activity, it would not practically be possible to examine this activity ‘in the field’ from a real time ethnomethodological perspective, owing to the complexity, simultaneity and quantity of data. A related

ethnographic approach would certainly allow the researcher to embed themselves in the organisation to create a detailed schema of ACAP practices, but this will not be absolute and the data may be influenced by the presence of the ethnographer. Hence, a retrospective account, from the perspective of multiple actors, responding to questions designed to elicit examples of practice within established models of absorptive capacity and entrepreneurial orientation, is arguably an acceptable compromise that balances the complexity of practice with a level of abstraction that is adequate for theory development.

The strict empiricism entailed in an ethnomethodological/conversation analysis approach, is a challenging yet rewarding constraint on the analytical process. It forces the researcher to reflect deeply on the nature of knowledge claims (and the limitations and overstatements associated with more dominant research strategies, such as the inductive multiple-case study approach or quantitative approaches). However, it remains only one amongst a multitude of paradigmatic approaches (Burrell and Morgan, 1979) that can be used to understand social phenomena, and arguably dialectics between competing philosophical and methodological standpoints (e.g. Emirbayer and Maynard, 2011; Nelson, 1994) can only serve to accomplish valuable new insights in entrepreneurship research. As Jennings et al. (2005: 148) succinctly conclude, “despite the controversy between incommensurability and interparadigm transcendence, the breadth and richness of knowledge and understanding is surely enhanced by an acceptance of the need for pluralism.”

#### **4.6 Chapter Summary**

This methodology chapter has outlined the two philosophical perspectives that underpin analysis in Chapters 5-8. The first approach builds on Wittgenstein’s ordinary language philosophy and Husserl’s phenomenology, with a particular focus on the indexicality of meaning. The ontological status of social facts within this ethnomethodological perspective holds that they are an ongoing accomplishment of

individuals engaging in processes of social interaction. Hence, rather than establishing deductive experiments to identify apparently ‘objective’ external facts, ethnomethodologists examine members’ methods for sustaining the taken for granted intersubjectivity of everyday life. In order to operationalize Wittgenstein’s philosophy in this thesis, ethnomethodology and conversation analysis methods are utilised.

To further expand the “narrow range of metatheoretical assumptions” in entrepreneurship research, (Jennings et al., 2005: 146) an additional philosophical perspective based on interpretivism (orienting towards regulation (Burrell and Morgan, 1979) is used to analyse organisational-level ACAP and EO phenomena. Here, in line with recent high-profile calls (Shepherd, 2015), empirical focus is directed towards the microfoundations of entrepreneurial actions. This is achieved through detailed case study work that explores everyday entrepreneurial practices.

## **CHAPTER 5 - THE ENDOGENEOUS CONSTRUCTION OF ENTREPRENEURIAL CONTEXTS: A PRACTICE-BASED PERSPECTIVE**

### **5.1 Introduction**

Building on the philosophical foundations of the ethnomethodological approach outlined in the previous section, this chapter will consider how such an ontological and epistemological position can provide a robust means of accessing and understanding socially entrepreneurial contexts. The notion of context in entrepreneurship research is attracting increased attention (Zahra et al., 2014; Welter, 2011; Zahra, 2007). Specifically, calls have surfaced to place “researched enterprises within their natural settings to understand their origins, forms, functioning and diverse outcomes” (Zahra et al., 2014: 3). However, merely sharpening focus on ‘where’ entrepreneurial behaviour occurs through time and space does not fully account for context. Important questions arise over *whose* understanding of context is being analysed, what aspects of context are instrumental in enabling and constraining entrepreneurial actions and how knowledge of contexts may be accessed and interpreted by researchers. In social entrepreneurship research, Mair (2010: 9) emphasises that “social entrepreneurship

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cannot be discussed without taking into consideration the complex set of institutional, social, economic and political factors that make up this context". Therefore, it is necessary to develop a method for analysing the reflexive relationship between the socially entrepreneurial actor and the contexts in which they engage in social entrepreneurship. Drawing further on Goffman's (1967; 1961) interaction order, Garfinkel's (1967) ethnomethodology and Sacks' (Sacks and Jefferson, 1995) conversation analysis, a novel means of accessing dynamic entrepreneurial contexts is proposed. It is argued that these frames for understanding the social world offer a unique and empirically robust vantage point from which to study the endogenous construction of entrepreneurial contexts.

Understanding of context is largely shaped by the ontological and epistemological stances assumed by researchers. The functionalist approaches that largely dominate entrepreneurship research (Grant and Perren, 2002; Jennings et al., 2005) minimize or otherwise remove context from analysis (Hjorth et al., 2008). A smaller number of scholars have deployed interpretivist narrative and discursive approaches to understand the *socially constructed* entrepreneur (Downing, 2005; Chell, 2000; Fletcher, 2006). These contributions have respecified conceptualisations of entrepreneurial processes and challenged normative philosophical assumptions within the field (Lindgren and Packendorff, 2009). However, as a consequence of the tendency to prioritise abstract theoretical models over concrete examples of practice, less is known about the reflexivity between entrepreneurial actions and the environments in which they are produced. How, for example, do entrepreneurial actors accomplish mundane - though significant - activities through situated interactions (e.g. Reveley et al., 2004), and how are the social, cultural and institutional structures in which they are embedded, simultaneously recognised and reconstituted by these same actors (McKeever et al., 2015). Experience shows this is not an analytical problem that is necessarily unique to entrepreneurship scholars; Llewellyn and Hindmarsh (2010: 4) make similar observations within the field of organisational studies (OS) where, "in research papers, what some domain of work practically entails is normally covered in a section *before* the analysis begins".

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To understand entrepreneurial contexts therefore, it is suggested that attention must be reoriented towards practice. This too remains an underdeveloped facet of extant research (Johannisson, 2011), something confirmed by Moroz and Hindle's (2012) review of process-based theories of entrepreneurship which reveals only 12 of 32 models considered are empirically derived. From an analytical perspective this is problematic. The everyday, often mundane activities people do to get their work done constitute the foundations of social order and institutions (Miettinen et al., 2009) and failing to engage with these building blocks from an appropriate philosophical or theoretical perspective increases the chasm between research findings and the lived world. This aloofness from what Hayek (1945) considers 'practical knowledge', has implications for understanding the *how* of entrepreneuring and thus the dynamic functioning of entrepreneurial contexts. The idiosyncrasies and specificities of practice are fundamental for developing a comprehensive picture of entrepreneurship (Anderson and Starnawska, 2008) and for challenging or improving upon incumbent theories. There is a need therefore to study "phenomena that are actually done, as they become evident in the here and now" (Miettinen et al., 2009: 1309), and to adopt methodological resources that will facilitate development of a more dynamic and context-including programme of research (Johannisson, 2011).

This chapter will explore treatment of context and practice in the entrepreneurship domain before suggesting a philosophical and methodological direction for scholars seeking to connect with the situated 'work' of individuals engaging in entrepreneurship. The chapter begins by outlining a case for why context is important in entrepreneurship research before considering calls to explore entrepreneurial phenomena from beyond present ontological and epistemological boundaries (Watson, 2013a; Watson, 2013b; Down, 2013). Next, discussions turn to the analytical significance of both context and practice, each of which are important features of research whose relative prominence is, to a large extent, contingent on philosophical and methodological choice. Recent articles by Welter (2011) and others (Watson, 2013b; Zahra et al., 2014; Fletcher, 2011; Hjorth et al., 2008) have reopened discussions around the significance of context and there is now a welcome move towards 'theorizing context' rather than simply contextualizing theory (although both



are important considerations for researchers). A framework is presented that undertakes to prioritise the local knowledge of the individual engaging in entrepreneurship and their accountability and orientation towards evolving contextual factors. A single video case study based on an entrepreneurial pitch is then presented to illustrate the real-time endogenous functioning of context through finely grained analysis of social interaction. In doing so, the research illustrates how this approach avoids the “arbitrary invocation of a countless number of extrinsic, potential aspects of context” (Arminen, 2005: XV); a problem often encountered by scholars when framing their analyses. The chapter concludes by discussing some of the challenges and rewards that may be encountered through adopting praxiological, sociological and linguistic approaches to entrepreneurship scholarship.

## **5.2 Arguing for a contextualized approach**

Before progressing further it is worth considering in more detail why context is important, and for that matter why it should be given a more prominent and considered role in social entrepreneurship scholarship. The most obvious response is that conventional sociology, in the mode of Durkheim, considers that context enables and constrains social actions: without cognizance of the extrinsic social ‘facts’ that exist, independent of the individual, entrepreneurial behaviour cannot be fully accounted for. While psychology - from which the field of entrepreneurship draws liberally - is considered to be the science of the individual, sociology is the science of society. Researchers are therefore compelled to operate with greater sensitivity towards micro and macro-contextual factors that shape processes of entrepreneurship. Yet Holmquist (2003: 84) identifies a scholarly fixation with the entrepreneurial individual, warning that “aspects of entrepreneurial action have to be analysed in their specific context to grasp the full meaning of the studied phenomenon”. This preoccupation has in turn contributed to “frustrated efforts to overgeneralize results across very heterogeneous settings within and across studies” (Wiklund et al., 2011: 4).

Scholars are increasingly recognising that sections of entrepreneurship research have failed to adequately account for context in a theoretical or empirically robust manner

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(Welter, 2011; Zahra, 2007; Morrison, 2006; Ucbasaran et al., 2001). Zahra (2007) identifies ongoing tensions between the theorization and contextualisation of research by explicating difficulties inherent in utilising ‘borrowed’ models that are grounded in assumptions often reflecting other phenomena. Context, defined by Welter (2011: 167) within a management research framework as “circumstances, conditions, situations, or environments that are external to the respective phenomenon and enable or constrain it”, operates concomitantly across a multiplicity of dimensions, yet despite this, entrepreneurship papers tend to focus on only a single aspect of context (Welter, 2011; Holmquist, 2003). Leitch et al. (2010) and Bygrave (2007) blame the tendency of entrepreneurship scholars to ape the reductionist natural sciences for poor contextualisation, while Gartner (2010: 10) argues that quantitative studies, which are proportionally overrepresented in top entrepreneurship journals, “can never portray the interdependent interactive aspects of individuals over time, engaging with, and responding to, their circumstances”. In sum, context is identified by growing sections of the entrepreneurship research community as being of acute analytical importance, yet pervasive weaknesses are evident in the means through which it is both conceptualised and operationalized in research papers.

### **5.3 ‘Whose text? Whose context?’**

Perhaps one of the most significant challenges confronting researchers who seek to better contextualise theory is embodied in the question posed by Emmanuel Schegloff (1997); “Whose text? Whose context?” Schegloff solicits an answer here in order to highlight that, typically in research papers, context is treated as an exogenous constraint, judiciously established by the researcher (and, notably, *not* the data subject). This, it is argued, prioritises the knowledgability of the analyst over the actor and in doing so, potentially displaces the knowledge that is being ultimately sought through the research project (Llewellyn, 2008).

To illustrate this point, consider the following passage of ‘contextual’ information provided by Welter (2011: 166):

“In rural post Soviet Uzbekistan young women and girls are supposed to stay home until they are married. Therefore, the young woman learned a traditional craft because this was one of the few vocational training opportunities available to her; and this activity could be conducted from home.”

Several potentially important contextual factors are identified in this short passage. We know that this research is based in (1) rural (2) post Soviet Uzbekistan in a possibly paternalistic society where (3) women and girls are supposed to stay at home until they are married. Furthermore, an unsophisticated economy is alluded to as the girl learned a (4) traditional craft owing to (5) few available vocational training opportunities. Finally, religious constrictions are perhaps implied by the significance of the work activity being (6) conducted from home.

While all of these factors (gender, race, age, religion and social status) are quite plausibly relevant for explaining the enacted phenomenon of female entrepreneurship in this particular time and place, they nevertheless represent analytical layers that the researcher has deemed important (perhaps through *a priori* theorizing or even personal or experiential preference). This, to Schegloff's mind, can lead to a form of theoretical imperialism that ignores the dynamic sociointeractional reality of actors existing and reacting to the lived world. He describes this in polemical terms as:

“...a kind of hegemony of the intellectuals, of the literati, of the academics, of the critics whose theoretical apparatus gets to stipulate the terms of reference to which the world is to be understood – when there has already *been* a set of terms by reference to which the world was understood – by those endogenously involved in its very coming to pass” (Schegloff, 1997: 167)

Thus, in order to tackle the seemingly intractable problem of adequately selecting *which* of the myriad ‘relevant’ contexts to include in analysis, priority must somehow be afforded to those contextual factors that are oriented to by actors themselves in a specific social interaction.

#### **5.4 Outlining some philosophical foundations for endogenous context-including entrepreneurship scholarship**

In order to accomplish this endogenous understanding of context, entrepreneurship scholars must build on emerging strands of research. Firstly, they should strive to “research close to where things happen” (Steyaert and Landström, 2011: 124); that is, they must depart from often blunt, abstracted and fuzzy aggregated data. This can be achieved by developing research pioneered by Johannisson and others (Johannisson, 1988; Reveley et al., 2004; Johannisson and Nilsson, 1989;

Johannisson et al., 2002) that treats single episodes of practice seriously. Johannisson (2011) establishes the Aristotelian notion of *phronesis* (practical wisdom and local knowledge) as a guiding ontology/epistemology for understanding *in situ* practice and calls for constructionist methods, particularly autoethnography, ethnography and action research to underpin a programme of ‘enactive research’ in this spirit. This is a welcome and indeed necessary counterbalance to a more general tendency to either ‘control out’ the role of context in favour of objectivist theoretical generalisation (Leitch et al., 2010), or to set up a dualistic relationship between individuals and their ‘context’ (Watson 2012).

Scholars working loosely within the European tradition in entrepreneurship research have constructed compelling arguments against such normative attitudes. Watson, for instance, (2013a; 2013b) delivers a powerful case for adopting a pragmatist framework that draws on Max Weber, Charles Peirce and John Dewey, taking as its starting point the notion that an abstracted theory of the social world is unobtainable:

“A complete understanding of any aspect of the world is impossible; reality is far too complicated for that to be possible. Knowledge about entrepreneurship, or any other aspect of the social world, is therefore to be developed to provide us with knowledge which is better than rival pieces of knowledge, or is better than what existed previously” (Watson, 2013a: 21).

This is a liberating insight, and one that provides an intellectual bedrock for those seeking to connect with entrepreneurship ‘in the field’ yet who aspire to go beyond the reductionism inherent in the near ubiquitous multiple-case study approaches pioneered by Eisenhardt (1989) and Eisenhardt and Graebner (2007)<sup>25</sup>. In short, it provides justification for a form of empiricism that takes a highly granular approach to phenomena on the basis that, when multitudes of discrete cases are aggregated together, a new ‘context’ is formed that most probably will never have existed or been observable in the ‘lived’ world.

This classical pragmatism also permeates theories such as effectuation (Sarasvathy, 2001) which takes an anti-deterministic view of entrepreneurial action, and entrepreneuring (Steyaert, 2007a) where an ontology of ‘becoming’ as opposed to ‘being’ is enacted. Each of these approaches affords the entrepreneurial actor a more dynamic and instrumental role in shaping their reality, and hence, theory is often found to be tethered more closely to concrete practices. Yet, despite these advances, an epistemological question remains over how seemingly ephemeral contexts and actions can be robustly accessed and convincingly interpreted by the researcher.

A potential remedy lies in a second emerging stream of research by Reveley et al. (2004), Down and Reveley (2009), Reveley and Down (2009) and Goss (2005b; 2008) that utilises the interactionist sociology of Erving Goffman (1967; 1961; 1955) to theorise social action. Goffman’s work, and the research it inspires, is significant for offering a unique empirical perspective on how self-identities are both constructed and subsequently confirmed ‘face to face’ by participants in an interaction. Following Goffman’s approach, the researcher fixes their analytical gaze on how actors themselves verify self-identity based on the reaction of others, and subsequently how these reactions are used as a basis for reconstructing or repairing ongoing narrative identities. Notably, this engenders an endogenous perspective whereby individual agency is not “reduced to the self-narrational activities of individuals or the effects of

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<sup>25</sup> Methodologies which are used in Chapters 7 & 8 of this thesis.

external societal narratives or discourses upon them” (Down and Reveley, 2009: 383). Thus, to expand upon these developments in entrepreneurship scholarship, it is proposed that a practice-based framework is adopted to systematically analyse the dynamic endogenous construction of entrepreneurial contexts through episodes of naturally occurring social interaction.

## **5.5 Advancing the study of situated interaction in entrepreneurship scholarship**

### ***5.5.1 Institutional Talk***

Goffman’s interaction order, with its focus on the ordered properties of human conduct, provides the basis for two important developments in sociology that will be utilised for the context-including framework: ethnomethodology and conversation analysis. The first, ethnomethodology, is the study of members’<sup>26</sup> methods for achieving endogenous social order through situated interaction. It remains a somewhat radical theory in sociology owing to a rejection of ‘micro’ or ‘macro’ explanations for social action. Instead:

“Garfinkel argues, the methods essential to work (and organization) will be found in details of attention and mutually oriented methods of work, and ordered properties of mutual action, rather than abstract formulations” (Rawls, 2008: 702)

While initial CA studies focus on the non-institutional dimensions of conversation, latter studies became interested in the unique ways in which situated interaction shapes and is shaped by contextual (i.e. institutional) forces. In particular, many studies have focussed on institutional settings such as courtrooms (Atkinson and Drew, 1979) and medical consultations (Maynard and Heritage, 2005) where

“interacting parties orient to the goal-rational, institutionalized nature of their action” (Arminen, 2005: : XIV). Through comparison with ‘normal’ conversation, the unique

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<sup>26</sup> ‘Member’ is a term used in EMCA research to indicate a person that is part of an interaction. The term ‘analyst’ is used to mean the researcher.

and relevant properties of institutional conduct can be brought to the analytical foreground:

“The analyst demonstrates the ways in which the context plays a role in a particular aspect or a segment of interaction, thus allowing us to examine the role the institution has in and for the interaction in the setting” (Arminen, 2005: XIV)

The institutionality of a particular interaction can be revealed through participants’ orientation to the ‘procedural consequentiality’ of utterances and actions (Schegloff, 1991). This can be demonstrated through features such as lexical choice, the overall structure of interaction, and the asymmetrical distribution of questioning rights between participants. In order to perform an institutional task such as ‘participating in a job interview’ (Llewellyn and Spence, 2009), both interactants will orient to the question-answer structure that typically characterises a recruitment interview (and the power imbalance entailed in such circumstances). Each participant will also restrict the vocabulary employed in his or her utterances and the interviewer will most likely attempt to cultivate a display of professional neutrality through each conversation turn. In short, job interviews do not exist objectively as some kind of tangible context, but rather they are co-constructed second by second by interview participants. Ethnomethodology/conversation analysis can provide a perspective on the job interview that, firstly, reveals unknown details of intersubjective practice and second, allows the analyst to explore how local contingencies challenge generally accepted specifications of work.

While it may be tempting to discount such fine-grained analysis as irrelevant or even trivial, Llewellyn (2008: 764) argues, “the detailed order of work activities is not incidental or merely interesting but vital for understanding how people find themselves at work, find ways of dealing with others and find solutions to practical problems which arise along the way.” In this sense it provides a window into how members’ recognise features of context as they fade in and out of relevance for a particular episode of work. As Llewellyn and Burrow’s (2008) study of a Big Issue vendor demonstrates, unanticipated contingencies (specifically, from a theoretical

perspective) can shape conduct in unexpected ways (in this instance, the problematizing of a Catholic religious identity for purchasing the Big Issue magazine). The data-driven nature of EMCA thus allows *all* facets of context to be incorporated into analysis, as and when they come into view, as they are oriented to by members' themselves.

### ***5.5.2 Abandoning the bucket approach to context***

Central to an ethnomethodological/conversation analysis mentality is a rejection of what Garfinkel (1967) terms the 'bucket approach' to context whereby actors are treated as 'cultural dopes'. This is a terms that refers to "man-in-the-sociologist's society who produces the stable features of the society by acting in compliance with preestablished and legitimate alternatives of action that the common culture provides" (1967, p. 68). The implication of this position is that the individual engaging in entrepreneurial behaviour, or any other social actor for that matter, is treated as a passive puppet of "abstract social forces which impose themselves on participants" (Hutchby and Wooffitt, 2008: 139). Conversation analysis takes a contrasting perspective, holding that individuals are actively knowledgeable of their environment, making visible (to others, and hence analysts) their orientation "to the relevance of contexts" (ibid). Each utterance or gesture made in response to a prior interlocutor's utterance provides evidence of how intersubjective understanding of a task or activity is maintained or repaired. Analyst's must therefore 'bracket' understanding of context in order to grasp its endogenous construction through this interaction (Arminen, 2005).

In conversation analysis studies, the burden therefore falls on the analyst to show the consequentiality of context and structure for a particular interaction. It cannot be assumed that power asymmetries, social status or gender are enabling or constraining factors unless the design and flow of interactional sequences indicates so. Prior studies on male interruptions when females are talking illustrate this point acutely (James and Clarke, 1993). The follow excerpt from Zimmermann and West (1975: 108) shows



how a male (A) projects a dominance over a female (B) by interrupting and finishing a sentence (lines 4 and 5).

- 1 A: How would'ja like to go to a movie later on tonight?  
(3.2) 2 B: Huh?=  
3 A: A movie y'know like (x) a flick?  
(3.4) 4 B: Yeah I uh know what a movie is (.8) It's just that=  
5 A: You don't know me well enough?

Rather than treat contextual factors including gender as an “immediate explanatory resource” (Arminen, 2005: 33), conversation analysis demands empirical evidence of precisely *how* gender is accountably relevant during an interaction rather than being a purely exogenous constraint. So, in the case of male dominance over women, scholars have identified linguistic patterns such as men taking more conversational turns, men interrupting more, men making unilateral topic shifts (as opposed to women making collaborative ones) and men denying women interaction rights. Through the study of small fragments of interaction, scholars (Stokoe, 2006; Shaw, 2000; Ainsworth-Vaughn, 1992) have been able to empirically link everyday mundane activities with the reproduction of wider sociological structures and hierarchies.

### ***5.5.3 Talk as doubly contextual***

A fundamental departure point for studies of CA is the notion that talk and actions are doubly contextual. In this sense context is considered to include both the “immediately local configuration of preceding activity in which an utterance occurs, and also to the “larger” environment of activity within which that configuration is recognized to occur” (Drew and Heritage, 1992a: 18). Firstly, talk is *context shaped* in that it cannot be understood without reference to the preceding utterance. The context will also enable and constrain episodes of talk meaning that participants in an interaction must design their behaviour in a manner appropriate to the local environment. This becomes particularly important during formal and quasi-formal institutional interactions such as courtrooms, classrooms or even news interviews. In the latter example, news

journalists must design their talk by taking into consideration obligations of ‘neutrality’ and ‘objectivity’ when conducting live interviews on-air (Clayman and Heritage, 2002; Greatbatch, 1998). Close analysis of these interactions can provide description of how ‘neutrality’ is achieved (and often circumvented) by reporters.

Second, talk is *context renewing*. As “every current utterance will itself form the immediate context for some next action in a sequence, it will inevitably contribute to the contextual framework in terms of which the next action will be understood (Drew and Heritage, 1992a: 18). This means that interactional context is a dynamic and changeable structure that is perpetually being renewed, maintained and altered in increments. This provides justification for a rejection of a ‘containing view’ of structure where ‘cultural dopes’ are at the mercy of abstract social forces. Instead, it demonstrates that context is endogenously created by knowledgeable actors who make visible their orientation to context and hence work to sustain intersubjectivity.

## **5.6 An Ethnomethodologically-informed Analysis of a Business Plan Pitch Question and Answer Session**

In order to animate some of the theoretical and methodological arguments outlined in this chapter (in a notionally ‘entrepreneurial’ setting), a short empirical case drawing on video recordings of a student business competition will now be presented to uncover some of the ways through which an institutional context functions in real time.

The scene for this present research is a social enterprise business pitch competition in the USA. The annual Values and Ventures competition host’s teams of international business students who ‘pitch’ their venture idea to a panel of esteemed members of the local business community. The pitches themselves follow a highly normative format; each individual or team is introduced by the compere and has approximately 10 minutes to present their business idea to a judging panel and audience of fellow competitors, international academics, and local businesspeople. Immediately following the pitch, the compere invites questions from a panel of (typically) five

judges, who very occasionally ask unallocated follow-up questions - normally for some clarification of a preceding point. The compere then brings the session to a conclusion after the allocated question time expires. The pitches are recorded by several camera feeds that live-stream proceedings over the internet at the time of the competition.

## **5.7 Analysis**

### ***5.7.1 Judging a Social Entrepreneurship Business Pitch: Doing 'Neutrality'***

A feature of judging a business pitch involves producing and sustaining a 'neutralistic posture' throughout. From an ethnomethodology/conversation analysis perspective, this is not a pre-given fact or an inherent feature of the context, rather, it is something that must be accomplished by interactants at all points during a pitch. This task is further complicated by a requirement on the judges to ask adversarial questions of the pitching team without displaying favour or bias towards any of the other competing teams. The analysis will describe some of the structural features of interaction that reproduce this context.

Departing from the notion of a pre-established 'neutral' containing context towards one that is incrementally produced and thus changeable at any point, firstly requires the analyst to show how relational dynamics in a *neutral though adversarial* context are oriented to by participants in the first instance. The following examples illustrate how sociolinguistic and interactional features such as turn-design and relational asymmetries endogenously shape and are shaped by the institutional context.

### ***5.7.2 Question-answer structure: withholding receipt tokens***

The institutional nature of talk can be gleaned through comparison with the turntaking systems of normal conversation and other forms of institutional talk. Business pitches, for example, share some comparable features with other *formal* speechexchange

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systems such as courtrooms and news broadcasts. In these settings, it is common to witness a departure from the three-part question-answer-confirmation structure that is typical to everyday non-institutional interaction. Levinson (1992) notes for example that defence lawyers draw on their institutional power to ask a series of juxtaposing questions that maintain their supposed neutrality yet expose weaknesses in victim testimonies. Furthermore, utterances in these public settings are designed to be 'hearable' to third parties (i.e. the immediately situated audience and the televised audience), which adds a further dynamic to intersubjective understanding.

Extract 1 [14:58]



14.58



*Extract 1: 14:58*

- 1 P: This is not a marketing gimmick (.) this is (0.4) our entire
- 2 P: <fabric of our brand> ↓
- 3 J: (1.2) I have a question about yo::ur penetration so far (.) so 5% year one ()
- 4 J: How did you come up with that >have you had conversation with<
- 5 J: buyers of these companies u:h in your marketing plan]
- 6 P2: [Sure]
- 7 P2: () we've talked a lot of () we've done
- 8 P2: a lot of visits through the Entrepreneurship Centre

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9 P2: with people in Austin that are CEO's of packaged goods

Extract 1 (above), illustrates how a business pitch context is oriented to on a turn-by-turn basis by both a judge (J) and pitcher (P). In line 2 we can hear the pitcher finish an affirmative statement in response to a previous question. Notably, the judge, beginning in line 3, does not offer any form of acknowledgement or receipt token to the pitcher (such as 'uh huh' or 'I see') (Heritage, 1985); rather he proceeds by directly signalling another question. In everyday conversation, this withholding of positive or negative affirmation would most likely be seen as rude or abrupt – it may even prompt a withdrawal of further cooperation from the answerer, yet in line 6, we see another member of the pitching team respond enthusiastically to the question ("Sure"). It is clear then that the pitcher in line 6 is orienting to and reinforcing an asymmetrical power dynamic, which favours the judge. Simultaneously, the judge is demonstrably constraining their range of utterances (i.e. encouragement or disapproval) and indeed their embodied actions (such as smiling or nodding) to make visible for the pitcher and audience, their apparent objectivity in accomplishing the task in hand. Although receipt tokens are a relatively minor feature of interaction, their usage demonstrates how constraints are functioning as part of evolving practices.

### ***5.7.3 Neutralising Aggressive Questioning***

Extract 2: 14:15



14:17



Extract 2: [14:15]

10 J: Why wouldn't Kimberly-Clark just do this themselves? ↓

11 P: I would welcome (.) Kleenex to do this and start giving more to our society↑,

12 P: honestly (.) ha. I wish that 15 cents off of all their boxes went to a non-profit

13 P: but (0.6) what we are passionate about these days...

A further clear orientation to the local institutional power of the business pitch judge is embodied in the structure and delivery of pitcher answer-responses. In Extract 2, we can see the pitcher studiously avoid direct confrontation with the judge despite a relatively provocative question in line 10. Rather than treat this question as an obvious criticism, designed to undermine and discredit the business idea, the pitcher instead orients towards the utterance as a collaborative suggestion (in lines 11 and 12). This is a subtle yet neat strategy on the part of the pitcher as, in doing so, she manages to partially neutralise one of the principal context-derived resources (questioning entitlements) the judge possesses. The interactional context has, for a fleeting moment at least, been reshaped from an adversarial encounter towards a collaborative one. This shift is achieved through an initial acceptance of the 'suggestion' by the pitcher ("I would welcome") and the insertion of a plural possessive pronoun ("our society").

A further interesting facet of the pitcher response (lines 11 and 12) is that the individual does not address the judge directly with her reply, but rather looks across a large swathe of the audience. Through this gesture, the pitcher has widened out the context for the interaction, making the audience a consequential and accountable part of any next move (perhaps minimizing the asymmetrical nature of the relationship between judge and pitcher). By orienting to the judge's critical comment as *an idea*, and subsequently offering a positive evaluation and endorsement of the idea *towards the audience* (in lines 11 and 12), the pitcher has constructed a 'judging' identity for herself (this time directed back towards the competition judge), in doing so, temporarily gaining a more equal footing with her interlocutor in the eyes of the (judging) audience.

The final part of the pitcher's response in line 13 is also significant. Here, rather than continuing to answer the judge's question, which has been disposed of in two lines, a topic shift is initiated ("But, what we are passionate about these days"). It appears therefore that lines 11 and 12 acted as a 'buffer' to avoid a direct confrontation with the judge (which, had the topic shift had been initiated in line 11, may have resulted in a sanction for failing to answer the question).

#### ***5.7.4 Contextual ambiguity: deviant institutional conduct***

The final vignette reveals methods through which competing institutional identities are invoked during an interaction. The passage, beginning in lines 14 and 15, opens with the judge asking a probing question about the quality of the pitchers' product. In line 17, we see a shift from this supposedly objective 'neutral' identity towards a more intimate identity (with the invocation of a personal preference). In line 19 (Extract 3, picture 2, 22:17), a pitcher responds to line 18 with a short giggle. The judge then responds to this with more laughter, triggering wider audience laughter. In line 21, the judge then asks a question which is oriented to by the audience and pitcher as 'humorous' rather than 'serious'. The pitcher does not respond to the question directly,



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but rather looks at her fellow pitcher and builds on the intimate personal context, saying, “I love it”.

Extract 3 [22:06]



[22:10]

[22:17]

[22:18]

Extract 3 [22:06]

- 14 J: What is the quality of the recycled paper, >cos  
15 J: This is not clearly recycled [paper]<  
16 P: [yup]  
17 J: Um, when I think of recycled, I don't really wanna  
18 J: put it next to my nose] (0.7)  
19 P: [laughter]  
20 [Audience laughter]  
21 J: (laughing) how are you gonna get over that? 22 P:  
(laughing) >I love it< (0.9) yes, ok

This interaction signals a momentary breakdown in the normative conduct of a business pitch; the neutral adversarial context is recast as a somewhat friendly and familiar one – something capitalised on immediately by the pitcher. This is evidenced through the way in which the pitcher orients towards a personal comment (lines 17 and 18) by responding to the judge in a way that would typically be unacceptable in such a setting (“I love it”). The institutional constraints on allowable actions have suddenly and abruptly changed as the judge has reframed the situation and transformed the nature of the adversarial context. This in turn, has created a new landscape for the pitcher to operate within and opens new contextual resources that may be utilised for the entrepreneurial purposes in hand.

## 5.8 Discussion

This transitory lapse from the judge in Extract 3 brings to the surface the extent to which contexts and relational dynamics are actively sustained and therefore immediately changeable. We can see that, rather than existing merely as ‘cultural dopes’ enacting predetermined roles and identities in response to extrinsic forces, interaction participants are “knowledge social agents who actively display for one another (and also, for observers and analysts) their orientation to the relevance of contexts” (Hutchby and Wooffitt, 2008: 139). Pursuing this approach draws out

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various subtleties that are often ‘glossed’ in common descriptions of practice yet that remain fundamental for understanding entrepreneurial phenomena.

Through the empirical material presented it is possible to witness how the pitcher engages in acts of resistance - albeit a form of resistance that operates subtly within the strictures of the business pitch context. Rindova et al. (2009) identify the removal of constraints as central to entrepreneuring, yet as Doern and Goss (2013) illustrate, the nature of the constraint and the processes used to remove the constraint are less well articulated. EMCA provides a precise means through which to view these processes and from a perspective that avoids incorporating static contextual barriers (and enablers) into analysis. This dynamic and evolving conceptualisation of constraint is illustrated in Extract 2, where an asymmetrical power relation is dissolved through the structuring of a question-answer response, in this instance, the creation of a ‘buffer’ answer that enables the pitcher to initiate a favourable topic shift. Indeed, if power is viewed as a function of practice (Goss et al., 2011), then the nature of wider contextual factors would similarly benefit from being reconsidered as primarily a project and product of interaction and individual agency.

