DESIGNING SUCCESSFUL SOCIAL VENTURES:

HANDS-ON FEEDBACK-SEEKING ENGAGEMENT WITH STAKEHOLDERS TO UNRAVEL WHAT TO DO NEXT

by

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Submitted in partial fulfillment of the requirements

For the degree of Doctor of Philosophy

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May, 2013

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ACKNOWLEDGEMENTS

The challenges I faced as a novice social entrepreneur, despite extensive business experience, were an indication of a significant problem deserving investigation. This motivated me to pursue doctoral studies and I am glad I decided to do so: not only do I feel personally enriched, I feel deeply satisfied to have produced practitioner-worthy knowledge in an area becoming increasingly important as time passes. However, I certainly did not do this all on my own: I was fortunate to receive guidance and inspiration from members of the academic community, practitioners, friends and family. It is time to thank them, and to do so by name.

I am thankful to have an advisory committee on which each member has brought unique capabilities and perspectives to my research. I was very fortunate to have Paul Salipante as faculty for the fundamental topic of research methods and, furthermore, to have had him as my advisor and chair from the onset, deeply involved and interested in my research. Paul exposed me to a broad expanse of knowledge, adding new dimensions to my thinking at each step along the way while keeping me grounded with the "practitioner-centricity" I needed to maintain. He has been instrumental in enabling me to push the boundaries with my research.

My introduction to Barbara Bird was serendipity: I had reached out to her as the editor of a journal to which I planned to submit one of my first papers. Barbara was gracious enough to accept my request to join the committee even though she is from American University − far from Chicago and, thus, with the likelihood of facilitating few face-to-face interactions. I benefitted from her authoritative understanding of the field of entrepreneurship, particularly in terms of entrepreneurial cognition, as well as her eye for

detail and her insistence that only a rigorous approach to research is worthy of journal publication.

Both as a faculty and advisor, Bo Carlsson motivated me to look at my research through the lens of economic development. He always made himself available to me as scheduled, even though he was often far away in Sweden. Likewise, I have enjoyed my interactions with Roger Saillant, whose powers of observation, both as a systems thinker and practitioner have been of tremendous value. Kalle Lyytinen, on the other hand, graciously provided advice even though not formally designated an advisor, and I consulted him as I struggled to achieve a robust theoretical foundation, viable methods, and penetrating analyses. I am honored by, and thankful for, having an advisory panel whose members have all made unique contributions to my research.

Sue Nartker and Marilyn Chorman, anchors of the Doctor of Management Program, each displayed a sharing, caring nature; they made themselves available for each and every question I had, easing the process for me (especially when I was out of the country, as I so often was). In addition, there are several other faculty members at Weatherhead who have willingly given me their time and shared their knowledge, and I am much the richer for it.

I would also like to acknowledge the contribution that each colleague in my cohort has made to my growth as a researcher. Special thanks go to both Stephan Liozu and Nnaoke Ufere for the insights I gained from our projects together, and from our frequent discussions over the last four years. In addition, I have benefitted from seeking ways to refine my ability to write: although my command of English certainly supported

my business career, it was with the help of Paul Foxworth that I found ways to elevate my writing, something I felt that such academic research warranted.

It might be said that social entrepreneurship is “a muddled field”: in many ways, it is still in its infancy and lacks a consensus as to exactly who “a social entrepreneur” is. However, dozens of social entrepreneurs have shared their stories, willingly participated in research, vetted findings through “a practitioner lens,” and given valuable feedback. I am deeply indebted to all of them.

Last, but not least, I need to do something I have never done openly before: to acknowledge the encouragement, support, and wholehearted involvement of my children, Madhura and Aniruddha. It has been a journey for them, too, keeping me company on the way. At different times, in their own unique ways, they have contributed as brainstorming partners and proof readers; helped me to make sense of what I was saying; and, on many occasions, stepped in and undertaken mundane household tasks, freeing me to concentrate on my work. So many events took place in my extended family during this time that, without my children’s relentless support, I would not have been able to stay on-track.

To them, and to you all: thank you.

Designing Successful Social Ventures: Hands-On Feedback-Seeking Engagement with Stakeholders to Unravel What to Do Next

Abstract

by

APARNA KATRE

Social change models based on altruism have proven inadequate to fully address the complete range of basic but unmet societal needs. In recent times, organizations have begun experimenting with profit-generating business models to produce sustained social change; such “hybrid” organizations possess a double bottom line, the goals of generating social and economic value. These organizations range from those which focus largely on economic value creation to others which focus primarily on social value creation; somewhere in the middle there is a more balanced blend of the two. A unique aspect of double-bottom-line organizations (also called social ventures) has to do with their ambidextrous orientation: the imperatives of both social change and marketplace competition are operative.

The canvas for social venture research is broad and, for the most part, wide open: little is known through empirical research as to how social ventures come into being and succeed at meeting not only startup challenges but also those resulting from the organization’s dual goals. In addition, research is needed to clarify if and how startup social ventures differ from conventional nonprofit and business venture startups. With

significant differences in the motivation to create social and business value in order to yield empirically validated results, this research is restricted to just a subset of social ventures, those which are entrepreneurial. This choice is driven by the fact that even in an economic downturn entrepreneurship has the potential to address intractable social issues.

A mixed-method research design is built around three interrelated studies which collectively tell us (1) "the What?" (the actions of social entrepreneurs), (2) "the How?" (approaches employed), and, finally, (3) the impact of both the actions and approaches on nascent stage performance, i.e. perceived social and economic value created. The first study, which focuses on 23 startup social ventures, is qualitative and informed primarily by startup behaviors, nonprofit and entrepreneurial strategy literatures and organizational ecology studies, among others. The emergent findings from this study identify three developmental stages, those of a) social-business concept development, b) product / service innovation and c) operating the social-business, as well as stage-specific actions and entrepreneurial approaches employed across all stages.

Two conceptual models of entrepreneurial actions (the What) and approaches (the How) are designed to predict nascent social venture performance. The models are sequentially designed wherein results of the first model influence the second conceptualization and are tested through Studies Two and Three. The model in Study Two is based on emergent findings from the qualitative research. Data from a survey of 196 social entrepreneurs confirmed that entrepreneurial proactivity results in superior perceived performance; however, the effects of experimentation and alertness-to-environment were puzzling. Results from Studies One and Two drove an alternate conceptualization explored in Study Three wherein (a) design theory-driven coding of

qualitative data from 23 startup social ventures led to the conceptual model and (b) the survey-based data from 196 social entrepreneurs were used to test the conceptual model. The analysis strongly supported the design-theory based model, suggesting that the three entrepreneurial approaches of experimentation, making connections, and problem-solving are, indeed, central to successfully designing social venture products and processes. In addition, the number of activities engaged in from a stage-specific list determines nascent stage performance.

Taken together, the three studies serve to triangulate around the notion that successful ventures are designed by (a) focusing on stage-specific products and processes during development, then (b) continually shaping venture products / processes via behaviors which generate feedback and new knowledge, as well as continuously evaluating development so as to minimize potential losses. This dissertation contributes to an empirically-based understanding of the process of social entrepreneurship, providing tentative constructs to measure entrepreneurial actions, approaches and perceived venture performance.

The dissertation provides practical guidance to social entrepreneurs and investors, policy makers, and educators. Its findings indicate that, subsequent to their decision to engage in social change ventures, founders must personally engage in its creation. Founders can balance the tension between achieving social and economic outcomes by designing venture artifacts specific to the development at a particular stage. Designing involves -- engaging constituencies to facilitate diverse views, openness to feedback (even to the extent of embracing radically different solutions than those previously envisioned), reframing the problem to overcome constraints, storytelling and persuasion

to invite support, and making creative connections. Regional and national support structures must be instituted to guide the unique requirements of social ventures. This includes guidance on staged development, design approach, and expansion of networks for social and economic outcomes. Finally, educators may complement current business planning approaches to create real-world or simulated settings for students to practice design skills necessary for social innovation and new venture creation.

Key words: Social entrepreneurship; entrepreneurial behaviors; venture performance; design theory; effectuation theory; ambidexterity; venture creation; organization ecology; qualitative research; quantitative research; mixed methods

CHAPTER I:
INTRODUCTION

Social entrepreneurship has gained momentum in the last two to three decades. To situate my research I first contextualize the role of social entrepreneurship in addressing societal challenges of the 21st Century. I begin by discussing the need for new models of social innovation, those that are financially sustainable and also capable of producing sustained social value, and follow with a review of institutional responses by public, private and nonprofit institutions. Social entrepreneurship (i.e., entrepreneurship for social value creation) is complex as not only does it have the dual goals of social and economic value creation, but also, can be initiated by any of the established institutions which have distinctly different norms. I therefore review various forms of social entrepreneurship and discuss a preferred type wherein the ventures launched are entrepreneurial, as the scope for this research. The phenomenon of research interest for entrepreneurial social ventures is followed by a review of the scholarship state of art as well as prior research on the subject. Finally to introduce the research I look at the premises for contribution and present a map of the dissertation.

The Need for Sustained Social Value Creation

Social entrepreneurs endeavor to produce societal transformation through entrepreneurial businesses precisely because a wide range of basic societal needs remains unmet by conventional businesses and institutions, even in the new millennium. These include adequate access to food, healthcare, clean water, sanitation, education, and goods and services to improve the quality of life. Tremendous social value (i.e., “the common good”) is created when entrepreneurs use social ventures to address these basic

humanitarian needs; however, the challenges to creating social ventures are equally severe. The clients (i.e., beneficiaries of the social value) are often under-skilled workers who lack the financial resources to buy goods, and their environments lack the infrastructure and institutions required to operate successful ventures. Nevertheless, each social and global issue is also a business opportunity and businesses designed to be an agent for world benefit are capable of producing long-term sustained societal change (Cooperrider, 2008).

As stated by the 11th President of India, (Abdul Kalam & Singh, 2011), "Global society today requires prosperity with inclusion, development with equity, and industrialization with environmental concern." Of the approximately six billion people worldwide, perhaps one billion are relegated to the very bottom (Collier, 2007; Sachs, 2008); probably another two billion live in conditions of deprivation and the under-utilization of talent and resources (Abdul Kalam & Singh, 2011). While the development of the past half-century has led to economic growth, it has not resulted in a space that is safe and just for humanity to thrive in (Raworth, 2012). Three critical domains appear to be substantially harmed by the forces of modernity: the human, natural, and ethical domains (Ehrenfeld, 2009).

The developmental problems the world now faces cannot be effectively addressed by simply using models from the past. For example, conventional methods of foreign aid to address issues of social inclusion and equity are − in isolation from the dimensions of industrialization and environmental preservation − wholly inadequate (Collier, 2007). Similarly, addressing environmental issues needs to go beyond the conventional concept

of conservation: industrialization and development have traditionally been seen as being in direct conflict with preserving the environment.

The current situation calls for "a new industrial revolution" in which social change, industrial development, and environmental concerns are viewed as being compatible, rather than at odds, with each other (McDonough & Braungart, 2002). New development approaches require simultaneous attention to the human, natural, and ethical domains in order to create social, environmental, and economic wealth for individuals, communities, and the planet as a whole. Such approaches allow society to meet the needs of the present without compromising the ability of future generations to meet their own needs. With heightened awareness and cooperation across institutions, businesses can be an effective change agent in order for humanity to thrive in a safe and just space (Cooperrider, 2008).

Sustainable development attempts to place social and environmental well-being on an equal footing with economic well-being. A systematic review of sustainable development literature (Hall, Daneke, & Lenox, 2010) reveals a consensus among scholars that prevailing models of capitalism do, in fact, conflict with sustainable development: historically, these are viewed as competing priorities in distinctly different domains, requiring trade-offs during organizational decision-making. A newer model conceptualizes a "triple bottom line" in which social, environmental, and economic well-being are all addressed, with equal emphasis placed on each of the three objectives. Business institutions (whose primary focus is meeting economic objectives) and nonprofits (whose primary focus is achieving social and/or environmental objectives) have tended to be viewed, for the past half-century, as two distinctly different types of

institutions with somewhat conflicting norms, values, and expectations (Aldrich & Ruef, 2006; DiMaggio & Powell, 1983; Gartner, 1993). As a result, organizations which attempt to cross established institutional boundaries likely face complexity and added risk. Cross-over certainly exists. Profit-focused businesses do often address social and environmental objectives, but have tended to do so as a form of "corporate social responsibility" which is somewhat removed from their primary motive of generating profits. Nonprofits, on the other hand, sometimes appear able to encompass economic goals as "earned-income initiatives" but often risk losing mission focus. While these may be welcome developments, they do not obviate the need for newer business models to vigorously pursue sustained social change agenda: both businesses and nonprofits need to overcome the legacy of their respective organizational cultures and, in so doing, reinvent their business models for sustainable value creation. Entrepreneurship and new-venture creation, on the other hand, have the advantage of introducing radical innovation for the purpose of creating sustainable value.