The implication of this endogenous perspective of entrepreneuring as an outcome of dynamic, embedded (and unpredictable) processes, when expanded upon, offers promise to reconsider various central constructs in the entrepreneurship domain, including theories of resource acquisition and opportunity exploitation. Building on Goss’ (2005b: 206) re-reading of Schumpeter, where he turns attention towards the “social processes that help to produce and reproduce entrepreneurial action”, an interactionist framework may arguably underpin a better understanding of precisely how those engaged in entrepreneuring produce ‘new combinations’ amidst the flux of contextual factors that emerge and dissipate *ad infinitum*. Similarly, researchers are also presented with a window into precisely how those engaging in entrepreneurial processes adopt various deviant behaviours to overcome contextual sanctions or constraints that inhibit (or sometimes enable) their actions (as Extracts 2 and 3 illustrate in different ways). It is at this juncture where Garfinkel’s (1967) reaction against ‘cultural dopes’ and the ‘bucket approach’ to context, may present a means of

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reconsidering the agentic nature of the entrepreneurial individual as someone operating of their own (temporally variable) free will in a *context shaped* and *context renewing* environment - particularly one where a range of “diverse outcomes” persist (Zahra et al., 2014: 3). In doing so, a case exists to partly reconsider the pervasive usage of *a priori* analytical frameworks (and the threat of theoretical imperialism that comes with them) and to encourage a more pragmatist inspired data-driven perspective on entrepreneurial phenomena.

Previous developments in sociological and practice-based entrepreneurial studies have drawn on rich data and methods such as ethnography (Dacin et al., 2010a), autobiographical narrative data (Goss et al., 2011), storytelling (Steyaert, 2007b) and phenomenological inquiry (Cope, 2005), however EMCA provides both a complementary and supplementary framework for working with data that captures processes as they happen in real time, where those engaging in entrepreneurial actions make visible for each other (and analysts) evolving understanding of context. EMCA can deepen understanding of context by enabling the inclusion of additional analytical dimensions such as socio-material practices (Orlikowski, 2007) and the spatial nature of entrepreneurial contexts (Reveley et al., 2004). Highly granular naturalistic data provides an opportunity to study processes as they happen *in situ*, something that can provide a new perspective on how those engaging in entrepreneuring navigate problems, analyse context and overcome social and institutional constraints on entrepreneurial behaviour.

The three examples have provided short but novel insights into the hidden complexities of a typical business pitch by approaching the data with no *a priori* theoretical agenda. Instead, by analysing the methods through which participants display their orientation towards the relevance of context, we sidestep analytical problems encountered elsewhere when researchers must select from a multitude of potential contextual variables to frame analysis. Through utilisation of recording technology, it has been possible to exhaustively explore the endogenous construction of context, turn by turn, as various identities, power relations and contextual factors become relevant, in the

moment, to participants pursuing their own objectives and responding to the projects of others.

## **5.9 Conclusion**

It is argued in this chapter that there remain many theoretical resources from the disciplines of sociology, discourse analysis and linguistics that could be applied to gain a better understanding of “when, how and why entrepreneurship happens” (Welter, 2011: 176). We identified various difficulties inherent in contextualising research, namely: whose understanding of context is being analysed? What aspects of context are instrumental in enabling and constraining entrepreneurial actions and how can knowledge of contexts may be accessed and interpreted by researchers? The present framework addresses these problems by directing analytical focus to the level of social interaction.

Entrepreneurial contexts are first and foremost a concern for entrepreneurial actors and those whom they interact with. How these individuals (or other social actors) analyse, respond to and (re)construct their social context is “not simply or even primarily a theoretical phenomenon for the analyst” (Llewellyn and Spence, 2009: 1420). It is instead something that is empirically available both to those involved in an episode of interaction and any analyst who has a recording of the interaction in question. This ethnomethodological stance offers a solution to the methodological puzzle outlined at the start of this chapter, which queries whose understanding of context is ultimately being analysed in research? Building on Garfinkel’s (1967) distinctive framework, a means for empirically demonstrating the consequentiality of context for episodes of entrepreneurial practice, has been presented, recognising that “contexts for action oscillate wildly, not simply over time, but utterance by utterance” (Llewellyn and Spence, 2009: 1436)

The analysis offers several contributions to contemporary entrepreneurship scholarship. Firstly, the roles and identities that individuals construct through everyday

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interaction, shape and are shaped by the contextual constraints that emerge and dissipate during the course of an interaction. In this chapter, the notion of ‘contextual constraint’ as an exogenous and static barrier has been replaced by a more dynamic and reflexive one, illustrated in part through elucidation of the methods that entrepreneurial actors use to structure interaction so as to mitigate asymmetrical power relations. Second, by rejecting the idea of the ‘cultural dope’ in entrepreneurship studies, ethnomethodology and conversation analysis provide a theoretical apparatus that offers insights into the role social settings play in the formulation of entrepreneurial conduct. This, consequently, affords scholars the opportunity to challenge established theories that often fail to capture the complexity and idiosyncrasies of practice or that otherwise fail to account for context when using established theories to explain new entrepreneurial phenomena (Zahra et al., 2014).

There are limitations inherent in conducting such granular, context-sensitive research. While findings provide uniquely detailed real-time analyses of social interaction, the applicability of these insights to other related phenomena may be minimal. Similarly, scholars from aligned discourse analysis traditions such as critical discourse analysis (CDA) and Foucauldian discourse analysis (FDA), will query the practice of ‘bracketing’ understanding of the social world, claiming this artificially removes overarching power and political dynamics from analyses. While EMCA research may not offer general theories, it does afford the potential to cut across some of the static that envelops the entrepreneurship paradigm by reconnecting abstract theories with concrete examples of practice. It is hoped an endogenous perspective can be taken in future interaction-based studies of entrepreneuring as entrepreneurial actors perform important yet empirically overlooked tasks such as selling, networking, arranging finance and accessing resources.

## **CHAPTER 6 - ALL THINGS TO ALL MEN? THE PLASTICITY OF THE SOCIALLY ENTREPRENEURIAL IDENTITY**

### **6.1 Introduction**

Research into the organizational identities of socially entrepreneurial ventures rests upon two axioms: that these organisations are in possession of multiple identities (Austin et al., 2006; Moss et al., 2011), and, that these identities are a source of conflict and tension (Miller et al., 2010). Scholars working under these premises typically afford identity the ontological status of perceptuo-cognitive reality - a thing that exists objectively as either utilitarian, normative or some hybrid of both (Moss et al., 2011; Albert and Whetten, 1985). This chapter takes a contrasting perspective, treating identity as an emergent process that exists in its *use*; a resource for members' that is both "flexible and contextually contingent" (Antaki et al., 1996: 474). Through such an approach, it becomes possible to witness precisely *when* participants in an interaction work up and then invoke organizational identity as a practical device, and *how* it may be tactically deployed to achieve specific organizational objectives. Through fine-grained analysis of interaction sequences, identity is shown to be far more nuanced, elaborate and complex than is often portrayed in social entrepreneurship research. Furthermore, by employing ethnomethodology (EM) and conversation analysis (CA), it is possible to empirically demonstrate how identity usage is reflexively tied to the context in which it is produced.



The notion of ‘dual’, or ‘hybrid’, identities within socially entrepreneurial ventures is frequently problematized in research papers (Miller et al., 2010; Moss et al., 2011; Di Domenico et al., 2009; Tracey and Phillips, 2007). This conceptualisation of multiple competing organizational identities can be traced back to Albert and Whetten’s (1985) seminal paper, which draws upon a rich empirical case study of identity tensions within a cooperative venture. The theme has been revisited on various occasions, notably by Golden-Biddle and Rao (1997) who explore conflicting identities within non-profit boards and latterly by Foreman and Whetten (2002) who surface frictions between ‘business’ and ‘familial’ identities in firms. More recently, a consensus has formed around claims that socially entrepreneurial organisations are somehow caught amidst two seemingly irreconcilable logics (Smith et al., 2013). On the one hand, it is claimed, SEs’ possess a normative identity emphasising “traditions and symbols, internalization of an ideology, and altruism,” much like a church or family, while, concurrently, they embody a utilitarian identity reflecting a business-like concern with “economic rationality, maximization of profits, and self-interest” (Foreman and Whetten, 2002: 621). Social enterprises are therefore considered by many to correspond with Albert and Whetten’s (1985: 270) notion of a hybrid-identity organisation, which is defined specifically as:

“...an organization whose identity is composed, of two or more types that would not normally be expected to go together....(I)t is not simply an organization with multiple components, but it considers itself (and other consider it), alternatively, or even simultaneously, to be two different types of organizations.”

Commensurate with this description, Tracey and Phillips (2007: 267) conclude that conflict evolving from identity tensions “is a central characteristic of social enterprises.” It is proposed in this chapter therefore, that unpicking and deciphering this persistent and pervasive organizational problem encompasses an important and timely theoretical challenge. Accordingly, three questions are addressed in detail: firstly, how do organizational members (themselves) construct and orient towards multiple potentially competing organizational identities during interaction; what identities are relevant for the socially entrepreneurial work in hand; and finally, how

are any seemingly contradictory identity positions managed by these same members? In exploring such practices, it is hoped that some clarity can be brought to this overlooked aspect of identity work: that is, what are members' methods for creating and utilising multiple identities in the context of a discrete episode of entrepreneurial work. The illustrative empirical case presented in this research, draws upon video recordings and ethnographic field notes from an international social enterprise business pitching competition. Through this data, attention is directed towards extended stretches of interaction between the cofounder of a social enterprise and various competition judges.

To probe these inherently complex and dynamic processes of everyday organising, this chapter adds to the already varied array of methods that have been deployed to study the broad construct of socially entrepreneurial identities (Jones et al., 2008; Stevens et al., 2014). This research differs significantly however, by adopting a philosophical position that precludes the analytical use of *a priori* identity categorization. Such an approach, it is argued, glosses aspects of identity work by prioritizing the analyst's own interpretation (and categorization) of unfolding events over the participants', potentially displacing emergent, non-theorized or otherwise unexpected identities from entering the analysis. Instead, a real-time microinteractional approach uncovers identities as they become relevant and are oriented to *by members'* themselves. Drawing on Erving Goffman's (1983) interaction order, Harold Garfinkel's (1967) ethnomethodology and Harvey Sack's (Sacks and Jefferson, 1995) conversation analysis, a unique, naturalistic understanding of identity is obtained through analysing the sequential and structural organisation of talk-in-interaction. In doing so, the chapter builds upon recent efforts to explore identity construction through conversational interaction (McInnes and Corlett, 2012; Ainsworth and Grant, 2012; Karreman and Alvesson, 2001), and further contributes to entrepreneurship scholarship by outlining some potentially fruitful new avenues for researching the context-bound and temporal nature of entrepreneurial identities.

## **6.2 Identity**

Identity is a ‘core concept invoked to help make sense and explain action’ (Gioia et al., 2013: 125). It is a set of beliefs and meanings that answer the question ‘who am I’ for the individual, and ‘who are we’ for the organisation (Foreman and Whetten, 2002; Albert and Whetten, 1985). Identity research is now considered to be at a stage of ‘aged adolescence’ (Corley et al., 2006), though several key debates remain unsettled. Paramount amongst these include questions concerning either the relatively enduring or dynamic nature of identity. While earlier research (Albert and Whetten, 1985) considered identity to be somewhat stable, more recent work, by contrast, has explored precisely “*how* temporal aspects of identity unfold” (Gioia et al., 2013: 130). This has important implications for identity work, particularly in the social entrepreneurship field, which has tended to frame research in terms of two relatively stable categories, either utilitarian or normative (albeit with some movement at the nexus of the two). This leads to a further debate concerning the ontological and epistemological status of identity; Corley et al. (2006: 90) ask, “if organizational identity is phenomenal, how can we know it?” Or, put more simply, is identity a social construction or the core essence of an organisation? For social entrepreneurship scholars it has evidently been tempting to treat identity as the latter; something that is simply a part of what may be considered the DNA of the organisation. This becomes apparent, not only in the language ascribed to social enterprises, which often alludes to biological features or human characteristics (mission, heart, values, worth, etc.) (e.g. Miller et al., 2012), but also often in the methodologies utilised by scholars (e.g. Grimes, 2010) that habitually treat identity as a latent cognitive feature of the organisation (and individual) that must be elicited through social psychological means (such as interviews and surveys) rather than something that can be empirically viewed. Furthermore, it is mostly assumed that the ‘dual identity’ is a social fact; that is, it forms some exogenous aspect of the research context existing independently of the social actors involved. This, however, potentially overlooks basic questions around whether the utilitarian and normative identities are, in actual fact, worthy of such focal attention. Do these identities really have such an all-encompassing bearing on the daily work of the social entrepreneur and the social enterprise, and, if so, how? Furthermore, by assuming these

two categories of identities are preeminent, what other identities escape theorization in this particular context?

### ***6.2.1 An ethnomethodological approach to identity work***

To provide this new perspective on the socially entrepreneurial identity, an ethnomethodologically informed (Larsson and Lundholm, 2013) practice-based approach (Llewellyn and Spence, 2009) is advanced. Such a method requires some initial explanation, principally to ground some of the ontological and epistemological assumptions that underpin identity conceptualisation within this paradigm. The early antecedents of an ethnomethodological understanding of identity can be traced to Goffman (1967). He asserts that the locus of identity formation lies in social interaction rather than cognition:

“...the proper study of interaction is not the individual and his psychology, but rather syntactical relations amongst the acts of different persons mutually present to one another.”(Goffman, 1967: 2)

This forms the core basis of the ethnomethodological notion that identity (and context) are “locally produced, incrementally developed and, by extension...transformable at any moment” (Drew and Heritage, 1992a: 21): it is something that is achieved rather than exists as a pre-given fact. This approach, developed initially by Garfinkel (1967) places analytical focus on how participants’ in an interaction *get things done* and display for others (and hence the researcher) their understanding of unfolding social actions and contexts. This interest in evolving sensemaking practices provides fertile ground for identity scholars seeking to develop a ‘realist’ understanding of identity that is somewhat removed from more rigid theoretically derived identity categories.

A further problem faced with more conventional approaches to identity lies in selecting which identity to ascribe an individual. There are, after all, an almost unlimited range of identity descriptions that can be attached to any individual person at a specific time

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and place: male, adolescent, farmer, football supporter, bully, Irishman, Dubliner could all in some way be accurate tags for the same individual. However, in selecting one of these identities to theorize or otherwise prioritise, *the researcher* must make a judgement about which identity is important for understanding the business in hand. This, arguably, leads to a speculative understanding of identity which draws heavily on existing theory (hence the limiting focus on ‘dual identities’ in social entrepreneurship theory) and past experiences of the researcher, in order to generate explanatory links. This notion, that individuals somehow possess a latent or passive identity which causes feelings or social actions (Antaki and Widdicombe, 1998), does not, for ethnomethodologists’ at least, provide satisfactory evidence for how identities are used to get things done. Instead, empirical proof is derived from studying episodes of interaction and analysing how intersubjective understanding is achieved by participants.

Summarising briefly, the socially entrepreneurial identity has formed a central pillar of research in the social entrepreneurship research field. Scholars have been attracted by the perceived identity tensions that exist within socially entrepreneurial organisations as multiple competing priorities emerge. Antecedent research has conceptualised identity as being either normative, utilitarian or hybrid, however, there is a notable gap in research that has explored identity in a detailed empirical sense. The following case will go some way to addressing this research need.

### **6.3 Introducing the setting and the study**

Business pitches are an enduring and institutionalised feature of the entrepreneurship process (Clark, 2008; Mason and Harrison, 2003; Pollack et al., 2012). Even in the social sphere, pitching to potential (social) investors is a vital means of securing financing or some other critical organisational resource. Pitches are an inherently interesting event to study, in large part because they distil aspects of *doing* being a social entrepreneur in a short and relatively intense timescale. As Knights and Willmott (1985; 1989) argue, identity is partly a temporary outcome of local powers and

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regulations, and, therefore, by examining the entrepreneurial pitch we can see the entrepreneur(s) and organization adapt and respond to situationally-specific challenges to both their individual and organizational legitimacy. This has interesting implications for studying processes of identity-construction and identity usage in the social sector. For instance, it becomes possible to explore why a particular identity was used in relation to another, when it was invoked, and for what locally significant purpose. Furthermore, by approaching the pitch with no preconceived expectations of members' identities, it is possible to document the *relevance* and *procedural consequentiality* (Schegloff, 1992) of *all* emergent identities, be they businessperson, social entrepreneur or, even: student, American, girl, boy or critic, as they are oriented to, in real-time, by members'.

For the empirical component of this research, a single pitch by SunChild Collective (SCC) was selected from the larger corpus to study in depth. The particular case was chosen for the primary purpose that it contained various interesting examples of identity work. Indeed, each of the other pitches could have formed similarly interesting and complementary analyses, however in order to sufficiently achieve analytical depth, a single detailed case is the most desirable research approach.

SSC, co-founded by Susanna Davidov, works with artisan craftsmen and women in disadvantaged Latin American communities to produce goods for a fashion conscious Western market. The social purpose of the business is described on the company website as follows:

“The Artisan Mission aims to support and protect artisans and their crafts. A portion of our proceeds will go towards our mission to help preserve the value of the artisan craft, as well as help artisans in their day to day lives. We value the artisan way of life because we have noticed sacrilege in craftsmanship products. SunChild believes that by preserving the value of the Artisan craft we will also be preserving thousands of years of history and culture. By aiding artisans from around the world, SunChild

becomes a common home to bring together diverse crafts, products, cultures and people that help build a unique creative community.”<sup>27</sup>

At the time of the pitch, SCC had only just launched an online platform, having previously relied on selling through online intermediaries or face-to-face amongst friends and other acquaintances. During the pitch we are told how the company was founded, and learn of future strategies to add a ‘bricks and mortar’ retail outlet in order to support the lifestyle aspect of the brand.

## **6.4 Findings**

### ***6.4.1 Deconstructing the Institutional Context for Member Identity Construction***

To understand how identities are constructed, attention must first turn to the context in which they are produced. Thus, in this instance the analysis will first pursue a detailed explication of the sequential and structural nature of the ‘business pitch competition’ context. In this form of institutional talk, as with others (Drew and Heritage, 1992a; Heritage and Greatbatch, 1991; Schegloff, 1992), it is possible to witness highly normative sets of moral rights and obligations (e.g. Heritage and Sefi, 1992) bearing upon members’ actions. Notably, the opening turn by the pitcher typically lasts for a period of time that would not be acceptable in everyday conversation (i.e. it would be unlikely for someone not to be interrupted if they spoke continually for ten minutes, no matter how interesting that person may indeed be). This is the first indication that, in the empirical case presented, the local institutional context has a demonstrable bearing on the way in which the talk-in-interaction unfolds. Specifically, the roles constructed by the participants (e.g. judge, compere, or pitcher) entail certain asymmetrical interaction rights, highly akin to the various roles enacted in courtroom interactions (Atkinson and Drew, 1979), news interviews (Clayman and Heritage, 2002; Heritage, 1985) or classrooms (Richards, 2006).

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<sup>27</sup> <http://sunchildcollective.com/pages/artisan-mission>

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The first extended ‘pitcher’ turn during the business pitch is shown in the next section to be critical for the overall identity construction process. Here, the pitcher can incrementally develop a socially desirable identity or identities without fear of any challenges or interruptions. Again, this grants the pitcher an unusually long period of time (by ‘normal’ conversational practices) to craft a fairly detailed and well-rounded sense of organisational identity. It is not until 12:03 minutes that the next turn comes, first from the compere who allocates the next question, and then from the first judge. From here, identity is negotiated via series of question-answer sequences and through formulations and reformulations of identity that reference immediately preceding aspects of context (mostly through questions and judges’ comments). Finally, it should be noted that the talk-in-interaction produced in this case is “inextricably embedded in the material environment and the bodily conduct of the participants” (Heath and Hindmarsh, 2002: 102). In a practical sense therefore, we can witness the pitcher make use of various material artefacts such as a Powerpoint presentation and a visual display of artisanal merchandise to facilitate the ongoing identity construction process.

The following excerpts will illustrate how various *consequential* identities are worked up during this first pitcher turn. It is recognised that, at first, studying a single turn (without the corresponding response) is unusual and may even be problematic for some working within the EMCA approach (as the purpose is to understand how utterances are immediately oriented to by members, and indeed, this forms the empirical ‘proof’ required by the analyst). However, given the unique interactional structure of this form of institutional talk, it is arguably an appropriate methodological approach. It should be noted that member orientation to utterances from the first turn will be referred to in later parts of the analysis, hence demonstrating the procedural consequentiality of these utterances.

The first part of the analysis will examine the identity construction within the opening pitcher turn in detail before moving on to the negotiation of identity through interaction with the competition judge(s).



## 6.5 Opening Turn Identity Construction

### 6.5.1 Normative Identity Construction

In the opening turn (Excerpt 1), the analysis locates some explicit and relatively straightforward attempts by the pitcher to establish and work up a specific identity. To social entrepreneurship scholars, this identity, which reflects the *heroic and virtuous individual*, will be immediately recognizable:

Excerpt 1: 02:16

Pitcher	1	I set out a goal(.) I wanted
	2	to prese:rvе the val:ues of the artisans’ craft.
	3	Not only to preserve the artisans
	4	practicing their craft right now. But
	5	by doing so, I’ll be preserving (.) 6 <thousands of years of
		history>, their 7 culture <u>and</u> traditions.

This identity category avowal appears to correspond closely with Albert and Whetten’s (1985) notion of a normative identity (e.g. the reference to ideology and suggestion of altruism in lines 1 and 2). Here, the pitcher is laying contextual foundations that will later be relied upon later in the interaction (e.g. Excerpts 4 and 5), namely, the ‘cultural preserver’ identity. This form of identity construction is important; As Antaki et al. (1996) explain, “participants use their identities as warrants or authority for a variety of claims they make and challenge.” Establishing membership of an ‘expert’ membership category may grant certain inferential benefits, and hence establishing legitimacy as someone experienced in a particular problem area can be important for enabling interaction. As such, a prominent feature of the opening turn, Figure 9, involves crafting the *story* of the entrepreneur and the business. This entails Susanna possibly attempting to construct<sup>28</sup> an ‘authentic’ identity: that is, the identity of someone who has tangible cultural experience of foreign cultures and poverty:

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<sup>28</sup> We cannot say for sure at this point as we have not yet heard the judges orientation to this particular identity

Excerpt 2: 5:29

Pitcher 8 The way we curate our products (.)  
9 is by going into these environments,  
10 finding these products in their natural state  
11 and with a background in the fashion industry,  
12 and fashion forecasting,  
13 having the ability to take these products  
14 out of their (0.3) natural environment  
15 ↓ and putting them through the SunChild transformation

Here, in lines 9 and 10 we can see attempts to establish this identity by making clear the SSC curators work ‘in the field’.

### ***6.5.2 Utilitarian Identity Construction***

Next, attention turns towards construction of a more utilitarian identity. The identification of a ‘target market’ through rigorous market research stands in contrast to the previously avowed identities, particularly the ‘hobby’ identity (at 0:49) and the value-driven ‘cultural preserver’ identity invoked earlier (at 2:16).

Excerpt 3: 6:17

Pitcher 16 Conducting over 10::0 customer  
17 discovery surveys and  
18 one-on-one interviews (.) we've established  
19 that our <target market is  
20 ↓the Y generation>

In excerpt 3, we can see a shift in the lexical choice, from more emotive language towards a jargon-infused business-speak. This is at odds with the ‘hobby’ identity yet, for the pitcher at least, this utterance sits comfortably beside the ‘cultural preserver’ identity.

### 6.5.3 Hybrid Identity Construction

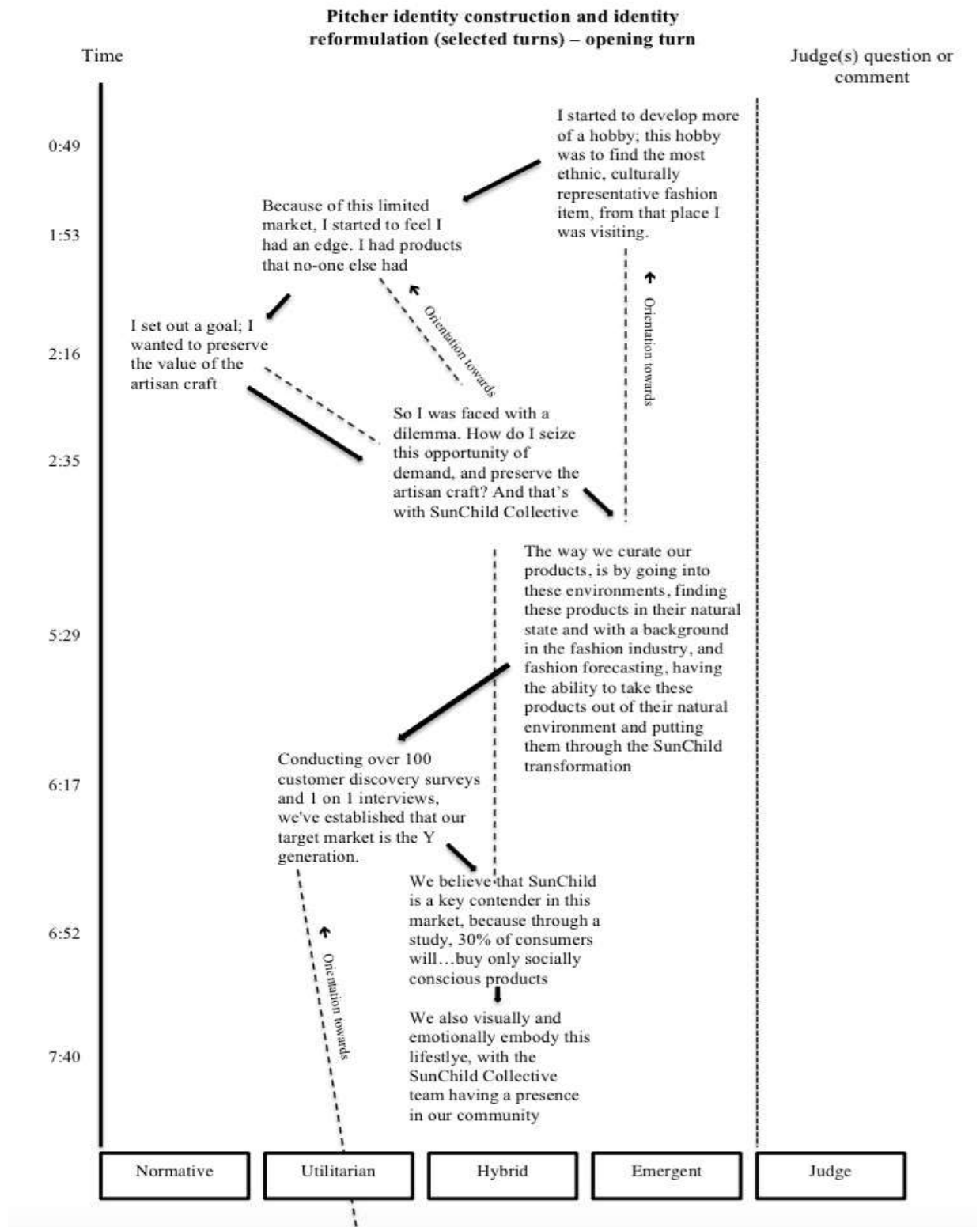
While the previous examples have illustrated somewhat discrete normative and utilitarian identities being worked up by the pitcher, there is also an explicit allusion towards identity tensions. In lines 21 and 22 specifically, the notion of conflict, opportunity exploitation vs. social mission (preservation), is addressed head on:

Excerpt 4: 02:32

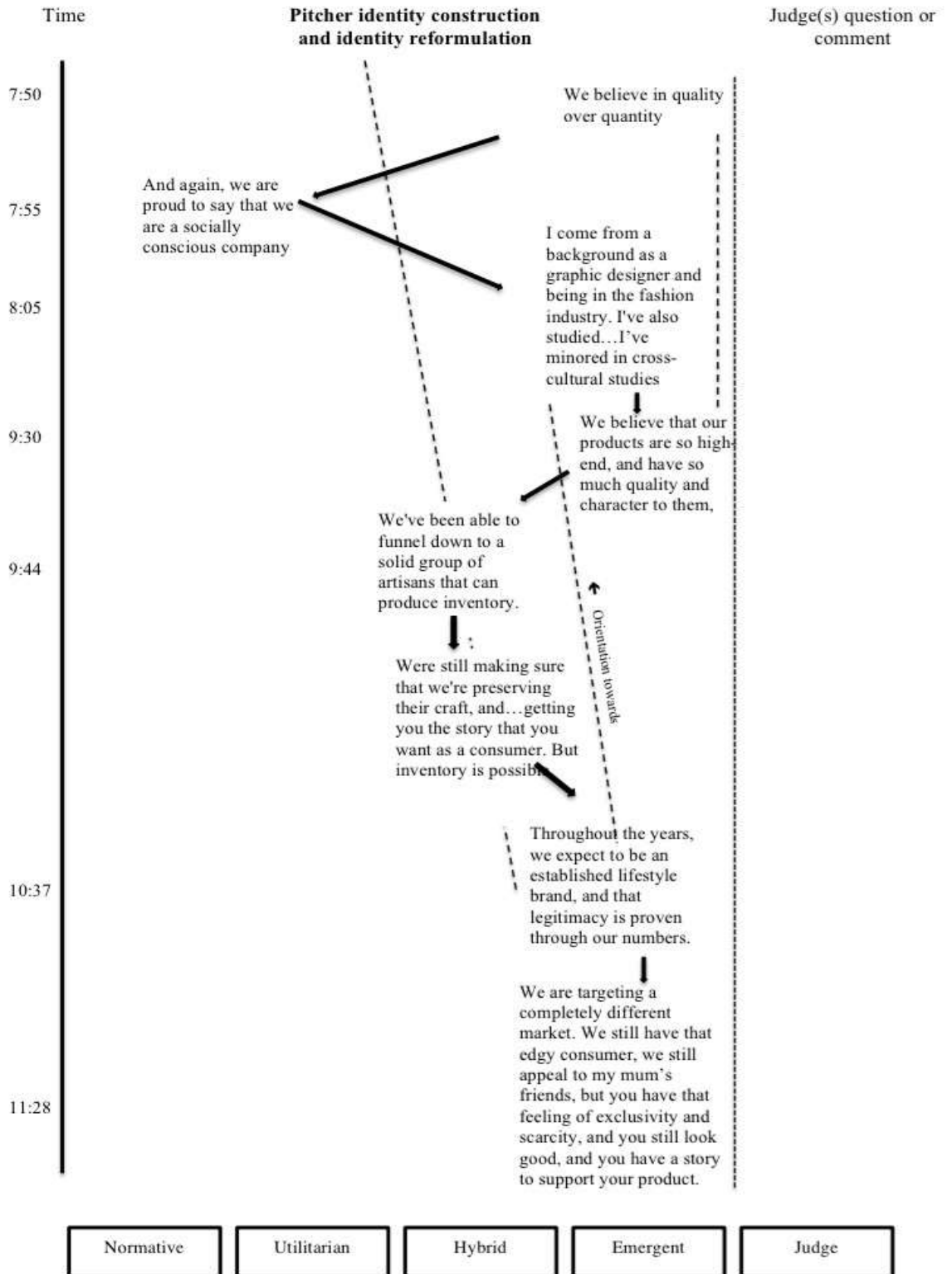
Pitcher 21 How do I sei:ze this opportunity  
22 of demand (0.4) AND preserve the artisan craft?(0.9)  
23 ↓and that's <with SunChild Collective>. SunChild Collective  
24 is a curated marketplace of artisan products 25 from around the  
world. SunChild Collective 26 believes strongly in our-the  
mission.  
27 Our mission (.) is by producing -hh sales of high-end artisan products  
28 not only do we give these artisans business (0.3) but we  
29 also aim a portion of our proceeds to  
30 pres:erve the ↓artisan lifestyle.

A significant development can be heard in lines 23 to 25 with the establishment of a *hybrid identity* that the pitcher attempts to reference, yet set apart, from the preceding utilitarian and normative identities: this is formulated as the ‘SunChild Collective’ (SSC) identity. As figure 9, below, illustrates, the SSC identity is avowed (at 2:35) soon after the pitcher emphasised both highly normative (at 2:16) and highly utilitarian identities (at 1:53).

Figure 9: Pitcher Identity Construction and Identity Reformulation (Selected Turns) - Opening Turn



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#### ***6.5.4 Emergent Identities***

As earlier parts of this chapter outline, a significant epistemological advantage of the EMCA method is a strict insistence on no *a priori* identity theorizing. By approaching the data in an unmotivated fashion, it is possible to explore *all* identities as they come in and out of view. In this case, it is possible to witness various identities that do not fall within the established SE conception of normative, utilitarian or hybrid. For instance, we see a strong focus on establishing a ‘fashion savvy’ identity (at 5:29 and 8:05), in addition to an ‘exclusive’ or ‘high-end’ identity (at 7:50 and 9:30) and an ‘edgy lifestyle brand’ identity (at 11:28). These avowed identities would not traditionally be associated with getting socially entrepreneurial work done and do not fall comfortably within the generic normative/utilitarian categories, nonetheless, they have formed a central pillar of the opening pitcher turn in this specific case.