Institutional Responses to Sustainable Value Creation

Businesses and nonprofit organizations, governmental institutions, practitioners, and scholars all respond differently to the pressure generated by conflicting agendas. There are three primary aspects to this process of adaptation. . First, there is an emerging trend among large business corporations to view "doing good" (i.e., corporate social responsibility) not merely as "a feather in their caps" but, rather, as something to embed in their organizations. Organizations which embrace this approach seek to pursue sustainable value creation by transforming their core business activities, offering customers smarter solutions with no extra costs or quality tradeoffs; thus, they engage in

hybrid innovations, creating both social and business benefits in the context of a sustainable competitive advantage (Laszlo & Zhexembayeva, 2011; World Inquiry). These business innovations are launched by both large corporations such as Unilever, Bharti Airtel, and Royal DSM as well as by entrepreneurial firms such as Jaipur Rugs, ITC e-Choupal, and Aravind Eye Care (Prahalad, 2010).

Second, there is an increasing need for the nonprofit sector − which, in the United States alone, contributes over $700 billion to the economy and controls more than $2 trillion in assets (NCCS, 2012) − to play a much larger role in addressing unmet societal needs. The nonprofit sector has led to such social innovations as the creation of the polio vaccine, using media for children's learning, and manufacturing and distributing water purifiers; it also protects endangered species, plays a crucial role in alleviating poverty, helps to build a civil society, and provides care for the aged and homeless. The growth of this sector indicates a continuing need to address societal demands; for example, (NCCS, 2012) data shows that in the U. S. the nonprofit sector has grown by more than 68% since 1993.

However, nonprofits face declining government financial support, slowing growth in private giving, and increased competition from for-profit organizations (Ben-Ner, 2002; Salamon, 2002). Consequently, nonprofits increasingly engage in market-based income-generating initiatives (i.e., earned-income initiatives to support operations and help grow their programs): many are evolving their business models away from revenues from charitable donations, fees for service, and client programs, transitioning to a fundamentally different model in which all available resources are combined to meet unfulfilled social needs (Lumpkin & Katz, 2011; Oster, Massarsky, & Beinhacker, 2004).

For example, a nonprofit organization providing job training for the impoverished may start a retail bakery, thus generating funds, creating a live business setting for on-the-job training, and providing employment to the impoverished.

Third, nonprofit organizations and foundations are providing platforms to identify, motivate, reward, and support entrepreneurs and organizations, demonstrating the capability for social innovation using unconventional methods. One such organization, (ASHOKA, 2012), has to date selected over 2,000 fellows and financially supported them for their social innovations; another, (SKOLL, 2012), has awarded over $250 million to support the innovations of 85 social entrepreneurs and 70 organizations. Governments also provide policy support; one example is legislation authorizing Low-profit Limited Liability (L3C) businesses, which facilitates the flow of capital and the distribution of profits.

Practitioner State-of-the-Art

The variety of responses from practitioners (i.e., individuals and organizations directly engaged in creating and operating hybrid businesses) demonstrates the need for actionable knowledge of how to structure social ventures. These practitioners tend to seek help from other entrepreneurs engaged in hybrid innovations rather than from entrepreneurial support organizations. Several United States-based national and international practitioner network groups such as Social Venture Network, Social Enterprise Alliance, International Network of Socio-Eco Entrepreneurs, and Sankalp foster the sharing of best practices, toolkits, and solutions applicable to launching and operating successful social ventures. They encompass both online and place-based

memberships, giving members the option of interacting through either a virtual or in-person forum to seek/provide guidance and advocate for social causes.

Table 1 illustrates the kinds of questions raised by, or the assistance requested by, practitioners in one such online forum, social enterprise alliance. Members clearly seek (a) knowledge pertaining to the strategic and operational aspects of setting up social businesses and (b) access to the experts and techniques required for success. Questions are raised, and help is sought, in such areas as the types of businesses one can pursue regarding specific social causes, examples of businesses with whom practitioners can connect, and business models. Practitioners also seek help regarding market research and marketing strategies (for example, whether to lead the sales with the mission or to compete aggressively), building sales organizations, developing business plans, financing startups, handling tax questions, conducting financial analyses, and, of course, assistance getting connected with subject matter experts. The illustrative questions in Table 1 come primarily from aspiring and startup social entrepreneurs; on the other hand, place-based forums such as conferences and networking groups focus on issues pertaining to policies, mobilizing advocacy initiatives, and scaling up social ventures. (See Table 2 regarding the illustrative agendas at various United States national and international conferences.)

Practitioner tools can be summarized as follows: print media (articles, magazines, and books), social media (blogs, discussion forums, online member connections, and webcasts), and place-based (networking forums and conferences). The knowledge disseminated through these tools is based on the experiences of at least one or two individuals or, in the best cases, represents the knowledge acquired by entire organizations. The generalizability of such knowledge can be questioned, since individual

social entrepreneurs may possess diverse motivations and stocks of entrepreneurial capital (i.e., skill sets, capabilities, networks, and knowledge), all of which affect business venture performance (Lounsbury & Ann, 2001; Ndofor & Priem, 2005). Thus, there is definitely a need to bring rigorous scholarly methodology to bear on these resources to assess their effectiveness.

TABLE 1
Summary of Partial List of Practitioner Issues

Question	Categories of assistance
"Does anyone know of a social enterprise that uses animals as part of the enterprise?"	What business
Does anyone know of a clearing house of social enterprise opportunities for volunteers to get involved with new projects?	
Does anyone know of tools or dashboards to help test out Social Venture scenarios? I heard about Business Plan Pro -- but I've heard that it is a bit clunky and cumbersome.	Business Planning
"Is anyone aware of any programs that are effective at reducing generational poverty?"	What business for poverty reduction
"I am looking for examples of social enterprises working with the 55+ crowd, any ideas?"	What business for senior citizens
I would be interested in suggested resources for integrating business development into daily management of my social enterprise.	Business development - strategies and operations
We need at least 100+ members to sign on in the near future and we are offering a 50% discount until May. We would like advice to help us get that base of memberships quickly.	Sales and marketing advice
If there are examples of organizations that have begun a "temp service" social enterprise to provide employment opportunities for people using the services of emergency shelter and food organizations, I would welcome suggestions/connections to them in order to learn from their experience.	On how to start a specific kind of SE, connect with people who have been there and done it
"We have a social enterprise job training program with veterans. A company is willing to pay for our services and wants to use it as a tax write off. Is that legal?	Legal advice
"We are researching what it would take to open a culinary arts school to train low-skilled individuals for chef/cook positions. We would like to network with others involved in similar workforce training programs and social entrepreneurial restaurants.	Gain expertise in specific areas of the social business by networking with people who have done this same thing before
The business is way off hitting its sales projections and we are looking for different models for operating a retail store with a social mission. Does anyone have a retail store that is doing well, and if so, can you share some of your ideas on what made your store successful?	Challenges with sales, looking for expertise in specific industry to improve sales

From an SE perspective, I'm wondering if you know of examples of SEs (for-profit or nonprofit) that have launched successful social media campaigns -- such as discounts, coupons, cross-promotions with other ventures -- that have actually brought customers in the door, or resulted in higher per customer sales?	Gaining knowledge on a channel for sales - real people who have utilized the channel successfully
I would like to hear about experiences that people have had with much more productive direct sales organizations that promote socially beneficial products and that provide excellent training for entry level folks.	People experiences with direct sales, organization structure for direct sales and training people for this job
I am struggling with the method by which to measure inventory control and customer service. Does anyone have any suggestions or models?"	Expertise in business operations
“Does anyone have any experience with fair trade being used to generate earned income for a nonprofit? This could be in the way of running a fair trade business venture, partnering with one or networking with the industry/movement in a way that is a win-win for all.”	Expertise in specific type of business for a social enterprise, people who have done this
"For those organizations involved in selling their products and services, what are some good resources that take into account the distinct needs of social enterprises? I haven't found any resources or training which takes into account the additional/different sales needs of social enterprises, or adaptations of sales products that are meant for social enterprises.	Expertise / resources to help with specific characteristics of sales within a SE as against conventional NPs
"Does anyone have experience in handmade, mass-produced jewelry making in the US? Seeking input about suppliers and sales/distribution channels that have worked best."	Access to potential suppliers and sales/distribution channels for a specific type of social enterprise
Our questions include: 1) What are the implications for a small Sudanese cooperative ($75,000 US sales) to sell in, say the U.S? Business license, etc. 2) What are our options for reducing customs/duty, import tax and clearance fees for re-distributing products sold online by the Sudanese cooperative? 3) Similarly, for reducing VAT and other sales tax?	Expertise on business operations (legal entities, business tax, sales tax, import/export) for a specific type of social enterprise
We would like to network with others involved in similar workforce training programs and social entrepreneurial restaurants (we will have a restaurant attached to our school).	Access to experts who have created and operated specific type of social enterprise
What is the best way to conduct business research? I have Googled it and found that the only market research out there costs about $4000 and quite frankly, I don't have that. The other question is: How do I write an effective business plan? One that specifically addresses the social cause? The other aspect is, how do I write the financials when we only have a bank account and have been in the red for a bit?	Expertise with specific startup activities such as market research, business planning, financial planning etc.

TABLE 2
Summary of Focus Areas of Conferences and Networking Forums

Institution	Conference Title	Focus
Secon Harvard Business School	The social enterprise conference 2012	10 ingredients for a Social Enterprise startup
Social Venture Capital / Social Enterprise Conference	Conference 2011	Focuses on the theme "Get Connected," connecting to such things as knowledge, capital, the best practices, and metrics
Saïd Business School, University of Oxford	The Emerge Conference 2010	Emerge brings leading social innovators to Oxford to inspire and inform students through their stories of impact.
Skoll Center for Social Entrepreneurship	Skoll World Forum on Social Entrepreneurship (annual)	To encourage collaboration among social entrepreneurs, social investors, and other thought leaders in the quest for effective solutions to the world's most serious problems.
University of California Haas School of Business	Global Social Venture Conference (annual)	The event combines a social enterprise conference with the awards ceremony for the annual Global Social Venture Competition, a student-led business plan competition that provides financial rewards, publicity, and mentoring for winners
UK's leading unconventional conference	SHINE Unconference 2011	A unique feature of the conference is its one-on-one advice sessions, pairing new entrepreneurs with experienced mentors to work on topics such as marketing, funding, investment, and more
Social Enterprise Alliance	Webinars	Business planning for social enterprises
Columbia Business School	Social enterprise conference 2011	Social innovation in a networked world
Columbia Business School	Social enterprise conference 2012	Aligning strategy to maximize impact

Defining Social Entrepreneur and Social Ventures

There are at least 17 definitions of 'social entrepreneur', and 20 definitions as to what comprises a social venture (Gras, 2012). For the purpose of this research I use the social venture definition asserted by Alter (2004): "business ventures created to generate social value by mitigating/reducing social problems or market failures, while also operating with the financial discipline, innovation, and determination of a private sector

business." This allows for a wide diversity of organizational structures, especially since individuals and organizations venturing into social entrepreneurship have diverse motivations and means at their disposal. Thus, "social ventures" include foundation-launched ventures employing salaried management teams, corporate social responsibility initiatives by businesses, and more entrepreneurial ventures launched by individuals or small groups of cofounders (Figure 1). However (as is explained below), the focus of this research is entrepreneurial social ventures started by small groups of cofounders.

Entrepreneurs are an indispensable source of societal innovation (Gundry, Kickul, Griffiths, & Bacq, 2011) resulting in economic growth (Braunerhjelm, Acs, Audretsch, & Carlsson, 2010; Carlsson, Acs, Audretsch, & Braunerhjelm, 2009) and are particularly valuable during slow growth periods (Drucker, 2006). Coupled with this, are individuals with significant private wealth seeking to use their managerial and entrepreneurial talents in the social sector. Finally, there appears to be a surge in the desire of many individuals in the United States to have an impact early in their careers, as seen in the rising number of Social Entrepreneurship MBA programs and student groups (such as Net Impact) interested in positively influencing society (Tracey & Jarvis, 2007; Wei-Skillern, Austin, Leonard, & Stevenson, 2007).

On the one hand, the pressures of the 21st Century have intensified the need for entrepreneurial ventures to produce societal transformation while, at the same time, recent technological innovations have opened up immense opportunities for social transformation which had not existed just a decade ago (Hecht, 2008). This synchronicity is exploited by entrepreneurs to launch social ventures with the primary objective of producing sustained social change. (Seelos & Mair, 2005) propose a continuum of forms

of social entrepreneurship based on the individual's motivation for economic value creation (Figure 2). At each end of the continuum is an extreme wherein entrepreneurs (Seelos & Mair, 2005) are motivated to (a) maximize financial returns by catering to a social need as a business opportunity or (b) maximize social value creation with little need for economic value for the entrepreneurs. Social value is created when the entrepreneur's activities align with the motivations.