In the next section of this chapter, attention will turn to the construction of identity through interaction between the Pitcher and Judge(s). Methods’ each participant use to construct and negotiate identity will be revealed through studying fragments of the question and answer session.

### **6.6 Negotiating the Boundaries of the Social Enterprise Identity**

#### ***6.6.1 Resisting Identity Ascriptions***

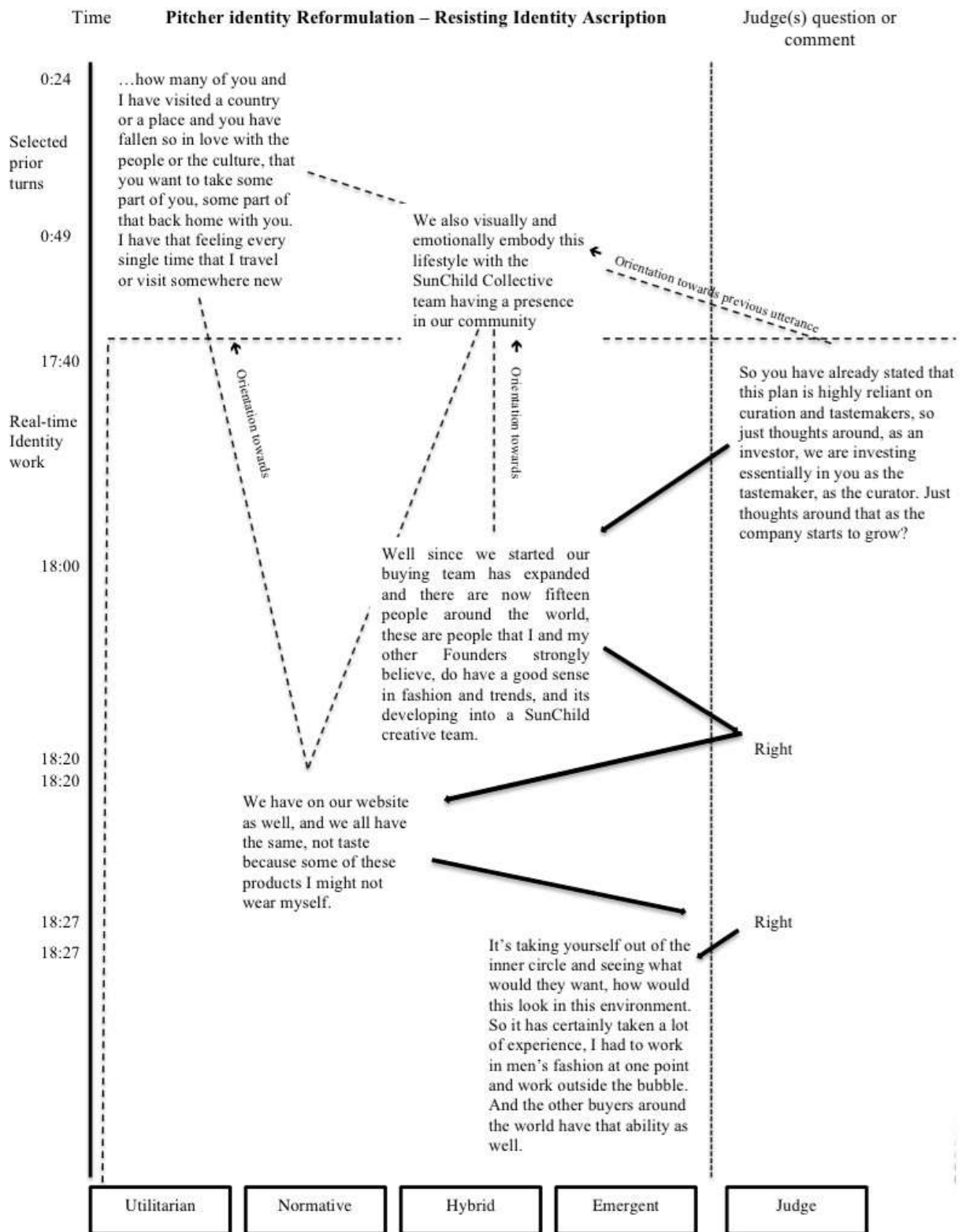
In Figure 10, below, an example of identity reformulation is depicted in real time. We can hear the judge conducting some important identity work himself. Firstly, he invokes the identity of ‘investor’ rather than judge (“So just thoughts around, as an investor...”). Both identities (judge and investor) entail some similarities, in that, institutionally, each involves evaluating the conduct and competence of the pitcher. However, this recategorization is more nuanced, entailing a shift towards more utilitarian conceptions of business rationality and a different set of normative attributes (in contrast to the ‘competition judge’ identity which implies a more holistic evaluative framework, i.e. social and commercial for this particular competition). This turn serves

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to reframe the immediate context of the interaction to one where personal financial return is prioritised at the expense of ‘mission’. We can see a clear orientation to this categorization through efforts by the pitcher to reformulate her identity as more objective and commercial.

This begins through the pitcher invoking the hybrid identity, emphasising the ‘collective’ aspect of the business identity that was previously constructed in the opening turn (for instance, at 0:24 and 2:35). This is clear departure from some previous portions of the interaction (for examples in Figure 9, at 1:15, 2:16, and 8:05), where great emphasis was put on the individual identity and the personal ‘story’ of the business. Orienting to the Judge’s question as a sceptical evaluation of the opportunity being overly bound to the capabilities of a single person (i.e. the Pitcher), clear attempts are made to resist this formulation.

Figure 10: Pitcher Identity Reformulation - Resisting Identity Ascription





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This involves stark rejection of a previous identity avowal. During the opening turn, the pitcher highlights that a core component of the organisation is that the products and ethos are closely aligned with personal values:

“We also visually and emotionally embody this lifestyle with the SunChild Collective team having a presence in our community”

This identity has been reframed as problematic owing to the recategorization of the Judge as an investor. The Pitcher, after invoking the SSC identity, then contradicts this identity by attempting to introduce a somewhat detached, critical identity:

“We have on our website as well, and we all have the same, not taste because some of these products I might not wear myself.”

The Judge offers various receipt tokens during this turn and this is oriented towards by the Pitcher as encouraging further development of this identity. This is a significant break from the previous attempts to portray the company as being defined by Susanna’s tastemaking (and hence her own, identity).

A final observation from this interaction is the invocation of another new identity, to support the work going on to reformulate the tastemaker identity. Here, we hear the Pitcher invoke a historical identity as working in ‘men’s fashion’, implying an ability to work in uncomfortable or possibly ‘unglamorous’ environs. The combined effect of the three identities promoted (collective, detached and unglamorous) change the entire scope of the interaction. The previous construction of ‘high-end’, ‘lifestyle’ and ‘community’ identities has been abruptly reformulated in accordance with the orientation to the Judge.

### **6.7 Deploying the Hybrid Identity**

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In the next interaction fragment, the contested and situational nature of identity is explored in further detail. Specifically, the manner through which identity is coconstructed, line-by-line through conversation turns. The following interaction occurs midway through the judges' interrogation of the pitcher, Susanna. Here, in lines 1 and 2, we see the judge first focus on utilitarian aspects of the organisation (sales figures), before then moving on to customer relationships (lines 3 to 7). Finally (lines 7 to 10), we can hear the judge challenging the pitcher by directly ascribing the pitching organisation a (potentially pejorative as implied by the preface of "just another") membership category of belonging to an established category of women's retailer, with further additional categorization modifiers (line 10).

### Excerpt 6

15:03

Judge 1 I see the comp:any growing  
2 from (.) >170,000 to 28,000,00 in four years<  
3 (.) um, to Elliot's point,  
4 that (.) <you're trying to connect with the user>(.)  
5 the online user to the store (.2)  
6 >but you clearly want to move from online  
7 to retail, so how you going to maintain that  
8 story, are you going to blend  
9 and just be another< ↓Anthropologie (0.2) except 10  
maybe higher end? ()↓younger market?

Pitcher 15:26 11 Well, the numbers (0.3) do jump  
12 bec:ause (indistinct) (0.4)  
13 most of our sales are online (0.4) >consistently online  
through  
14 ↓companies like Fab (.) and  
15 other examples like that< (indistinct),  
16 its proven that e-commerce sites ca:n work.  
17 Um,  
18 the retail stores and  
19 our storefront is more to imbibe 20 the  
lifestyle feel (0.3) its not necessarily 21 to boost our numbers.  
22 The (0.4)  
23 >our financial projections  
24 did not (0.3) show that<..whats going to take 25 us above  
and beyond (0.3) its, if you do.  
26 For example, our storefront,

27 its going to be an environment,  
28 a Sunchild environment,  
29 to host events, to publicise different products (.) 30 to get the  
consumer to come in and interact.  
31 >Where on the other hand, we feel that  
Anthropologie (0.2)  
32 that is who they are, is the store< 33 We're just  
using more as just an edge, 34 to get people  
involved, and interact.

What is instantly striking about this interaction is that the pitcher does not immediately avow or disavow the main proscribed identity category (i.e. belonging to a category of established fully-commercial retailers). Instead, there is an attempt to first address the utilitarian aspect of the judge's turn (lines 11-16). This is followed by two further hesitant attempts to justify the decision to operate a bricks and mortar retail store (one beginning line 18 and the other beginning line 23). Notably, we can see an abrupt, perhaps even contradictory, shift from a concern with utilitarian identity dimensions, towards a disavowal "the storefront is to imbibe the lifestyle feel, not necessarily to boost our numbers". Apparently growing in confidence, the pitcher decides to invoke the SunChild Collective identity that had been partly constructed at various points during the earlier presentation component of the pitch (see Excerpt 4). This identity is reconstructed in lines 27-30, to then serve as a means of disavowing membership of the unwelcome 'Anthropologie' category.

It is notable that the categorization by the judge, which could be rejected on the basis that Anthropologie is a purely commercial organization, is instead rejected based on 'edginess'. This suggests that the identities other than purely commercial or social are highly relevant to completing this episode of socially entrepreneurial work.

## **6.8 Discussion**

By deploying a Goffmanesque perspective on entrepreneurial identities, specifically the socially entrepreneurial identity, it has been possible to reconsider the nature of the

identity tensions that have been widely theorised in the entrepreneurship literature (Smith et al., 2013; Garrow, 2013). Treating identity as descriptive rather than perceptuo-cognitive entity, the analysis has tracked, over the course of an 18 minute interaction, the methods through which a social entrepreneur and a competition judge construct, manage and adapt various identities, second-by-second, to achieve their immediate indexical objectives. Here, in real time, it has been possible to witness some deftly skilled and nuanced identity work that would otherwise be “filtered out” (Sidnell, 2009: 10) through more static or retrospective research methods.

When viewed from afar, it is possible to view a degree of continuity in socially entrepreneurial identities, which perhaps contributes to a tacit acceptance of relative stability across some studies. However, closer examination reveals the constantly shifting and, at times inconsistent nature of identity that is highly situated and immediately transformable. Furthermore, the empirical case has shown how plasticity in the management of identity forms an important resource for the entrepreneur. Llewellyn notes that “in the flow of everyday activity, people trade on ways that various identities can imply activities, attributes and entitlements” (Llewellyn, 2008: 768). By adopting a flexible and adaptive approach, the pitcher has attempted to ameliorate a context shift initiated by the judge (when he recontextualised the interaction as a being an investor-pitcher one). This does however raise questions over the extent to which plasticity can credibly stretch before a sense of discontinuity in identity emerges (in this case, the Judge provided a positive receipt token “right” which signals acceptance of the identity invocation). The hybrid identity nonetheless is shown as an effective gloss, deployed by the social entrepreneur as a ‘repair’ when faced with problematic response formulations.

This work resonates with recent research by Phillips et al. (2013) and others (Down and Reveley, 2004; Reveley and Down, 2009) that examines the strategic nature of identity work by entrepreneurial actors. Identity is presented not as a ‘thing’ that exists in perpetuity, but rather as something that is *situated* and shaped by the local contextual contingencies. By taking a more dynamic perspective on entrepreneurial and organisational identities, the interplay between individual (personal) and

organisational (work) identities has been elucidated (the pitcher strategically positions the personal and organisational identity ‘at odds’ – “some of these products I might not wear myself”). Through establishing various, often-contradictory identities (luxury branding, edgy, socially conscious, unglamorous), the socially entrepreneurial pitcher has produced a varied repertoire to draw on when her legitimacy is challenged by the competition judge.

## **6.9 Conclusion**

This chapter has explored how identities are assembled, invoked, negotiated and reformulated by a social entrepreneur as part of her ongoing work practices. Four specific contributions are made to the entrepreneurship research domain. The first is purely empirical. For the first time entrepreneurial identity construction is examined at a micro-interactional level, revealing, in turn, something of the practices underpinning the economic phenomenon of social entrepreneurship. Second, the chapter has granted identity the ontological status of ‘description’ and observed identity from an epistemological position that enables the fluid, ephemeral and indexical nature of identities to emerge in the *here and now*. If one had conversely adopted a more static, cross-sectional approach for this study, it is unlikely the emergence of all identities, and their subsequent reformulations would have informed the analysis and a more limiting conception of the socially entrepreneurial identity as ‘fixed’ would prevail.

A further contribution concerns the nature of the ‘hybrid’ identity in social entrepreneurship. In the empirical data, the explicit construction of this identity forms an important resource for the pitcher. It forms a gloss that can be relied upon to address legitimacy challenges and provides a ‘repair’ to conversational difficulties (see Excerpt 6).

Finally, these findings introduce and develop the theoretical idea that the multiple, seemingly contradictory social enterprise identities are not always or necessarily the

source of cognitive or existential angst that has now become somewhat taken for granted. The examples presented in this chapter show that identity is used as an indexical tool, that is, something that members' construct in response to local, ever changing environmental contingencies and which in this specific instance involve challenges to either a normative or utilitarian aspect of identity. Several advantages can be derived from thinking of identity as a descriptive tool used by *participants* rather than *researchers*; significantly, it means the researcher can abandon the sometimes unhelpful and misleading explanatory frameworks that impose 'meaningful' identities on participants. Rather than assuming a utilitarian or normative identity are ever present and ever consequential perceptuo-cognitive forces, we can instead focus only on the identity categories that are used, *in the here and now*, for and by participants in an interaction.

These findings have some important practical considerations. As discussed at the opening of this chapter, it is axiomatic to assume a state of conflict and tension in socially entrepreneurial organisations. However, if this notion is bracketed, at least temporarily, one can begin to view this apparent weakness as a potential strength. The flexibility and fluidity entailed through possessing characteristics of two membership categories (amongst many others), does offer practical advantages to those who can manipulate identity effectively and appropriately in a specific work context. So, by this logic, the social enterprises that are capable of higher plasticity in their identity usage may be more likely to secure resources than those who are more fundamentalist in portraying a persona.

## **CHAPTER 7 - INNOVATING NOT-FOR-PROFIT SOCIAL VENTURES: EXPLORING THE MICROFOUNDATIONS OF INTERNAL AND EXTERNAL ABSORPTIVE CAPACITY ROUTINES**

Research into the phenomena of social innovation has long focused on *what* it is and *why* people become engaged in this form of behaviour. Building on the practiceoriented micro-interactional perspective in chapters 5 and 6, this chapter further examines *how* this type of innovation is enacted by organizations. This chapter

therefore looks at the means by which Not-for-Profit (NFP) ventures pursuing socially innovative activities develop the necessary capabilities to innovate. Using the multidimensional theoretical construct of absorptive capacity (ACAP) and the evolutionary economics concept of organizational routines, 14 case studies of innovative NFP ventures in the UK and Australia are analysed. Results show that these organizations have a unique mediating function in the social innovation process by configuring internal and external ACAP routines to combine user and technological knowledge flows. Other key findings highlight the emergence of internal tensions as established routines are supplanted in order to ‘professionalize’ the socially innovative NFP venture, and between routines underpinning knowledge sharing and resource allocation. The chapter concludes by proposing some research directions for those taking forward the study of social innovation.

## **7.1 Introduction**

As analysis in Section 3.4 identifies, it is important to articulate paradigmatic assumptions and empirical context of any social entrepreneurship research. In the present chapter a social innovation perspective will be taken to organisations in the UK and Australia. Pol and Ville (2009: 881) note, “social innovation is a term that almost everyone likes, but nobody is quite sure what it means”. Many scholars take an inclusive approach, seeing social innovation as any activity that introduces new approaches to old problems (Mulgan et al., 2007). Others meanwhile see it as a process of enacting institutional change (Hamalainen and Heiskala, 2007; Mair and Martí, 2006; Mair and Marti, 2006) and still others link it with the phenomena of social enterprise (Peredo and McLean, 2006). It is this latter relationship that will be explored in this chapter through close examination of the innovative capabilities possessed by Not-For-Profit (NFP) ventures.

Despite a paucity of high quality quantitative data concerning the extent of the social entrepreneurship phenomenon – owing in large part to definitional ambiguities that

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hinder comparative analysis (as illustrated by the discussion in section 3.3.1), it is commonly accepted that the number of socially entrepreneurial organizations is on the rise. A recent report commissioned by Social Enterprise UK notes that 35% of all social enterprises are start-ups less than three years old (three times the proportion of start-ups amongst mainstream small businesses) (Social Enterprise UK, 2015). In the most recent Global Entrepreneurship Monitor (GEM) report on social entrepreneurship in the UK (Harding, 2006), the volume of social entrepreneurs increased while the number of mainstream entrepreneurs dropped. More significantly, Social Enterprise UK (2015) find that social enterprises are outstripping SMEs in terms of innovation, with 59% of social enterprises launching a new product or service last year, as opposed to 38% of SMEs. Less is known about organisations in Australia, though recent research suggests over 600,000 nonprofit organisations employ around 890,000 people, and this activity accounts for 4.1% of GDP (Australian Government, 2010). Approximately half of the sector's income is self-generated (excluding contracted government services) (Australian Government, 2010) suggesting a strong presence of social enterprises amidst the population of NFPs. When this is considered within a broader socio-political context, a picture emerges of a structural shift in the locus of social innovation: from centralized approaches to addressing social problems towards more distributed, locally embedded systems of innovation (e.g., Mair and Marti (2009) and Haugh (2007)).

Many academic conceptualizations of social entrepreneurship have connected social entrepreneurs with this perception of an increasingly innovative social sector. Definitions of the phenomenon often contain superlatives outlining the 'innovative' approach of social entrepreneurs (Mair and Martí, 2006; Zahra et al., 2009), yet thus far, save for a limited number of cases (e.g., Alvord et al., 2004; Lettice and Parekh, 2010), there has been little theoretical elaboration concerning the nature of the innovation process or the innovative capabilities that are present within the sector. This signifies a considerable gap in knowledge, especially when one considers the growing extent to which the social economy is responsible for developing and introducing the innovations necessitated by social and environmental change (Leadbeater, 1997). It is also notable, given the sophistication of scientific knowledge possessed about



innovation in predominantly hi-tech industries, there have been so few detailed analyses of the social innovation process (e.g., Lettice and Parekh (2010), in turn, leaving it something of a conceptual ‘black box’ for researchers and policymakers. This chapter therefore seeks to understand how small social organizations build the capacity to innovate by utilizing two established theoretical constructs from the technological innovation paradigm: absorptive capacity and organizational routines.

The chapter is structured as follows. The conceptual foundations of innovative behaviour in the social sector are outlined, with particular consideration paid to the changing nature of the social economy. Then, the concept of absorptive capacity is outlined and Lewin et al’s (2011) routine-based framework is explicated in more detail. The methodological section explains why a multiple case-study approach was utilized to explore the emerging phenomenon of social innovation and a summary of the participant organizations is presented in tabulated form. Next, findings from the empirical fieldwork are discussed within Lewin et al’s., (2011) multi-dimensional routine-based model of ACAP, and the concluding section summarizes findings, raises managerial implications and poses some questions requiring further investigation.

## **7.2 Theoretical Framework**

### **7.3 Innovation in the Social Sector**

The social sector has long held a reputation for being more languid than its commercial counterpart. In most prosperous developed nations, generous welfare provision and far-reaching state-functions have woven a robust safety net protecting citizens from ill health and unemployment. As society has fragmented post-WWII (Mohan, 2000; Byrne, 1995), social problems have proliferated while undifferentiated welfare solutions have either failed to address problems adequately or have become otherwise unsustainable (Clark and Newman, 1997). In response to this, a paradigm shift is

underway, enacting profound changes on the structure of the social economy, specifically by elevating the importance of innovation and entrepreneurship within the sector (Austin et al., 2006). Firstly, market-based approaches have been introduced – albeit with varying levels of resistance – and there now exists greater competition between organizations within the sector (Weerawardena et al., 2010). As organizations are no longer able to rely solely on grant funding, they are often required to ‘earn’ portions of their income and therefore must maintain a competitive edge through continuous development of their innovative capabilities (Weerawardena and Mort, 2006). Recently, for example, in the UK, 66% of social enterprises earned income from trading with the general public, and for 37%, this was their main source of income (Social Enterprise UK, 2011). This has contributed to a blurring of the traditional boundaries between the main economic sectors, and is manifest in social ventures and profit-seeking corporations both competitively bidding to fulfil government contracts (Curtis, 2010; Cram, 2012). A second change has been the emergence of bottom-up approaches to community welfare and regeneration, driven by localism policy measures such as the UK’s ‘Big Society’ (as outlined in section 2.6.5) and new institutions such as the Office of Social Innovation and Civic Participation in the USA. In recent years, there have been many well-documented examples of communities being transformed by catalytic ‘social entrepreneurs’ who disrupt established systems by channelling private sector dynamism towards addressing complex social problems (Waddock and Post, 1991; Bornstein, 2004; Alvord et al., 2004). While much of the literature has focused on positive outcomes of social innovation, a growing body of literature is exploring the difficulties socially innovative organizations face in adapting to the new economic and political reality. Di Domenico et al. (2009) highlight the strains that exist in inter-organizational collaborations between corporate and social enterprise ventures, while Smith et al. (2010) describe the identity tensions social organizations face as they adapt to changing environments. Although this stream of research is gradually maturing, there remains a need to explore the internal dynamics of socially innovative organizations with a wider and more sophisticated array of theoretical tools.

### ***7.3.1 Absorptive Capacity, Organizational Routines and Sensemaking***

Since Cohen and Levinthal (1989; 1990) published their seminal articles on absorptive capacity (ACAP) over 20 years ago, the concept has been widely used to explain the relationship between knowledge, learning and innovation. Defined as “the ability of a firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends,” (Cohen and Levinthal, 1990: 128) absorptive capacity helps answer fundamental questions relating to the speed, frequency and magnitude of innovation (Lane et al., 2006). It is path dependent, developing through a lengthy process of research and knowledge accumulation (Jiménez-Barrionuevo et al., 2011; Lewin et al., 2011). As concurrent developments in the innovation domain such as ‘Open Innovation’ increasingly elevate the role of externally sourced knowledge (Chesbrough, 2003), so absorptive capacity – the ability of the firm to absorb this knowledge and successfully exploit it – becomes a key capability of innovating firms.

Building on the early work of Cohen and Levinthal (1990; 1989), Zahra and George (2002) propose a model situated within the dynamic capabilities literature. Noting a lack of consistency in the way in which the absorptive capacity concept is defined and operationalized in extant research, they propose it is a “set of organizational routines and processes by which firms acquire, assimilate, transform, and exploit knowledge” (Zahra and George, 2002: 186). Their model includes four dimensions underpinning absorptive capacity capabilities: knowledge acquisition, knowledge assimilation, knowledge transformation and knowledge exploitation. They go on to further distinguish between potential absorptive capacity (PAC), which corresponds with the external search and assimilation activities, and realized absorptive capacity (RAC), which corresponds with the latter two dimensions: transformation and exploitation.

A notable criticism, applicable to a significant proportion of absorptive capacity research, has been a narrow focus on data collection within R&D-intensive domains (Spithoven et al., 2011; Lewin et al., 2011). Lane et al. (2006) speculate that this bias is a consequence of early studies being predominantly operationalized within hi-tech settings and suggest this has been reinforced by a steady flow of ensuing research. It

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is proposed that, despite widespread acceptance of absorptive capacity as a multidimensional construct (McKelvie et al., 2007; Fabrizio, 2009), antecedent research often only operationalizes a single dimension of the concept, normally utilizing indirect proxies that measure knowledge content and which represent R&D intensity (Lane et al., 2006; Spithoven et al., 2011). As absorptive capacity is intangible and therefore difficult to measure, these proxies, which commonly involve metrics such as patent filings and R&D expenditure (e.g., George et al., 2001), have been unquestionably useful in isolating the relationship between investments in the development and maintenance of knowledge stock, and innovation capabilities. Recently however, some have questioned whether this research, in fact, even represents absorptive capacity at all since it fails to capture the full breadth and complexity of the concept (Lane et al., 2006).

There is, thus, a clear gap between empirical research and the theoretical foundations of absorptive capacity (McKelvie et al., 2007; Lane et al., 2006). Attempting to overcome this, Lewin et al., (2011), have returned to Zahra and George (2002) and Lewin and Massini's (2003) theories as inspiration for a routine-based conceptualization of absorptive capacity. They propose that, since absorptive capacity is a dynamic capability, it is comprised of individual and combined routines which, when enacted, build and maintain organizational ACAP. Organizational routines have been used by evolutionary economists (Nelson and Winters, 1982) to explain firm adaptation, innovation and change and they are considered to be the building blocks of organizational capabilities (Dosi et al., 2000; Winter, 2003). There is a growing interest in further exploring these routines and capabilities (Abell et al., 2008; Felin and Foss, 2009) to account for their origination and evolution. Recently for instance, Teece (2007: 1319) has explored the microfoundations of dynamic capabilities by examining the "distinct skills, processes, procedures, organizational structures, decision rules, and disciplines" that underpin organizational capabilities. Lewin et al., (2011: 84) consider ACAP metaroutines and practiced routines to be the microfoundations of absorptive capacity capabilities and propose examples of routines to include "decision rules, standard operating programs, procedures, norms, habits".

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Lewin et al.'s (2011) approach to ACAP therefore, is distinctive and important for two reasons. Firstly, since routines and their microfoundations can be empirically observed, they allow researchers to fully operationalize the construct of absorptive capacity. Secondly, unlike the utilization of indirect proxy measures, which, as previously discussed, are somewhat crude analytical instruments, routines can be observed within a larger framework that captures each of the individual dimensions of absorptive capacity, the interplay between each dimension and any complementarities that exist between routines.

Lewin et al. (2011) separate these routines into 'internal' and 'external' activities. They identify five internal foundational metaroutines (*facilitating variation; managing internal selection regimes; sharing knowledge and superior practices across the organization; reflecting, updating and replication; and, managing adaptive tension*) and three external metaroutines (*identifying and recognizing value of externally generated knowledge; learning from and with partners, suppliers, customers, competitors and consultants; and, transferring knowledge back to the organization*). These underpinning metaroutines are expressed through various practiced routines, so, for example, a brainstorming session would represent an enactment of the *facilitating variation* metaroutine (Lewin et al., 2011).

The final strand to the framework is provided by Weick (1979; 1995) and others (Gioia and Chittipeddi, 1991; Weber and Glynn, 2006) who advance the notion of sensemaking in organisations to explain processes of interpretation, organising and action. Weick (1993: 635) theorizes that meaning and understanding are socially constructed and therefore reality is "an ongoing accomplishment that emerges from efforts to create order and make retrospective sense of what occurs". This concept becomes valuable to both innovation and organizational scholars as it provides a model to explain how the micro-practices of an organisation shape its ability to deal with ambiguity, change and resource constraints. For example, when an organisation is confronted with a 'disruptive ambiguity' or some other unfamiliar situation, individuals go through processes of *enactment* (noticing and bracketing), before *selection* processes reduce the number of potential narrative stories to explain the

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experience and finally the *retention* process that selects the most plausible story; this then goes on to form the basis for ongoing action and interpretation within the organisation (Weick et al 2005). Weick et al's (2005) theory provides a complementary model of organisational change that offers insight into how forces shape the evolution of ACAP routines to meet changing environmental conditions.

The holistic nature of this framework provides a distinct advantage for scholars wishing to learn more about innovative capabilities in under-researched contexts such as the NFP sector. Understanding of ACAP is generally gleaned from highly structured environments such as R&D laboratories or other well-defined innovation projects where proxies such as 'patent volume' provide an indication of capability strength. Arguably however, a broader approach is needed to explore ACAP outside of these settings, principally as social organisations are less likely to have either the financial or human capital of their hi-tech equivalents, and additionally, as the innovation process is 'messier' and harder to disaggregate. Unlike formal R&D departments, innovation processes and capability building in NFPs often happen in an unstructured (though nevertheless routinized) manner across the organisation, both consciously and unconsciously. Lewin et al's (2011) framework therefore allows for the microfoundations of absorptive capacity to be uncovered in a context where little is known in general about knowledge, learning and innovation, and specifically, in situations when it is not known where the foundations of innovative capabilities lie.

### **7.4 Main Findings & Discussion**

Findings from the multiple-case study data analysis are discussed within each dimension of Lewin et al's (2011) routine-based model of absorptive capacity. Significant AC practiced routines are drawn from across the case studies to illustrate how the capability is developed through daily operational activity in socially innovative NFP ventures. A selection of organizational ACAP routines practiced in each venture is presented within Tables 16, 17, 18 and 19.

## **7.5 Internal ACAP Routines**

### ***7.5.1 Facilitating Variation***

In order to innovate, ventures must support and encourage the emergence of new ideas from within the organization. The NFP setting provides a unique context for examining the facilitation of new ideas, primarily as the internal dynamics of social ventures often differ significantly from their commercial equivalents. For example, across all of the case studies, there was no financial incentive to encourage employee participation in the innovation process. The approach was best characterized by Case UK05, who said ‘a pat on the back’ was all that could be expected for any staff input. Other organizations did however find methods of rewarding staff: “...*we are a very family friendly organization, staff have got young kids, and so we are able to be flexible with our working times, and leave, and giving time off in lieu for work that they’ve done after hours to reach a certain threshold*” (Case AU02).

Within NFP ventures, there is a notable prevalence of routines designed to foster an ‘open’ and egalitarian environment. These range from open office configurations to flat organizational structures:

*“I mean it’s quite...in some respects in terms of the staff I think it’s very typical of the Third Sector because it’s a very collegiate atmosphere. My desk’s out there; I don’t sit in an office behind a wall. I’m available and I’ll make the tea as much as anybody. There’s not really a hierarchy”* (Case UK05).

The empowerment of staff was a pivotal driver in facilitating variation in the ventures: “*We operate a policy of empowerment of employees, as an organization. Everybody has a say, and everybody has a voice*” (Case UK04). This empowerment was supported through practiced routines such as regular staff meetings, idea suggestion boxes, in-house seminars, encouraging staff to attend conferences reflecting their own interests and the ability of employees to take autonomous ‘thinking time’: “*people have the*

*freedom to come up with ideas and to do a little bit of research and have a bit of freedom in their job.” (AU04).*

A further distinct factor that facilitated variation within socially innovative NFPs was a high turnover of volunteer workers and close partnership arrangements with other organizations. NFPs are often able to attract the pro-bono support of skilled and highly knowledgeable workers, either on an informal casual volunteer basis or through more formal secondments (e.g., Case UK01). This is important for facilitating variation as these individuals often come from different knowledge domains (particularly those operating in the private sector), and there is hence potential to increase the NFP’s combinative capability (Kogut and Zander, 1992).