Regardless of their place on the continuum in Figure 2, social ventures can flourish and become truly sustainable when they are more compatible with the natural systems. They can produce sustained human and societal development if their interdependencies with living entities and natural systems are also considered. This implies that social entrepreneurs must go beyond their most immediate social and business stakeholders to include future generations, natural living systems and geophysical stakeholders when designing the venture.

FIGURE 1
Forms of Social Entrepreneurship

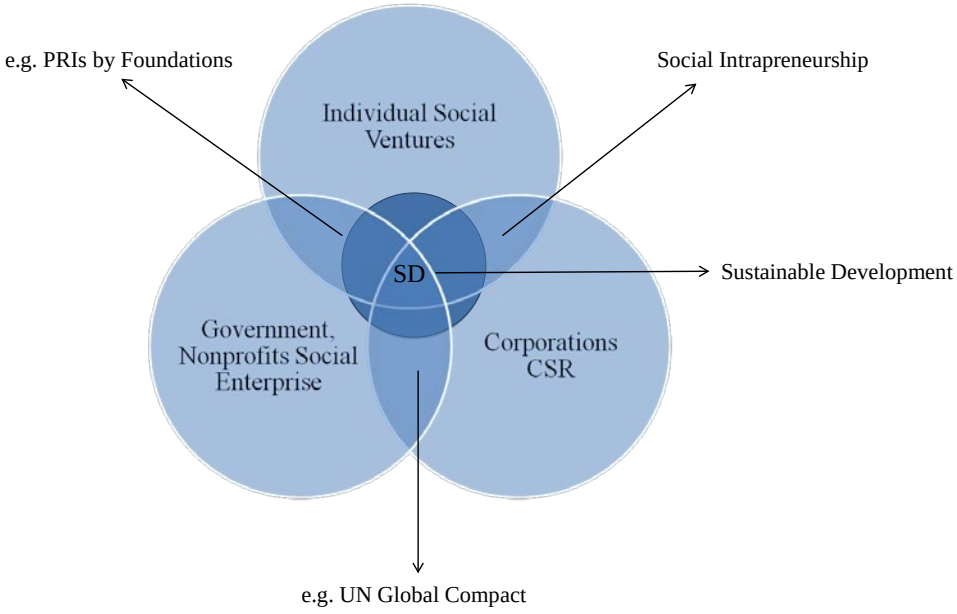
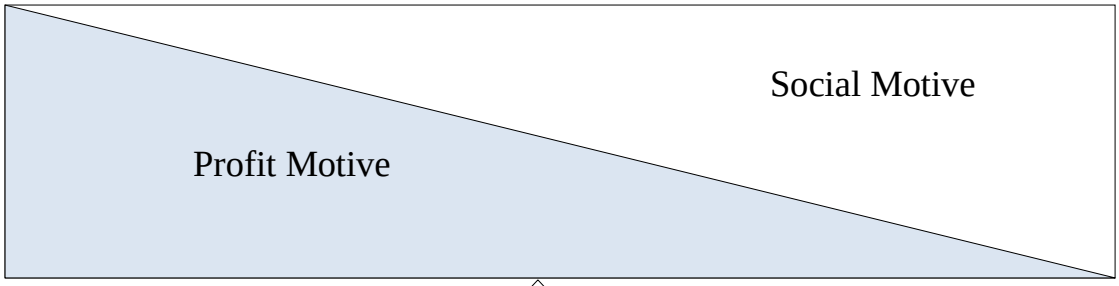


FIGURE 2
Social Entrepreneurship Continuum



1. Motivation to capture value
2. Make the business tangible to others – buy equipment, develop prototypes, build a startup team, develop a business plan, make the first sale etc.
3. Persuade investors
4. Maximize profits

Better balance in the middle to create social value and generate profits

1. Personal mandate to create social value
2. Mobilize social mission support – recruit board members & volunteers, marketing plan to raise funds / donations, persuade partners etc.
3. Develop client programs
4. Focus on long term social change

Scholarship State-of-the-Art

Although a wide range of responses has arisen from all actors and agents of social entrepreneurship, scholarly research is still in its nascent phase and lags the field of practice (Short, Moss, & Lumpkin, 2009). Academic inquiry into social entrepreneurship has been of interest since the 1990s, but producing scholarly research has been a challenge: ambiguity surrounds the definitions of social entrepreneurship, and there is lack of shared vocabulary among scholars studying social innovations from nonprofit, for-profit, and public sector domains (Mort, Weerawardena, & Carnegie, 2003).

Scholars continue to argue as to whether the definition should remain broad, so as to encompass all social innovations across the three domains (and combinations thereof), or should be narrowly focused. Social innovations address a wide range of unmet needs

ranging from welfare, health, education, the arts, and music to more complex issues of sustainability, which suggests the wisdom of a broad definition. One manifestation of the classification challenge is that, in the U.S., the NCCS (National Center for Charitable Statistics) has an industry classification for conventional nonprofits but not for social enterprises. Such challenges pertaining to the definitions motivate scholars to develop their own definitions, which increases the complexity and poses difficulties in advancing a body of knowledge with a well-defined schema.

Although entrepreneurship research is quite advanced, the sub-domain of social entrepreneurship is promising but nascent in its development. Lumpkin & Katz (2011) show that social entrepreneurship is an emerging area of research, and identify the lacunae in the research to date. Empirical research, in which measures are developed and hypotheses are tested, specific to this domain are necessary to award legitimacy to the field (Lumpkin & Katz, 2011); such research will also help contextualize entrepreneurship and provide specific guidance to practitioners. Despite mounting calls to improve the theoretical foundation of social entrepreneurship by both associations (ARNOVA, 2006; Kleiman & Rosenbaum, 2007) and scholars (Dorado, 2006; Haugh, 2005; Nicholls, 2006), research thus far is either conceptually based on theoretical exploration (Nicholls, 2006; Short et al., 2009) or relies upon case studies. The dominant research themes from 248 peer-reviewed scholarly articles published between 1991 and 2010 (Gras, Mosakowski, & Lumpkin, 2011) include the following: Business Model & Organizational Forms; Innovations; Social & Economic Impact; Opportunities; Collaborating; Financing/Funding; Stakeholders; Strategies; Governance; and Government & Public Policy. Conceptual articles outnumber empirical studies, with only

six of the 152 published studies providing formal propositions or hypotheses, while most lack formal testable hypotheses and rigorous methodologies (Short et al., 2009).

The few empirical studies which exist (and, thus, the data they capture) are primarily based on successful cases: very little information is available pertaining to failures, with the few exceptions including studies by Seanor and Meaton, (2008) and Tracey and Jarvis, (2007). Recommendations for future research have been varied: scholars have proposed studying aspects such as personal or structural factors, organizing behaviors (Zahra, Rawhouser, Bhawe, Neubaum, & Hayton, 2008), enabling and/or constraining factors (Mair & Schoen, 2007), and the opportunity identification process (Wei-Skillern et al., 2007) of venture creation. They have also recommended research on the impact of the founding team's human capital and social mission on resource mobilization during venture creation, as well as entrepreneurial actions to create and develop social ventures (Moriah Meyskens et al., 2011). To the best of my knowledge, however, only three studies using rigorous methods (Haugh, 2007; Seanor & Meaton, 2008; Tracey & Jarvis, 2007) have focused on the creation and early-stage survival of social ventures.

Research Concern

The canvas for social venture research is broad and open. Given the confusion about key points – definitions of terms, a consensus as to what the field entails, and the existence of novel approaches to create sustainable value − one can argue that both the fields of practice and research are nascent. What is needed is empirical research with formal, testable hypotheses (involving constructs and models as well as rigorous methods) to increase the legitimacy of social entrepreneurship − as a discipline

completely different from business entrepreneurship and conventional approaches to social innovation. A crying need from practitioners, plus the wide domain of scholarly research requirements, presents an opportunity for specific, legitimate, and impactful contributions to both theory and practice.

Three broad categories of social enterprises include (1) nonprofits applying entrepreneurial strategies to bring in additional revenue, (2) for-profits investing part of their business income towards charitable initiatives, and (3) hybrid organizations mixing nonprofit and for-profit elements. In an era of declining government and private funding, as well as growing competition between nonprofit and for-profit organizations for this funding (Young & Salamon, 2002), the profit motives of both individual and organizational social entrepreneurs have increased. As a result, more social ventures are driven to be on the left-hand side of the continuum shown in Figure 2. The boundaries between traditional sectors are blurring as for-profit corporations increasingly engage in social innovation and, simultaneously, nonprofits engage in market economies (Dart, 2004). Organizations are moving towards shared vocabulary, for example, mission is being used to indicate social, business and/or customer value. In the analysis that follows I focus on the traditional differences between the nonprofit and business sectors recognizing that the two institutions are moving closer and the distinctions may no longer be as clear.

For nonprofits experiencing systematic funding challenges, the decision to venture into profit-making or capital-enhancing enterprises is strategically motivated with long-term payoffs in mind. In the short term, there are disadvantages: nonprofits' legitimacy and tax-exempt status can be questioned as they venture into charging fees

and selling products that are typically commercial (Salamon, 2002). Further, nonprofits venturing into social enterprise face the risks of just chasing dollars, making poor resource investment decisions, and being less competitive and less mission-capable (Brinckerhoff, 2000). Such organizations need to pay special attention to their willingness and readiness (not just that of individuals within the organization) to take risks.

The change from grant-funding and donations to customer contracts, profitability, and market competitiveness can be daunting for nonprofits (Seanor & Meaton, 2008). Unlike business ventures, the risks of failure are high due to (1) social initiatives having reduced potential for comeback after a failure (Paton & Mordaunt, 2004) and (2) the possibility of lost investments which otherwise could have been used to provide client services. Startup social ventures launched by a small group of cofounders do not have the legacy of an existing nonprofit brand; thus, these risk factors do not have equal significance in decision-making processes during venture creation.

On the other hand, corporations launch social responsibility initiatives in response to the demands of external stakeholders (such as governments and NGOs) or to enhance their corporate reputations, or because doing well economically while doing good socially is pivotal to their business strategy (Basu & Palazzo, 2008). Their decision-making processes are also likely to differ significantly, given that they are responding to distinctly different motivations when compared with entrepreneurial social ventures. Due to the diversity of individual motivations, the venture creation processes, and backgrounds of people involved, the research can result in greater contribution if it is exclusively focused on a particular category of social enterprises. This research is

restricted to social ventures started by small groups of cofounders, independent of any existing organizations, due to the increased demand for entrepreneurship at the turn of the 21st century, with entrepreneurs forming a critical resource pool for societal innovation.

For social ventures, the dual objective of mission and economic value creation exposes them to the concerns *and* the risks of both conventional nonprofits and business organizations. Consequently, these social ventures must purposefully navigate their start-up activities if they are to survive and position themselves to achieve sustained social change. The research interest, therefore, is to delve deep into the multitude of actions which social entrepreneurs take to create and guide social ventures through their early development. Since social change is produced in the long term, ventures must not only be created but must survive the first few years, laying a foundation for long-term viability. Therefore, research must also focus on the impact of entrepreneurial actions on the early development of such social ventures.

Often social enterprise case studies lack analysis of (1) failed social enterprises and (2) the characteristics which differentiate successful from failed social enterprises (Hines, 2005; Mair & Marti, 2004; Seanor & Meaton, 2008). Just as there is much to learn from successes, failures can illustrate what entrepreneurs must do to avoid pitfalls. Although no studies have quantified social venture mortality, their failure is thought to resemble that of earned-income ventures (Oster et al., 2004) and small businesses (Kleiman & Rosenbaum, 2007), most of which expire within the first five years (Foster & Bradach, 2005; Headd & Kirchhoff, 2009). As a result, even within entrepreneurially led social ventures I further restrict the research to the phases of venture creation and early development (i.e., the first five to seven years).

Actions are required to convert thoughts, intentions, motivations, and learning into an organization which creates value, and such actions constitute organizing behaviors that are observable and learnable (Bird & Schoejdt, 2009). Both cognition and personality traits influence the actions an entrepreneur takes, yet existing research focuses on observable behaviors rather than personality traits; this is because behaviors are learnable and can be implemented as interventions (education, training, network support, policy support, and so forth) at multiple levels to support social entrepreneurs. The motivation, therefore, is to engage in an ongoing stream of research which attempts to empirically answer these questions: "What actions do social entrepreneurs engage in during the conception, launch, and early development of social ventures (i.e. the "What" of social venture development)? How do they determine what to do next (i.e. the "How" of social venture development)? What is the impact of early-development actions on the social ventures? How might the actions of entrepreneurs who succeed − versus those who struggle or fail − differ? How do specific entrepreneurial actions which differentiate successful and struggling entrepreneurs impact the development of social ventures at a nascent stage?"

Prior Research on the Topic

Social entrepreneurship is a trans-disciplinary research issue, as evidenced by a broad spectrum of peer-reviewed journals which publish social entrepreneurship research. These disciplines include anthropology, economics, education, entrepreneurship, management, marketing, sociology, and business administration. The challenges arising from their trans-disciplinary nature can be observed in the problems researched to date: organizations' relationships with their communities, corporate governance, the natural

environment, human rights, and more. In terms of the research methodologies adopted, over 60% of the 152 studies reviewed by Short et al. (2009) were case study-based, and the theoretical frameworks applied to the research included institutional, structuration, social capital, and network theories. Short et al. (2009) also highlight the difficulty of measuring social entrepreneurship given these drastic differences. Qualitative measures include the nature of the social innovations, perceived social status, how the innovations aligned with community objectives, and the implementation of strategies; quantitative measures, on the other hand, include such items as direct charitable contributions received for social innovation. Therefore, there are inherent difficulties in defining and researching the domain of social entrepreneurship, including venture creation and development.

Research on the Process of Social Entrepreneurship

The process of social entrepreneurship entails new venture creation and growth to effect social change; the process models discussed are conceptual and are supported by individual cases (Guclu, Dees, & Anderson, 2002; Mort et al., 2003; Perrini, Vurro, & Costanzo, 2010; Wei-Skillern et al., 2007). Most do not describe the specific behaviors in which entrepreneurs engage, nor the potential impact of their actions on venture survival and success. The few process models which do address some of these behaviors are discussed next.

The model employed by Haugh (2007) is based on grounded theory and proposes stages of venture creation. However, the scope is limited to community-led social ventures in which ownership, control, and the authority to use trading surpluses reside with the members of the community – as opposed to entrepreneurial ventures in which

control resides within a small group of individuals. The study examines actions related to identifying opportunities and articulating ideas, as when one or more persons recognize a community or societal need, verbalize the idea, develop the threads of a network to give it structure, formalize the idea by establishing a legal entity, and gather human, financial, and physical resources.

Recognizing a gap or an unmet social need forms the driving force to create an entrepreneurial venture (Shaw & Carter, 2007). These studies suggest that networking-related actions centered in local communities help the venture to be perceived as credible and create a base of supporters. The process of leveraging and growing personal social contacts is crucial to (1) mobilizing financial resources (from public, philanthropic, business, and private sector contacts) and (2) expanding human resources so as to be perceived as credible (Sharir & Lerner, 2006). In another qualitative study, Seanor & Meaton (2008) used sense-making to study social ventures which had dissolved or ceased to support projects. They analyzed such actions as moving between identities (for example, those of an arts organization, a cooperative, and a voluntary agency) to gain access to new streams of funding, advice, and contacts (i.e. leveraging ambiguity and multiple identities to manage uncertainty).

The process of new venture creation is a highly individual phenomenon in which the actions of the entrepreneur(s) constitute organizing activities, by virtue of which the venture comes into existence. It is entrepreneurs' behaviors, not their individual traits, which result in organizational creation (Gartner, 1988). The knowledge structures – motivation, prior experience, knowledge, networks, and capabilities (Gartner, 1985) – form the link between individual characteristics and organizing behaviors (Frese, 2007;

Mitchell et al., 2007). Social entrepreneurs are likely to each have a dominant single-sector background (social work or business), and may possess radically different knowledge structures leading to divergent approaches to decision-making and organizing behaviors (Mitchell et al., 2007).

Furthermore, social entrepreneurs may need to demonstrate the organizing behaviors of both conventional nonprofit leaders and business entrepreneurs if they are to conform to the norms and values of both institutions. On the one hand, they may need to dedicate time and effort to developing volunteer groups and building network ties with societal actors who support their social mission; on the other hand, they may need to dedicate efforts towards prototyping products/services, procuring raw materials, and making sales. In a resource-constrained environment, it is unclear how social entrepreneurs can effectively execute sets of diverse behaviors when there is a high likelihood that the entrepreneurs only possess single-sector experience.

Research on the Behaviors of Social Entrepreneurs

Spanning the boundaries of two institutions, social entrepreneurs may need to engage in actions which are seen as legitimate by both nonprofit and business-venture institutions. The dual goals of societal mission and profits require social entrepreneurs to maintain simultaneity of actions in two realms of activities: (1) those which produce societal change (such as mobilizing volunteers, gaining the support of key community members, and program delivery) and (2) those which generate profits (such as prototyping products/services, marketing and sales, and establishing supplier relationships).

Young (2005) suggests that social entrepreneurs may benefit if they are alert to capitalizing on opportunities to reduce operating costs, since an imbalance of actions on either side – mission or business – can be fatal. As an example, behaviors with a greater focus on business goals may lead to marginalizing disadvantaged clients (Wallace, 2005), causing immediate legitimacy issues with mission supporters. Furthermore, collaboration is characteristic of conventional nonprofits and may be expected of social ventures as well. Social entrepreneurs collaborating with nonprofit, business, and public sector organizations may need to resolve the antithetical forces inherent in a collaborative relationship (Di Domenico, Haugh, & Tracey, 2010). Bricolage − making do with existing resources while not being constrained by them (Baker & Nelson, 2005) − is identified as a key concept for social ventures: it acts as a mediator to persuade other actors in the pursuit of creating systemic social change (Di Domenico et al., 2010; Gundry et al., 2011).

In summary, the domain of social entrepreneurship research is complex due to its trans-disciplinary nature and issues pertaining to definitions. Despite a fast-growing body of knowledge, most research is conceptual and exploratory, which does not help to legitimize the field of research. The few existing empirical studies − both qualitative and quantitative, and containing propositions and hypotheses − identify several important entrepreneurial behaviors: verbalizing ideas, leveraging and growing personal social contacts, bricolage, and collaboration with nonprofits, for-profits, and public sector organizations. Each of these few empirical studies has a context different from the phenomenon in which my research is most interested: the creation and early development of entrepreneurial social ventures. Some pertain to community-led ventures

and others to entrepreneurial ventures, but they do not focus on issues specific to nascent stages.

To anchor this dissertation, I propose using institutional and entrepreneurial strategy literatures and organizational ecology theories, while borrowing concepts from social and institutional capital, effectuation, sense-making, and community-building literature to offer supplementary explanations. Since social ventures span the boundaries of conventional nonprofit and for-profit institutions, my focus is to explore the behaviors employed by social entrepreneurs to mobilize resources and garner support from among these institutions.

Contributions

The goal of this research is to advance theoretical development and empirical research pertaining to new social ventures, which differ from both conventional nonprofits (due to profit motives) and from business ventures (due to the primary objective of creating social value). As a result, new nonprofit or business venture-creation theories, specifically the actions and decisions of entrepreneurs, may be only partially relevant. In addition, these theories suggest actions and decisions which may conflict with one another; for example, new nonprofit-venture creation is contingent upon building volunteer groups and appointing an effective board of directors (Brown, 2007; Bryson, 2011; Lewis, 2005). Not only are these tasks not discussed in theories of business-venture creation, they may be counterintuitive, even counterproductive, because establishing nonessential volunteer groups diverts critical resources. Similarly, business venture creation requires the conceptualization and development of products, and a key influencing factor is their potential to optimize profits by creating short and long-term

economic value. Such tasks and activities are not necessary for the creation of conventional nonprofits wherein profit making not a focus. On the whole, therefore, it is unclear which aspects of each theory are useful for social venture creation. To answer questions such as these, I utilized three premises to guide my research.

First premise: *Naturalistic inquiry-based research* (Lincoln & Guba, 1985) *enables theory development for the phenomenon of research interest, rather than presupposing a theoretical model* (Babbie, 2007; Corbin & Strauss, 2008).

In the absence of existing theoretical models which explain social venture-creation actions, grounded theory-based research is likely to provide theoretical explanation for the phenomenon. A key contribution is the contextualization of tasks and activities associated with social ventures, in contrast to those associated with conventional nonprofits and business ventures. The venture-creation process is defined as a sequence of events or activities which (1) determine how things change over time or (2) represent an underlying pattern of cognitive transitions by which an entity deals with issues (Van, Hudson, & Schroeder, 1984). Venture creation is best studied using the grounded theory approach, whereas most social entrepreneurship process models are conceptual-, theory-, or case study-based (Guclu et al., 2002; Perrini et al., 2010; Wei-Skillern et al., 2007). My research provides an initial empirical validation of one such process model for social venture creation, identifying normative actions important to accrue the capital needed to legitimize the ventures.

Nonprofit venture development strategies propose predictive rational choice-based actions such as strategic planning, forming a board of directors, and establishing a group of volunteers. Business venture-creation theories emphasize a similar logic focused

on such activities as developing a business plan and marketing the product/service. Grounded theory-based research facilitates the examination of the logic used by social entrepreneurs and, if founded on rational predictive logic, that of constructive logic.

The first phase of my research was based on social ventures which successfully produced short-term social outcomes, plus forged partnerships to effect long-term social change. It also encompassed ventures which either dissolved or had yet to produce social outcomes, despite having been in existence for more than five years. A comparative analysis of the actions of those which succeeded and those which struggled suggests the potential impact of entrepreneurial actions and decisions on venture development.

Second premise: *Exploratory research may suggest the application of existing theoretical lenses to conceptualize entrepreneurial actions in social venture development*.

Accordingly, data from grounded-theory research is subject to theory-driven analysis (Boyatzis, 1998; Simon, 1996), in this case using design (Simon, 1996) and effectuation (Sarasvathy, 2001) theories. This analysis helps formulate constructs and causal relationships for empirical testing of theoretical models which explain the impact of these actions. The thesis then focuses on how entrepreneurial effectuation is used to design social ventures, and whether certain effectuation and design principles differentiate successful ventures from those which struggled /failed.

Third premise: *It is appropriate to use findings from theory-driven analysis to propose a conceptual model, whose constructs and hypotheses are subject to empirical validation.*

The research emphasizes that entrepreneurs use constructivist logic rather than predictive logic. Initial constructs are devised to measure effectual actions, whereas design principles emphasize that initial design is achieved through raw actions subject to sense-making processes, selecting those elements which make the situation meaningful. Effectuation theory contextualizes the actions of new venture creation relative to nonprofit and business-venture creation.

Map of the Dissertation

The dissertation consists of several introductory and concluding chapters, while the main content is presented in three parts which correspond to the primary phases of research. The introductory chapters consist of: *Chapter I: Introduction; Chapter II: Guiding Literature;* and *Chapter III: Overall Research Design. There are two parts to Chapter IV: Study One, and they are as follows: (a) Identifying "the What?" and "the How?"* and (b) *How to balance Competition and Collaboration.* Next comes *Chapter V: Conceptualizing and Validating the "the What?" and "the How?"* (in which *Emergent Conceptualization* is followed by *An Alternative Conceptualization).*The dissertation then concludes with *Chapter VI* which consists of the sections: *Integrated Findings and Discussion; Limitations;* and *Contributions to Theory and Practice*. What follows is a brief overview of the chapters.

Chapter I provides an overview of the research in which social entrepreneurship is defined and situated in the context of sustainable development. The phenomenon of research interest is discussed, along with its importance in the current situation from scholarly and practitioner perspectives. This serves to lay the groundwork for research contributions discussed in detail in a later chapter.

Chapter II discusses all relevant literatures which provide insights, and sets the groundwork for the initial grounded-theory approach of inquiry. Given the trans-disciplinary nature of social entrepreneurship, I inform the research through a variety of bodies of knowledge. This chapter also helps to situate the study within a larger discourse among scholars and practitioners. Due to the largely exploratory nature of the research, I have adopted an emergent research design.

Chapter III discusses the overall mixed-methods research design and outlines the design stages for triangulating findings and proposing subsequent research questions, while *Chapter IV* discusses the conceptual framework and specific research questions which Study One, the grounded-theory study, attempts to answer. This study contains two parts:

> Part One, an introduction to specific research questions and the methodology used to understand "what social entrepreneurs do" (using a qualitative research approach); findings from the first portion of Study One are discussed.
>
> Part Two takes a more in-depth look at the grounded theory research used to explore the ambidexterity needed to manage mission and business objectives.

Chapter V contains data from Study Two and Study Three, attempting to build and test conceptual models pertaining to entrepreneurial behaviors, approaches, and venture performance. Study Two used the grounded-theory findings and discussion to (a) propose research questions, (b) develop a conceptual model with testable hypotheses and (c) develop a research design using Structural Equation Modeling (SEM). Findings from this study are discussed. Study Three triangulates the findings from Study One and Study Two, building a case for conceptualizing social venture development as a constructivist

philosophy and proposing that a design paradigm guides entrepreneurial actions. A review of design principles and effectuation theory (which is based on constructive logic) is conducted to propose and validate an alternate conceptualization of entrepreneurial actions which is then explored using mixed-methods research design (qualitative research embedded within quantitative research). Study Three uses previously collected qualitative and quantitative data.