### ***7.5.2 Managing Internal Selection Regimes***

Internal selection regimes refer to the decision-making processes that facilitate the allocation of resources to exploit new knowledge. Many NFP’s are driven to varying extents by non-market considerations, and thus, importance is attached to pursuing opportunities that exist within certain context-specific funding frameworks. In several of the NFP social ventures, the lead entrepreneur or CEO regularly updated and internalized these external funding criteria, and as a result, were able to make quick, intuitive, decisions when presented with a new idea by employees: *“I believe it’s about having discussions with people to float ideas and get feedback, but at the end of the day, I think it’s about your intuition as to what has the potential to work and what doesn’t”* (Case AU03). The social mission of the organization also acts as a heuristic to help make resource allocation decisions. Opportunities that are not within the core organizational social mission are often filtered out: *“it must fit with our mission or it’s not going to happen, it’s the most important criteria obviously”* (Case AU06). While the majority of the participant organizations had mixed income streams, receiving funding from trading arms, charitable donations, grants and contracts, it was recognized by some managers within the socially innovative NFPs that funding requirements restricted the ability of the ventures to allocate money to more risky



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projects (Case UK03, Case UK06, Case AU04). The diverse stakeholder map also led to NFP social ventures consulting widely before deciding to pursue an idea:

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**Table 16: Practiced Internal ACAP Routines - United Kingdom**

	Metaroutines	UK01	UK02	UK03	UK04	UK05	UK06	UK07
<b>Internal ACAP Routines (Selected Examples)</b>	<b>Facilitation Variation</b>	High Investment in Research; Idea Box; Staff Empowerment; Sandpit Process; Staff Meetings; Secondments	Staff Autonomy; Open Plan Office; Co-location with Other Organisations; Suggestion Box	Staff Empowerment & Autonomy; Similar Suggestion Box; Staff Meetings	Flexible Reactive Organizational Structure; Staff Empowerment; 'Thinking Time'; Autonomy	Recruit Ex-Service Users; Open Plan Office; Volunteers; Recruitment of Industrial Specialists	Staff Empowerment; Regular Meetings; Open Plan Office; Autonomy	Open Office; Regular Meetings; Service User Involvement Group; Shared Staff With Partner Org
	<b>Managing Internal Selection Regimes</b>	Board (Present Proposal); Evaluation Spreadsheet	Board (Present Proposal); Project Piloting; Alignment with Mission	Board; Staff Autonomy to Pilot Ideas	Board; 'Dragons Den'	Board; Fortnightly Staff Meeting; Alignment with Mission	Board; Stakeholder Involvement; Alignment with Funding Sources	Board; Monthly Discussion Meetings
	<b>Sharing Knowledge &amp; Superior Practices</b>	Peer Training; Informal Discussions; Removal of Organizational Silos; Manager Digest; Strategy Groups	Intranet; Briefings; Days; Meetings; Staff Appraisals; Database	Staff Meetings; Peer Training; Noticeboard; Social Media	Social Media (Tweeting Industry News); Video Conferencing with Remote Units; Training Days; Bulletin Board	Peer Training; Internal Email Digests	Circulate Reports & Interesting Articles; Informal Discussions; Internal Server; Social Media	Internal Database; Resource Library; Team Meetings; Support & Supervision Sessions
	<b>Reflecting; Updating; Replication</b>	Ongoing Reflection; Party Evaluations; Formal Internal Evaluations	Self-End of 3 <sup>rd</sup> - Evaluations; Reporting; Informal Staff Discussions	Project Formal Staff Meetings; Informal Meetings	Funder Reporting; Annual Meeting; Culture of Self-Reflection; Formal Reporting	Internal Research; Formal Compliance; Informal Staff Discussion	Ongoing Self Reflection Ethos; Review Groups; Formal/Informal Reflection	Formal Reporting & Compliance; Group Meetings
<b>Managing Adaptive Tension</b>	Increased focus on R&D to Ensure Market Leadership	Increase Earned Income Through Successful Innovation	Reshape Venture in Response to 30% Funding Reduction	Identify Competitors for External Funding Allocations;	Ensure Sustainability in Short/Medium Term	Comparison with Commercial Organisations.	Adapt Organisation to New Funding Criteria.	

**Extending Social Entrepreneurship Research: Integrating Theory & Method.**

**Table 17: Practiced External ACAP Routines - United Kingdom**

	Metaroutines	UK01	UK02	UK03	UK04	UK05	UK06	UK07
<b>External ACAP Routines (Selected Examples)</b>	<b>Identifying &amp; Recognizing Value of Externally Generated Knowledge</b>	External Conferences; Subscriptions and News Updates	to External Conferences; Meetings with Public Bodies; Client/User Feedback; Probe Foreign Markets	External Conferences; Client/User Feedback	External Conferences; Probe Technical Publications; Access Twitter & Blog Client/User Surveys	Employee Engagement Officer; Network Development; Student Research Project; User Surveys	CEO External Environment Regularly; Learn from Competitors; User Surveys	Probes Service Involvement Group
	<b>Learning From &amp; With Partners; Suppliers; Customers; Competitors; Consultants</b>	Partnership with University; Working With Consultants; Client Consultations (Surveys & Interviews); Community Forums	Collaborations With Technical Experts & Clients; development;	Membership of Various Industry Bodies; Frequent Meetings with Competitors; Collaboration with User	Partnership with University; Codevelopment with Users; Annual Conference	Partnership with Local Authority & Further Education User Annual Stakeholder Event	Partnership with Housing Association; Survey Evaluation	Monthly Meeting with Local Authority Partner; User &
	<b>Transferring Knowledge Back to the Organization</b>	Field Worker Debrief With Line Managers; Email Updates; Peer Training Sessions; Recruit Specialists	Co-located Space Interaction with External Actors); Recruit Specialists	Office (Daily Debrief With Line Managers; Posting on Bulletin Board; Briefings from Director	Intranet; Field Worker Debrief With Managers; Training Sessions; Host Annual Conference	Field Annual Stakeholder Knowledge Exchange Agreement with Partners; Informal Coffee Meetings	Manager Meetings; Internal Server; Twitter (Microblogging by CEO & Other Staff)	Field Worker Debrief; Service User Involvement Group; Informal Coffee Meetings with Partners

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Table 18: Practiced Internal ACAP Routines - Australia

	Metaroutines	AU01	AU02	AU03	AU04	AU05	AU06	AU07
Internal ACAP Routines (Selected Examples)	<b>Facilitation Variation</b>	Staff Training; Family Friendly Work Environment; Flexible Working Hours; Staff Meetings	Staff Empowerment; Staff meetings	Staff Empowerment and Autonomy; Staff meetings; Volunteers; Service User Involvement; Staff meetings	Staff Empowerment and Autonomy; Open Plan Office; Culture of 'Testing New Ideas' with Supported Staff Meetings;	Staff Empowerment and Autonomy; Recruitment of Staff Specialists with Complementary Skills	Staff empowerment; Recruitment of Staff Specialists; Meetings; Managerial Support for Internal Collaboration	Support for Board Member and Staff Collaboration; Staff Empowerment and Autonomy; Recruitment of Specialists; Open Plan Office
	<b>Managing Internal Selection Regimes</b>	Board (Present Proposal); Alignment with Mission & Priorities;	Evaluation & Risk Assessment; Capability Analysis; Resource Availability	Board (Present Proposal); Alignment with Vision & Values; Intuition (Based on Expert Knowledge);	Board; Alignment with Mission & Strategic Goals; Feasibility Study & Pilot Resource Availability	Board; Alignment with Mission & Scenario Planning for the Future; Resource Availability; Client Needs	Board (present business plans); Alignment with Mission & Goals; Resource Availability; Meet Client Needs;	Joint Board and Staff Agreement; Alignment with Mission & Goals; Resource Availability
	<b>Sharing Knowledge &amp; Superior Practices</b>	Monthly Meetings; Fortnightly Management Meetings; Small Office	Staff Project Meetings; Staff Meetings; Project Champions;	Informal Staff & Volunteer Communication; Formal Staff Meetings, Forums & Reports; Project Champion	Regular Staff & Volunteer Meetings; Training; Staff Emails; Internal Sharing of Testimonials & Client Feedback	& Staff Meetings & Workshops; Board Change Management of Programs for Staff & Members;	Formal & Informal Staff Meetings; Peer Training Workshops; Project Champion	Combined Staff & Board Workshops & Meetings; Ongoing Informal Communication; Information Posters on Office Walls
	<b>Reflecting; Updating; Replication</b>	Feedback Evaluation Sheets; Staff Training; Information Sharing with Key Partners	& Ongoing Reflection; Training; Manuals; Formal Evaluation; Pilot Testing	Self-Formal Informal Evaluation; Feedback from Clients & Partners; Financial Results; Pilot Testing	& Regular Evaluation of Projects; Formal Procedures, Evaluation & Testing of Models; Staff Training; Staff Meetings	Formal & Informal Evaluation; Ongoing Self-Reflection; Foresight Planning to Identify Client Needs; Establish Trends; Pilot Testing; Staff Training	Formal & Informal Evaluation; Foresight Planning to Identify Client Needs; Establish Reference Group; Pilot Testing;	Ongoing Self-Reflection; Formal and Information Evaluation; Staff Meetings
	<b>Managing Adaptive Tension</b>	Identify Innovative Competitors as External Stimuli	Personal Stretch Targets	Targets; Increased Focus on Revenue Generation	Identify Innovative Competitors as External Stimuli	Identify Aspirational Organisations as Comparison Group	Employee as Setting	Goal Identify Competitors as External Stimuli

**Extending Social Entrepreneurship Research: Integrating Theory & Method.**

**Table 19: Practiced External ACAP Routines - Australia**

	Metaroutines	AU01	AU02	AU03	AU04	AU05	AU06	AU07
<b>External ACAP Routines (Selected Examples)</b>		Desk Research; Development of Tacit Knowledge;	Desk Research; Observation of Market Trends	Research; Evaluation of Market Trends;	of Research Team;	Networking; Conferences; Collaboration with Academics & Partners;	Evaluation of Market Trends;	of Evaluation of Market Trends; Conferences; Networking;
	<b>Learning From &amp; With Partners; Suppliers; Customers; Competitors; Consultants</b>	Networking; Participant Surveys; Formal & Informal Partner Communication; Consult Experts	Evaluate Client Behaviour; Respond to Client Requests;	Respond to Client Requests; Request Feedback from Clients; Partner Collaborations;	Research Team; Volunteer Collaboration;	Consult Partner Experts; Collaborations; Networking; Academic Research; Focus Groups & Feedback from Clients;	Establish Reference Group of Industry Experts; Tacit Knowledge of Staff	Consult Stakeholders & Communities; Request Feedback from Stakeholders;
	<b>Transferring Knowledge Back to the Organization</b>	Objective Feedback from, Mystery Shopping	Member Feedback; Debrief Sessions	Share Knowledge Internally from External Collaboration	Recruit Specialists; Staff Training & Peer Training	Recruit Specialists; Share Knowledge Internally from External Collaboration	Recruit Specialists; Debrief Sessions	Recruit Specialists; Email Updates

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*“So that would be the cycle for us, that we come up with the idea, I’ll write it up, sit with some of the relevant managers, see what they think about it, sound out some funders, try and get a bit of pilot money, get the client to buy in and then try it”* (Case UK06).

The charitable status of most of the organizations placed additional legal responsibilities on the governance role of the Board in each venture. In most instances, the Board was consulted before time and resources were allocated to pursuing significant new opportunities. In addition to providing this governance role, the Board was often a source of important technical or contextual expertise that could be mined in order to critically appraise and refine ideas: *“We’ve got some really good business people on the board and they ask those hard business questions”* (Case AU06).

Some of the larger, rapidly growing organizations were attempting to professionalize their resource allocation processes, specifically by adopting more systematic techniques:

*“...we did the whole evaluation spread sheet. We tried to decide on our criteria and then we allocated money to go off and research this project.”* (Case UK01).

This tension between informal routines and the implementation of more formal routines in organizations going through an expansion phase was commonplace. So too was friction between traditional third sector practices and the increasingly businesslike approaches being adopted. One firm in particular (Case UK04), bridged this gap by successfully using a Dragon’s Den-style competition to solicit and appraise ideas from staff across the organization.

### ***7.5.3 Sharing Knowledge & Superior Practices Across the Organization***

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The Sharing Knowledge & Superior Practices metaroutine underpins mechanisms and processes that regulate the transfer of information across the organization. Given that all of the participant ventures were small (a median of 14 employees), the management of knowledge was generally less complex and bureaucratic than it would otherwise be in a large multi-national corporation (Wong and Aspinwall, 2004). As a result, most knowledge sharing was ad-hoc and informal (e.g. over a cup of coffee, talking to someone at their desk). Formal routines for sharing included: regular staff meetings; email digests of internal and external developments, and frequently updated bulletin boards. These are viewed as important coordinating mechanisms for ensuring staff were not working in parallel within the organization and that valuable linkage opportunities were not missed:

*“Recently, one of the staff members flagged up information flows and communication, and how we could do that. I’m saying, “I didn’t even know that you were doing this” because I was involved with something with the housing association that would have benefited this other staff member, had she known that I had a contact. So we’ve set up information boards now – bulletin boards...people can see what other people are doing, even if it’s only a couple of sentences” (Case UK04).*

This problem of silo-thinking was also highlighted by Case UK01 which identified that there was insufficient sharing of information between Heads of Department within the organization, and as a result communication processes were implemented to overcome this.

Several organizations participated in a form of ‘peer-training’ whereby one member of staff skilled in a particular area, would train others within the venture:

*“Yeah, we do send staff on some training...what we tend to do is if there’s something coming up we’ll send one member of staff to a conference or seminar, and then it’s their job to come back and then run a development session with everybody else to keep them up to speed” (Case UK05).*

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Staff empowerment also facilitated knowledge sharing: “*Sometimes people walk into my office and say “we had a meeting about this this morning and now we’re ready to talk to you about it,” and I think, that’s great, because they have taken the initiative”* (Case AU04). Other participant organizations employed information technology in order to bridge geographical distances. This included using video-conferencing technology to maintain contact with satellite offices and the use of Twitter and other micro-blogging programs to transmit internal and external developments to staff and other interested external parties.

This metaroutine had two significant functions for NFP organisations in the study. Firstly, it provided the means for organisations to link knowledge from different domains, strengthening the NFP’s role as a mediator between technical and user knowledge flows. Secondly, formal and informal routines that exist to share knowledge internally strengthened the communication channels that are a fundamental part of the organisational sensemaking process. These open communication flows were important for reconciling competing constructions of reality that existed within the organisations, particularly between fieldworkers who expressed a stronger ‘service user’ perspective, and managerial and technical experts who embodied a more ‘business’ and ‘operational’ reality. Routines supporting communication and socialisation of knowledge facilitated ‘selection processes’ (Weick et al., 2005) where the construction of collectively valid meaning was negotiated, in turn providing a basis for action in the form of developing new innovations.

### ***7.5.4 Reflecting, Updating & Replication***

Organizations must reflect on past experiences to update their frames of reference for interpreting current and future changes to the environment. It was found that the socially innovative NFP ventures were highly reflective organizations, owing in large part to reporting responsibilities attached to certain forms of grant funding or to otherwise ensure compliance with industry governance when working with vulnerable groups. The preparation of these reports established systems of information collection and analysis that codified knowledge at regular intervals (e.g., Case AU02 and Case



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UK07 regularly update their client and project databases and produce reports from extracted data). In addition to this, there were also attempts to encourage engaged reflection at all levels of the organization:

*“...we’re trying to capture an evaluation of how we’re trying to achieve our objectives throughout the year and reporting that – it’s not just something that goes to the Board, it’s about sharing that with managers and staff so that people will feel part of it” (Case UK01).*

In a more informal manner, other ventures established and encouraged a selfreflective ethos:

*“I mean there’s not a structure, there’s not a bit of paper...,but there is a constant...one of the principles is around excellence and always challenging and being self-critical. I know what you’ve done and what’s worked and what’s not worked and why. So it’s sort of infused into everything we’re doing on a day to day basis” (Case UK06).*

The idiosyncratic dynamics of socially innovative NFPs, previously discussed in the facilitating variation section, play a role in encouraging reflection. The missiondriven nature of the ventures coupled with routines that support staff empowerment, facilitate honest and open reflection on the organization:

*“I think we all reflect on the organization. Something came up yesterday, about some potential new funding, and what we should be doing with this. Even the emails were all very self-reflective. “We’re doing this, but we need to do this. We could be doing this better.” Nobody is afraid to speak up, that’s the thing” (Case UK04).*

In many other cases, reflection was done in conjunction with the user, other key stakeholders or the board (e.g. AU07). This provided an efficient and effective mechanism for transferring ‘sticky’ tacit knowledge directly into the organization.

### **7.5.5 Managing Adaptive Tension**

## **Extending Social Entrepreneurship Research: Integrating Theory & Method.**

The managing adaptive tension metaroutine sits between internal and external metaroutines and provides a comparative stimulus that drives internal change within an organisation. If competitors within a selected comparison group are viewed as performing more effectively, then the focal organisation must either imitate or improve upon their competitor's routines to remain competitive (Cyert and March, 1963). The selection of an appropriate comparison group was challenging for some NFP ventures owing to acute ambiguities over their own organisational identity, stemming particularly from the dual social and economic motives that characterise socially entrepreneurial ventures. Several organisations (e.g. UK07 a respite centre) viewed themselves as more 'social' and hence focused on primarily social comparison groups. Others found themselves competing for contracts with commercial organisations, which motivated managers to focus on emulating these practices (e.g. UK04, AU01). This transpired to be a source of anxiety on occasions when the organisation failed to successfully replicate and integrate these more 'professional' practices. For instance, UK01, an organisation engaged in carbon reduction activities, unsuccessfully attempted to introduce more systematic means of project management to 'keep up' with larger private competitors previously identified as delivering industry leading quality: "So we'd really tried really hard to work through this process but it didn't really work. It didn't really work."

Finally, some organisations (UK02) were unable to fully resolve identity issues relating to changes in the social economy, leading to them struggling at times to relate meaningfully with other organisations (either commercial or social): Although not specifically observed in the study, this individualism can result in organisations becoming self-referential (Massini et al., 2005; Lewin et al., 2011), with a likely outcome that the firm will lose its ability to maintain innovative performance in the long-term.

## **7.6 External Metaroutines**

### ***7.6.1 Identifying and Recognizing Value of Externally Generated Knowledge***

## **Extending Social Entrepreneurship Research: Integrating Theory & Method.**

The external environment is a critically important source of knowledge for the innovation process (Chesbrough, 2003; Laursen and Salter, 2006). In order to innovate therefore, firms must develop the means of identifying and recognizing knowledge located outside of the firm's boundaries. In socially innovative NFP ventures, a significant focus rests on tailoring innovations to a particular community or special interest group. Consequently, valuable knowledge can be locally bound and contextual, lacking specific meaning to those without intimate knowledge of the user, their circumstances or their environment. In order to identify this knowledge, many of the participant organizations developed staff roles that involve working on a regular basis with key stakeholder groups. Case UK04 for instance, hire project workers who engage on a daily basis with the groups that the organization supports. They maintain a network of community contacts that supply information about ongoing developments in the local area and this feeds directly into the innovation process. Others, such as Case UK05, hire an Employee-engagement Officer, who is responsible for working with the business community to ensure the programs it develops meet the needs of employers. These boundary-spanning roles successfully embed the socially innovative NFP ventures within their local community, and create a free flowing channel between stakeholders and innovators. The individual in this role has sufficient understanding of the external environment allowing them to transfer relevant knowledge back into the organization in a meaningful way. Additionally, many participant organizations utilized user-surveys or public meetings to regularly probe the external environment:

*“We've got a service user involvement group so we will consult with the service users to see what they actually feel is the gap in services and if they identify some sort of a gap and we feel we could do something with it and there's a need for it, we would apply for funding to try and bridge that gap” (Case UK07).*

Many of the socially innovative NFP ventures valued the importance of updating stocks of technical knowledge to complement this user knowledge. Several invested in sending employees to conferences where they were able to learn from technical experts, while others provided freedom for employees to scan the external

environment: “*People are free to subscribe to whatever websites and updates that they want to receive*” (Case UK01).

### ***7.6.2 Learning From & With Partners, Suppliers, Customers, Competitors & Consultants***

Increasingly, organizations are ‘opening up’ their innovation process to learn and codevelop products and services with external knowledge sources (Elmqvist et al., 2009; Gassmann et al., 2010). This is a vital resource for socially innovative NFP ventures, primarily as they often lack the funding or resources to develop internal knowledge creation capabilities to sufficiently advanced levels. This is a doubleedged sword. On one hand, it creates a dependence on establishing and maintaining external relationships, yet at the same time it frees the organization to be more reactive to opportunities as it is not locked-in to a particular knowledge source. This was a strategy adopted by most participant organizations who, after analysing client knowledge and devising a broad innovation plan, would select partners who they could co-develop and deliver the innovation with. These formalized relationships were underpinned by routines that encouraged the flow of knowledge between organizations: “*It was done in co-operation with, eventually College X, and they were very helpful with this, in fact one of their people is on our board now*” (Case UK03).

The sourcing of knowledge from technical, user and other professional groups, again stresses that innovative NFP social ventures have a binding or mediating role in the social innovation ecosystem by recombining knowledge from diverse sources to develop new innovations.

### ***7.6.3 Transferring Knowledge Back to the Organization***

This final metaroutine is positioned at the interface between internal and external metaroutines, and involves bringing external knowledge into the organization and linking it with in-house capabilities. This routinely happened in an informal manner,

with staff sharing their experiences with colleagues over coffee. Other times, information was disseminated via email or social media: “...they got feedback from the community groups that we’d worked with, so they came back and I think they spoke to their managers and then put information in an email which was then distributed to various people around the organization” (Case UK01). Other examples illustrate the more complex processes underpinning knowledge absorption and sharing within the organization:

*“so there’s this information that I obtain in an informal way to begin with; people’s feedback – like I would talk to the emergency relief workers; people who are running breakfast here; and then also get feedback about the stats. So then, holding a formal forum to discuss those issues and getting recommendations from that forum and then taking that to our board of management and those people approving us to enter into negotiations with the council and other organizations”* (Case AU04).

## **7.7 Discussion**

### ***7.7.1 The Configuration of ACAP Routines***

As the findings illustrate, a particular strength of NFP social ventures is their ability to successfully acquire, assimilate, transform and exploit user knowledge. User knowledge is considered to be a vital part of the innovation process (von Hippel, 2001; von Hippel, 1988) and so it comprises a fundamental input to the social innovation process (Mulgan, 2006; Howaldt and Schwarz, 2011). The locally embedded communitarian nature of many NFP social ventures (Goldsmith et al., 2010; Haugh, 2007) therefore requires that user knowledge and other contextual information is considered carefully in order that innovations effectively meet the needs of their intended beneficiaries.

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It is proposed that NFP social ventures provide an important function of mediating between otherwise incompatible ‘user’ and ‘technological’ knowledge domains. For example, multinational engineering companies who manufacture wind turbines are unlikely to fully grasp the distinctive social needs of isolated Scottish island communities, and similarly, these local communities are unlikely to be aware of the possibilities for community development available through advances in renewable energy technology (as in the case of Case UK04). The NFP social venture thus plays a critical role as a mediator between these domains, making sense of the environmental flux and providing a space for combining and transforming different knowledge flows for the benefit of a particular community. The metaroutines *Sharing Knowledge & Superior Practices Across the Organization, Learning From & With Partners, Suppliers, Customers, Competitors & Consultants* and *Transferring Knowledge Back to the Organization* are critical to this process as they provide the mechanisms for acquiring knowledge and socialising it within the organisation where it is recombined with other flows of knowledge. Each organisation in the study uniquely configured organisational ACAP routines to achieve complementarities that enhanced this mediating function. UK01 for example, found valuable synergies between routines that transfer knowledge into the organisation (field worker debrief, idea box, staff secondments to other organisations) with routines for transforming and exploiting the knowledge (innovation ‘sandpits’, prototyping, partnerships with technical experts and consultants). Lewin et al. (2011) also propose that complementarities exist where a practiced routine can be mapped onto multiple metaroutines. Common examples of this in the sample were found to include routines supporting staff empowerment, job autonomy and message boards that simultaneously *facilitated variation*, and *Shared knowledge & superior practices across the organization*. Likewise, variations of practiced routines such as regular staff meetings, open plan workspaces, email digests and reflective working practices cumulatively supported overall sensemaking processes within the organisations.

Part of the reason NFP social ventures are integral to the process of social innovation, is that they possess the organizational legitimacy to work with vulnerable or otherwise disenfranchised groups (Dart, 2004; Low, 2006), thereby gaining access to knowledge

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that commercial or (in some cases) public sector authorities cannot (e.g. UK03 work with vulnerable individuals who are wary of the police force and social workers). This research shows that NFP social ventures carefully configure routines to extract this knowledge, often relying on fieldworkers who develop high levels of trust through daily interaction with user groups in order to transfer ‘sticky’ tacit knowledge back into the organization (Szulanski et al., 2004; Levin and Cross, 2004). In some instances, (e.g., Case UK05) organizations engaged prior or current service-users to work for them, in the hope of improving the acquisition, assimilation and transformation capabilities of the venture. Organizations were also found to exercise flexibility in the practiced routines they used to extract user-knowledge and were highly adaptable to different situations (for example in Case UK03, community forums were used in some circumstances, though for more vulnerable groups, oneto-one sessions were employed).

A paradox within social venture ACAP routines was discovered that may constrain innovation. A central feature of NFP social ventures, are routines that foster internal knowledge sharing and cooperation (e.g. the metaroutine *Sharing Knowledge & Superior Practices Across the Organization*). There is also a prevalence of flat decentralized organizational structures and high levels of staff empowerment (as illustrated in the *Facilitating Variation* metaroutine). These informal lateral relations are conditions that antecedent research (Tsai, 2002) suggests are favourable for supporting increased levels of ACAP, however we find that factors unique to the social sector may prevent this potential from being fully realized. Firstly, resource constraints and the primacy of the social mission limit the volume and scope of projects that can be taken forward (e.g. case UK02, Case UK07). This results in promising ideas being abandoned or ‘given’ to other social organizations that may be in a position to exploit the knowledge (as in the case of AU04). Another barrier to the exploitation of knowledge are internal selection regimes that tend towards risk aversion and alignment with narrow funder requirements: “*We’re a charity now so the risk that we can take is much more tempered because it’s public money. There’s just a whole number of different rules and a different attitude to risk within the charitable world*” (Case UK06). Finally, the multi-stakeholder environment may reduce the ability of NFP

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social ventures to act quickly and decisively on new knowledge as user-groups, partners and The Board must be consulted on most issues. These findings support Austin et al. (2006) and Kanter and Summer's (1987) proposition that the presence of a greater number and variety of stakeholders within social sector ventures increases the complexity of managing relationships.

### ***7.7.2 International Comparison***

The investigation of ACAP in 14 small NFP social ventures in the UK and Australia suggests that, despite national variances in the structural support for socially innovative organisations, there are relatively few differences in the way ACAP is developed by organisations. In both countries organisations generally adopt flat hierarchical structures and place emphasis on empowering staff and volunteers to participate in the innovation process. In all cases, the organization's social mission was identified as a key criterion in determining which new ideas should be progressed or cast aside. In the sample, UK respondents placed more significance on the need to professionalize internal operations and to enhance relations with key stakeholders. Australian respondents meanwhile stressed the importance of routines underpinning research activities and innovation piloting processes. This marginal difference in focus may be a function of differing levels of maturity in each of the respective social economies; policies in the UK such as the forthcoming Public Services (Social Value) Act (2012) are opening up more public contracting opportunities for NFP organisations and therefore, in anticipation of these changes, organisations are making themselves more 'bid ready' through the 'professionalization' of their organisational ACAP routines.

A more significant comparison to be made in the study was between the smaller and larger organisations. Focus rested on small NFP social ventures, with number of employees ranging from five full-time-employee equivalents (FTEs), excluding volunteers and interns (AU07), to 140 FTEs (UK01). Smaller organisations found less need to establish formal routines as employees managed to link internal and external knowledge easily by being in close daily contact with each other. Larger organisations



(e.g. UK01 and UK04) identified problems associated with ‘silo thinking’ in their organisations and actively sought to improve internal knowledge flows through mechanisms such as job rotations, email digests and online discussion boards. Larger firms benefited however by having the capacity to source knowledge from a wider and more diverse number of sources, therefore increasing the potential for radical innovation (Laursen and Salter, 2006)

## **7.8 Conclusions**

This chapter provides a first insight into the innovative capabilities of socially innovative NFP ventures by utilizing the multidimensional construct of absorptive capacity and organizational routines. Social organizations comprise one of the most dynamic sectors of the economy (Social Enterprise UK, 2011), yet theoretical understanding of the innovation process or innovative capabilities in this particular context remains limited. This chapter makes several contributions to our understanding of both innovative social organizations and the theoretical construct of absorptive capacity while addressing calls (Martin and Osberg, 2007) to differentiate social entrepreneurship and social innovation from more conventional forms of entrepreneurial and innovative behaviour. It is found that socially innovative NFP ventures play an important mediating role between ‘sticky’ context-specific userknowledge and complex forms of technological knowledge. As a result of this, organizational ACAP routine configuration is balanced between extracting user knowledge and acquiring technical knowledge. In line with the ‘open innovation’ approach that is explored in more detail in Chapter 9, socially innovative NFP ventures exploit externally created knowledge and often rely on co-developing innovations with more technically proficient partners. It is found therefore that, because of resource limitations, these organizations develop routines that will generate ‘just enough’ ACAP to recognize valuable external knowledge, though won’t necessarily develop enough technical knowledge to execute innovations on their own.

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The diverse stakeholder map (Austin et al., 2006), mission driven goals (Peredo and McLean, 2006) and other organizational antecedents that characterize social organizations are shown to play an important role in how ACAP is developed and exploited. These findings illustrate the importance of empowerment and openness, both for allowing the freedom to probe the external environment for new knowledge and sharing knowledge internally, however this is tempered by risk-aversion and bureaucracy when allocating resources to new innovative projects.

Like the majority of empirical absorptive capacity studies, these findings can be criticized for taking a somewhat static approach to analysis. In line with Volberda et al., (2010), the necessity of longitudinal studies that will capture the dynamic evolution of ACAP in this context is recognised. Limitations of the sample size and sample characteristics are also acknowledged. As the socially innovative NFP ventures were drawn from diverse, unrelated industries, the relative knowledge intensity of each particular venture was not considered. Finally, the study primarily concentrates on how ACAP metaroutines were practiced and configured in order to acquire and assimilate certain sources of knowledge. A further study could explore how different organizational ACAP routine configurations lead to superior innovative performance.

This chapter departs from existing work on social innovation and social entrepreneurship in that it attempts to understand *how* organizations pursuing social goals are able to innovate, rather than *why* they do so. As such, it is argued that closer alignment with the long-established technological innovation paradigm (and its established theoretical tools) can provide further insight into the processes of social innovation – even if only to demonstrate that social innovation cannot wholly be explained by established theories of innovation. This will also help draw some conceptual boundaries around some of the terms being used to describe this form of innovative and entrepreneurial behaviour and will build legitimacy for the evolving research field of social innovation.

## **CHAPTER 8: ENTREPRENEURIAL ORIENTATION IN THE NONPROFIT SECTOR**

### **8.1 Introduction**

Building on multiple-case study data from the same organisations covered in Chapter 7 and signalling a departure from the microinteractional perspectives in chapter 5 and 6, this chapter examines the entrepreneurial orientation (EO) of NFP firms. Entrepreneurial orientation is well established in the for-profit context as a means of assessing the entrepreneurial behaviour of organisations (Lumpkin and Dess, 1996). This construct was pioneered by Miller and Friesen (1983), and describes how firms exhibiting an entrepreneurial orientation develop new and different products, services, strategies, or processes (innovativeness), implement these innovations ahead of rivals (proactiveness), and take bold actions to exploit perceived opportunities (risk taking). EO is an important and central focus of research in the entrepreneurship domain having been refined by many scholars over the last three decades (Slevin and Terjesen, 2011; Wales et al., 2011).

More recently, scholars have theorized that EO may manifest differently in the increasingly important social or nonprofit sector (Lumpkin et al., 2013; Short et al., 2009; Morris et al., 2011). Specifically, it has been suggested that particular organisational, cultural and financial antecedents of these new hybrid ventures may be reflected in their EO. Although some limited research in this area has been conducted (Liu et al., 2012; Morris et al., 2011), this chapter addresses the objectives outlined in Section 1.4.2 by empirically exploring the EO dimensions of innovativeness, proactiveness, and risk taking in small nonprofit social enterprises in Australia and the United Kingdom applying a qualitative research method.

Prior research suggests that processes of social entrepreneurship involve behaviours that are both similar and divergent from those in the for-profit context (Chell, 2007; Weerawardena and Mort, 2006; Lumpkin et al., 2013). The goal of this empirical

research therefore, is to go beyond a conceptual understanding of these differences to develop grounded knowledge of how EO dimensions manifest in the nonprofit sector. Notably, this investigation is limited to small NPOs in Australia and the United Kingdom (UK), two countries that have witnessed a growth in the number of nonprofit social enterprises in the last decade (Australian Government, 2010; Social Enterprise UK, 2015), and in organisations where profit distribution is prohibited (Borzaga and Defourny, 2001; Haugh, 2007). It is acknowledged that there exists a broad spectrum of organisations operating under the ‘social entrepreneurship’ banner, including some who distribute profits, however for the purpose of this research, the focus is exclusively on organisations who have purposively opted not to do so.

On account of the complexity of the nonprofit sector (Morris et al., 2007; Nissan et al., 2012), further differentiation is made between three types of NPOs in this research: (1) traditional nonprofit organisations that rely on established sources of funding including donations and bequests (Lyon and Sepulveda, 2009); (2) ‘born’ social enterprises that launched earned income activities from the date of inception; and (3) ‘adapted’ social enterprises that launched earned income activities some time after inception (Smith et al., 2010). Social enterprises are identified by their adoption of business models to generate income, and these are viewed as integral to social entrepreneurship (Acs et al., 2013; Certo and Miller, 2008). This comparison allows for the identification of possible similarities or differences between these three types of NPOs, including traditional NPOs and nonprofit social enterprises. Furthermore, this chapter responds to calls for cross-country empirical research to better understand the manifestation of EO in a currently under-researched context (Short et al., 2009; Slevin and Terjesen, 2011), and calls to explore how EO is manifest within firms (Wales et al., 2011).

The structure of this chapter is as follows. To begin, the dimensions of EO that are considered in this research are briefly outlined. Then, the nature of social entrepreneurship is discussed, before a critique of current EO scales as they are applied to organisations in the nonprofit sector is presented. The findings from the case studies are presented and key themes are established. Based on a purposive sample of 16 organisations across two countries, including traditional NPOs, born and adapted

social enterprises a preliminary set of EO scale items are proposed. These items are drawn from existing EO scale items and modified to appropriately reflect the multifaceted nature of innovativeness, proactiveness, and risk taking in traditional nonprofit organisations as well as nonprofit social enterprises. The chapter incorporates a set of propositions that emerge from the analysis, and concludes with some discussion around the implications of the findings.