In the concluding section of the dissertation, *Chapter VI*, I present a discussion and triangulation of the findings across the all three studies. This is followed by an explanation of the limitations of the overall research, not just individual studies, and a discussion as to contributions to theory and practice, suggestions for future research, and policy implications.

CHAPTER II:
UNDERSTANDING SOCIAL VENTURE DEVELOPMENT AND SURVIVAL

Multiple theoretical lenses and bodies of knowledge are required to understand *what* startup social entrepreneurs do and *how* they go about accomplishing tasks. There are three primary factors which make this array of research tools necessary: (1) the trans-disciplinary nature of social entrepreneurship, (2) the hybrid nature of social ventures (spanning nonprofit and traditional business ventures' institutional boundaries), and (3) the relative scarcity of literature on the creation and early development of hybrid innovations in general. I analyze the influences and forces affecting entrepreneurial actions at multiple levels (individual, organizational and institutional) by reviewing multiple theories listed below, initially at high-level only. More detailed review of the theories is conducted in subsequent chapters.

- Individual level theories – individual motivation, human and social capital, social exchange
- Organizational theories – strategy literature (rational, emergent and design approaches to strategy), organizing activities, and organization ecology
- Institutional theories – institutional norms and values

At the individual level I begin by exploring theories about leader and entrepreneur motivation to gain understanding of individuals' stimulus and inspiration to launch social ventures, despite limited potential for personal wealth accumulation. Similarly, an individuals' knowledge, skills, past experience and personal networks represents the cumulative capital available to the entrepreneur and is likely to affect his/her choice of startup actions. As a result I review human and social capital concepts for potential

impact to entrepreneurial behaviors. Next, startup leaders need to interact with a diverse sets of stakeholders to gain support for their organizations, some that may require polar opposite orientations such as power and win-lose versus sharing and win-win. Literature on social identities and personal preferences while enacting different identities can tell us more about how entrepreneurs succeed with diverse behavioral orientations essential to satisfy both mission and business stakeholders. I therefore review social exchange literature particularly from the perspective of individual's preferences pertaining to social identities during exchanges and how they may affect startup behaviors.

At an organizational level founders' approach to strategy at early stages is one of the key factors influencing founder behaviors. Accordingly, I review organizational strategies to understand strategy choice, actions and decisions founders might enact. In particular, I compare rational, emergent and design theory based planning approaches to understand which nascent stage actions determined by these theories entrepreneurs might engage in. At the same time, I review literatures pertaining to:

(1) Leaders' and entrepreneurs' tasks and activities for both conventional nonprofits and business ventures;

(2) How the extent of founders' knowledge, networks, and financial capital guides entrepreneurial actions;

(3) Their decision-making processes; and

(4) Venture construction actions using design and effectuation principles.

All are reviewed in the context of the actions involved in launching initiatives, with special emphasis on *what* startup nonprofit leaders and entrepreneurs do and *how* they go about doing it. Finally, I use an ecological lens to review the impact of the

leader/entrepreneur's actions on the creation, survival, and performance of the initiative at early stages.

Influence of Individual Motivations on Organizing Startups

Motivation may be the spark that translates latent intention into action, in which the goal is to survive and/or to succeed, thus avoiding failure. Motivation provides insights into what prompts an individual to act and what makes that individual choose one behavior versus another (Carsrud & Brännback, 2011). Individuals take organizing actions for a number of different social, economic, and political reasons or a combination thereof. Previous research indicates that the motivation to organize stems from three possible sources:

(1) The need to reduce the tension caused, for example, by one's financial or social problems (Gartner, Carter, & Reynolds, 2010; GEM, 2005);

(2) The desire (achievement motivation) to pursue an opportunity for value creation (Gartner et al., 2010; GEM, 2005) for oneself or shareholders (Carsrud & Olm, 1986); and

(3) Either (a) altruism or the desire to serve a mission, such as a passion to solve others' problems or a community problem (DiMaggio & Anheier, 1990), (b) the need to address a market failure (Hansmann, 1980), or (c) the desire to provide a public good (Weisbrod, 1997).

Since motivation plays a central role in predicting human behavior (Carsrud & Brännback, 2011), systemic differences in motivations will likely lead to systemic differences in organizing behaviors and decisions (Bygrave, Hay, Ng, & Reynolds, 2003; Langowitz & Minniti, 2007).

When driven by necessity, individuals may have reduced access to employment or may be the victim of social, cultural, geographic, political, or environmental conditions resulting in stress with a call for action. Such individuals dissatisfied with their current situation are driven to organize for change. This organizing may involve (1) starting ventures to enhance financial security or (2) organizing voluntary associations to produce positive change in surrounding conditions.

The propensity of these necessity-based individuals to take risks may be low and the downside of failure may be high; individuals may find it necessary to shy away from focusing on situations which present high potential, since these are often associated with high risk. Contrary to this, more satisfied individuals have the ability to choose from alternatives and can afford to look at multiple opportunities to create value (Bygrave et al., 2003). Such individuals organize ventures to produce economic and other forms of value (e.g., technological) for themselves and shareholders. Opportunity-driven individuals have a greater risk appetite and increased access to resources, including financial capital (Bygrave et al., 2003); they are also likely to possess broader and more diverse social networks with greater capacity to mobilize resources held within networks (as compared to necessity- driven individuals).

Finally, altruistic individuals are driven by the mission to serve others and create public value for mission beneficiaries (Moore, 2000) rather than for shareholders; this is in contrast to opportunity-driven individuals who focus on select groups of financiers for startup funds. Altruistic individuals are able to focus on seeking legitimacy with a large group of stakeholders in order to mobilize both financial and non-financial resources to support their ventures; they must also convert their mission- related drive into a viable

opportunity, thus increasing the complexity of venture creation (Guclu et al., 2002; Perrini et al., 2010; Wei-Skillern et al., 2007).

Stark differences in founders' motivations and actions may lead to diverse strategies as far as the creation and initial development of organizations is concerned. For example, individuals with achievement motivation are rational in information processing and use logic to arrive at decisions, whereas altruistic individuals motivated by affiliation with a cause may use (1) a consensus-driven approach to information processing and (2) a participatory approach to decision-making (Quinn, 1980). To the best of my knowledge, no studies explore whether social entrepreneurs tend to be necessity- or opportunity-driven or altruistic in nature, but dual economic and mission goals suggest that the motivations mirror those of both opportunity- and altruism-oriented individuals. As a result, the social entrepreneurial strategies, actions, and decisions may be hybrid in nature.

Behaviors to Manage Diverse Stakeholders

In the narrowest sense, stakeholders are identifiable groups or individuals who have a *stake* in the actions of the corporation, and without whose support the organization would cease to exist. In the broadest sense, they are identifiable groups or individuals who can affect, or are affected by, the achievement of an organization's objectives (Freeman & Reed, 1983; Frooman, 1999). Stakeholders award legitimacy, and hence provide the resources necessary for an organization to come into existence and develop. In the narrowest sense, typical stakeholders for nonprofits include its beneficiaries, board members, funders and donors, employees, volunteers, and partnering organizations. In the case of business ventures, stakeholders consist of shareholders, investors, employees,

suppliers, business partners, and customers. With the dual objectives of producing long-term social change and generating income, even in the narrowest sense the stakeholder group for social ventures is larger and more diverse than those of nonprofit or business organizations.

This is a large group, since the sum total of mission and business stakeholders is, by definition, larger than the individual groups. Collective stakeholders are also diverse since the institutional norms, rules, and axioms used to award legitimacy for each nonprofit and business institution is different (Dart, 2004). In addition an imperative of long term sustainability of the venture is the need to engage with natural, living systems and geophysical stakeholders. It is not apparent how founders deal with such stakeholder breadth and diversity. The implication, therefore, is that startup social entrepreneurs need to (1) identify or recognize whether an individual or group is a potential stakeholder (related to one of the domains) and (2) take actions which conform to the norms of the appropriate institution to which the stakeholder belongs in order to gain support.

Influence of Founders' Stock of Capital on Startup Actions

An individual's stock of capital is the sum of the human, social, and economic capital s/he possesses (Bourdieu, 1986), indicating the individual's worth at a given point in time. Human capital is the compendium of all traits and abilities that make human beings economically productive in society and, in the narrowest sense, means their educational qualifications, skills, and work experience. Social capital, on the other hand, is conceptualized as resources embedded in the social networks accessed and used by actors. Greater stock of capital can result in efficient actions with reduced transaction and information costs (Nahapiet & Ghoshal, 1998), which is important for start-up

organizations: the initial stock of capital held by the founders buffers the new venture's liability. When entrepreneurs "engage the energies of everyone" or "create and sustain networks," it triggers positive feedback that helps to grow the capital; by contrast, employing behaviors that only consume capital may cause an irreversible spiral leading to venture mortality (Audretsch & Monsen, 2008; Ndofor & Priem, 2005). King (2004) suggests that founders' "social capital can appreciate over time with use and investment, but will also depreciate with non-use or abuse."

Studies have identified several behaviors which help grow founders' capital and, therefore, increase access to resources. For example, actions that develop relevant knowledge and skills help to build personal reputations (Lam, Shaw, & Carter, 2007); participating in the right types of networks, and establishing network activities and exchanges, help build social capital (Davidsson & Honig, 2003; McGrath & McMillan, 2000). Engaging in storytelling to create belief facilitates the acquisition of capital (Lounsbury & Ann, 2001), while building network ties to address structural deficiencies increases social capital (Burt & Celotto, 1992; De Carolis & Saparito, 2006; Obstfeld, 2005).

Founders employ behaviors which enable the conversion of one form of capital to another, giving access to desired resources. For example, social capital is positively associated with personal giving and volunteering, suggesting that nonprofit leaders should engage and embed in associational relationships to demonstrate their belief in the system (Brown & Ferris, 2007), thus increasing charitable gifts, a critical resource at startup. Given the duality of social ventures, this question presents itself: "How do

founders' stocks of capital influence their ability to manage large and diverse stakeholder groups?"

Influence of Social Exchange Preference on Startup Actions

Social ventures require a certain managerial ambidexterity − the ability to proactively compete to achieve market goals (Porter, 1996) and to collaborate to actualize pro-social objectives (Bloom & Chatterji, 2009; Mair & Schoen, 2007; Wei-Skillern et al., 2007). Challenged to operate concomitantly as a business and a nonprofit organization, it is unclear whether a social venture should prioritize (i.e., attach more importance to) one orientation over the other and, if so, when. Does the prior experience of the founders influence the dominance of one orientation over the other? And, do venture founders become overwhelmed with the number of competitive and collaborative tasks to perform?

Competition is a quintessential component of each of the distinct frameworks which business ventures utilize to capture market share, grow, and create shareholder value. While businesses do cooperate in building alliances, participating in networks, and deploying vertical integration strategies, their objectives are always to strengthen their competitive advantages and/or increase profitability (Child, Faulkner, & Tallman, 2005; Clarke-Hill, Li, & Davies, 2003; Hill & Jones, 2007; Human & Provan, 1997). Traditional nonprofits, contrarily, rely on cooperation as a primary strategy. Their goal is to develop an ecosystem of collaborators (Wei-Skillern et al., 2007) to facilitate access to human, physical, and technology resources (Bourdieu, 1986; Burt & Celotto, 1992; Lin, 2002) − either free of cost or at lower-than-market rates. While nonprofits do compete − for capital, labor, board members, prestige, political power, and volunteers to increase

their earned income (Brody, 1996; Galaskiewicz, Bielefeld, & Dowell, 2006; Weisbrod, 1997) – their primary purpose for doing so is not the desire to increase profits and personal wealth, but to change the status quo (Auerswald, 2009; Guclu et al., 2002). People tend to adapt one dominant identity orientation – personal, relational, or collective – during social exchange (Brewer & Gardner, 1996), and such preferences may have an impact on the types of social exchange actions in which founders engage. For example, those who prefer to identify at a personal level engage in negotiated exchange rather than reciprocal or generalized exchange. People and firms may act based on deliberate rationality, but individual actions are often not motivated by reciprocity (i.e., the returns they are expected to bring: Emerson, 1976). Yet social exchange behaviors do produce returns. Do social venture founders "switch identities" as they simultaneously collaborate for mission success and compete for growth and profitability?

Effect of the "Logic" Employed on Entrepreneurial Actions

Organizations can be said to have a strategy when they and their leaders are committed to a particular vision of how to create value and sustain themselves in the immediate future (Andrews, 1997). An organization comes into existence and is developed when the founders' vision translates into a clear articulation of purpose (by developing hierarchies and systems of control), clearly defining tasks, and having a clear division of labor (Weber, 1947). Conventional wisdom suggests that strategic planning prior to starting an organization is advisable. Systematic planning for various components of the startup organization is the process of strategic planning, and is predominantly conceived of as what the founders *plan* to do in future. Planning helps participants gain clarity regarding each component and better predict the outcomes of their actions. An

organization comes into being and is developed only when these plans are implemented, fostering the notion of planning before execution (Andrews, 1997; Chandler, 1962).

This "deliberate planning" school of strategic thinking contrasts with the more adaptive strategies of organizational development, in which the focus is on experimentation and learning: founders' actions are taken "in the moment" in response to environmental feedback. Strategy, in this case, is conceptualized as "a pattern in a stream of actions and decisions" (Mintzberg, 1978; Mintzberg & Waters, 1985) and as an incremental approach to learning from feedback (Quinn, 1980). While adopting a dominant emergent strategy, founders may use plans primarily to tell a story to the investors and stakeholders about their venture (Morrison & Salipante, 2007). This approach to strategy emphasizes where the organization *is*; the deliberate approach focuses on predicting where the organization *will be*.

The design school sees strategy as fundamentally concerned with learning and in the search of emergent opportunities rather than an optimization issue (Liedtka, 2004). Design thinking emphasizes creation and action orientation for enhanced decision quality. Design process is a series of local experiments in which the situation "talks back" continually allowing critical organization components to "take shape". Design thinking therefore is scientific (rational) to the extent that the inquiry consists of generating creative "what if" hypothesis, testing them often as risk free mental experiments and selecting the most promising ones for further inquiry (Schon, 1983). The model of reasoning used in design thinking is abductive wherein an image of future reality that does not exist today is central to design (Cohen, March, & Olsen, 1972). Design approach

therefore connects the planning and adaptive approaches by encouraging firms to carefully plan to quickly adapt (Wiltbank, Dew, Read, & Sarasvathy, 2006).

A broad observation regarding design versus deliberate planning in the context of entrepreneurial ventures therefore is: early stage entrepreneurs enjoy the benefit of not being constrained by existing resources that have been tuned to a particular purpose. So, they have more design alternatives open to them and can modify purposes (and means) without the problems of wasting existing resources or changing resources (capitals of various types and routines) to suit new goals. In a major sense, they are freer to engage in (re)design than are organizations with established resources. For the latter, planning may play a more central role, since changes can be brought about only slowly. Or, is this last an illusion? Does it reflect an unwillingness and lack of creativity on the part of management to be flexible and use feedback to alert selves to the need for change, and then find or design effective changes within the seemingly greater constraints of existing resources?

When organizations are young or are conceptualized and developed by an individual or a small group of cofounders (i.e., are entrepreneurial), the actions are primarily based on the vision and human capital of the founding person(s). Perhaps entrepreneurs with experience in large, well-established, fixed resource organizations (whatever the sector) are used to “planned change” (which usually means telling someone else to change), lacking the skill and predilection to engage in designing. On the other hand those with prior entrepreneurial experience or driven by necessity may not be confined by the resources and may demonstrate willingness to engage in learning and design approach to developing their ventures.

Strategies of entrepreneurial organizations therefore may be a blend or hybrid of deliberate, adaptive and design approaches. The strategy is deliberate only to the extent that the founders' motivations and intentions, although not explicitly stated, drive their own actions. To turn a vision and intention into organization reality requires specifying the components, and founders' vision can be easily molded because it is often the founders who both envision and execute actions at the same time.

As a result, incorporating environmental feedback and changing the strategy can be easy, implying that the strategy may be largely adaptive. While all startup organizations are likely to demonstrate a blended approach to strategy, the actions themselves might depend on founders' motivations as well as the organization's institutional affiliation. As discussed earlier, altruistic individuals are likely to initiate nonprofit organizations with the primary objective of producing public good, whereas opportunity-driven individuals may start business ventures primarily with economic goals in mind. Not only do the motivations drive different actions, the norms and axioms of each institution also differ significantly, implying distinctly different actions.

The nonprofit strategy literature emphasizes strategic planning (Brown, 2007; Bryson, 2011; Lewis, 2005; Moore, 2000; Oster et al., 2004) to gain support of stakeholders. Planning helps founders think, learn, and act so as to secure funding, recruit volunteers and board members, and service clients. Deliberate planning allows founders to assess important elements in relation to one another: "Where am I today?" versus "Where do I want to be?" and "How do I get there?" (Bryson & Alston, 2004).

In the current climate of economic turmoil, reduced nonprofit funding, and the continued need to increase stakeholder engagement, there is an increased need for

strategic planning (Pakroo, 2009). On the one hand, deliberate planning is emphasized for long-term orientation and stability; on the other, a case has been made for incremental and adaptive approaches as well as cooperative strategies. Studies show that nonprofits implement adaptive strategies in order to be more efficient, effective, and economical (Alexander, 2000). Using a grounded-theory approach (Morrison & Salipante, 2007) showed that broadened accountability of nonprofits towards their stakeholders is better served through a blend of deliberate and emergent strategizing. The process of designing and developing human service programs which produce social change is complex, since it involves managing diverse stakeholders with scarce resources; it is also ambiguous because, unlike businesses or the government, their mandate is self imposed.

The emergent approach facilitates the kind of stakeholder interactions necessary to overcome the unknown and design programs which result in social change (Netting, O'Connor, & Fauri, 2008). The social-change mission of nonprofit organizations often cannot be produced by a single organization, and requires cooperation with other nonprofits and both public- and private-sector organizations. Nonprofit cooperation results in financial stability and increases inter-organizational power (Stone, Bigelow, & Crittenden, 1999); therefore, it is a dominant strategy logic.

Business venture startup researchers have argued for rational deliberate planning (i.e., predictive approaches: Delmar & Shane, 2004; McGrath & McMillan, 2000) as well as adaptive emergent strategy (i.e., constructive approaches: Bhide, 2000; Carter, Gartner, & Reynolds, 1996). Those in favor of rational planning argue that activities such as business planning reduce the hazard of failure at startup (Delmar & Shane, 2004), whereas those supporting the emergent school show that adaptive and incremental

approaches to organizing new ventures (such as buying facilities, attending training, and forming a legal entity) predict startup success. I therefore do not see a dominant logic for either nonprofit or business venture startup strategy.

Social entrepreneurship conceptual studies thus far have emphasized the rational planning logic (Brinckerhoff, 2000; Dees, Emerson, & Economy, 2002; Wei-Skillern et al., 2007). Social venture startup research lags both nonprofit and business venture startup research, leading to such questions as, "Is there a dominant logic used by social entrepreneurs during the startup phases of social ventures?" Early in the process of venture development, are there times when rational planning can better guide entrepreneurial actions, while at other times emergent logic better addresses uncertainty about what to do? Just as the founders' motivations influence the startup actions, I expect the dominant logic for social venture creation to also influence startup entrepreneurial actions; therefore, it is important to study the extent to which logic guides entrepreneurial actions.

Behaviors: The "What" of Starting a New Venture

Organizing is anchored in actions such as developing a business model for social change, acquiring customers, marketing, producing and selling goods, acquiring facilities, securing financial support, and involving the beneficiaries of the social venture as employees or consumers. Both sociologists and entrepreneurship scholars emphasize the need to research actions involved in firm creation (Aldrich, 1999; Gartner, 1985; Shane & Venkataraman, 2000). I discuss startup actions identified in prior research for each business ventures and nonprofits and summarize these in Table 3.

A few discrete studies on business venture creation behaviors show that independent variables (Bird & Schoejdt, 2009) such as buying equipment, developing prototypes, organizing a startup team, preparing a business plan (Gartner et al., 2010), beginning to market, opening a bank account, and purchasing raw materials (Tornikoski & Newbert, 2007) predict new venture creation. Business ventures which successfully come into existence undertake more actions with greater intensity than those which disband or keep trying. Actions such as establishing a legal entity and buying facilities indicate that the focus is to make their business tangible to others. Successful creation is attributed to a temporal pattern of actions with a greater rate of activities, but with lower concentration in the beginning (Lichtenstein, Carter, Dooley, & Gartner, 2007). Once the venture comes into existence, engaging in actions such as leveraging external support structures for knowledge acquisition (Chrisman & McMullan, 2004), participation in networks and alliances (Street & Cameron, 2007), problem-solving, and forming strategic relationships (Hugo & Garnsey, 2005) support growth at early stages.

The actions of nonprofit startups differ significantly when compared to business ventures. Nonprofit founders begin with an idea and a personal mandate to address a social problem that is a broad area of concern (as against business founders' mission of technology innovation or creating product-specific value for the customer) and spend significant time and effort framing the issue in a way that will gain the most support (Bobo, Kendall, & Max, 1996). While studies emphasize the importance of the idea and the mission statement, as illustrated through examples, they lack empirical research as to what founders actually do to arrive at a winning idea or mission. At the idea stage, the nonprofit has yet to come into existence. Subsequent startup actions involve raising

funds for the mission and, like business ventures, forming a legal entity, recruiting community leaders and board members, and defining a program to produce the desired social change (Bangs, 2006; Bobo et al., 1996; Kahn, 1982). Early in the process there is little focus on actions pertaining to the governance, systems, management, or sustainability of the nonprofit (Zimmermann & Stevens, 2008).

Most social entrepreneurship studies are conceptual, and only a few have propositions and testable hypotheses. The handful of studies on social venture emergence identify such key actions as idea articulation, idea ownership, stakeholder mobilization, and community engagement (Borch, Førde, Rønning, Vestrum, & Alsos, 2008; Haugh, 2007). Other key actions identified are the development of social value networks and business models to integrate clients into those networks, plus to integrate resource bases into their strategies (Mair & Schoen, 2007). The hybrid nature of social ventures suggests that the actions taken to create and develop a venture derive from both nonprofit and business ventures. However, with such a wide range and diversity of actions, it is unclear which ones are critical for social venture launch. This calls for further research.

TABLE 3
Motivation and Startup Behaviors of Business Ventures and Nonprofits

Business Ventures	Nonprofits
Primary motivation – personal wealth creation, technology innovation, improving comfort, health while making a profit	Primary motivation – personal mandate to address a societal problem
Focus is to make the business tangible to others through buying equipment, developing prototypes, organizing a startup team, preparing a business plan, beginning to market, opening a bank account, and purchasing raw materials	Begin with an idea, spend significant time and effort framing the social issue, gain stakeholder support for the issue, raise funds for the mission, form a legal entity, recruit community leaders and board members, define program(s) to produce the desired social change
Undertake more actions with greater intensity to succeed	Nascent stages – little focus on governance, systems, management, or sustainability of the nonprofit
Leverage external support structures for knowledge acquisition	Mobilize groups for collective action
Participate in networks and alliances	Build cooperative relationships with other nonprofits and businesses
Form strategic relationships	

The Impact of Startup Actions on Organization Survival

Founders' actions form a critical link between complex venture creation processes and venture outcomes (Aldrich & Martinez, 2001) observed as their survival. This raises a question: "To what extent do the specific actions undertaken, and the sequence and timing of these actions, affect survival and/or growth of the venture?" In general, new and small organizations, whether nonprofits or business ventures, face the liability of newness and exhibit greater mortality than older ventures (Hannan & Freeman, 1984; Stinchcombe, 1965). Founders and employees of new organizations require time to develop trust within their organizations and with others, and need time to define organizational routines which lend confidence to stakeholders; this need for time increases the risk of failure. Understanding the causality of actions and venture survival at early stages can help mitigate the liability for nascent organizations.

Nonprofit organizational ecology studies have exposed a wide range of factors pertaining to the early-stage survival of nonprofit organizations. These range from having an effective board of directors, diversifying the sources of funding, and quickly establishing a track record of program delivery (Delehanty, 1996; Hager, Galaskiewicz, & Larson, 2004; Singh, Tucker, & House, 1986), gaining the support of gatekeepers and high-status players in the community (Baum & Oliver, 1991), establishing a wide range of social ties to allow leaders to ask favors and gain access to resources (Galaskiewicz et al., 2006), and engaging in material exchanges with individuals and organizations (Aldrich & Waldinger, 1990; Fernandez, 2008; Weed, 1991).

Business ventures improve their chances of survival when they undertake legitimacy-enhancing actions (Amburgey & Rao, 1996; Hannan & Freeman, 1977;

Meyer & Rowan, 1977) such as establishing organizational routines, creating a favorable reputation, and achieving cumulative victories. In order for organizations and individuals to award legitimacy to (and commit resources to) a new or emerging venture, founders need to demonstrate that they possess the skills to accomplish venture development tasks (Tornikoski & Newbert, 2007). One way founders create such belief is through active storytelling (Lounsbury & Glynn, 2001).