## **8.2 Entrepreneurial orientation (EO) and social entrepreneurship**

EO is perceived as the driving force behind an organisation's entrepreneurial activities (Covin and Lumpkin, 2011). Reflecting the view that entrepreneurship is a behavioural rather than dispositional phenomenon, it is the organisation's actions, rather than its attributes, that make it entrepreneurial (Covin and Slevin, 1991). This argument positions EO as a firm-level construct, comprised of either three (Miller, 1983) or five (Lumpkin and Dess, 1996) dimensions. Many scholars have embraced Miller's (1983) dimensions of innovativeness, proactiveness, and risk taking (Covin and Slevin, 1991; Zahra, 1991; Kreiser et al., 2002; Wang and Altinay, 2012). As guided by Morris et al. (2011), these three dimensions are explored in this research, and recognize Lumpkin and Dess' (1996: 137) proposition that "dimensions of EO may vary independently of each other in a given context".

The three EO dimensions of innovativeness, proactiveness, and risk taking are explored in this research. Innovativeness describes an organisation's inclination to adopt creative and experimental processes to develop and introduce new products, services, or processes (Lumpkin and Dess, 1996). A proactive organisation is one perceived to be a leader as it takes the initiative to shape trends and meet demands, now and in the future (Lumpkin and Dess, 1996). Risk taking requires taking bold steps where successful outcomes are uncertain, incurring significant debt, and/or making large resource commitments when results are unknown (Lumpkin and Dess, 1996).

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Social entrepreneurship, while still a nascent area of research, is of growing interest to scholars (Lumpkin et al., 2011; Nicholls, 2010). This is reflected in the number of recent studies of entrepreneurial or market oriented activity in nonprofit organisations (Ruvio and Shoham, 2011; Soriano and Galindo, 2012; Garrow, 2013). Social entrepreneurship is an important phenomenon, yet a unifying definition is lacking (Short et al., 2009). Social entrepreneurship is described as “entrepreneurship that creates social value” (Acs et al., 2011: 7), and social enterprises that couple the creation of social value with the adoption of business models are regarded as an outcome of such activity (Mair and Martí, 2006; Acs et al., 2011). Although existing in a variety of organisational forms (Dees, 1998), many social enterprises operate as NPOs, a form that has become popular globally for such entrepreneurial activity in the social context (Slevin and Terjesen, 2011).

Nonprofit organisations adopt entrepreneurial behaviour for three key reasons: (1) the need for financial sustainability by generating alternative or additional revenue streams; (2) to respond to growing social needs that are beyond the current capacity of the organisation to address; and (3) due to new opportunities for social value creation in the environment (Dees, 1998; Zahra et al., 2009; Morris et al., 2011). In many cases this entrepreneurial activity results in the establishment of social enterprises that have twin goals of fulfilling a social mission and generating income through trading activities (Chell, 2007; Shaw and Carter, 2007; Nissan et al., 2012) and securing government contracts (Herranz et al., 2011).

Entrepreneurial behaviour in the nonprofit sector is perceived as similar in some ways to that within the more thoroughly researched for-profit domain, therefore the EO construct is considered to have some applicability to nonprofit organisations (Slevin and Terjesen, 2011). Morris et al. (2011) argue however “the primary motivation of nonprofits to serve a social purpose coupled with the need to remain financially viable leads to a set of processes and outcomes that are more complex and multifaceted than those in for-profit firms” (965). Analysing recent literature, Lumpkin et al. (2011) and Bagnoli and Megali (2011) highlight some of the different organisational antecedents (social mission and motivation, opportunity identification, access to resources and

funding, and multiple stakeholders) and outcomes (social value creation, sustainable solutions, and satisfying multiple stakeholders) found in social ventures. This corresponds with the conceptualization of social entrepreneurship as a multidimensional construct (Weerawardena and Mort, 2006), and suggests that measuring the EO construct in nonprofit organisations must take into account these additional dimensions that add possible constraints to entrepreneurial activity, as well as additional complexity. Exactly how EO dimensions are manifest in NPOs, however, has not yet been fully explored in the literature, and is identified as an area for further research (Kickul et al., 2011).

A principal aim of the chapter therefore, is to go beyond current conceptually-driven knowledge of EO in the nonprofit sector (Lumpkin et al., 2013, Morris et al., 2011) towards a rich, empirically-grounded account of the phenomena. Zahra (2007: 445) argues that entrepreneurship theories are often applied to “sterile and highly sanitized settings, leaving a major gap in our understanding”. This problem is addressed by exploring how EO is manifest in practice, building upon recent work that has considered both the internal drivers of EO (Hakala and Kohtamäki, 2011) and EO in specific niche business environments (Mills, 2011). Additionally, constructs grounded in particular assumptions are often bluntly applied to different settings sometimes resulting in inconclusive findings (Zahra, 2007; Johns, 2006). There is need therefore to explore dimensions of the relatively new phenomena of social entrepreneurship ‘in the field’ to allow detailed reflection on the appropriateness of extant ‘commercial’ EO models (Dess and Lumpkin, 2005; Lumpkin and Dess, 1996) and more recent context-specific (i.e. nonprofit) theoretically-derived EO models (Morris et al., 2011). This approach goes some way to meeting calls from Welter (2011), Chetty et al. (2013) and Zahra (2007) to critically challenge the way theory is applied in novel contextual environments.

### ***8.2.1 Scales and measurement of EO in nonprofit organisations***

Empirical studies indicate that NPOs behave entrepreneurially (Weerawardena and Mort, 2006; Nissan et al., 2012). Although several studies of EO in the nonprofit sector

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have been conducted, scholars “have rarely (and minimally) adapted” existing scales (Morris et al., 2011: 948). This is despite an acknowledgement that, due to the distinct nature of such organisations, “some amount of adaption is necessary to produce a valid and reliable measure of entrepreneurship” (Morris and Joyce, 1998: 99). Although the Miller/Covin and Slevin scale (1989) is not without its limitations (Brown et al., 2001), it has been one of the most broadly applied, perhaps because the conceptualization and measure have aligned consistently with empirical research in the for-profit entrepreneurship domain (Covin and Wales, 2011). Reflecting the bias that commercial entrepreneurship is driven by individual self-interest focused on wealth appropriation (Van de Ven et al., 2007), the Miller/Covin and Slevin (1989) EO scale items use language such as “top managers of my firm” and “first business”.

Scholars argue that the presence of the social mission, and specific antecedents and outcomes related to social entrepreneurship, add levels of complexity not explicitly recognized within this and other existing scales (Lumpkin et al., 2011; Morris et al., 2011). Morris et al. (2011) present a comprehensive list of 10 key empirical studies that examine EO in the nonprofit sector. While it is clear that scholars have attempted to adapt EO scales in a variety of different contextually-specific ways, it is less obvious how scales were initially developed. In Table 20, this research draws upon three studies that provide the scale items used to illustrate ways in which EO scale items have been applied to NPOs. These are then contrast with selected items from the Miller/Covin and Slevin (1989) scale that measure innovativeness, proactiveness, and risk taking (see rows 1, 2, and 3).

Pearce, Fritz and Davis (2010) explore EO in the context of religious congregations and make minor adjustments to Miller/Covin and Slevin (1989) EO scale items that measure risk taking, primarily replacing “the managers of my firm” with “the leadership of my church” (see rows 4, 5, and 6 in Table 20). An early attempt to develop an EO scale appropriate for NPOs was produced by Morris and Joyce (1998), who adapt Miller and Friesen’s (1983) EO scale items, that were then validated with a sample of NPO managers (see rows 7, 8, and 9 in Table 20). Rather than drawing directly from the literature, Voss, Voss and Moorman (2005: 1135) conducted focus



groups with theatre industry informants to inform the definition of innovativeness as “a commitment to generating and cultivating new ideas that result in new product offerings”, proactiveness as “a commitment to implementing new business processes designed to cultivate new markets for the firm’s offerings”, and risk taking as “a commitment to experimentation in the face of uncertainty”. Voss et al. (2005) created a new 14-item scale (see rows 10, 11, and 12 in Table 20). Other scholars have also adapted or created new EO scale items, however Morris et al. (2011) argue that the items available in the literature do not appear to adequately capture the complex nature and multiple facets of EO dimensions in the nonprofit context, and therefore propose hypothetical sub-dimensions for innovativeness, proactiveness, and risk taking (see rows 13, 14, and 15 in Table 20).

**Table 20: Selected EO Scale Items**

	<b>Selected items for I, P, and R*</b>	<b>Measurement</b>	<b>Source</b>
<i>Commonly adopted scales in the entrepreneurship literature</i>			
1	I: In general, the top managers of my firm believe favour (1) a strong emphasis on the marketing of tried-and-true products or services OR (2) a strong emphasis on R&D, technological leadership, and innovations	Likert seven-point scale anchored by two statements, where (1) indicates strong agreement with the first statement, and (7) indicates strong agreement with the second statement.	Covin and Slevin (1989)
2	P: In dealing with its competitors, my firm (1) typically responds to actions with competitors initiate OR (2) typically initiates actions to which competitors then respond		
3	R: In general, the top managers of my firm have a strong proclivity for (1) low-risk projects (with normal and certain rates of return) OR (2) high-risk projects (with chances of very high returns)		
<i>EO items modified for use within the nonprofit sector</i>			
4	I: In general the leadership of our church favours (1) a strong emphasis on offering tried and true ministries and worship services OR (2) a strong emphasis on developing new ministries and worship services	Likert seven-point scale anchored by two statements, where (1)	Pearce et al. (2010)

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5	P: (1) We position ourselves to meet the existing demands OR (2) we consistently try to position ourselves to meet emerging demands	indicates strong agreement with the first statement, and (7) indicates strong agreement with the second statement.	
6	R: When confronted with decision making situations involving uncertainty, our church typically adopts (1) a cautious, wait and see posture in order to minimize the probability of making costly decisions OR (2) a bold aggressive posture in order to maximize the probability of exploiting potential opportunities		
7	I: the seeking of unusual, novel solutions by senior managers to problems via the use of "idea people," brainstorming, etc	Likert five-point scales anchored by strongly disagree (1) and strongly agree (5).	Morris and Joyce (1998)
8	P: At our organization, decision-making is characterized by: cautious, pragmatic, step-at-a-time adjustments to problems		
9	R: Our organization is characterized by: risktaking by key managers or administrators in seizing and exploiting new opportunities		
10	I: A key component of our artistic mission is to develop innovative new works	Likert seven-point scales anchored by strongly disagree (1) and strongly agree (7).	Voss et al. (2005)
11	P: We are not afraid of implementing new marketing and fundraising initiatives		
12	R: There is a major element of artistic risk in all of our productions		
13	I: Emphasis on innovation directed at (a) core mission achievement, (b) generating new sources of revenue, or (c) both	Proposed, but not empirically validated, EO scale items for NPOs.	Morris et al. (2011)
14	P: Enactment of change in how (a) social purpose is achieved, (b) financial requirements are met, or (c) relative to stakeholder expectation		
15	R: Willingness to take actions that incur meaningful probability and magnitude of loss (a) in the amount of social impact achieved by the organisation, (b) of financial assets, or (c) of nonfinancial stakeholder support		

\* I denotes item to measure innovativeness, P to measure proactiveness, and R to measure risk taking

As these examples indicate, items adopted by antecedent empirical studies for use within the nonprofit sector often do not vary significantly from those used for the for-profit sector, raising questions as to whether they can fully capture the regulatory, economic and socio-cultural contextual factors across entrepreneurial NFPs. It is noticeable, however, that the Miller/Covin and Slevin (1989) scale items related to risk focus primarily on financial risk, and this preoccupation, with the possible exception of Voss et al.'s (2005) reference to "artistic risk", is reflected within items used for NPOs. Morris et al. (2011) acknowledge however, that non-pecuniary risks, such as reputation, are also of importance to organisations (Srivastava et al., 1998; Morris et al., 2007). Due to growing interest in the entrepreneurial activities of NPOs, there is a clear need to develop EO items that better capture entrepreneurial activity within this unique and complex context (Lumpkin et al., 2011). This empirical research attempts to gain deeper insight into how EO dimensions are perceived by key informants, providing insights for the development of a preliminary set of EO scale items appropriate for the nonprofit sector.

### **8.3 Findings**

How do the EO dimensions of innovativeness, proactiveness, and risk taking manifest in 'born' and 'adapted' nonprofit social enterprises, and traditional NPOs? It was found that specific factors appear to influence each of the dimensions, across each type of NPO. This suggests that the primary social mission and associated characteristics, factors identified by previous scholars (Morris et al., 2007; Lumpkin et al., 2011), exert significant influence on the manifestation of EO in NPOs. The findings specific to each EO dimension are presented below.

Verbatim quotations from multiple interviews are included to provide examples. Two specific cases (AU04 and UK05) are referred to throughout the findings section to illustrate more clearly the manifestation of each of the EO dimensions in nonprofit organisations. AU04, a born social enterprise, is a community welfare organisation in Australia that relies on various social enterprise activities to generate funds for the

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social services provided as it receives very limited government funding. UK05, an adapted social enterprise, is a community energy organisation in the United Kingdom that operates in the carbon and community development sectors. It primarily delivers government funded programs, but also generates income through consultancy and joint ventures. The chapter concludes by outlining a preliminary set of nonprofit EO scale items suitable for testing in future studies.

### ***8.3.1 Innovativeness in nonprofit organisations***

RQ1: How does innovativeness manifest in nonprofit social enterprises and traditional NPOs?

Participants were asked to indicate whether their organisation is continually looking at new ways of doing things, whether it is important that their organisation be innovative in terms of services and/or revenue generating activities, and asked for specific examples of innovative behaviour. In general, innovation was viewed as extremely important, with AU02 stating:

*“It’s quite crucial that we continue to be looking for new ways of raising funds and /or doing what we do better. And if we don’t innovate then not only will the natural forces of capitalism push us out, for better or worse, but also we’ll miss opportunities to broaden our reach and secondly as technology changes, as the economy changes, then we’ll fall behind. So it’s a commercial reality that we should innovate.”*

Responses indicate that innovativeness in the nonprofit sector appears to be influenced by four main factors: perceived fit with the organisation’s social mission and the needs of beneficiaries; the need to collaborate with partners and other organisations due to limited resources; the requirements and expectations of multiple stakeholders, including board of directors; and the need to generate additional revenue streams. No

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key differences were identified between the nonprofit social enterprises and traditional NPOs, or the two countries in the sample.

For Case AU04, innovativeness was influenced by the needs of the community it serves, as well as the need to collaborate and take into account multiple stakeholders within the local community. As an example, the local council proposed the establishment of a campsite for local homeless people, however after speaking directly with the homeless, AU04 realized that a different solution was needed and negotiated with various stakeholders to transform prime real estate into a day house where the homeless could *“have a shower, wash their clothes and keep their things”*. AU04’s board of directors approved this investment as it fitted the social mission to serve the needs of the local community.

AU04 partnered with other local stakeholders to obtain the resources to set up the day house. In particular, AU04’s CEO negotiated with other charitable organisations to provide appropriate services, and engaged the local community through a public launch that encouraged local businesses and individuals to donate time and resources to furnish the day house, including a new refrigerator, top-of-the-range washing machine, and furniture. This particular innovation does not generate revenue for AU04, and the day house is subsidised by revenue generating activities that AU04 undertakes.

UK05 respondents were clear to point that out that innovation did not mean a change to their social mission, in fact, the mission served the purpose of determining which new activities to undertake: *“We’re going into hundreds of projects, and we deal with hundreds of organisations throughout the country, but there’s still so much to do.”* As less than 15% of total income is self-generated, there is limited capacity within the organisation to undertake too many programs simultaneously. Regardless of these limitations, UK05 still aims to be innovative:

*“We’re introducing new concepts, new ways to do things, and new financial models. Some of our revenue generating projects are in partnership – joint*

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*ventures – with other ‘not for profit’ organisations, like housing associations... I think we’ve pioneered quite a lot of new models.”*

As a wide range of industry sectors were included in both countries, a wide range of responses was captured. As explained in the methodology (section 4.4.4), each researcher first independently identified themes that emerged for each EO dimension, and these themes were then compared and consolidated. Selected verbatim quotations from each theme are included in Table 21, as well as a list of the cases that mentioned each theme.

Table 21: Aspects of Innovation

Factors	Examples (verbatim)	Cases
Fit with social mission	<p><i>“One of those priorities is to support priority populations, people from disadvantaged backgrounds, people from disadvantaged locations, rural, Aboriginal communities, multicultural communities, and so all of our activities are driven by that.” AU01</i></p> <p><i>“I don’t know if our mission would change – our social mission – because, at the moment, although we have had lots of success, in terms of projects on the ground – and there have been a lot in terms of community organisations, or not for profit organisations – we’re still in single figure per cents in terms of covering.” UK05</i></p>	<p>AU01 AU03 AU06 AU07 AU08 UK01 UK03 UK05 UK06 UK07</p>
Collaboration and partnerships	<p><i>“Making sure you’re not reinventing the wheel, so continually talking to other organisations that are in the space, or looking abroad for best practices...[We try] to identify the gaps and think about the best strategies to answer those needs whether or not it’s doing something new, or it’s bringing models from elsewhere, or working with other organisations to address those gaps.” AU05</i></p> <p><i>“Innovation without partnership runs that risk of people winding up being a prophet in their own land. And that that can be the sentence of death.” AU07</i></p> <p><i>“It’s called a ‘reference group’ of people to give advice about anything from the structure of the program to the marketing of the program to applicability to different sectors.” AU08</i></p> <p><i>“Partnership is difficult but invariably critical. There’s one bit, through the [...] Foundation, we’re still waiting on the result where five charities have gone in for an employability skills project because the five of us involved are all doing different bits.” UK04</i></p>	<p>AU01 AU04 AU05 AU07 AU08 AU09 UK03 UK04 UK08</p>
Multiple stakeholders	<p><i>“It was a new way because up until that point people had been talking about accommodation for the homeless, they had been talking about soup kitchens and things like that ... we listened to what people were saying was they needed a facility during the day time where they could have a shower, wash their clothes and keep their things, so we approached it from a different angle.” AU04</i></p> <p><i>“There’s lots of help once you’re established apparently, but it’s getting from where we are to that, and my board are not gonna [sic] sanction us borrowing.” UK06</i></p>	<p>AU02 AU04 AU06 AU07 AU08 UK04 UK05 UK06</p>
Financial sustainability	<p><i>“We’re looking for new [ways of generating income], and for new spaces where we can best do what we want to do, at the lowest risk.” AU02</i></p> <p><i>“Yes [it’s important for us to generate new ways to get money in]. Absolutely. So for an example, a consultancy team is forever thinking, What is our niche? What is our USP in terms of the consultancy team? What is it that we have that other people don’t have?” UK01</i></p>	<p>AU01 AU02 AU04 AU06 AU08 UK01 UK03 UK05</p>

Proposition 1. That innovativeness in nonprofit social enterprises and traditional NPOs is influenced by the social mission, collaboration and partnership opportunities, multiple stakeholders, and financial sustainability.

### ***8.3.2 Proactiveness in nonprofit organisations***

RQ2: How does proactiveness manifest in nonprofit social enterprises and traditional NPOs?

The socially entrepreneurial NFPs were asked to indicate whether their organisation ‘takes the initiative’ in regards to the services provided, whether being the first to introduce new services or revenue generating activities was important, and to give a specific example of their organisation being a leader in providing new services or revenue generating activities. Proactiveness appears to be influenced by several factors. When asked whether their organisation has displayed leadership, many responded that they provide unique services and products, and are therefore leaders by default. This may be due to NPOs operating in market gaps that are undesirable to for-profits or government (Salamon 1993).

Finding a niche or space that doesn’t duplicate what others are doing is also important to NPOs. Several respondents stated that, because they operate in a specific niche, and are in fact the only such organisation providing such services, they are obliged to be proactive in the way they implement their activities. Finally, in comparison with for-profit firms, NPOs appear to be driven by a sense of urgency to provide new services or undertake new activities in response to the needs of their beneficiaries. This seems to be based on their perception that they are the only organisation supporting their particular beneficiaries. Being the first to provide services was not perceived as critical, as AU01 express: *“So whether we need to be the first, I don’t think we necessarily need to be the first in the country to do something.”*; and AU02: *“It’s not necessarily important that we’re the first, I have to say.”*

Case AU04 was founded more than 20 year ago by establishing community markets. It has maintained its position as a leader in a saturated environment, where a higher



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than average proportion of community organisations exist in a town of just 30,000 inhabitants. Case AU04 constantly looks for new opportunities to expand its leadership position, and has recently added new variations of community markets in order to maintain its profile and ability to generate revenue for services provided.

Being small and flexible has advantages:

*“Because of how we operate, it allows us to be the first to introduce things, because we have the ability to respond quickly and in an effective way to the needs of the community. So an example to me in the social arena would be when we set up a facility last year in the centre of [the town] which is essentially a day house for the homeless. Now we did that in response to the growing demand, and that there was a lack of those sorts of facilities.” AU04*

Case UK05 reaffirmed the importance of being proactive: *“I think we definitely are proactive. You’ve got to be. There’s so much competition. I wouldn’t like to term them, “the pack,” but you’ve got to show initiative and move forward.”*

The themes identified that illustrate the manifestation of proactiveness in the nonprofit sector are listed in Table 22.

**Table 22: Factors Influencing Proactiveness**

<b>Factors</b>	<b>Examples (verbatim)</b>	<b>Cases</b>
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<p>'By default' leadership</p>	<p><i>"We ensure that schools and childcare environments ... know what to do in an asthma emergency. And so, that's the obvious childcare school setting. We have re-established the sports and recreation club program. So, I guess we lead in that particular area."</i> AU01</p> <p><i>"Yes, we are [trying to be a leader in the services we offer]. And we're reasonably unique in that regard in terms of what we offer... No-one else that I know of does anything like it."</i> AU03</p> <p><i>"We are the only food rescue organisation in Australia with research and development team and that's been a really important point of difference for us."</i> AU05</p> <p><i>"Yep absolutely [it's important to be a leader in providing new services], we're the only organisation in the state that does it. So that's mission critical."</i> AU06</p> <p><i>"Yeah, but that's because there's not very many people working in this sector, so we are unique in Britain and we think, in Europe."</i> UK06</p>	<p>AU01 AU02 AU03 AU04 AU05 AU06 AU08 UK03 UK06 UK07</p>
<p>Finding a niche</p>	<p><i>"We tend to not use that logic or language of being the first; we tend to use the language and logic of finding the niche."</i> AU02</p> <p><i>"Not many other arts organisations work with artists and technologies so we're quite niche, we're operating in a very niche area."</i> AU08</p> <p><i>"I think I am in a way trying to find our niche so I think in that sense we have been taking the initiative."</i> UK02</p>	<p>AU02 AU05 AU07 AU08 UK01 UK02 UK05 UK08</p>
<p>Sense of urgency</p>	<p><i>"Because of how we operate, it allows us to be the first to introduce things, because we have the ability to respond quickly and in an effective way to the needs of the community... now if we had been a more traditional social organisation, we'd probably still have been waiting for government funding to get it off the ground 18 months later, so being a leader in terms of doing things differently actually works."</i> AU04</p> <p><i>"We're trying to hold ourselves out as entrepreneurial; we're trying to show ourselves as progressive, dynamic, changing in response to community needs."</i> AU07</p> <p><i>"In the organisation from day one we've always had an eye on what's going on externally and how we can translate that into a product that responds to that."</i> UK02</p>	<p>AU01 AU04 AU05 AU06 AU07 UK02 UK03 UK04 UK05 UK07 UK08</p>

Proposition 2. That proactiveness in nonprofit social enterprises and traditional NPOs is influenced by 'default' leadership responsibilities, filling a specific niche, and responding to the existing and future needs of beneficiaries.

### ***8.3.3 Risk taking in nonprofit organisations***

Risk taking in NPOs is perceived as a multidimensional construct, with a total of seven different types of risks identified by the 34 interview participants. The findings of the research are summarised in Tables 23 and 24 with verbatim to provide greater detail.

RQ: How does risk taking manifest in nonprofit social enterprises and traditional NPOs?

Participants were asked if their organisation was prepared to take risks to develop their services and/or revenue generating activities, and to provide examples of risky behaviour undertaken by the organisation. Respondents were probed to establish how they understood and interpreted the term 'risk'. All participants mentioned the financial aspects of risk taking, however a further six additional risk dimensions were also considered important. Of these, one aspect was mentioned by only Australian participants, presented in Table 23 as: 3. Time/effort risk.

Participants consistently identified the need to protect and sustain the reputation and image of the organisation so as not to alienate stakeholders, disenfranchise clients, or lose legitimacy in regards to their social mission. Despite the various dimensions of risk mentioned by participants, NPOs still overwhelmingly believe it is important to take risks, and spontaneously outlined four tactics employed to mitigate risk: the use of pilot programs, rigorous governance processes, community consultation and involvement, and clear communication and expectation setting with stakeholders.

Through reviewing verbatim responses, the seven aspects of risk were mentioned by participants across the three types of NPOs investigated in this research. Financial risk remains top-of-mind as these organisations typically have limited financial resources available to them, and they must be financially accountable to multiple stakeholders. For example: *"We rely heavily on the public for donations and bequests and our*

*lotteries, so monies that we've got we can't be too risky in how we spend them.”*  
(AU01)

Other aspects of risk that were mentioned include: dependence on a key person within the organisation; investment of time and effort; risk to the organisation's reputation; risk to the organisation's brand image; risk to relationships with other organisations; and risk related to acting as a leader in their respective field. This confirms scholarly supposition that NPOs are concerned about aspects of risk other than financial, and suggests that EO scale items be adapted to account for the multidimensional manifestation of risk in the nonprofit sector.

To further illustrate responses to the risk dimension, Case AU04 considered that it was “*Absolutely*” prepared to take risks. This community welfare organisation in Australia that relies on various social enterprise activities to generate funds for the social services provided and receives very limited government funding. Probing further to identify any activities perceived as risky, AU04 responded:

*“Well, setting up the cottage for a start was an unknown quantity... it used to be a car rental business and we've turned it into this day house for the homeless, so I was half expecting that we would get lots of complaints and there would be a lot of trouble there and stuff like that and so far it's worked incredibly smoothly. There's [sic] obviously been ups and downs with it like everything but the outcomes have been really, really well received. Now that was definitely risky because it was high profile... it certainly has delivered a lot of social profit if you like to the community in that the outcomes have been that the homeless are much more relaxed and there hasn't been as much aggression, and some of them have been able to move onto more positive lifestyles.”*

UK05 considers the following as something risky that their organisation has undertaken:

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*“We developed these revenue generation projects with communities, whereby they are taking on significant projects, where it’s maybe just one or two wind turbines. Now, it doesn’t sound a lot, but when you’re looking at a capital cost of maybe a million and a quarter, per project, it’s a serious project for a volunteer organisation – like community, or not for profit groups. So there is a bit of risk involved, certainly in the early stages of that, in terms of developing stuff before they get permission. So there is quite a bit of money that goes into that.”*

However, it is not just financial risk that UK05 seeks to mitigate:

*“I think we try to avoid reputational risk through due diligence. We aim to cut risk as much as you can, but we’re not risk averse.”*

Based on the responses, seven aspects of risk have thus been identified. Verbatim quotations are documented in Table 23.

**Table 23: Aspects of Risk Taking**

Aspects	Examples (verbatim)	Cases
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1. Financial risk	<p><i>“We rely heavily on the public for donations and bequests and our lotteries, so monies that we’ve got we can’t be too risky in how we spend them.” AU01</i></p> <p><i>“Several years ago the organisation decided to employ a media manager at just over half time... so it was an organisational risk and investment.” AU02</i></p> <p><i>“Every day is a risk for me. I’m treading the line of insolvency constantly. I come to work thinking, well, if I get a few orders I can probably pay myself this week.” AU03</i> <i>“We can’t take risks if we’re going to lose thousands.” UK04</i></p>	AU01 AU02 AU03 AU05 AU08 UK01 UK03 UK04 UK05 UK07
2. Key person risk	<p><i>“Key person risk is when you realise that ... a significant portion or more of your enterprise depends on a particular person. And if they leave then your whole business is at risk. And when you’re doing small start-up new commercial ventures there is definite key person risk.” AU06</i></p> <p><i>“But it also comes down to personal risk... The only person who’s single, mortgage, daughter at university, sole bread winner, is me. [Laughter] And... actually the person who’s most at risk is me [the CEO]. So yeah, that’s kind of, obviously that’s driving me forward.” UK06</i></p>	AU02 AU06 AU07 UK06
3. Time/effort risk (AU only)	<p><i>“[We’re] probably taking a few risks in investing some time in those sort of things to see whether or not they will blossom.” AU02</i></p> <p><i>“It is going to be a risk if you put in all the time and effort to do it and it doesn’t pay off.” AU07</i></p>	AU01 AU02 AU04 AU07
4. Reputational risk	<p><i>“We would, wherever possible, mitigate any risk of reputation and brand identity in terms of who we work with, right through to the products we might sell within our shop ... [we] wouldn’t want that compromised in any way” AU01</i> <i>“There hasn’t been a risk in terms of finance, because up till now we’ve very carefully constructed financial programmes and things are funded before we do them, but it’s a reputational risk - definitely yeah.” UK03</i></p> <p><i>“But that was taking a risk because we put the whole reputation of the charity on the line. You know, we’ve got a reputational goal.” UK04</i></p>	AU01 AU02 AU06 AU08 UK01 UK03 UK04 UK05 UK06
5. Brand image risk	<p><i>“There was certainly risk involved in rebranding. We branded our building ... that had some risks attached to it” AU01</i></p> <p><i>“I think going out to the marketplace in this current climate and saying, ‘would you give people from overseas an opportunity to get work experience?’ is quite risky. It’s risky because we often get told to bugger off. There’s a lot of</i></p>	AU01 AU06 AU07 UK01 UK06

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	<i>racism and prejudice out there so it's often quite a risk when you're trying to get a new company on board. So yeah, that's probably the most risk."</i> UK06	
6. Relationship risk	<i>"I don't have any intention of delivering [specific] training in school or in children's services probably because of the risk to relationships at this point in time" AU01</i> <i>"What you're doing is you're taking a calculated risk [on your own projects], based on your own initiative. Whereas, if you go out, and you introduce risk to everybody else, that is a serious risk, and a far bigger collective risk, as well. I think it would be fair to say we take more risk on our own projects."</i> UK05	AU01 AU07 UK05
7. Leadership risk	<i>"There are some risks in taking a leadership perspective... if you are sort of out the front of that curve you run the risk of being a bit too far head of the curve and people not understanding" AU08</i> <i>"We're starting to realise that in order to be the leader in something and to be ahead of the game that we need to invest our own money in our own people or research particular areas in order to maintain our edge or do something else. So I would say that we're taking steps towards being more risky."</i> UK01	AU08 UK01 UK06 UK07

Despite the range of risks related to various entrepreneurial activities, organisations in this sample nevertheless indicated that risk taking is important, with several participants stating that they must be willing to take risks in order to move forward. For example: *"We're prepared to take risks because we realise that you have to take risks to innovate and if we don't take risks we can't position ourselves as leaders."* (AU08)

The willingness to take risks is balanced by various mechanisms that organisations in this sample applied in order to mitigate negative outcomes. For example:

*"There's no problem with risk taking whatsoever, so long as you're prepared for the consequences, so long as failure is fail-safe... responsible governance is fail-safe governance where you are prepared to innovate and take a risk, but*

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*you are prepared to bracket that risk and monitor it and make sure you know what your worst case scenarios are.” (AU06)*

Through analysis of the data, it was determined that NPOs in the sample mitigate risk in three main ways: through the use of pilot programs to test new initiatives; through rigorous governance processes; and community consultation and involvement to generate support. In addition, Australian NPOs indicated that clear communication and expectation setting with key stakeholders (including funders, board members, staff, beneficiaries, and volunteers) was a tactic used to mitigate risk. Therefore, when considering their organisation’s preparedness to undertake new activities, nonprofit organisations take into account both financial and non-financial risks, and actively mitigate any potential negative outcomes that may affect their organisation. This reflects Weerawardena and Mort’s (2006) case study findings that social entrepreneurial NPOs focus on risk management, they also chime with findings of a large scale empirical research of social entrepreneurs that indicated that while social entrepreneurs may experience less personal financial risk than for-profit entrepreneurs, they experience significant non-financial risks related to credibility and reputation (Shaw and Carter, 2007).

Through analysis of the data, four risk mitigation tactics adopted by NPOs were identified. These are listed below in Table 24.

**Table 24: Risk Mitigation Tactics**

<b>Tactics</b>	<b>Examples (verbatim)</b>	<b>Cases</b>
1. Pilot programs to mitigate various aspects of risk and build organisational experience	<p><i>“We apply for funding to do a feasibility on a new idea, then do a pilot, and go to funders very transparently with what we’re intending to do, so that they understand it’s a pilot.”</i></p> <p><i>AU05</i></p> <p><i>“That’s why it’s good to set up a pilot because then you know, well, other than the lessons that you learn from that, then you know if you’re going to secure funding. Because most of the funding applications forms ask ‘How are you going to demonstrate that you are going to do this?’ Which you know, past history of how successful you are, they ask.”</i></p> <p><i>UK08</i></p>	<p>AU01</p> <p>AU02</p> <p>AU04</p> <p>AU05</p> <p>UK01</p> <p>UK05</p> <p>UK08</p>



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2. Governance processes	<p><i>“We do take risks, but they’re very measured risks... we control our risk taking through very substantial governance processes with our board where we have a specific committee of board members dedicated to managing our risk as an organisation.” AU02</i></p> <p><i>“You’ve got to really look at risk assessment. A reasonably detailed, ‘there’s what we’re trying to do - what are the risks?’ And they’ve [the Board] still got to give the pluses and the minuses. And I think the most important thing with us is to then assess it; what did happen? Did it go wrong?” UK04</i></p>	<p>AU01 AU02 AU05 AU06 AU08 UK01 UK03 UK04 UK05 UK07</p>
3. Community consultation and involvement	<p><i>“Luckily our position in the sector is such that we really can do some great community consultation before we even go to a funder so we can be relatively confident about what we are trying to achieve and that there’s a need for it.” AU05</i></p> <p><i>“We developed these revenue generation projects with communities, whereby they are taking on significant projects, where it’s maybe just one or two wind turbines. Now, it doesn’t sound a lot, but when you’re looking at a capital cost of maybe a million and a quarter, per project, it’s a serious project for a volunteer organisation.” UK05</i></p>	<p>AU04 AU05 UK05</p>
4. Clear communication and expectation setting (AU only)	<p><i>“To be innovative you have to be a risk taker at the same time because – and to clearly communicate what you’re attempting to do, so a strategy I used for this was when the council gave the approval for the use of the building, rather than opening it up straight away, and just letting people in, we had a public launch... and the community came on board with it.” AU04</i></p>	<p>AU02 AU04 AU05 AU08</p>

Proposition 3: That risk taking in nonprofit social enterprises and traditional NPOs is constrained by multiple factors, including: financial, people and time resourcerelated, reputational, brand image, relationship, and leadership; and that risk mitigation tactics are adopted, such as: pilot programs, governance processes, community consultation, and communication and expectation setting.

**8.4 Discussion**

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The investigation of 16 small NPOs in Australia and the UK shows that the manifestations of innovativeness, proactiveness, and risk taking appear strongly influenced by factors specific to the nonprofit sector. Antecedents and outcomes specific to entrepreneurial processes in the nonprofit sector have been identified and explored in the literature (Morris et al., 2007; Lumpkin et al., 2011), and several of these were highlighted by respondents. Innovativeness, proactiveness, and risk taking are found to be strongly influenced by the social mission, the organisational focus on social value creation, the role of the board of directors, and obligation towards multiple stakeholders. A summary of findings is presented in Table 25.

**Table 25: Manifestation of EO Dimensions in the Nonprofit Sector**

<b>EO dimensions</b>	<b>Manifestation in nonprofit social enterprises and traditional NPOs</b>
Innovativeness	<i>Proposition 1.</i> That innovativeness in nonprofit social enterprises and traditional NPOs is influenced by four factors: the social mission, collaboration and partnership opportunities, multiple stakeholders, and financial sustainability.
Proactiveness	<i>Proposition 2.</i> That proactiveness in nonprofit social enterprises and traditional NPOs is influenced by three factors: ‘default’ leadership responsibilities, filling a specific niche, and responding to the existing and future needs of beneficiaries.
Risk taking	<i>Proposition 3:</i> That risk taking in nonprofit social enterprises and traditional NPOs is constrained by seven factors including: financial, people and time resource-related, reputational, brand image, relationship, and leadership; and that four main risk mitigation tactics are adopted: pilot programs, governance processes, community consultation, and communication and expectation setting (AU only).

### **8.4.1 Innovativeness**

Specific to innovativeness, respondents from both countries identified similar themes. Evidence from previous studies suggests that the social mission acts as a driving force for organisations in the nonprofit sector, thereby influencing the organisation’s activities (McDonald, 2007; Moss et al., 2010). Many participants stated that a primary criterion for selecting, investing in, and implementing any new innovation is based on perceived fit with the organisation’s mission, and this fit is closely monitored by the board of directors. This is consistent with findings that an NPO’s social mission

influences the selection of innovations that are most likely to support the mission, and that these innovations are most likely to be supported by employees (McDonald, 2007).

Social value creation requires collaboration in order to solve big social problems (Perrini et al., 2010; Lumpkin et al., 2011), and it has been demonstrated that NPOs, both traditional and social enterprise, operate in resource-scarce environments (Di Domenico et al., 2009; Di Domenico et al., 2010). NPOs in this sample recognized that in order to tackle big social problems they actively sought partnerships with likeminded organisations to maximize social value creation. Other studies indicate that partnering with other NPOs as well as businesses in order to implement innovative services helps NPOs fulfil their social mission (Weerawardena et al., 2010).

As organisations with a social mission have an arguably more complex stakeholder map than for-profit enterprises (Low, 2006; Chell, 2007; Spear et al., 2009), scholars have theorized that this may influence the manifestation of EO dimensions in NPOs (Morris et al., 2007; Lumpkin et al., 2011). This empirical research reveals that the board of directors, beneficiaries, and other stakeholders, exert significant influence regarding the scope and type of new activities NPOs elect to undertake. This supports the view that NPOs must “become adept at multiple stakeholder management” (Weerawardena et al., 2010: 348). The influence of the board of directors was mentioned most frequently with regard to innovativeness and risk taking, where the board provides both encouragement and formal approval for new activities. This is consistent with Morris et al.’s (2007) findings on the positive influence of board activism on EO.

Respondents indicated that they had no alternative but to be innovative in terms of identifying new sources of income, primarily by identifying new ways to generate revenue for their organisation. This corroborates previous findings that financial sustainability is a concern for socially entrepreneurial NPOs (Weerawardena et al., 2010; Acs et al., 2011). Several organisations indicated that while they were focused on continuous improvement to existing services, they implemented perhaps only one

radical or large innovation per year due to resource constraints. This finding has been demonstrated in previous studies (Weerawardena and Mort, 2012).

#### ***8.4.2 Proactiveness***

Proactiveness in this sample of NPOs was characterized by “default” leadership responsibilities, filling a specific niche, and responding to the existing and future needs of beneficiaries. More than half of the NPOs indicated that they were the only organisation within their geographic area (city, region or country) to provide specific services, and therefore stated that they had no choice but to provide leadership in their specific field of expertise and knowledge. Respondents expressed concern that if their organisation ceased to exist then the needs of their beneficiaries would not be met by any other provider. They therefore had no other option but to be proactive and search for ways to address existing and future market gaps. This finding is consistent with prior research which found that “small, resource-constrained NPOs cho[o]se a specialized area that fits with their capabilities and knowledge” and are therefore “niche players” (Weerawardena and Mort, 2012: 97-98).

Where for-profit enterprises proactively seek to identify future consumer trends, NPOs seek to anticipate the future needs of their beneficiaries so that they may continue to provide relevant and valuable services. This is particularly important to NPOs where they may be the only organisation of their type within a specific geographic area. This supports the proposition that nonfiduciary stakeholders confer legitimacy and urgency, if not power, toward organisations operating in the social context (Lumpkin et al., 2011). Rather than seeking areas of high profitability for future activities, NPOs seek to identify the market gaps of the future so that they can position and equip themselves to best fill those gaps (Salamon, 1993).

#### ***8.4.3 Risk taking***

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In order to create social value, NPOs and social enterprises must be perceived as legitimate by stakeholders, clients, and beneficiaries. Although risk taking is perceived as important, maintaining legitimacy is critical to NPOs, otherwise the success of their activities may be limited or negated (Dart, 2004). As beneficiaries legitimize NPOs, several non-pecuniary aspects of risk were identified, primarily: reputation, brand image, and relationship risk. These findings support the argument that the long term success of NPOs is influenced by the trust and reputation they accrue in the marketplace, not just their financial resources (Morris et al., 2011). This is consistent with other studies that have identified non-financial aspects of risk of specific types of NPOs (Voss et al., 2005).

In contrast with mainstream entrepreneurship literature, the manifestation of risk taking of NPO social enterprises and traditional NPOs is more varied and complex. In addition to financial risk, as acknowledged by the majority of the organisations, several NPOs also noted that due to resource constraints even investing time and effort in a particular activity could be risky, particularly if the project was not successful. For this reason, many sample NPOs undertook pilot programs to mitigate risk to the organisation, a finding consistent with prior studies (Weerawardena and Mort, 2012).

In general, Australian respondents were more explicit about the types of risks their organisation perceived and provided more detail about the risk mitigation tactics they adopt. When probed, the UK organisations provided similar information, however were less forthcoming about the way they manage risk. Although this difference in the willingness to talk about risks may be due to cultural differences, the findings were broadly consistent across the two countries, apart from the two additional risk aspects identified by Australian respondents in this sample. Australian respondents identified one additional risk (3. Time/effort in Table 23), as well as one additional risk mitigation tactic (4. Clear communication and expectation setting in Table 24).

### ***8.4.4 Risk mitigation tactics***

The interview protocol did not seek to identify risk mitigation tactics; these were spontaneously provided when respondents were asked to provide examples of any risky activities undertaken by their organisation. Four main risk mitigation tactics were identified by respondents: pilot programs to mitigate risk and build organisational experience; governance processes to ensure stakeholders would not be alienated by proposed activities; community consultation and involvement; and clear communication and expectation setting (AU only). Prior evidence indicates that undertaking pilot programs is a valuable way for an organisation to trial new services and gain experience (Weerawardena and Mort, 2012). As well as a means of minimizing risk, community stakeholder consultation has also been used by social enterprises to generate support for planned projects (Di Domenico et al., 2010). The unprompted description of these mitigation tactics appears to support the finding that the level of risk that will be considered is influenced by the need to be sustainable (Weerawardena and Mort, 2006). NPOs in this sample did indeed take risks, however these were evaluated in advance, and steps were taken to mitigate any significant negative impact on the organisation or its beneficiaries.

### **8.5 Preliminary nonprofit EO scale items**

Scholars call for the development of appropriate EO scale items for the nonprofit sector (Lumpkin et al., 2011; Morris et al., 2011). Morris and Joyce (1998), Morris et al. (2011), and Voss et al. (2005). Morris et al. (2011: 956) posit that “nonprofit decision makers have to consider multiple forms of innovation, distinct points of reference for considering newness, and different types of potential loss,” and present a reconceptualization for each of these dimensions. Morris et al. (2011) do not, however, present a set of items that can be tested. Morris and Joyce (1998), on the other hand, present a tested scale of EO item, yet upon close examination, several aspects identified by Morris et al. (2011) and findings from this research are not represented in this scale. The scale presented by Voss et al. (2005) is limited to NPOs operating in

the performance arts sector, and therefore has limited applicability to other sectors. For these reasons, we examined the scholarship in these three articles, as well as other established EO scales (Covin and Slevin, 1989; Hughes and Morgan, 2007; Miller and Friesen, 1983), to develop a set of EO scale items applicable to the nonprofit sector in general, that recognises both the social mission and revenue generating activities undertaken by these organisations. Items provided in other studies were not included as these incorporated only minor wording variations from original source scales (such as Pearce et al., 2010).

Recognizing that this nonprofit EO scale would require rigorous testing and validating (DeVellis, 2003), Table 26, below, provides a preliminary list of three first-order reflective nonprofit EO scale items, as per Covin and Wales' (2011) explanation. In addition, validated EO dimension word lists (Short et al., 2010) were consulted, to ensure the terms used in each item were consistent with the literature. The questions were modelled on existing examples in the literature that present single-ended items with participants using a five- (Morris and Joyce, 1998) or sevenpoint (Hughes and Morgan, 2007; Wang, 2008) Likert scale.

**Table 26: Proposed Nonprofit EO Scale Items**

	<b>Proposed social EO scale items</b>	<b>Adapted from these sources</b>
<b>Innovativeness</b>	We actively introduce improvements and innovations that allow us to better fulfil our social mission.	Hughes and Morgan (2007), Morris and Joyce (1998), Morris et al. (2011) (I1), empirical findings
	We actively seek out creative, novel solutions that allow us to better fulfil our social mission.	Hughes and Morgan (2007), Miller and Friesen (1983), Morris and Joyce (1998), Morris et al. (2011) (I1), empirical findings
	We actively seek out new collaborations and partnerships to better fulfil our social mission.	Hughes and Morgan (2007), Voss et al. (2005), empirical findings

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	We are creative in identifying and generating new sources of revenue in order to be financially sustainable.	Hughes and Morgan (2007), Morris et al. (2011) (I2), empirical findings
	We actively introduce improvements and innovations in our revenue generating activities.	Hughes and Morgan (2007), Morris and Joyce (1998), Morris et al. (2011) (I2), empirical findings
	We actively seek out creative, novel solutions to improve our revenue generating activities.	Hughes and Morgan (2007), Voss et al. (2005), empirical findings
<b>Proactiveness</b>	We initiate a high rate of new program and service development to deliver our social mission compared to other organisations in our field or area.	Covin and Slevin (1989), Hughes and Morgan (2007), Morris and Joyce (1998), Morris et al. (2011) (P1), empirical findings
	We frequently pilot new programs in order to better fulfil our social mission.	Voss et al. (2005), empirical findings
	We frequently pilot new programs in order to improve our revenue generating activities.	Morris et al. (2011) (P2), Voss et al. 2005, empirical findings
	We excel at identifying market gaps and opportunities related to our social mission.	Hughes and Morgan (2007), Morris and Joyce (1998), Morris et al. (2011) (P1), empirical
		findings
	We excel at identifying market gaps and opportunities related to our revenue generating activities.	Hughes and Morgan (2007), Morris and Joyce (1998), Morris et al. (2011) (P2), empirical findings
	We always try to take the initiative in regards to fulfilling our social mission (e.g., not wait for external stimulus such as government grants).	Covin and Slevin (1989), Hughes and Morgan (2007), Morris and Joyce (1998), Morris et al. (2011) (P1), empirical findings



	We excel at identifying new ways to generate revenue to ensure financial sustainability.	Hughes and Morgan (2007), Morris et al. (2011) (P2), empirical findings
	We constantly engage and consult with stakeholders to ensure we can meet their existing and future needs.	Hughes and Morgan (2007), Morris et al (2011) (P3), empirical findings
<b>Risk Taking</b>	People in our organisation are encouraged to make large, bold decisions in order to deliver our social mission, now and in the future.	Covin and Slevin (1989), Morris and Joyce (1998), Morris et al. (2011) (R1), empirical findings
	Our organisation emphasizes both exploration and experimentation to establish new social mission related activities.	Hughes and Morgan (2007), Morris et al. (2011) (R1), empirical findings
	Our organisation emphasizes both exploration and experimentation to establish new revenue generating activities.	Hughes and Morgan (2007), Morris et al. (2011) (R2), empirical findings
	People in our organisation are encouraged to take calculated risks with new opportunities when our brand image and reputation may be at risk.	Hughes and Morgan (2007), Morris et al. (2011) (R3), Voss et al. (2005), empirical findings

## **8.6 Conclusion**

It has been demonstrated that nonprofit organisations behave entrepreneurially (Voss et al., 2005; Weerawardena and Mort, 2006), and do so in ways that are different to for-profit firms (Voss et al., 2005). The findings from this multiple case study research provide further evidence that both nonprofit social enterprises and traditional NPOs are innovative, proactive, and take risks in relation to their social programs, and, in the case of the nonprofit social enterprises, also in regards to their revenue generating activities.

The findings support the hypothesis that EO dimensions manifest in a more complex manner than in for-profit firms (Lumpkin et al., 2011; Morris et al., 2011). This is

partly due to the “more complex and challenging multi-stakeholder environment” (Weerawardena et al., 2010: 348) within which NPOs operate, and is also consistent with previous findings that suggest the role of EO in nonprofit organisations may be more complex than in for-profit firms (Morris et al., 2007). No significant differences were discerned between ‘born’ and ‘adapted’ social enterprises, and traditional NPOs, suggesting that EO dimensions manifest in a similar ways across different types of small NPOs. The influence of the organisation’s social mission, focus on social value creation, and existence of multiple stakeholders provides additional support for the development of an EO scale for the nonprofit sector that adequately captures the multi-dimensional manifestation of EO in the nonprofit sector (Lumpkin et al., 2011; Morris et al., 2011).

These findings provide new insights for both practitioners and academics. The empirical findings and proposed scale may provide a framework to help the managers of nonprofit organisations to successfully identify and implement entrepreneurial activities, whether they are ‘born’ or ‘adapted’ social enterprises, or traditional NPOs. In addition, the findings also indicate specific dimensions that may assist NPO managers in their efforts to be entrepreneurial. For example, balancing the needs and requirements of multiple stakeholders is a valuable skill that may help NPOs to maintain legitimacy and create social value. All the organisations in this research received a summary report of the findings, and the authors received feedback indicating that the themes provided “*will indeed be a guide for determining whether to go ahead with new opportunities*” AU09.

It is proposed that the nonprofit EO scale presented in this chapter be tested and statistically validated to determine reliability and construct validity of the items. This research includes nonprofit organisations in Australia and the UK, however it is suggested that further qualitative research be extended to other countries, including developing countries, to evaluate whether EO dimensions manifest in a similar way. Although the social enterprise sector in the UK has received significantly more government support over a longer period of time than Australia’s social enterprise sector, the responses received from both countries were similar. It is proposed that this

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empirical research contributes to the advancement of the entrepreneurship, social entrepreneurship and nonprofit domains by elucidating the manifestation of EO in NPOs, and by providing a scale for future testing. EO has been positively linked to small business financial performance (Wiklund and Shepherd, 2005). Once an appropriate EO scale has been developed, further studies may determine whether the same relationship applies to small NPOs, both traditional and social enterprises.

Social entrepreneurship and social enterprises exist in many forms (Dees, 1998). Although many scholars adopt broader definitions, for this research purposive sampling was conducted to investigate and compare three types of small NPOs: 'born' and 'adapted' social enterprises, and traditional NPOs. The concept of 'born' and 'adapted' social enterprises has been proposed previously (Smith et al. 2010), however these organisations have not been compared to traditional NPOs in regards to the manifestation of EO dimensions. Although results from purposive sampling have been found to reflect a random sample of the population in question (Karmel and Jain, 1987), allowing a level of transferability of findings to similar organisations (Teddlie and Yu, 2007) it is recommended that further studies explore the manifestation of EO in other forms of social enterprises. Larger sample sizes would be required to determine whether the findings of this research are generalizable to other types of social enterprise, such as for-profit or hybrid forms.

It is suggested that future longitudinal studies examine the manifestation of EO dimensions in nonprofit organisations, including 'born' and 'adapted' social enterprises, to investigate whether EO may vary in intensity over time, depending upon the maturity of the organisation and the influence of both external influences and internal change. Furthermore scholars may explore the influence of the social mission and multiple stakeholders on how these organisations perceive and undertake entrepreneurial activities, and the extent to which potential risks, both pecuniary and non-pecuniary in nature, may influence the degree to which NPOs are entrepreneurial.

Creating social value is the primary goal of nonprofit organisations. This suggests the critical role EO performs with regards to how NPOs identify market gaps, provide

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goods and services that meet the current and future needs of their stakeholders, and maintain financial sustainability. EO is of strategic importance to nonprofit organisations, and this research contributes to a better understanding of the complex, multidimensional manifestation of EO in nonprofit social enterprises and traditional NPOs.

## **CHAPTER 9 - SOCIAL INNOVATION: AN EXPLORATION OF THE BARRIERS FACED BY INNOVATING ORGANIZATIONS IN THE SOCIAL ECONOMY**

### **9.1 Introduction**

As the analysis of social entrepreneurship antecedents in section 2.6 has explained, the locus of social innovation has shifted radically over the past 60 years, from a predominantly centralised state-led approach encompassing innovations such as nationwide health care systems, towards a locally devolved patchwork of civil society organisations (such as those included in the case studies in Chapters 7 & 8) providing customised solutions to niche problems, operating in specific institutional contexts (as demonstrated in Chapters 5 & 6). These individuals and organizations, often working across sectoral boundaries and embedded within resource-constrained milieu, have adopted entrepreneurial and often market-based approaches to meeting demands in a sustainable and effective manner. Despite a tremendous measure of goodwill from academic and policy circles, some critics argue that social innovation is failing to live up to its promise (Jankel, 2011). Barriers exist, both in the conceptualisation of social innovation and in the larger social innovation system, that restrict or disincentivize such activities. These barriers include: market protectionism, risk aversion, problem complexity, access to networks and access to finance.

To fully realise the potential of socially innovative behaviour, and to effectively leverage the value created by those who participate in socially innovative activities, it is argued that a new ‘open’ paradigm should be formally embraced. The idea of an ‘open’ approach to innovation has received much attention of late, supported in particular by the work of Chesbrough (2003; 2011) and Chesbrough *et al.* (2006: 2), who define the phenomenon as “*purposive inflows and outflows of knowledge to accelerate internal innovation, and expand the markets for external use of innovation respectively.*” The central thesis of this approach, that the vertically integrated, ‘closed’ model of innovation is now unsustainable and outmoded, assumes most valuable knowledge exists outside of the firm’s boundaries. Therefore, organizations

that widely search distributed knowledge sources and, more importantly, can successfully assimilate external knowledge into their own innovation process, are in a more advantageous position than their competitors (Laursen and Salter, 2006). The open approach is increasingly being applied to organizations outside of the hightechnology manufacturing sector and towards low-tech, service-based SME firms (Brunswicker and Vanhaverbeke, 2010). It is argued therefore that socially innovative organisations should adapt both their internal structures and strategic search activities to best capitalise on valuable knowledge available through partnerships, competitors and the scientific research base.

With the concept of localism, enjoying cross-party support (Wilks-Heeg, 2011), and devolution of power and responsibility shifting rapidly away from the state (Flinders and Moon, 2011), it is necessary to explore how social and community based organisations are equipped to ‘fill the gap’ left by smaller government. This chapter will therefore analyse contemporary social innovation from a systemic perspective whilst also considering the interactions socially innovative organisations have with local stakeholders and the broader political and socio-economic systems. In particular, this chapter examines the barriers faced by innovating social and community-based organisations and explores approaches that may mitigate some of these obstacles. Although social innovation as a process has been noted across diverse contexts, from developing regions in Africa (Rodima-Taylor, 2012) to wealthier Scandinavian countries (see for example the innovation unit Mindlab in Denmark<sup>29</sup>), this chapter has specific relevance to developed economies which have adopted neo-liberal economic policies and whose governments are in the process of reducing the breadth and scope of the welfare state in favour of greater civil society participation in social welfare provision.

Following this introduction, the literature on social innovation and other closely related fields is reviewed. From this, the most prevalent macro-barriers to socially innovative behaviour are identified and analysed. These barriers form a framework for discussing

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<sup>29</sup> Mindlab ([www.mind-lab.dk/en](http://www.mind-lab.dk/en))

the applicability of open innovation practices for more effective social innovation. The chapter then concludes with a summary of the discussion points and an outline of further research avenues.

## **9.2 Social Innovation**

Recent developments in the management literature have signalled a shift in focus from technological innovation towards social innovation and social entrepreneurship (Leadbeater, 1997; Dees, 1998; Shaw and Carter, 2007; Nicholls, 2010). While social entrepreneurship research has tended to focus on *the individual* driving social change, and social enterprise on the new forms of organisational structure that blend commercial and social purpose, social innovation literature has concentrated on the processes and outcomes that change the “basic routines, resource and authority flows and beliefs of any social system” (Westley and Antadze, 2010: 2). The crux of this socially innovative behaviour is that skills and expertise used to develop successful commercial innovations can be used to solve a wide range of societal problems. Murray *et al.* (2010) define social innovation as “*innovations that are social both in their ends and in their means. Specifically, (social innovations are defined) as new ideas (products, services and models) that simultaneously meet social needs and create new social relationships or collaborations. In other words, they are innovations that are both good for society and enhance society’s capacity to act*” (3). Social innovators operate across all levels of society, from small local organisations tackling problems specific to a particular area or group (Haugh, 2007), through to those working at an institutional level, perhaps even in government or the private sector (Mair and Martí, 2006; Dacin *et al.*, 2011). Sharra and Nyssens (2010) note two complementary approaches to social innovation in the literature: one focussing on social innovation as an outcome and the other focussing on social innovation as a process. Increasingly, both aspects are being incorporated into working definitions, as illustrated by Murray *et al.’s* (2010) aforementioned definition.

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As with any fashionable term in the social science domain, a critical interrogation of the construct is necessary to ascertain its merit and relative value; this is particularly true when discussing social innovation, a phenomenon that, due to its particular characteristics, has a tendency to elicit passionate and emotional responses from those involved in its practice. This is manifest in a bias across the wider literature towards ‘feel good’ case studies that focus primarily on reporting the positive outcomes of socially innovative behaviour (European Union/The Young Foundation, 2010; NESTA, 2008). It is a more troublesome pursuit identifying dissenting voices in the field, largely because it remains so loosely defined (Pol and Ville, 2009) that it becomes difficult for one to say they are somehow critical of or ‘against’ such a nebulous concept. Furthermore, Harrison, Klein et al. (2010) draw attention to the often-contradictory nature of social innovations whereby they can simultaneously enhance and disrupt the existing social order, further blurring understanding of the often competing ends social innovation seeks to achieve.

An enthusiastic body of extant literature, and the work of organisations such as The National Endowment for Science, Technology and Arts (NESTA) and Young Foundation, has played a critical role in propagating the notion of social innovation to a wider audience. In doing so, individuals and organisations have been offered – and have seized upon – alternative means of achieving social progress for their community by challenging traditional problem solving mind-sets. In particular, there is greater awareness that structural barriers to solving complex social problems can be navigated through the utilization of entrepreneurial skills. Similarly, it has been shown that tools and systematic approaches borrowed from the technological and commercial innovation paradigms can be successfully appropriated and applied to the process of identifying and scaling up socially innovative opportunities (Mulgan, 2006; Saul, 2010; Murray et al., 2010).

Despite this growing awareness and adoption of socially innovative approaches (bolstered by numerous well-reported success stories<sup>30</sup>), there has been a relative lack

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<sup>30</sup> For instance, Muhammad Yunus winning the Nobel prize for his socially innovative Microfinance project.



of academic research exploring its dimensions and antecedents (Sharra and Nyssens, 2010). As Chapter 2 has outlined, social innovation's roots that can be traced back to the entrepreneurial philanthropy of Robert Owen (Mulgan et al., 2007) and Andrew Carnegie (Harvey et al., 2011), the local community development initiatives from the 1970's onwards (Moulaert and Sekia, 2003; Benington, 1985) and broader historical social movements (Banks, 1972), however, it is only in more recent times that social innovation has developed a significant public policy foothold<sup>31</sup>. Of research that has been published into the phenomenon, attention is primarily afforded to: *defining and understanding the construct* (Dawson and Daniel, 2010; Mulgan et al., 2007; Phills et al., 2008); *establishing theoretical models of social innovation* (Goldstein et al., 2010; Lettice and Parekh, 2010; Mulgan, 2006); and, *providing detailed analysis of specific case studies* (Klein et al., 2010; Maclean et al., 2012). The general lack of any dominant theoretical assumptions or methods within the domain however, suggests that social innovation is not yet a paradigm in the Kuhnian (1962) sense. Given the multidisciplinary nature of the field and the contrasting ways in which Sharra & Nyssens (2010) claim social innovation is being interpreted, it follows that the scholarly field has not yet reached a normative state, as actors continue to compete in shaping the dominant logic. Nicholls (2010) argues that the parent domain of social entrepreneurship is at a pre-paradigmatic stage, and it would appear that the same conclusions can be drawn from analysis of the social innovation field.

It is perhaps too early a juncture to evaluate whether social innovation is a passing fad or will become a dominant paradigm. Ramsay (1996) equates faddishness to superficial quick fixes, and the more sceptical observer may seek to attribute the recent political interest in social innovation and social entrepreneurship to such short-term policymaking opportunism. Although there has been enthusiastic support from across the UK political spectrum for social innovation, from New Labour to the Conservative government's 'Big Society' policy (see sections 2.6.4 and 2.6.5), the structure and prevailing culture of government is almost antithetical to the habitually risky nature of

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<sup>31</sup> See the recent pan-European developments led by the European Commission via Social Innovation Europe ([www.socialinnovationeurope.eu](http://www.socialinnovationeurope.eu))

disruptive innovation (Jankel, 2011; Osborne et al., 2008; Goldsmith et al., 2010). While on one hand there is explicit support and funding from authorities to develop pattern breaking social innovations<sup>32</sup>, the other paradoxically opposes innovative ideas for bureaucratic or risk-related reasons (Antadze and Westley, 2010). When reviewing the field as a whole, this systemic inertia may serve to undermine the underlying promise of social innovation as a mechanism for restoring depleted communities. Despite enthusiasm for the approach, clear barriers exist to social innovation that may threaten to hasten the ‘fizzling out’ of the concept unless specifically addressed.

### **9.3 Barriers to Social Innovation**

As both Jankel (2011) and Christensen *et al.* (2006) have noted, there is a disconnect between resources funnelled to the social sector over the past decade, and both the quality and volume of disruptive innovations that have ensued. There are undeniable successes that have enacted profound structural change in certain problem domains, including Microfinance (the pioneering micro-lending bank) and the ensuing changes to the economic development landscape in Bangladesh and beyond. However it is questionable whether the hype around social innovation and social entrepreneurship can be reconciled, thus far, with a corresponding volume of tangible outputs. It is unclear precisely why this is the case. Very little research has been undertaken exploring the reasons for social innovation failure (a notable example being McLoughlin and Preece’s (2010) study on the failure of rural ‘cyber’ pubs in the UK), and because of the aforementioned definitional and conceptual issues, it is difficult to meaningfully interrogate existing datasets for new insight.

Drawing from several empirical studies on social innovation (Hamalainen and Heiskala, 2007; Holmes and Smart, 2009; Klein et al., 2010) and wider conceptual literature (Jankel, 2011; Osborne et al., 2013; Dawson and Daniel, 2010; Antadze and Westley, 2010) a number of themes emerge that identify common barriers which are

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<sup>32</sup> Typified by the Social Innovation Fund (SIF) launched by President Obama in the USA.

inhibiting a greater proliferation of socially innovative behaviour. These are discussed in more detail below.

### ***9.3.1 Protectionism & Risk Aversion***

Rhetoric around social innovation perhaps naively assumes that all individuals and organisations share a common homogenous desire to develop the most effective solutions to societal problems; in reality however, this may not always be the case. The United Kingdom and any other country where social provision is increasingly being privatised, risk creating a market disincentive for disruptive innovations. Jankel (2011) notes that public managers and non-profits are encouraged to “keep projects in their own domains and silos, further preventing breakthrough innovation”(7). A failure to transcend these hardened institutional factors supports the *status quo* and perpetuates a cycle that allocates funding to “organizations that are wedded to their current solutions, delivery models, and recipients” (Christensen et al., 2006: : 95). This market protectionism coexists alongside a staunchly conservative culture within government and philanthropic circles that prevents the diffusion of new innovations. Antadze and Westley (2010) find there is a clear appetite to remove uncertainty from any novel product or process, even at the expense of potentially disruptive social innovations. This, contends Mulgan (2006), is inevitable as “*innovation must involve failure, and the appetite for failure is bound to be limited in very accountable organizations or where peoples’ lives depend on reliability*” (156).

### ***9.3.2 Problem Complexity***

Fittingly, a theoretical lens that has been applied to social innovation recently, is that of complexity science (Goldstein et al., 2010; Moore and Westley, 2011). There appear to be two reasons why complexity is considered a barrier to social innovation. Firstly, Jankel (2011), Lettice and Parekh (2010) and Antadze and Westley (2010) touch upon the difficult and multifaceted nature of most social problems. It is argued that to effectively tackle an issue requires cooperation across multi-stakeholder environments,

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often necessitating more effort to manage effectively than technological-based counterparts (Lettice and Parekh, 2010). Jankel (2011: 7) meanwhile advances the argument that the true scale of problems – and therefore solutions – are being artificially compartmentalised:

*“The ‘command and control’ type of management so efficient when controlling workers and increasing their productivity tends to falsely divide complex social issues into linear, separate parts that one part of government, or social organization, can focus on”*

This is in line with Moore and Westley (2011) who claim that complex problems are exacerbated by rigid social structures that acts as problem ‘traps’. It is suggested, in this case, that applying resilience theory offers a promising method of understanding and navigating the complexity of such problems. This theoretical approach uses a four phase adaptive cycle to examine social systems as they enter periods of change. Moore et al. (2012) further develop this to examine how different policy approaches can be used to support social innovation during each phase of the cycle. Secondly, Antadze and Westley (2010) hint at an ignorance towards social care provision amongst some service providers who adopt a managerial approach to problems, with the result that services are being delivered where *“the nature of the true need may not even be understood”* (347).

A compelling argument begins to emerge that failure to adapt the social innovation process towards tackling the root of complex societal issues diverts attention and resources away from developing the bona-fide innovations that will work beyond the superficial ‘symptomatic’ level.

### **9.3.3 Networks & Collaboration**

Lettice and Parekh (2010) find in their empirical study on the process of social innovation, that failure to connect to the right network has a negative effect on both

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the morale of the social innovator and access to finance and other support. Specifically it was found that “*sometimes innovators struggle to identify which conventional networks to align with, as social innovations often span boundaries and do not neatly fit into a single category*” (Lettice and Parekh, 2010: : 150). The effect of this ambiguous identity is confirmed in the European Commission report (Pulford, 2010), which advocates stronger networks to help social innovators identify themselves as such, and in turn, to create a mutually supportive community. The same report (Pulford 2010) notably claims that social innovators are ‘hard to reach’ which suggests the networks that Moore and Westley (2011) describe as being critical to the scaling up of ideas, are largely absent.