The survival rate of small business during the first four years is enhanced when founders leverage external resources, such as the Small Business Development Council (Chrisman & McMullan, 2004), to acquire the necessary competency. Ventures are more successful when they begin on a small scale, are implemented incrementally, and expand the business based on previous successes (Van et al., 1984). Finally, Delmar and Shane (2004) show that creation of social ties to external stakeholders, establishing organizational routines to transform resources, establishing a legal entity, and creating a business plan are important for new-venture survival.

The chances of survival increase when external stakeholders confer legitimacy on the founders and the new venture. However, not only are the stakeholders distinctly identifiable in the case of each nonprofit and business venture, the actions perceived as legitimizing differ significantly due to institutional norms. Because social ventures are hybrids, it is again unclear as to which legitimacy-granting actions associated with nonprofits and business ventures are relevant. Another question which needs to be answered: “How are these actions balanced among mission and business stakeholders to best support early-stage survival?”

Summary

My goal is to understand social-venture startup actions and the impact of these actions on venture development. Given the rather lean empirical research on social ventures, I largely rely on insights from nonprofit and business venture studies. Applying multi-theoretical lenses to the issue of founders' startup actions provides insights into the range of actions, the factors which drive those actions, and the outcomes of the actions. In each case I derive an in-depth understanding of these phenomena: (1) the influence of individual's motivations on the actions, (2) the logic used for the actions, (3) the startup actions undertaken, (4) the impact of actions undertaken, (5) the actions pertaining to stakeholder engagement to create support for the venture, and (6) the influence of founders' stock of capital (and preferences for identity orientation during stakeholder exchanges) on the actions themselves. A logical accumulation of these analyses to understand social venture startup actions raises specific questions worthy of focused research. These include:

1. What actions do social entrepreneurs undertake to launch and develop a venture? Which among many possible logics (rational planning, adaptive incrementalism, or a combination thereof) drives the start-up actions of social entrepreneurs?

2. How do start-up actions address the dual needs of (a) collaboration to produce social change and (b) competition for economic goals?

3. How do the actions exhibited by successful versus failed social ventures differ?

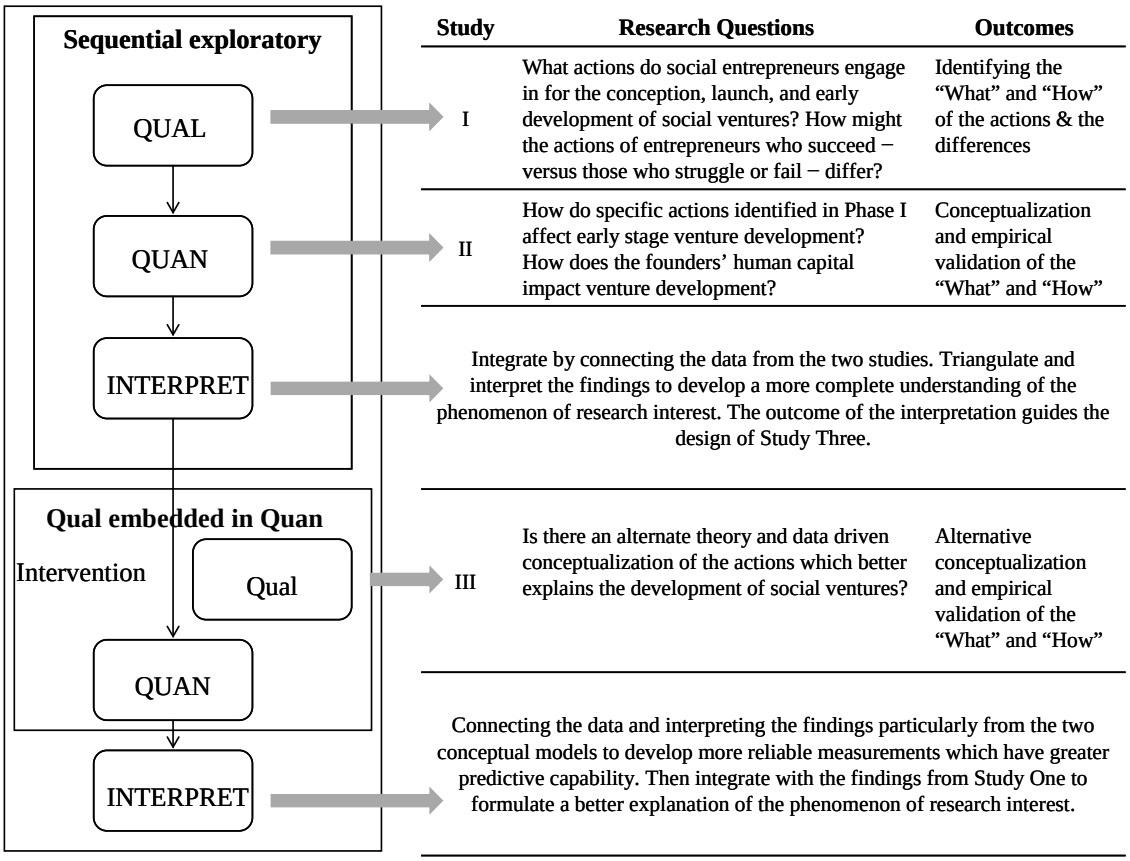
4. How can I measure start-up social venture actions and venture development? Do these measures predict venture development during their early stages?

CHAPTER III:
RESEARCH DESIGN

Given the paucity of scholarly knowledge pertaining to the research aims, I used an exploratory mixed-methods research design (Creswell, Plano Clark, Gutmann, & Hanson, 2003) consisting of the three phases shown in Figure 3 below. Informed by multiple bodies of knowledge, in Study One I used a grounded-theory approach to identify the actions social entrepreneurs undertake and the approaches involved. In Study Two, I tested a conceptualization of the actions and approaches identified in Study One as a causal model to determine its ability to predict venture development. Given the nascence of the research domain and the exploratory nature of the research, Study Three was necessary to explore an alternative conceptualization. The alternative model is based on triangulating the findings from Studies One and Two, as well as on using a preferred theoretical basis. The findings from all three studies are interpreted to arrive at conclusions.

The unit of analysis for the dissertation is the venture. However, the research pertains to the conception and early stage development (less than five years from the conception) and since the behaviors observed in young organizations mirror those of the founders, the unit for data collection is the founders themselves. Furthermore, young organizations lack the routines and structures of larger, more developed organizations; the success of young ventures therefore equates with the founders' success. This dissertation therefore refers to venture and entrepreneurial success interchangeably.

FIGURE 3
Overall Research Design



Study One: Identifying the "What?" and the "How?"

What actions do social entrepreneurs engage in for the conception, launch, and early development of social ventures? How might the actions of entrepreneurs who succeed − versus those who struggle or fail − differ?

I chose to use multiple theoretical lenses to inform us of the phenomenon of research interest, and I decided to use a grounded-theory approach to first identify the actions in which social entrepreneurs engage during startup stages. My focus was to identify patterns as regards the types of phenomena: (1) the actions themselves, (2)

potential configurations of the venture based on the actions undertaken, (3) the logic of the actions, and (4) the choices made for certain actions over other possible actions.

It was my goal to identify differences in these patterns when it comes to ventures which succeed at startup stages and those which struggle or fail. Semi-structured interviews with founders of 23 social ventures, all founded in 2003 or more recently, enabled founders to recreate their "lived worlds" (Spradley, 1979) to provide realistic accounts of the actions beginning with the earliest days of venture conception. Interviews facilitated the description of the initial environment, the goals and strategies adopted, events as they subsequently unfolded, and decisions and changes subsequently made until the time when interviews were conducted.

Study Two: Conceptualizing the "What?" and the "How?"

> *How do specific actions identified in Study One affect early stage venture development? How does the founders' human capital impact venture development?*

Study Two used a quantitative empirical approach to assess the effect of specific start-up actions and approaches on venture development. I developed measures using prior research for the actions and approaches identified in Study One, and developed a causal model to predict venture development. In some cases where validated measures are lacking, such as venture development, I have proposed new measures using scale development guidelines (Churchill, 1979) and the insights from the grounded-theory research from Study One. To empirically validate the measurements and the conceptual model, a quantitative cross-sectional survey was conducted involving 196 social entrepreneurs with a focus on the initial years of venture development. Since theory-building is in initial exploratory stage, I have used structural equation modeling (Hair,

Black, Babin, & Anderson, 2010) to test the relationship between various actions and approaches on venture development.

Study Three: Alternative Conceptualization

Is there an alternate theory and data-driven conceptualization of the actions which better explains the development of social ventures?

First, I interpret the findings from Study One and Study Two to obtain an expansive and holistic understanding of the actions underlying social venture development. Social entrepreneurship theory remains in an intermediate stage in which constructs and measurement models are still under development (Perry, Chandler, & Markova, 2012; Short et al., 2009). I conceptualize and validate alternate models using interpretations from Study One and Study Two, and I also use a preferred theoretical basis such as emergent strategizing or design principles. Due to the emergent nature of the research, I do not presuppose an alternate conceptual model; instead, I have developed this at the end of Study Two. Study Three, therefore, is an embedded mixed-methods approach which uses theory-driven coding of the qualitative data collected in Study One to arrive at an alternate conceptualization of actions and approaches, as well as the causal model. I empirically validate the conceptual model using Study Two quantitative data as well as additional data required by the model. I have interpreted analyses of the quantitative and qualitative results to validate the alternate conceptual model. Finally, I complete a comparison and triangulation of both measurement models in order to arrive at conclusions.

Mixed-Methods Approach

My approach utilizes a sequential mixed-methods design to address research aims and answer specific research questions (Johnson & Onwuegbuzie, 2004). Qualitative research methods are useful in understanding the "How?" and "Why?" of a phenomenon as well as underlying processes (Maxwell, 2005). Grounded theory, which uses data gathered primarily through qualitative research methods, focuses on the interpretative process by analyzing "the actual production of meanings and concepts used by social actors in real settings" (Spradley, 1979). It follows an iterative process of constant comparison and theoretical sampling to arrive at a theory explaining the phenomenon of research interest (Glaser & Strauss, 1967).

Constant comparison refers to the simultaneous collection and analysis of data, whereas theoretical sampling involves arriving at theoretical categories through interpretation of the data and determining the direction of new data collection (Suddaby, 2006). Quantitative research methods aid the systematic empirical examination of the phenomenon by building hypotheses and using statistical techniques to provide support. Like grounded-theory development, the quantitative approach involves a series of steps which begin with theorizing a conceptual model that depicts the hypotheses tested. Measuring the variables in the conceptual model requires adapting existing measurement scales or developing new scales, then testing their suitability for the study (Bolton, 1993; Churchill, 1979). Structural equation modeling is best suited to testing conceptual models which consist of multiple causal relationships (Hair et al., 2010), and this is my preferred methodology. Additional statistical methods such as multiple discriminant analysis and multiple regression analysis are used as necessary.

Due to the emergent nature of the research, the studies were sequential with the results from each guiding the design details of the subsequent one. For example, theoretical constructs to measure venture development actions were conceptualized based on findings from the interview data. Findings from the initial qualitative and quantitative phases were triangulated and interpreted to develop a more complete understanding of the phenomenon. This understanding then determined my preferred theoretical basis for developing constructs and causal relationships in the alternative conceptual model. I used previously collected (raw) interview and survey data to design embedded qualitative research within the quantitativeresearch which constituted Study Two. Interpreting findings from Study Two, and triangulating them with previous findings, then allowed us to formulate a better explanation of the phenomenon and to develop more reliable measurements, which was also a primary goal of the research.

Taken together, these three studies allow us to triangulate social venture development actions in a conceptual model which predicts early-stage venture development. It also provides a starting point for emprirical measures of the actions as well as of venture development. In the next three sections of the dissertation, we present all three studies with detailed theoretical background, research methods, findings, discussion, implications, and limitations.

CHAPTER IV:
STUDY ONE – PART I: IDENTIFYING THE 'WHAT' AND 'HOW'

Abstract

Social entrepreneurs develop market-driven ventures to produce social change; some succeed while others fail. This research advances my understanding of startup behaviors of ventures that span nonprofit and for-profit institutional boundaries. A rigorous qualitative study of 23 social ventures reveals that entrepreneurs employ a blend of nonprofit and business venture behaviors, suggesting the importance of contextual factors. Only selective behaviors from each institution differentiate the successful from the struggling ventures. But while the higher-level organizing tasks and activities of successful and struggling ventures may appear similar, fine-grained analyses of their behaviors show stark differences, emphasizing the need for such analyses.