The importance of networks to entrepreneurial growth has been covered extensively in the entrepreneurship literature (Hite and Hesterly, 2001; Hansen, 1995; Greve and Salaff, 2003; Hoang and Antoncic, 2003) and it is judged to have similar importance for social innovators. Mulgan *et al.* (2007) argue the absence of networks “*explains why so many social innovations are stillborn and why so many social entrepreneurs are frustrated*”(35).

### **9.3.4 Summary of Barriers**

In sum, innovative organisations face many considerable obstacles when attempting to creatively tackle social problems. Firstly, both governmental and philanthropic organisations are naturally risk averse and largely tend to reject disruptive solutions (i.e. innovations that will alter social systems and structures (Nicholls and Murdock, 2012)) in favour of incremental improvements (i.e. innovations that will address market failures more effectively (Nicholls and Murdock, 2012)). There also exist deep relationships between funders and service delivery partners that contribute, in part, to a perpetual a cycle of incremental improvements to social problems. It is a fallacy in the social sector to assume that firms providing social care wholeheartedly welcome disruptive innovation – even if it promises to solve a social problem. Like the private sector, such innovation threatens to make organisations redundant and may bring to an end sometimes profitable relations with the public sector. Established funding

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structures, clearly drawn down the lines of governmental functions and philanthropic/charity missions, artificially compartmentalise social problems meaning it is unlikely truly systemic solutions will be achieved. Finally, social innovators are failing to identify and gain access to the networks that will facilitate their success. This reduces exposure to valuable sources of knowledge that may subsequently feed into the social innovation process.

### **9.4 Integrating Open Innovation and Social Innovation**

The aforementioned barriers present a significant hindrance to social innovators and reduce the potential for disruptive social innovation. It is suggested therefore, that attention should turn to developments in the parallel field of open innovation for inspiration on how to overcome deficiencies in both social innovation research and practice. The following section will discuss the open paradigm in greater detail and a theoretical framework will be constructed for analysis of social innovation.

### **9.5 The Open Paradigm**

Open innovation has emerged as one of the most popular strands in the innovation literature over recent years (Chesbrough, 2003; Chesbrough, 2011; Elmquist et al., 2009; Lichtenthaler, 2009; Traitler et al., 2011). The term describes a move from vertically integrated ‘closed’ models of innovation, typified by Edison’s Menlo Park and countless other large technology companies in which the entire innovation process is conducted in-house, to an ‘open’ model that utilises knowledge and expertise from outside of the organizational boundaries. It is defined by Chesbrough (2006b) as “*the use of purposive inflows and outflows of knowledge to accelerate internal innovation and to expand the markets for external use of innovation respectively*” (2). Although open innovation is a relatively new term, some authors have pointed out that the concept behind it is not (Paul and Dap, 2009). Huizingh (2011) contends that open innovation is simply a neat umbrella term for a collection of parallel developments

such as the use of networks and outsourcing in the innovation process, that provides a valuable integrative framework for academics and practitioners. The degree of originality is however a relatively moot point; the academic literature has since built upon the idea and extended theory in a number of different areas, including: leadership and organizational culture (Fleming and Waguespack, 2007; Dodgson et al., 2006), business models (Chesbrough, 2007; Chesbrough, 2010) and industrial dynamics (Vanhaverbeke, 2006). Similarly, detailed case studies on firms such as Proctor and Gamble (Dodgson et al., 2006) have described how open innovation practices have revolutionised the organisational processes of established manufacturing and technology companies, assisting in the creation of many valuable products and services.

Three archetypal processes form the core of the open innovation concept: outside-in processes (OI); inside-out (IO) processes; and, coupled processes (Gassmann and Enkel, 2004). Outside-in processes refer to the way firms use external sources of knowledge and innovation (Chesbrough et al., 2006). This approach involves firms scanning for valuable knowledge that can be absorbed into their in-house innovation developments. Inside-out involves companies exploiting internal knowledge externally. This may involve the use of patents that the focal firm has no use for (Dahlander and Gann, 2010), or may involve revealing internal knowledge to the external environment in a bid to improve the chance of cumulative advancements (Levin, Klevorick et al. 1987) and participation (Henkel, 2006). Finally, coupled processes involve utilisation of both IO and OI processes to bring new ideas to market. This entails cooperation with other firms in strategic networks and facilitates knowledge creation and learning within the innovation system (Dahlander and Gann, 2010). A growing body of literature also finds that this cooperation with customers and competitors reduces the risks associated with the innovation process (Kirschmann and Warschburger, 2003; Ogawa and Piller, 2006; Enkel et al., 2005).

While many of the popular examples of open innovation concern large multinational enterprises (MNEs), the concept is increasingly taking hold in the broader business environment (van de Vrande et al., 2009). Pullen *et al.* (2008) discuss the need for

SMEs to focus on their core competences (i.e. the unique skills and capabilities possessed by the organisation) while using external sources to overcome areas of weakness and deficiency. This involves moving to what Rahman and Ramos (2010) call a ‘networked paradigm’ of collaboration between competitors and customers. Despite examples showing that SMEs can overcome disadvantages relating to size and resource scarcity through open innovation practices (Gassmann and Keupp, 2007), Gassmann *et al.* (2010) provide empirical evidence to show that a larger organisational size remains beneficial. Finally drawing from research conducted in the Taiwanese Biotech sector, Lee *et al.* (2010) argue that a way of overcoming issues associated with size is to create intermediated networks that facilitate collaboration. On the whole, significant gaps remain in research relating to open innovation in SME and micro-sized firms and it is considered unwise to assume similarities with MNEs in many areas.

It is acknowledged that some parts of the open innovation literature may have limited relevance to the field of social innovation (in particular, research specifically relating to particular technological contexts and many intellectual property issues), however it is proposed that several key dimensions of the open paradigm can provide a valuable insight for social innovation scholars, practitioners and policymakers. The following section will examine key theoretical areas of open innovation:

### ***9.5.1 Knowledge Searching & Networks***

Knowledge is one of the fundamental inputs to the innovation process (Nonaka, 1995; Fischer, 2001; Asheim and Coenen, 2005; Popadiuk and Choo, 2006). Schumpeter (1934a) theorizes that radical products and services are introduced to the economy through combination of different pieces of knowledge. While the closed paradigm of innovation can be characterised by the notion that ‘*the smart people in our field work with us*’ the open paradigm recognises that knowledge is distributed (unevenly) across the globe, and as a result ‘*not all of the smart people work for me*’ (Chesbrough, 2006c: : xxvi). This shift in the locus of useful knowledge means that knowledge searching and assimilation capabilities have become the key activities and sources of competitive advantage in the open innovation process.



It has been suggested by Laursen and Salter (2006) that there are two dimension which firms must consider when searching for knowledge: *breadth* and *depth*. The deeper and broader the search for knowledge, the greater the degree of openness the firm displays. Search breadth involves searching through a number of different channels for knowledge while depth involves how deeply a firm draws from a particular external source (Laursen and Salter, 2006). Empirical findings show that increasing the breadth and depth of knowledge searching has a positive effect on innovation (Laursen and Salter, 2006; Leiponen and Helfat, 2010). Chiang and Hung (2010) find that firms who pursue broad search strategies enhance their radical innovation performance while those who pursue depth improve their incremental innovation performance. It is argued however, that there is a tipping point after which search activities become subject to diminishing returns (Laursen and Salter, 2006). This is described as ‘over-searching’ and may be a result of: absorptive capacity problems (i.e. the ability of the firm to recognise and exploit external knowledge); timing problems (ideas in the wrong time and place to be exploited); or, attention allocation problems (Koput, 1997).

In terms of searching broadly for sources of knowledge, one particular channel has been increasingly integrated into the innovation process over recent years: *the customer* (von Hippel, 2005; Franke and Piller, 2004; von Hippel and Katz, 2002). In the private sector, a failure rate of 50% or greater exists for newly launched products, a number attributed to a “*faulty understanding of customer needs*” (Ogawa and Piller, 2006: : 65). It is argued that integrating the user reduces the risk associated with introducing new innovations, primarily as there is a commitment from customers. This notion of user participation has been particularly well developed in the open-source software community where firms such as Linux have benefited from the coding expertise and product design ideas of thousands of individual users (Chesbrough, 2006a; von Hippel, 2001). This is an insightful and highly relevant example of how firms can successfully use open innovation processes in order to elicit participation from users.

A further dimension of the innovation literature has been a focus on going beyond local and towards boundary-spanning knowledge searches (i.e. knowledge existing outside of the organisation's traditional domain) (Rosenkopf and Nerkar, 2001). Local searches tend to lead to narrow myopic sources of knowledge while boundaryspanning searches can reveal distant knowledge that can assuage '*industry blindness*' (Brunswick and Vanhaverbeke, 2010; Gassmann and Zeschky, 2008). It is proposed that searching for analogical problems – that is, "*searching for isomorphic relationships of apparently unrelated knowledge domains, markets or technology functions*" (Brunswick and Vanhaverbeke, 2010: : 684) – is a promising method of ensuring radical new innovations. This method has been employed in the fields of psychology and creativity thinking for many years (de Bono, 1990; Gick and Holyoak, 1980), and it would appear to integrate easily into the knowledge-focused 'open' paradigm. Gassmann and Zeschky (2008) provide the example of BMW overcoming the problem of providing an easy method for effectively controlling the 200 different functions available to drivers. By examining other industries, engineers were able to recognize a solution in the video game control stick, in turn successfully incorporating the innovation into their *iDrive* device. Further examples of this 'creative imitation' are provided by Enkel and Gassmann (2010) who illustrate how the easyjet model has been applied to other industries with price-elastic demand curves (such as easyCar and easyMobile) and even demonstrate how the physics principle of the Erlenmeyer flask has led to the creation of waterless urinals.

The extensive use of inter-organisational networks to facilitate open innovation also raises questions over the apparently paradox associated with concurrently sharing and protecting knowledge (Bogers, 2011). It is suggested that firms adopt a hybrid strategy somewhere between 'open knowledge exchange' and a 'layered collaboration scheme' (i.e. adopting different knowledge sharing strategies within a project team to reflect members' core or peripheral status), in order to effectively manage the tension that exists with multiple innovation partners (Bogers, 2011).

### ***9.5.2 Organisational Factors***

While the preceding section primarily examines external dimensions of the innovation process, attention will now focus on internal factors that facilitate organisational ‘openness’. As Chesbrough (2006c) notes, firms must reorganize their internal operations and create a porous boundary to fully benefit from external knowledge. He (Chesbrough, 2006c) provides the example of firms such as IBM and Intel who radically altered the internal dynamics of their respective firms in order to adjust to the new paradigm. A well-reported example of this new internal structure is Proctor & Gamble’s (P&G) Connect and Develop approach to innovation (Dodgson et al., 2006; Huston and Sakkab, 2006). Connect and Develop works by tightly defining a problem then broadcasting the problem across the firm’s global network. In one particular instance, a baker in Italy had developed a means of printing edible images on baked goods, and this was soon profitably absorbed into P&G’s production process.

One caveat to the open innovation approach however, is that organisations cannot simply eliminate R&D spend. While some of the MNEs discussed in the literature have certainly reduced costs, recognising and integrating external knowledge requires internal knowledge and expertise. This capability, known as absorptive capacity, is defined as *“the ability of a firm to recognize the value of new, external information, assimilate it, and apply it to commercial ends”* (Cohen and Levinthal, 1990: 128). While it can be safely assumed that firms such as IBM and P&G contain a significantly high level of absorptive capacity – especially in the wake of initiatives such as Connect and Develop that link up and leverage the firm’s global knowledge – the same cannot be said for SMEs. Spithoven (2011) suggest that low-tech, traditional firms do not have sufficient absorptive capacity to benefit from open innovation, and therefore should join collective industrial research centres to remain competitive in the open era. The evidence suggests that firms in such industries are not exposed to as many opportunities as those who invest in building and maintaining absorptive capacity.

## **9.6 Discussion**

On the surface, the link between social innovation and open innovation may appear slight, particularly given the latter's grounding in the hi-tech sectors and the former's community oriented focus, however more detailed analysis reveals how theory developed in the open paradigm can potentially account for perceived deficiencies in social innovation policy and practice. For instance, one of the common barriers to the adoption of social innovation lies in the risk associated with disruptive innovation (Antadze and Westley, 2010; Jankel, 2011). There remains a dichotomy in the social innovation sphere however, where those offering support to social innovators in the form of capital are institutionally conditioned to favour incremental 'safer' forms of innovation. Open innovation literature however illustrates that increasing 'openness' can significantly mitigate some of the risk associated with innovation (Leiponen and Helfat, 2010). Firstly, empirical evidence supports the theory that increased variety and volume of knowledge sources simultaneously improves the innovation, increases the likelihood of disruptive innovation, and reduces the risks associated with introducing innovation (Laursen and Salter, 2006; Leiponen and Helfat, 2010; Chiang and Hung, 2010). It is therefore worth reappraising whether creating networks of social innovators – as suggested by the EU (Pulford, 2010) – is an entirely productive venture. If social innovators identify too strongly as social innovators, and develop strong ties to other social innovators at the expense of more diverse and distributed groups, the innovation process may be starved of new knowledge and capabilities. This myopic 'local' sourcing of knowledge within narrow domains is well documented in other industries (Stuart and Podolny, 1996) and risks limiting the creative potential of social innovation.

*Proposition 1: Social and Community-based organisations adopting a more 'open' approach will mitigate risks associated with introducing new innovations.*

The second factor that may help reduce risk in the social innovation process is through systematically searching distant knowledge domains for isomorphic patterns. The ingenious transfer of proven ideas into new problem contexts is well documented by Enkel and Gassmann (2010) in the commercial sector. In the social innovation field, one only has to look at Kiva for an example of the immediate impact analogous

problem solving can have. Kiva, a Swahili word for ‘unity’, is a microfinance platform that extends upon the original concept of Muhammad Yunus’ Grameen Bank. The innovation with Kiva lies in the way in which it connects individual funders with recipients. This is achieved through a process called peer-to-peer lending, a concept that originally emerged as a means of sharing – *normally illegally* – music files and other documents via sites like Napster and BitTorrent. By recognising the power of this model and its applicability to microfinance, the founders of Kiva successfully adapted and implemented this disruptive innovation into their own social innovation. The most interesting aspect of this for innovators is that, although Kiva is a radical idea, the associated risk was minimized as the success of the peer-to-peer platform was proven in another industrial setting.

*Proposition 2: Social and Community-based organisations adopting problem solutions from different domains will reduce the risk of new innovations failing.*

A final consideration that has potential to significantly minimize risk in the social innovation process is careful consideration and selection of knowledge sources. As research from the private sector has shown, integrating the user into the innovation process has multifarious benefits (von Hippel, 2005; von Hippel, 2001). There is growing consensus that this could have a positive effect on the success of social innovations by closely aligning user needs with services provided (Broberg, 2010; Henkel and Von Hippel, 2003). Svensson and Bengtsson (2010) analyse the introduction of social innovations through a user innovation lens and find that incorporating the user adds legitimacy to the innovation and helps in its wider diffusion. This contrasts with McLoughlin and Preece’s (2010) work on the failure of ‘rural cyber pubs’, where web-enabled computer units were installed in rural pubs in the UK as a means of providing information technology access to groups otherwise excluded from the Internet. The venture ultimately failed however, and one of the reasons was owing to poor integration of user knowledge in the innovation process. This failure points to a more general malaise in some areas of the social service provision, where the question of “*whether the program meets the client needs in a significant fashion is rarely measured*” (Antadze and Westley, 2010: : 347). The

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evidence suggests that social innovations work best when utilizing the expert knowledge of users, though at present, the dominant paradigm amongst service providers is often to provide services *to* people rather than *for* people. This is potentially therefore where smaller socially innovative organisations hold a particular advantage over traditional social service providers, as responsive mechanisms can be developed for co-producing bespoke, highly customized services that genuinely meet the unique needs of the service user.

*Proposition 3: Social and Community-based organisations incorporating user knowledge into the innovation process will increase their chances of success.*

As Jankel (2011) notes, there is also an inherent difficulty tackling social problems, primarily due to the manner in which they are artificially compartmentalised. This is problematic as it means dispersed groups of unconnected individuals see part of a problem without benefiting from a fuller conceptualisation (similar to the blind men and the elephant fable Brazeal and Herbert (1999) use to describe the difficulty of understanding the entrepreneurship paradigm). In contemporary civil society, thousands of organisations are operating in comparable blindness, tackling small parts of a particular social problem and perhaps even duplicating failed approaches in different contexts.

Open innovation provides a mechanism for cutting across these silos by allowing organisations to share problems and invite collaboration from globally distributed knowledge sources. This process may be analogous to panning for gold: time consuming and resource intensive. Though, by initiating this process, there is opportunity to engage a wide range of stakeholders in socially innovative activities and a broader pool of knowledge can be drawn from.

This approach to tackling complexity can be illustrated by the open sourcing movement. Although linkages between the software industry and the social sector may not be immediately obvious, Chesbrough (2011) hints at some possible commonalities: *“Unlike the innovation merchants and architects, they (open source programmers) do*

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*not seek financial profits from their work. Instead, the mission is what motivates them. This is characteristic of many community-based non-profits and religious groups but also occurs in the software industry (135).* The ‘open’ revolution in the software industry also offers a possible avenue for social innovators to overcome the aforementioned vested interests and protectionism. Linux, the open source operating system (OS) created and distributed for free by keen hobbyists, has taken an unprecedented share of Microsoft’s Windows OS market, ending years of the larger firm’s almost monopolistic dominance. The collective effort of programmers has also contributed to social innovations such as the low cost laptop scheme, One Laptop Per Child (OLPC), as prohibitive cost barriers have been removed due to a free OS being available. The notion of open sourcing as a method of engaging the effort and input of others is gaining traction amongst policymakers.

*Proposition 4: Social and Community-based organisations participating in some form of open, networked innovation will be more effective at developing innovations addressing the root causes of social problems.*

*Proposition 5: Social and Community-based organisations engaging in ‘open source’ collaboration will be more effective in tackling vested interests and dominant competitors.*

These final propositions have particular relevance to ongoing policy discussions around the Big Society and the decentralisation of power to local groups. Fragmentation of general welfare and social provision to a patchwork of civil society organisations and private providers can be argued in some ways to be more efficient and malleable to highly localised needs, yet there remains a significant risk that it may falter should the traditional closed innovation paradigm remain the dominant logic amongst socially innovative organisations. If the new wave of socially innovative organisations operate as discrete entities, failing in turn to comprehend the complexity and systemic nature of the problems they are attempting address, then meaningful social progress is less likely than either otherwise under a more centralised welfare

system that has greater oversight and coordinating powers, or under a truly open system of collaborating organisations.

### **9.7 Concluding Comments**

Although the fields of social and open innovation have thus far remained somewhat distinct, it is suggested that adoption of openness with regards to solving societal problems is a promising avenue for future research and practice. While previous work has either explicitly or implicitly hinted towards the promise of open innovation for social entrepreneurs (Murray et al., 2010; Holmes and Smart, 2009), this chapter offers a more overt linkage of the concepts by exploring how increasing organizational ‘openness’ can overcome common barriers to social innovation from community level up. It is proposed that this move towards a more ‘open’ social innovation, be characterised by a porous organisational structure, committed investment in developing absorptive capacity, the involvement of multiple stakeholders – including the user, and a systematic focus on reducing the risk involved with innovation through broad knowledge sourcing activities. This ‘open’ social innovation differs from some traditional social innovation processes in that it repudiates the heroic individual approach to social innovation and identifies collaborative organisational structures and behaviours required to systematically tackle social problems. Organisations pursuing ‘open’ social innovation should be prepared to selectively reveal parts of their knowledge and expertise to both competitors and customers/service users in the pursuit of solving messy crossdisciplinary problems.

It is argued that consciously adopting aspects of the open paradigm will assist social innovators in overcoming barriers to social innovation that have been identified. In particular, this chapter has provided an insight into how network utilisation and knowledge searching activities can positively affect the social innovation process. This chapter is however conceptual, and empirical work investigating the relationship between the openness of the socially innovative organisation and innovative outcomes is urgently needed in light of the rapid deployment of localism policy measures. Little



is known about the knowledge search strategies of socially innovative organisations and there has been no published research examining how the absorptive capacity of small socially innovative organisations limits their potential to innovate (other than Chapter 7 of this thesis). This begs the question as to how resource limitations may impact the ability of (particularly smaller) socially innovative organisations to actively participate in more open practices, and raises further questions about the consequences of fragmenting general social provision. Finally, as risk is considered one of the fundamental barriers to adoption of social innovations (see for example the empirical material described in Chapters 7 & 8), it would be valuable to explore to what extent different volume and variety of knowledge sources reduce the perceived risk of introducing any particular innovations.

## **CHAPTER 10: DISCUSSION, SUMMARY OF CONTRIBUTIONS AND FUTURE RESEARCH AGENDA**

### **10.1. Introduction to the Chapter and Recap of Thesis**

The purpose of this thesis has been to elucidate the cross-currents (Nicolopoulou, 2014) of social entrepreneurship research. Pursuing this objective, the study has sought to consolidate the roots of social entrepreneurship by examining the historical antecedents of social entrepreneurship practice. These practices have then been considered in relation to dominant post-war UK political philosophies including

Thatcherism and the Third Way, that each has been instrumental in shaping the institutional conditions leading to the emergence of contemporary social entrepreneurship. The thesis has further expanded the social entrepreneurship paradigm by responding directly to prominent research calls from across the literature. These have included calls to develop a more contextualised notion of socially entrepreneurial processes (Dacin et al., 2011; Dacin et al., 2010b); a call to integrate innovation perspectives into social entrepreneurship theory (Short et al., 2009); calls to reconsider established entrepreneurship constructs such as EO in a social entrepreneurship context (Short et al., 2009; Lumpkin et al., 2013); and finally, the thesis has responded to calls seeking critical reflection on the society-level impact of social innovation and the barriers to greater impact from this activity (Weerakkody et al., 2014; Grimm et al., 2013; Franz et al., 2012). The findings and analysis have been presented in seven chapters (Chapters 2,3,5,6,7,8 & 9) that each examines the socially entrepreneurial phenomena from a range of theoretical and methodological positions, with the purpose of both expanding and consolidating disciplinary knowledge.

A further persistent call in social entrepreneurship scholarship has been to develop a unified definition of the phenomenon (Short et al., 2009; Dacin et al., 2011; Dacin et al., 2010b; Martin, 2007; Mort et al., 2003). This is an attractive and paradigmatically important aspiration. Yet, as the analysis in this thesis suggests, it is perhaps an unattainable goal, at least with respect to the current configuration of the research field. The reasons why some form of unified definition has not been achieved are twofold: First, there currently exist various loosely articulated research communities (or schools) that possess some fundamentally diverging, and often unarticulated, assumptions regarding the nature of the phenomenon (particularly relating to the role of market forces and collective agency). Second, social entrepreneurship can arguably only be fully understood within the specific institutional context in which it is embedded. Any attempts to apply a North American (or, even more specifically, a Harvard Social Enterprise Initiative) conception of social entrepreneurship to a European context, for example, must be carefully considered in order to address any incompatible or inconsistent underlying conceptual norms that may distort theory development. So long as these differences continue to be ‘glossed’ or otherwise unarticulated by scholars, it is unlikely there will be any significant conceptual

resolution or paradigmatic progress in social entrepreneurship scholarship. The case presented by Mair (2010), that social entrepreneurship should be treated as an umbrella construct, is one that is supported in this thesis. Furthermore, it is proposed that a greater analytic focus on the subcategories of social entrepreneurship (e.g. social innovation or community entrepreneurship) coupled with practice-based methodologies that bracket theoretical problems around hybrid tensions and definitions, may offer promising means of strengthening the research paradigm.

## **10.2 Discussion: Drawing Together the Thesis Findings**

While it is perhaps difficult to draw overarching conclusions from such theoretically and empirically varied findings chapters (and indeed, the purpose was not to triangulate or provide comparative analysis across each chapter), a key theme does nonetheless emerge: that granular analysis of individual and organisational practices can successfully challenge, refine and reframe incumbent theories in social entrepreneurship research. In Chapter 6 for example, where the role of identity in a social entrepreneurship business plan pitch is explored, the conventional notion that ‘dual identities’ are a handicap, is contradicted. Instead, it is empirically demonstrated that construction of a ‘hybrid’ identity actually forms a valuable resource for a socially entrepreneurial actor who benefits from the ambiguity entailed in such an identity. Additionally, this chapter begins to outline a limiting aspect of SE research, in which there is a tendency to conceptualise socially entrepreneurial organisations in terms of only two competing identities (social and commercial). The broad brush implied by the ‘commercial’ construct, misses some of the nuance entailed in the immediate industrial context that activity occurs. For instance, in the case of Chapter 6, emergent identities related to the market sector the social enterprise is based (the fashion industry) have as much bearing on the entrepreneurship process as more generic normative or utilitarian identities. This suggests that scholars should pay particular attention to the context in which the socially entrepreneurial behaviour is enacted to account for emergent and nontheorized constructs that may help explain entrepreneurial actions more comprehensively.

In a similar vein, Chapter 7 presents a rich picture of *how* socially innovative firms operate, paying particular attention to the coordination and configuration of organisational routines that underpin innovation capabilities in this setting. A striking feature of this empirical data is that, despite socially innovative ventures often ideally structuring for innovation (e.g. flat hierarchies, supportive environments, cooperative structures), bureaucratic peculiarities within the social economy and the organisational mission restrict the actual volume of innovations that are delivered to the market. This theme is developed further in Chapter 9, where a critical perspective is taken towards some of the macro-societal factors that may ultimately restrict the potential of social entrepreneurship and social innovation as a viable or indeed desirable alternative to ‘Big Government.’

The empirical work in this thesis has been consciously designed to ‘bracket’, as best possible, any personal orientations towards social entrepreneurs and social entrepreneurship more generally (specifically through the adoption of EMCA, which eschews the politicised and often partisan analysis inherent to other discursive approaches, and particularly Foucauldian analysis). In doing so, it is hoped that a more critical, naturalistic and objective understanding of the phenomena has been brought to the fore. In contrast to many of the foundational papers within the field that often unambiguously promote a ‘pro’ social entrepreneurship agenda (and, in fact, often proscribe what SE *should* be) (Mair and Marti, 2006; Dees, 1998), this thesis has sought to build upon strands of research that generate insights from rigorous empirical work that, where possible, develops theoretical understanding from the ground, upwards (e.g. Pache and Santos, 2010; Di Domenico et al., 2009; Haugh, 2007). This, it is argued, provides an important perspective that may help scholars reconsider core constructs, and ultimately, reflect on the practical benefits being derived from social entrepreneurship and social innovation. Perhaps controversially, social entrepreneurship is revealed through the empirical material in this thesis to diverge from the heroic idyll that Dacin et al. (2011) identify (and subsequently criticise) within the literature. The reality is less exciting, yet possibly more encouraging. Social entrepreneurship is shown to be collaborative, creative, resourceful and on only very rare occasions, truly innovative. However, by presenting a more mundane examination

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of social entrepreneurship and social innovation *in practice*, it is hoped that, from here, theoretical foundations can be developed that are more closely tethered to everyday *situated* practices.

The following tables (Table 27, 28 and 29) identify the collective methodological, empirical and theoretical contributions of this thesis:

**Table 27: Methodological Contributions**

<b>Chapter</b>	<b>Methodological Contributions</b>
Chapter 5 – The endogenous construction of entrepreneurial contexts	This chapter presents a novel approach to the philosophical treatment of context in entrepreneurship scholarship. This work develops new linkages between practice-based sociology, pragmatics and entrepreneurship scholarship. Significantly, this represents the first time entrepreneurship scholarship has cited the work of Harvey Sacks (1995) and the first time Garfinkel’s (1967) work has been used as more than a passing reference. A further methodological contribution involves the use of video recordings to underpin discussions around embodied interactions.
Chapter 6 – All things to all men? The plasticity of the socially entrepreneurial identity	Identity has been relatively underexplored in entrepreneurship scholarship (Harrison and Leitch, 2014), and where it has formed part of any analysis, either trait based studies or cognitivist approaches have dominated. This chapter examines identity as it is constructed through social interaction, that is, the mechanics of identity as it exists in its use are deconstructed using an EM/CA framework. The research is methodologically innovative as it employs real-time naturalistic data (supported by ethnographic field notes) sourced from a large video data corpus.
Chapter 7 – Innovating not-for-profit social ventures: Exploring the microfoundations of internal and external absorptive capacity routines	This chapter makes two primary methodological contributions. Firstly, it represents the first time any published research has considered social innovation as a capability that is the aggregate outcome of various microfoundational organisational routines. Second, it represents a first attempt at collecting empirical data on these microfoundational routines within an ACAP framework (building on the framework by Lewin and Massini, 2011). In previous studies, utilisation of these constructs has been either conceptual or operationalized through crude proxy measures.
Chapter 8 – Entrepreneurial orientation in the nonprofit sector	Zahra (2007) emphasises the problems associated with applying theoretical models from one context to another without reconsider the foundations of the framework. Here, EO is fully reinterpreted through empirical case-study findings from a broad range of non-profit organisations. The proposed new EO scale items are grounded in activities that reflect the practices of NFP organisations

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<p>Chapter 9 – Social innovation: An exploration of the barriers faced by innovating organizations in the social economy</p>	<p>Though the focus of this thesis is very much data oriented, the final findings chapter illustrates the benefits that can be derived from creative, abstract and non-empirical thinking. This conceptual chapter considers complementarities that may be achieved by linking two recent constructs from the management literature: social innovation and open innovation. This cross-fertilisation of constructs provides a unique new perspective on macro aspects of social innovation.</p>
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**Table 28: Empirical Contributions**

<b>Chapter</b>	<b>Empirical Contributions</b>
<p>Chapter 5 – The endogenous construction of entrepreneurial contexts</p>	<p>Through the short vignettes of a social entrepreneurship business plan pitch several aspects of practice are revealed. Firstly, hitherto unnoticed aspects of the institutional structure are revealed, specifically, the roles of judge and pitcher (and the momentary breakdown of this context). Second, it is possible to see how the structure of the interaction is shaped to acknowledge the power of the judge (i.e. that is through the pitcher using a ‘buffer’ statement before initiating a topic shift).</p>
<p>Chapter 6 – All things to all men? The plasticity of the socially entrepreneurial identity</p>	<p>In this chapter, the institution of ‘business pitch competition’ is deconstructed to reveal some of the hidden mechanics that are often glossed in other accounts (Clark, 2008). A detailed sequential analysis of conversation turns is presented, in one of the few empirical explorations of a business pitch context (for either social or commercial entrepreneurship). The primary empirical contribution is the presentation of data demonstrating identity formation and then identity reformulation in response to evolving contextual factors. This challenges the cognitivist conception of the entrepreneurial identity implied in some antecedent research by using naturalistic data.</p>
<p>Chapter 7 – Innovating not-for-profit social ventures: Exploring the microfoundations of internal and external absorptive capacity routines</p>	<p>Here, a unique perspective on socially entrepreneurial ventures is achieved. By collecting data around practiced organisational routines, it is possible to begin piecing together just <i>how</i> a SE functions. In particular, the role of SEs’ as intermediaries (between service users, other agencies and government) reconceptualises the purpose of these organisations as facilitators of innovation rather than sole providers: a subtle yet potentially significant shift. Finally, a comparison between the UK and Australia only reveals marginal differences in practice between countries, however a more significant finding concerns the impact of organisation size on the innovation process, with smaller organisations adopting more informal routine structures and larger organisations suffering from functional silo problems</p>

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Chapter 8 – Entrepreneurial orientation in the nonprofit sector	EO is found to be more complex in NFP organisations than commercial ones. This is largely owing to the additional layers of governance involved in operating an entrepreneurial NFP, and the need to engage multiple stakeholders. In addition to this, a comparison between UK and Australian NFPs, reveals few differences in EO and comparison between ‘born’ and ‘adapted’ social organisations highlighted no differences.
Chapter 9 – Social innovation: An exploration of the barriers faced by innovating organizations in the social economy	This chapter is conceptual, however the focus of attention is largely government/societal level. A review of recent literature, government documents and think-tank reports highlight the disparity in what social innovators claim to achieve and what actually happens.

**Table 29: Theoretical Contributions**

<b>Chapter</b>	<b>Theoretical Contributions</b>
Chapter 5 – The endogenous construction of entrepreneurial contexts	Antecedent research, which largely considers context as an exogenous variable, is critiqued. A theory of context as ‘talked into being’ is advanced as an alternative way to conceptualise and empirically capture episodes of situated social practice. This chapter builds on prior discursive work that has explored entrepreneurship (McCarthy et al., 2014; Di Domenico et al., 2009; Down, 2006), however, divergences in philosophical assumptions are explained and the theoretical ideas developed by Goffman, Garfinkel and Sacks are outlined. The core theoretical argument in this chapter is that <i>a priori</i> theorising in entrepreneurship scholarship may risk fitting entrepreneurial phenomena into ill-fitting conceptual boxes, hence reducing the strength of theory development.
Chapter 6 – All things to all men? The plasticity of the socially entrepreneurial identity	By adopting an ethnomethodological approach to the socially entrepreneurial identity, this chapter has avoided taking a position where the “stubborn details of real events are filtered out” (Sidnell, 2009: 10). The chapter illustrates an empirical case in which identity is shown to be a highly flexible and contingent resource for a social entrepreneur. This challenges the notion of exogenous identity tensions and emphasises the plasticity of identity. A further theoretical contribution suggests that current conceptualisations, which tend to fall into either utilitarian, normative or hybrid, gloss other emergent identities that are indexically important for getting social entrepreneurship ‘work’ done.

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Chapter 7 – Innovating not-for-profit social ventures: Exploring the microfoundations of internal and external absorptive capacity routines	Chapter 7 extends theory on ACAP by outlining how routine configurations work at a microfoundational level in socially entrepreneurial ventures. This is a potentially significant contribution to the innovation and strategy literature, where ACAP has been criticised for the use of crude proxy measures (Lane et al., 2001). Furthermore this chapter builds on calls to extend understanding of ACAP in non hitech firms (Spithoven et al., 2011; Lane et al., 2006)
Chapter 8 – Entrepreneurial orientation in the nonprofit sector	The relevance of the EO construct for the social sector is confirmed through detailed case-study research. The core dimensions of EO (innovativeness, proactiveness and risk-taking) are re-evaluated through empirical work, to establish a context-sensitive EO framework that is adapted to the specificities of entrepreneurial NFPs. The notion of ‘risk’ is extended to include four ‘risk mitigation’ tactics that are deployed by social organisations. Risk is shown to be a key consideration for social organisations. Owing to the complexity of funding and stakeholder relationships, risk functions in a different, more complex manner than in the commercial sector.
Chapter 9 – Social innovation: An exploration of the barriers faced by innovating organizations in the social economy	A novel model of ‘open social innovation’ is presented that ameliorates problematic macro-societal components of the social innovation process. Specifically, it is suggested that increased ‘openness’ in terms of networks and organisational structure will reduce the risk associated with radical innovation and, additionally, that adapting problem solutions from other domains through processes of analogical reasoning will increase the success rates of social innovation. Finally, incorporating the user into the social innovation process is proposed as a means of reducing innovation failure.

In more general terms, this thesis has responded to calls from Dacin et al. (2010b) and Dacin et al. (2011) to better theorise the ‘context’ of social entrepreneurship. This has been achieved by concentrating on the micro-interactive behaviours that underpin social entrepreneurship, as they happen, within specific organisational and institutional environments (e.g. a business pitch competition). In line with Dacin et al. (2010), the means through which local contexts’ shape and are shaped by socially entrepreneurial processes are described and analysed in a novel way.

Further calls by Dacin et al. (2011) and Harrison and Leitch (2014) to explore processes of social entrepreneur identity formation have also been addressed in some detail. Specifically, the methods through which individuals pursuing socially entrepreneurial activities construct identities are sketched using highly granular data that are rarely, if ever, used in entrepreneurship scholarship.



This draws a line to the final major contribution of this thesis, which is to offer a response to Short et al. (2010: 10) who argue that scholars should “use tools and techniques that will really bring out a deeper understanding and appreciation about entrepreneurial work as it is enacted in practice and in thought”. Using ethnomethodology and conversation analysis in this thesis has, arguably, met this call by focussing on episodes of mundane, naturally occurring social interaction *in real time*. This philosophical worldview and the allied methodological resources (including video data and methods for analysing speech exchange systems) are largely new to entrepreneurship scholarship and provide the theoretical toolkit for a systematic and robust alternative to the dominant quantitative approaches and often limiting qualitative methods.

### **10.3 Limitations**

The individual limitations from each of the findings sections are contained within each chapter, however this section will conclude with a more general discussion of the thesis limitations. Chapters 5 and 6 have utilised single case studies with radically small fragments of data (an 18 minute business pitch and a 22 minute pitch respectively) to examine everyday lived phenomena. Such material is considered legitimate within CA research, as it is a data driven rather than theoretical domain: “it does not incorporate explanatory terms or hypotheses associated with more conventional social scientific theories and explanations of human action” (Wooffitt, 2005: 65). So therefore, sampling and related concerns do not apply in the way they would in a quantitative or even multiple-case study research project, where wider generalisation or hypothesis confirmation is sought. Order is not an ‘analysts concern’ and should not be based on “generalizing or summarizing statements about what action generally/frequently/often is” (Psathas, 1995: 2).

Interestingly, this potential weakness may also be considered a strength of Chapters 7 and 8, which *do* attempt to uncover generalizable patterns across cases. However, the intention is not to enter into a surface level comparison between methods, as each

ultimately serves different objectives of which both are valid (and in some respects, complimentary). Methodologically, the dominance of the multiple-case approach as a source of theory development *should*, it is argued, be challenged. The cases in this thesis are insightful and provide a rich depiction of microfoundational activities. However, in taking the step to theorize, and making the ‘conceptual leap’ (Klag and Langley, 2013), the contextualised, heterogeneous organisations’ are made homogenous and practice is irretrievably glossed: the ultimate aggregate model of the new ‘exemplar’ organisation may not truly and accurately reflect a single one of the multiple cases, and this presents an ontological problem; one that is, however, a ubiquitous feature of the largely functionalist, de-contextualised research process that dominates entrepreneurship scholarship.

A final accusation that can be made of Chapters 5 and 6, is that they may be answerable to Phillips and Oswick’s (2012) charge of ‘discursive parochialism’, that is, they focus on a single (micro) level and utilise only a single approach. This is an undeniable fact that can be levelled at some of the research in this thesis, however it is hoped that, through the organisation-level analysis in Chapter 7 and 8 and the macro-level conceptualisation in Chapter 9, a somewhat balanced picture of social innovation and social entrepreneurship is achieved.

#### **10.4 Implications for Practice and Policy**

There is a socio-political momentum, and indeed significant entrepreneurial potential to deliver social innovations that genuinely challenge established social structures, and that may ultimately ‘transform capitalism.’ However, at present, evidence suggests this is a distant and unlikely possibility. The research in this thesis points to some of the reasons why social entrepreneurship is arguably failing to achieve its initial conceptual potential. At an organisational level (as demonstrated in Chapters 7 & 8), socially entrepreneurial organisations are developing the structures and capabilities that support innovative outcomes. With often-limited resources these organisations are effectively collaborating with local and national knowledge networks and reconfiguring resource flows to create social value in areas of acute market failure. Often this social value is

co-created in tandem with the recipients or users of support, as evidenced by many of the case studies (for example cases UK05 and AU02), in doing so, signalling a welcome move away from the often blunt, faceless and at times alienating machinations of the state. Yet, this distributed innovation, where activity is shifted from a centralised structure, to a plethora of (usually) capital-constrained smaller organisations, holds implications that are overlooked in the rush to fete social entrepreneurship more generally; resources and capabilities are typically concentrated at the centre while valuable ‘market’ information (that is critical to the success of social innovation processes) is distributed widely across the (social) economy, creating a significant asymmetry between capital, knowledge and the social entrepreneur, something confirmed by Slocock et al’s (2015) empirical analysis of the ‘Big Society’ implementation. The biggest obstacle to this distributed model aside from resource, as demonstrated in Chapters 7, 8 and 9, is undoubtedly ‘risk.’ Innovation entails the likelihood of failure, and failure, when dealing with vulnerable groups is rarely tolerated. This therefore necessitates a conservative approach to social entrepreneurship that reduces the likelihood of delivering the breakthrough innovations promised by much of the academic and practitioner literature in the first wave of social entrepreneurship research (1997-2010).

Similarly, the introduction of a quasi-marketised<sup>33</sup> approach to addressing social problems may entail increased welfare and environmental inequality. Where people are free to allocate their own resources towards charitable causes, past events suggests money is not always apportioned in an efficient or logical manner (from a systemic societal perspective at least). Take for example, the Guide Dogs for the Blind Association charity, which held assets of £156 million in 2002 (Ghafour, 2002). Despite earning £7 million per year on interest alone, and having vastly more resources than it can spend (BBC News, 1999), this charity remains one of the largest recipients of donation and legacy income in the UK (Rogers, 2012). This may represent an

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<sup>33</sup> The term quasi-marketised is used as the social sector could not be considered a full open market. The market function has been partially implemented in places, however a significant proportion of activity does not function as a market and the state still holds an important role in the provision of welfare.

extreme example, but it nonetheless emphasises how, in the absence of collectively allocated resources and public debate around this process (Cho, 2006), some social issues will generate greater public support than others, regardless of the actual social need. The implications of a receding state, that, for all the well-documented faults in welfare provision, provides a pooled system that is capable of redistributing resources and attention to areas most in need, and to social problems that often elude public consciousness, are significant. Socially marginalised and geographically remote communities will increasingly have to remain hopeful that there exists sufficient reserves of social capital within their community to support the emergence of socially entrepreneurial actors (which, it must be acknowledged, some may view as a positive consequence of distributed social innovation), or otherwise that external actors take an interest in their plight<sup>34</sup>. There will likely be winners and losers in this system and there remains a risk that the ‘social market’<sup>35</sup> goes on to reproduce the systemic weaknesses of capital markets as oligopolistic and risk-minimising welfare outsourcing conglomerates emerge to appropriate much of the available financial resources<sup>36</sup> (Sloccock et al., 2015), hence restricting social innovation potential further.

The central policy recommendation presented in this thesis concerns a reconfiguration of the relationship between government and the social sector, and a more instrumental, open and engaging policymaking process. Policymakers firstly, should rightly recognise the dynamism and creativity that exist in the social entrepreneurship sphere. Equally however, they should acknowledge the limitations, and even dangers, of accepting social entrepreneurship as a panacea or substitute for effective regulation, policymaking and measured intervention. Mazzucato (2013) articulates in powerful terms, the consequences of undervaluing the role of the public sector in supporting

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<sup>34</sup> For example, the Grameen Bank in Bangladesh, where Prof. Yunus developed a model of microfinance that was implemented in remote disadvantaged communities. It is unlikely that a solution would have emerged endogenously within these communities owing to a lack of social, financial and human capital.

<sup>35</sup> That is, a liberalized and market-driven civil society and public sector

<sup>36</sup> This is arguably already happening as large commercial outsourcing companies are winning the majority of government welfare contracts, reducing a major source of income for smaller social enterprises.

private innovation success. So too should policymakers evaluate the ways in which the apparatus of government can be transformed (as opposed to eradicated) to deliver social innovations in conjunction with external stakeholders, finding more efficient ways and means to access and exploit distributed knowledge. As Sonnino and Griggs-Trevarthen (2013: 288) note, “more research needs to be done to understand the governance implications of these models and embed their spatially-isolated gains into national and regional development strategies”. It is suggested here, part of this should entail a shift from government acting in a narrow fashion as a commissioner of social and welfare services towards a more active participant in the social entrepreneurship process. This approach exists, albeit in a relatively primordial form in Denmark. Here the organisation Mindlab<sup>37</sup> functions as an ‘innovation space’ within the Danish Civil Service that allows diverse stakeholders to come together in a neutral environment to work on important social problems. Employing cutting-edge innovation approaches, participants in the innovation process can research, design, test and then implement social innovations that will achieve scale and impact in a manner many of the more distributed socially entrepreneurial organisations are unable to. This approach in itself is not a replacement for the many distributed social organisations that respond to highly localised and niche needs (such as those cases in Chapters 7 & 8), however, if social entrepreneurship *is* to achieve some of the initial conceptual potential that it was endowed with, then, it is argued the state must forge a new, more instrumental role as the central node in an open social innovation network.

### **10.5 Future Research Agenda**

The final section of this thesis considers ways in which social entrepreneurship, and entrepreneurship scholarship more generally, can build on the theoretical and empirical findings presented in this thesis, and furthermore, how the methodological advances outlined in Table 27 can be integrated into future theory development.

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<sup>37</sup> [www.mindlab.dk](http://www.mindlab.dk)

To place this discussion in context, Shepherd (2015), in a recent *Journal of Business Venturing* editorial, considers the state of the field in entrepreneurship research and arrives at several conclusions that hold some relevance for the present work. Most significant, is the recognition that entrepreneurship scholars must study *entrepreneurial actions*, that is, the ‘practices’ and microfoundations that underpin opportunity exploitation:

“I propose that future contributions from entrepreneurial studies will come from viewing the entrepreneurial process as one of generating and refining potential opportunities through building, engaging, and transforming communities of inquiry; as one constituted by a pattern of activities that is dynamic, recursive, and immersed in entrepreneurial practice; as one in which the head engages the heart and the heart engages the head; and as one of motivations beyond solely those of financial goals” (Shepherd, 2015: 489)

Shepherd’s (2015) editorial, along with other similarly themed calls (Wiklund et al., 2011; Johannisson, 2011), signal a growing appetite for novel epistemologies - often pragmatist oriented - in entrepreneurship scholarship. This increased focus on *action* adds legitimacy and relevance to the following multi-level research agenda.

#### ***10.4.1 Micro-interactional Studies of Social Entrepreneurship***

As the review of literature at the micro-interactional level in section 3.6 has revealed, social entrepreneurship scholarship has rarely considered interaction as a discrete level of analysis, or even an indirect focus of attention. The same is true of the larger entrepreneurship paradigm that has made only minimal use of the insights developed by leading interactionist sociologists such as Goffman (1955) or Collins (1987). Dynamic interaction-based research offers a promising vista for entrepreneurship scholars, something confirmed by Shepherd (2015) who calls for an alternative to the dominant cognitivist perspectives of entrepreneurship. Here (ibid), an explicit call is made to link studies of entrepreneurial opportunities to interactions between individuals and their communities. While there is little consideration or reflection as

to how scholars may operationalize this broad objective, it is notable that the author (Shepherd, 2015) stresses the interaction between mind and body as a key plank of this theory, hence falling short of the fully ‘practice-based’ perspective advocated in this thesis (EMCA, by contrast enforces a strict empiricism that avoids cognitivist explanations for social actions). In this instance, the ontological and epistemological positions provided by EMCA can provide a unique contribution to the entrepreneurship paradigm, particularly it is proposed, through the strand of Institutional Talk research (Heritage and Greatbatch, 1991; Drew and Heritage, 1992b; Drew and Heritage, 1992a; Arminen, 2005) that has successfully illuminated *practices* in medicine, law and other professions. How entrepreneurial actors *do* being an entrepreneur through everyday interaction, in a fundamental sense, is a question that is overlooked in entrepreneurship scholarship, a factor that has arguably contributed to theoretical ‘jumps’<sup>38</sup> that do not have a solid empirical basis or meaningful grounding in practice.

A further point of note is that interactionist studies of entrepreneurship (or studies where entrepreneurship has been a feature) are not typically published in entrepreneurship journals, but rather organisation studies (Goss et al., 2011) or general sociology journals (Llewellyn and Burrow, 2008). This would suggest the functionalist hegemony identified by Jennings et al. (2005) still exists to some extent, though, as highlighted previously, recent editorials and articles in leading journals suggest this dominance is giving way to a greater desire for alternative ‘entrepreneurial’ approaches (Sarasvathy and Venkataraman, 2011; Wiklund et al., 2011; Shepherd, 2015).

Implicit to an interactionist perspective of entrepreneurship, is the iterative, nonlinear and situated nature of opportunities. As Shepherd (2015) argues, opportunities may be refined through an abductive process (that can equally reflect back on the external community as part of this process). A fundamental constraint in previous studies of ‘opportunity’ is that opportunities can only be understood *ex ante*, placing a

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<sup>38</sup> Davidsson (2015) provides an example of this in his critical analysis of the ‘opportunity’ construct, which a systematic literature review reveals has been poorly conceptualized owing to a lack of concrete, salient knowledge about the phenomenon in practice and inconsistently applied definitions.

considerable constraint on the researcher. Through studying episodes of situated practice, it may be possible to view dimensions of this messy abductive activity, as they play out, in real time.

#### ***10.4.2 Organizational-level Studies of Social Entrepreneurship***

There has been a long-standing focus on the antecedents and outcomes of entrepreneurial actions, but less on the activities themselves. Microfoundational theories of entrepreneurial action (Shepherd 2015) and capabilities, present an practice-oriented approach for answering questions that relate to *how* social value is created. It is suggested that the adoption of approaches from innovation scholarship, particularly dynamic capabilities (Teece, 2007; Teece et al., 1997), open innovation (Lee et al., 2012; Gassmann et al., 2010) and user-innovation, can overcome inertia in social entrepreneurship research around seemingly intractable debates concerning definitions and conceptualisation. By taking a somewhat agnostic stance to these debates and focussing empirical attention on practice, theory can be generated that treats social entrepreneurship more as a ‘context’ for entrepreneurship, in line with Dacin et al. (2010b).

#### ***10.4.3 System-level Studies of Social Entrepreneurship***

The system- or society-level of analysis offers significant potential for generating a deeper understanding of the social entrepreneurship construct. At this level of analysis, greater consideration can be afforded to questions addressing the aggregate benefits that can be achieved by social entrepreneurs. As Nicholls (2010) observes, social change is more likely to happen at a systemic level rather than through the ‘socialization’ of business, and thus social entrepreneurship research should increasingly adopt institutional theory (DiMaggio and Powell, 1991; Dacin et al., 2002), structuration (Giddens, 1984) and even Marxist approaches to explain the mechanics of social transformation and their relation to social entrepreneurship.



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## APPENDIX 1 – TRANSCRIPTION NOTATION

This adapted system is taken from Llewellyn and Spence (2009)

(.7)	Length of a pause.
(.)	Micro-pause.
=	A latching between utterances.
[]	Between adjacent lines of concurrent speech indicates overlap.
hh	Inbreath
hh	Outbreath.
(( ))	Non-verbal activity.
–	Sharp cut-off.
:	Stretching of a word.
!	Denotes an animated tone.
()	Unclear fragment.
°°	Quiet utterance.
CAPITALS	Noticeably louder.
><	The talk in-between is quicker.
<>	The talk in-between is slower.
↓	Rising or falling intonation.
<u>Word</u>	Underline indicates speaker emphasis.

## **APPENDIX 2: VALUES AND VENTURES PITCH PRESENTATION DATA TRANSCRIPT**

**Pitcher:** Good morning everyone, my name is Susanna Davidov, and I am the President and Founder of Sunchild Collective. Before I begin I would like to ask you all a question, how many of you and I have visited a country or a place and you have fallen so in love with the people or the culture, that you want to take some part of you, some part of that back home with you. I have that feeling every single time that I travel or visit somewhere new; I have had the opportunity to travel to over a dozen countries, and I have that feeling every single time I experience something different.

Because of this feeling I started to develop more of a hobby, this hobby was to find the most ethnic, culturally representative, fashion item from that place I was visiting. Whether it be jewellery, a bag, clothing, and I would take that back home with me and share the experience with all my friends and family. When I started wearing these pieces I got overwhelmed by questions at home, “Susanna where did you get that?” “How can I have one?” this made me think wow these pieces look really cool, people like the way they look. But when I started sharing the story as to where it was from, who created it, what culture it was from, I realised the story had a lot more value than I thought.

There was always this looming question, how can I get one? How can I get one? This proved to that there was an opportunity; there is a demand for these products. There is a demand because not only are these products fashion forward but they are also unique, they are unique because they come from a limited Artisan market which I was fortunate enough to experience. Because of this limited market I started feeling I had an edge, I had products that no one else had. But others start to realise it is so limited it could definitely have a negative effect, it does have a negative effect. Right now we are experiencing a dying out culture of the Artisan craftsmanship. Because of this and the realisation I had I set out a goal I wanted to preserve the value of the Artisan and craft, not only to preserve the Artisans practicing their craft right now, but by doing so I will be preserving thousands of years of history, their culture, and their traditions.



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So I was facing the dilemma how do I seize the opportunity of demand, and preserve the Artisan craft, and that's with Sunchild Collective. Sunchild Collective is a curated marketplace of Artisans products from around the world, Sunchild Collective will be strongly in the mission. Our mission is by producing sales of high-end Artisan and products, not only do we give these Artisan business, but we also aim a portion of our proceeds to preserve the Artisan lifestyle. We support their lifestyle; as well as we give them the opportunity to take their products from their local market to a global market. Most of these products would only be seen in their local communities, but through Sunchild Collective anyone, all of you can go on [sunchildcollective.com](http://sunchildcollective.com) right now and purchase an item.

Sunchild Collective has accomplished a lot thus far, one thing that we are proud of is our one on one support with these Artisans. For example I had the opportunity to travel to Mexico for about two months and spend time with a wonderful group of Artisan people, the Huichol people from Central Mexico. These people have a culture of believing in these symbols, these symbols are then embroidered or beaded on to different products such as necklaces, bracelets, blouses, whatever it may be. Through this culture they have been able to perfect the craft of beading and embroidery, after spending some time with them I realised that there is a huge problem. They are running out of beads, they are running out of supplies, because the market is so limited.

Sunchild Collective is proud to say that we have teamed up with a local jewellery component supplier, and we have sent over hundreds of different types of colour, sizes, and beads for these Artisans to continue practicing their craft, to preserve their culture, and the craft they practice. Another mission that Sunchild has been able to accomplish is local support, Sunchild Collective is an official sponsor of the [04:38], the [04:40] is a non-profit foundation that takes in children of poverty in Mexico, teaches them Artisan crafts so that they have something to their name once they become of age so that they can support themselves. We were fortunate to travel to the [04:55] and with my Co-Founder who spent three months there teaching them English, coaching their

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soccer team, and we have also successfully accomplished several school supplies drives to send over them to them.

So that is what Sunchild is well on its way to accomplishing many goals that we have, it's the supply of the demand of these products and that's the curation of Sunchild Collective. As of now we have products from Mexico, Ecuador, Columbia, and Guatemala. The way we curate our products is by going into these environments, finding these products in their natural state, and with a background with the fashion industry and fashion forecasting having the ability to take these products out of their natural environment and putting them through the Sunchild transformation. We don't transform the products; we keep them original, as they are. But through styling, fashion forecasting, and trend seeking we are able to stylize these products for a more high-end fashion consumer.

Right now you are looking at Sunchild Collectives look book, we have products from embroidered pillows, hand edges letter bags, jewellery, patchwork, and several other items. Conducting over a hundred customer discovery surveys and one on one interview, we have established that our target market is the Y generation. The Y generation is a boy or girl, fifteen to thirty years old, who is definitely fashion forward, outgoing with their fashion sense, will be used in the story as well as single, affluent and college educated. The ecommerce sales in 2012 reached over two hundred billion dollars; apparel accessories alone reached seventy-three billion dollars. We believe that Sunchild is a key contender in this market, because through study over thirty per cent of consumers will from now on 2013 buy only socially conscious products, we are proud to say that Sunchild Collective is a socially conscious company.

There are many competitors out there trying to achieve this Bohemian chic free spirit lifestyle, for example Free People and Anthropology. They are more aesthetic driven, they value, they visually embody the lifestyle, and they believe more in quantity over quality and they also mass produce. Sunchild on the other hand is more story\* driven because we believe our product is so beautiful to begin with, that we can put our efforts into promoting the story. We also visually and emotionally embody this lifestyle with

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the Sunchild Collective team having a presence in our community, we believe also in quality over quantity, through our very rigorous quality control process, and again we are proud to say that we are a socially conscious company.

This is our organisation structure, I am Susanna Davidov am the CEO. I come from a background as a Graphic Designer, and being in the fashion industry. I have also studied minor cross cultural studies, I am also a buyer and the lead curator. My CoFounder Doris Leechie has the background in jewellery as well as she is an international broker, she as well is on the buyer team, Maria Martinez our CFO she is a certified CPA. Matthew Davidov, my brother, is currently a student at Emory University in Atlanta studying international business. And Katlin Brocken is a well established publicist in Los Angeles.

Our marketing is more, specifically more, we are using social media, excuse me. We have been able to reach over thirty thousand people with social media alone, we also attend social events, fashion events, or socially conscious events, and we are currently working with ad placements and press releases both in print and online. We are have a very strategic marketing strategy, we have accomplished phase one, we have launched an ecommerce site which we are already seeing sales in revenue. This is going to be our main source of revenue, and then to totally embody lifestyle and brand we are going to move onto phase two and three, we want to promote our consumer to interact with their products. We believe that our products are so highend and so much quality and character to them, that we would want you to be able to go into a store, or a retail store to interact with these products. And this is where scalability comes into the play. Throughout our networking and connection with Artisans, and many Beta Tests... We have been able to final down a solid group of Artisans that can produce inventory, not all these products are one of a kind. We are still making sure that we are preserving their craft and giving you the story that you want as a consumer, but inventor is possible...

The pricing for our product is simple value plus demand, our value comes from product cost, materials, and craft. Our demand comes from inventory, location, and trends. These are our financial predictions, as you can see we are already experiencing revenue

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from our online sales, we expect to be in a few boutiques by the end of 2013. As we go on to the next year we plan on going into stores, big buck stores like Nostrums and Bloomingdales, and eventually opening up a store front. Throughout the years we expect to be an established lifestyle brand, and that legitimacy is proven through our numbers.

Like I mentioned before Anthropology and Free People could be our biggest competitors, yet they can still be our best friends. They both go under the Irvine Group, the Irvine Group has acquired Anthropology and Free People for two specific target markets. Anthropology targets an older, more conservative, still free spirit, I am not going to lie my mother wears Anthropology. And Free People targets a younger, edgier, as well as a free spirit, I wear it Free People. But when I wear Free People I know the girl who is sitting next to me in class either saw it yesterday at Bloomingdales or will be wearing it as well, so there is no feeling of exclusivity and there is no story behind it, it's a cute sweater. That's where Sunchild comes to play, we are targeting a completely different market. We still have that edgy consumer; we still appear to my mums friends. But you have that feeling of exclusivity and scarcity, and you still look good, and you have a story to support your product.

So once again I am Susanna Davidov, the President and Founder of Sunchild Collective, and I had a great time presenting to you all today.

**Compere:** Thanks, [clapping]. Questions from the judges...

**Judge 2:** Just that the importance of the story, you talked about the emotional connection that you have when you see the artist and the product. Thoughts around how you bring that story to life for the consumer that hasn't travelled to the places that you have travelled to, to meet the artist and to see the connection that you have with those Artisans?

**Pitcher:** That is obviously one of the biggest factors with Sunchild Collective. And online if, I wish I could show you...

**Judge 2:** Yeah.

**Pitcher:** If you click on a product, next to the product you have the craft, the people and the place. You have an immediate connection to where that product came from, who made it, how it was made, and the materials used. Not only that but then you can look even deeper, click on the group, and a different page takes you to all the bio of all the Artisans, so all the information's out there. We are currently also working on putting videos up of the Artisans practicing their craft, we have images, we are documenting it all.

**Judge 1:** That's great.

**Judge 3:** Talk a little bit about where, I get the feeling its more upscale. The talk of the pricing is going to be more upscale?

**Pitcher:** Yes.

**Judge 3:** Tell me about the cost in scalability, it's great to have handmade products, but it's also great to have inventory to meet demand if you have created it. So give me an idea of what the gross margins are on average how you are going to be able to...? I think this model looks really good online if you are selling direct, and is there enough margin to push this into the regional channels?

**Pitcher:** Our margins are high.

**Judge 3:** So give me an idea how much mark-up is in a bag like that right there?

**Pitcher:** We can arrange anything from around four to eight times that, the question of scalability is that we've been...we have faced many problems with scalability through data launches. We started with friends and family, then I did my school, then I did my community. And I started running into problems; this led to a different type of curation. I curate statement pieces which means I can only get three of these bags, but

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those are going to be our high-end bags. We have other collections that we have inventory to supply on demand, they might not be a beautiful hand edged natural stone bag, but I can't supply my whole community with beaded bracelets from Columbia. We do have different categories to supply different types of demand, and the scarcity, that feeling of this bag was on our website and we see Jennifer Anniston wearing it. The fact of limited quantities works in our favour, that gives us our edge, and I need to go and get that Sunchild bag, I need to then buy the bracelet. So we work in tiers almost.

**Judge 4:** You have seen the company growing from a hundred and seventy thousand this year, to twenty-eight billion in four years, and to Elliott's point that you are trying to connect the user, online user to the story. But you clearly want to move from online to retail, so how are you going to maintain that story? Are you going to blend and just be like another Anthropology except maybe higher-end for the younger market?

**Pitcher:** Well the numbers do jump because, well show them that most of our sales are online, consistently online through companies like Fab, and other examples like that, its proven that an ecommerce site can work. The retail stores and our store front is more to invite the lifestyle field, it's not necessarily to boost our numbers, our financial productions do not show that that's what's going to take us above and beyond. It's if you do, for example our store front it's going to be an environment, a Sunchild environment, to host events, to publicise different products, to get consumers to come in and interact. Where on the other hand for people like Anthropology that is who they are, is the store. We are just using it more of an edge to get people involved and interact with products.

**Judge 5:** You said, you mentioned [16:23] as a way of giving back, I am wondering what you are giving back to the Artisans themselves, and if you are providing them, if you are improving their ability, or if you are giving them training, or any microfinance... What exactly are you doing with those because you would need to scale up pretty significantly?

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**Pitcher:** Well [16:43] is a place where Artisans come to teach children of poverty their craft, kind of to give them an opportunity. So this is on one end us just preserving their lifestyle, and the value, more of the value than the craft itself, of Artisan craftsmanship. And when it does come to scalability and working with these Artisans that is where our network is going to have to expand, we either have to be in way more countries, way more places, get more Artisans involved. And that [17:15] I do, but the hard work of connecting deeper with these people. We are here to help, we don't want to exploit them, or push them to their limits, or interfere with their culture at all. We want to work with them, with their culture. And if that means we are going to face problems, we are going to face problems, but we are not going to interfere with any of their process.

**Judge 4:** So you have already stated that this plan is highly reliant on curation and pacemaker, so just thoughts around as an investor, we are investing essentially in you as the pacemaker, as the curator. Just thoughts around that as the company starts to grow?

**Pitcher:** Well since we started our buying team has expanded and there are now fifteen people around the world, these are people that I and my other Founders strongly believe, do have a good sense in fashion and stratus, and its developing into a Sunchild creative team.

**Judge 4:** Right.

**Pitcher:** We have on our website as well, and we all have the same, not taste because some of these products I might not wear myself.

**Judge 4:** Right.

**Pitcher:** It's taking yourself out of the inner circle and seeing what would they want, how would this look in this environment. So it has certainly taken a lot of experience, I had to work in men's fashion at one point and work outside the bubble. And the other buyers around the world have that ability as well.

**Judge 4:** Okay, last question. Will it take a more traditional retail model or wholesale model where you have four seasonal collections? Or are you going to maybe give me some insights on how you release and launch product?

**Pitcher:** There is going to be four main seasonal collections, but like I said before we have different collections to supply for demands.

**Judge 4:** Right.

**Pitcher:** They will be different, for example we just realised out festival collection because there are a bunch of music festivals going on. So we also go with the social trends, but our main collections are seasonal.

**Judge 2:** Tell me about the website today, you said you were up and running as a going concern. How much web traffic, you mentioned thirty thousand [19:28]...

**Pitcher:** Social media.

**Judge 2:** Contribution, so are those followers and likes, or are those impressions?

**Pitcher:** That's Instagram... Yeah that's followers and likes through Instagram, Centrist, Facebook, Twitter, and Tumblr.

**Judge 2:** Okay and how is that translating into web traffic? How many web visitors are you getting a month and what is the conversion rate?

**Pitcher:** I month I know, we have been up for two weeks...

**Judge 2:** Okay.

**Pitcher:** We did pay the launches personally, like putting product out from my house and giving it to my friends, and selling lunch parties, but online we have had a two



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week presence. We get about a little more than five hundred visitors a day, and in the past two weeks we have made five hundred thousand dollars.

**Judge 2:** Okay.

**Judge 3:** I'm curious, if the product is fairly inexpensive, and you have been able to find it buy or make. Why you choose to have a market, I understand the age, but the more affluent market, or the college educated verses everyone else that might benefit from these cool things?

**Pitcher:** That market is the lifestyle that even if someone is older wants to live, so that's why we are targeting them. Most of my, not most of my sells, but a bunch of my sells online as well as in person have been my mums friends or people of her age as well. But they have a young spirit; they want to live like the Y generation. So by us targeting them and embodying that lifestyle we appeal to everyone, it's not such as an off-putting age. It's still being a thirty year old free spirit can relate to a wider outer circle, so we have been feeling thus far that that's the market, that's been helping us embody our lifestyle that we want to promote, as well as others that want to live it.

**Compere:** We have one minute judges.

**Judge 5:** How long have you actually been in business, and what are your sales to date?

**Pitcher:** Well our official launch has been two weeks and we have sold five thousand dollars' worth of product and through Beta test I have been, this was a very organic growth. It started off by me going abroad to different countries and bring back not one purse but two, one for my best friend and I would charge her a little bit or give it to her. And then okay I went somewhere else and I brought back four bags, I sold one to my teacher and sold... So that's the way it started, so officially our company those are the numbers as of now, I can't tell you through the organic growth how much we have actually made.

**Judge 5:** So have you actually imported inventory?

**Pitcher:** Yes, and I was asked that question yesterday. Importing is not scary for us at all, we work mainly through Mexico and that is on our side so it's not an importing task. My family has a company in Mexico where shipping is more familiar to us and it's not foreign.

[Clapping]...