Introduction

Increasingly, social ventures – regardless of whether they are structured as for-profit or nonprofit entities − are compelled to engage with the market economy. Social ventures share characteristics with earned-income ventures begun by conventional nonprofits, since both are driven by the dual goals of social mission and trade driven revenues. Although no studies have quantified social venture mortality, most earned-income ventures expire within the first five years (Foster & Bradach, 2005; Kleiman & Rosenbaum, 2007), and suggest that social venture failures resemble those of small businesses; 40% fail in the first five years (Headd & Kirchhoff, 2009). Consequently, social entrepreneurs must purposefully navigate the start-up phases if their ventures are to survive and position themselves for sustained social change.

Despite mounting calls to improve the theoretical foundation of social entrepreneurship (Alvord et al., 2004; ARNOVA, 2006; Boschee, 1995; Dees & Elias, 1998; Haugh, 2005; Nicholls, 2006), the formation and early development of social ventures has been the subject of very few empirical studies (Gras et al., 2011). This study attempts to answer two questions. First, what actions do social entrepreneurs engage in for the conception, launch, and early development of social ventures? Second, how might the actions of entrepreneurs who succeed − versus those who struggle or fail − differ?

Theoretical Foundation

Motivations for Nonprofits and Business Ventures

While organizing for an initiative, individuals are predisposed to act so as to attain their goals; therefore, it is important to understand an individual's intentions and motivations as antecedents to her/his actions. There are systematic differences in the intentions and goals of individuals pursuing nonprofit and entrepreneurial initiatives (Gartner, 1993; Weisbrod, 1997), which implies differences in the organizing actions of each. Nonprofit initiatives involve private action for public good whereas entrepreneurial initiatives involve private action for private good: the goal of the former is to produce real concrete improvements in the lives of members (i.e., beneficiaries) while latter's is to accrue economic benefits to the individuals starting the initiative.

The primary reason for an individual to organize a nonprofit initiative is to address the issue with which s/he is dissatisfied, and would like to have changed (Bobo et al., 1996; Kahn, 1982). The motivations to do so include these factors: belief in the cause, joy of giving, liking to be asked, altruism, sympathy, pride, obligation, reciprocity,

nostalgia and commemoration (Mount, 1996; Portes, 1998). Personal, social, and environmental contextual factors that shape these motives (Berger, 2006; Van Slyke & Brooks, 2005) include age, race, income, education, political ideology, religious affiliations, wealth, and taxes. Entrepreneurial initiatives also originate from a combination of personal, social, political, and economic contexts (Bird, 1988; Hayton, George, & Zahra, 2002; Karlsson & Dahlberg, 2003).

Personal history such as poverty, deprivation, and insecurity − as well as other life changes such as the loss of a job or mid-life crises − may motivate the individual to pursue entrepreneurial initiatives, as may the attraction created by a partner, investor, role model, or customer (Brockhaus, 1982). Personal and social values developed through friends, family, and individual experiences shape and influence her/his perceptions of the desirability and feasibility of pursuing entrepreneurial initiatives (Shapero & Sokol, 1982). In addition to these, other individual factors such as vision, the need for stability, power, lifestyle, innovation, ego and the desire for wealth attainment play a significant role when it comes to becoming an entrepreneur (Amit, MacCrimmon, Zietsma, & Oesch, 2001).

Although broader personal, social, political, and environmental contexts influence launching both nonprofit and entrepreneurial initiatives, the motivations themselves as described above – and the axioms and rules associated with the respective institutional contexts – are distinct. Since motivations and goals drive actions, I expect nonprofit and entrepreneurial startup actions to differ. The study focuses solely on those discrete actions which can be observed by others, (also called as “behaviors” in this study), since they have direct applications to practitioners.

Startup Behaviors of Nonprofits

Nonprofit leaders need to plan for the launch and survival of the nonprofit (Bryson, 2011). Such planning involves translating the motivations into a collection of startup actions which, upon execution, bring the organization into existence. Defining the purpose or mission of the nonprofit is a startup action (Brown, 2007) derived from the founders' motivation of "belief in the cause." For example, a founder's belief that "empowering impoverished adults can help them find quality employment", influences the definition of the organizational mission: among others it may be "to assist the impoverished clients in transforming their lives and produce real, lasting success." The nonprofit's mission is at the heart of the organization's identity and has strong implications for managerial behavior (Lewis, 2005). In the absence of a profit motive, nonprofit leaders use the mission statement to articulate their reason for being (Moore, 2000). The only reason for the nonprofit (in the previous example) to exist is to produce transformational, long-lasting success in the lives of the impoverished. Defining the societal cause is, therefore, a critical startup action.

Unlike businesses, conventional nonprofits are often founded on charitable contributions. This requires startup nonprofits to plan for sources of charitable contributions, both financial and nonfinancial. Nonprofit leaders need to recruit capable and competent board members who subscribe to the mission since they can bring the key resources required for startup (Brown, 2007). Nonprofit leaders leverage the social ties of the board members to raise startup funds and to secure other nonfinancial resources; then, during startup, nonprofit leaders design program(s) to bring about the desired social change.

The design process requires planning program components, and understanding the skills, capabilities and infrastructure required to execute the program, as well as a plan to recruit the clients (Bobo et al., 1996). Nonprofits develop a marketing plan upon startup to market the cause and recruit donors, volunteers, and clients who will benefit from the program. Leaders approach the startup activities described above iteratively in small steps, and producing intermediate results (for example, coalescing a ready-to-go volunteer group) builds credibility with donors and facilitates the acquisition of financial resources (Bryson, Gibbons, & Shaye, 2001).

Nascent Nonprofit Survival

Of the wide range of actions in which nonprofit leaders engage during startup and early organization development, several are especially critical to the survival of the nonprofit. Examples include establishing a demand for the societal issue, mobilizing motivated volunteers, establishing an effective board of directors, diversifying the sources of funding, and establishing a track record of program delivery (Baum & Singh, 1994; Baum & Oliver, 1991; Delehanty, 1996; Hager et al., 2004; Singh et al., 1986). Baum & Oliver (1991) and Baum & Singh (1994) suggest that startup nonprofits are more likely to survive if leaders focus on and succeed at gaining the support of gatekeepers and high-status players in the community. Others argue that structurally embedding the organization by establishing a wide range of social ties allows leaders to ask favors and gain access to the people whose information and resources are necessary for early-stage survival (Galaskiewicz et al., 2006).

Actions to establish social ties with diversified financiers and to engage in material exchanges with such individuals and organizations improve the chances of

survival at nascent stages (Aldrich & Waldinger, 1990; Fernandez, 2008; Larson & Starr, 1993; Weed, 1991). More recent studies show that leaders' diverse behavioral repertoires benefit nonprofit performance (La Belle, 2010), while micro-level behaviors such as obsession with details and "taking nothing for granted" help nonprofits to manage crises (Roche, 2009), including those at early stages.

Startup Behaviors of Business Ventures

An entrepreneurial activity is a set of behaviors which transforms ideas into concrete reality in the form of an organization (Van et al., 1984) or a new venture within an existing organization. Based on research in this area, Gartner et al. (2010) developed a comprehensive list of firm organizing activities. To start a venture, entrepreneurs engage in domains that include personal planning, personal preparation, focusing on the product/service, creating a business presence, creating organizational and financial structure, and product implementation. Examples of actions which span these domains are: acquiring the necessary skills and experience, taking seminars, arranging for day care, saving money to invest in the startup, developing clarity of the business idea, developing a prototype of the product/service, talking to customers, defining the market for the product/service, organizing a team, acquiring physical space, registering the business, opening a bank account, obtaining liability insurance, purchasing raw materials, creating a business plan, and seeking external funding.

Once the business is registered, entrepreneurs engage in activities to provide custom contract services, and they continue to do so until they begin to deal with marketing the products/services and finding distribution channels (Van et al., 1984). This domain requires such actions as hiring a lawyer, establishing supplier credit, acquiring

customers, negotiating contracts, developing products/services, beginning to promote the products/services, establishing distribution channels, and receiving income from sales of products/services.

Nascent Business Venture Survival

Although scholars have researched the issue of organizing behaviors for business entrepreneurship, few studies compare the entrepreneurial behaviors of those which succeed and those which fail (Gartner et al., 2010). Delmar and Shane (2004) suggest that activities such as asking for funds, obtaining inputs from external stakeholders, establishing a legal entity, and completing a business plan reduce the hazard of failure. Tornikoski and Newbert (2007) suggest that ventures are more likely to succeed when entrepreneurs engage in behaviors such as making a business plan, initiating marketing, developing a prototype, purchasing raw materials, and opening a bank account.

Carter et al. (1996) suggest that the kind of activities entrepreneurs engage in, and the number and sequence of these activities, impacts the entrepreneur's ability to create new ventures. Their research identified three activities which differentiated the ventures which successfully launched from those which disbanded or were still trying to launch: purchasing or leasing facilities and equipment, obtaining financial support, and developing models. In another study, Gartner, Starr and Bhat (1999) found that, of the 38 organizing activities they studied, three stood out in terms of differentiating survivors from non-survivors: working with established suppliers or subcontractors, analyzing potential new entrants, and determining the identity of the new business.

Entrepreneurial actions which focus on building the overall stock of assets, (i.e., knowledge, skills, and capabilities possessed either directly by the entrepreneur or those

that can be accessed through their networks), helps mitigate the liability of newness. This includes actions such as engaging the energies of everyone, creating and sustaining networks, developing relevant knowledge and skills through training and mentoring (Lam et al., 2007), participating in the right types of networks and establishing network activities and exchanges (Davidsson & Honig, 2003; McGrath & McMillan, 2000), engaging in storytelling to create belief (Lounsbury & Ann, 2001), and building network ties to address structural deficiencies (Burt & Celotto, 1992; De Carolis & Saparito, 2006; Obstfeld, 2005). By contrast, employing behaviors that only consume one's stock of assets may cause an irreversible spiral leading to venture mortality (Audretsch & Monsen, 2008; Ndofor & Priem, 2005).

Social Ventures: Motivations, Organizing Behaviors, and Venture Survival

Like the leaders of conventional nonprofits, social entrepreneurs are concerned about or dissatisfied with *status quo* responses to problems encountered personally, whether in the family or in the community (Guclu et al., 2002). They are motivated to change the status quo, using market economics. Although similar to business ventures with a distinct focus on developing a financially self-sustainable business model, there is a need to emphasize the "other" (i.e. the venture's clients or beneficiaries) to derive organizational power for producing social change (Wei-Skillern et al., 2007). One example: an entrepreneur sees an opportunity to break the cycle of incarceration of repeat offenders, launches a retail business, employs ex-offenders, and reinstates them in the regular workforce.

Perrini et al. (2010) have outlined a social entrepreneurship conceptual process consisting of four main clusters of organizing activities:

(1) opportunity evaluation for expected social and economic value;

(2) innovation in products/services, methods, factors, and relations;

(3) organization launching and functioning by developing necessary routines; and

(4) enhancement of societal well-being through direct/indirect employment creation, access to information and knowledge, social cohesion, inclusion, and community and economic development.

However, this and other social entrepreneurship process models (Guclu et al., 2002) do not discuss *specific* entrepreneurial behaviors. Social entrepreneurs, due to their dual social and economic goals, may be influenced by the behaviors of both nonprofits and business ventures to secure the support of mission and business stakeholders (Dart, 2004). Achieving this may not only require developing volunteer groups and building network ties (with gatekeepers and societal actors who support their social mission), it may also require prototyping products/services, procuring raw materials, and competing effectively to generate sales. In a resource-constrained environment, it is unclear how social entrepreneurs can, in order to successfully create social ventures, effectively execute both the diverse behaviors of startup nonprofits as well as those of business ventures.

Social entrepreneurs benefit from knowing if all startup behaviors associated with both nonprofits and business ventures are required, or if there are behaviors which are not central to the launch of social ventures. Young (2005) suggests that social entrepreneurs may benefit if they are selective in developing network ties, but at the same time they need to be alert to capitalizing on opportunities to reduce operating costs or create value (Chesbrough & Appleyard, 2007). An imbalance of actions on either side – mission or

business – can be fatal. As an example, behaviors with a greater focus on business goals may lead to marginalizing disadvantaged clients (Wallace, 2005), causing immediate legitimacy issues with mission stakeholders.

In addition to the above, the organizing behaviors and decision-making of individuals is dependent on their knowledge structures: the founders' skills, capabilities, experience, and personal social networks (Mitchell et al., 2007). Social entrepreneurs with significant work experience are likely to have radically different knowledge structures than persons without such experience: due to their dominant social work or business background, they may approach startup tasks and activities in distinctly different ways. It is unclear if and how such past experience influences social entrepreneurs' prioritization of mission and business related tasks and activities. Finally, social entrepreneurship studies to date have not studied the impact of startup actions and behaviors on venture launch and early stage survival (Gras et al., 2011).

Research Design

Methodology

The study involved semi-structured interviews (see Appendix A for Interview Protocol) with 31 autonomous social entrepreneurs who had (co)founded 23 early stage social ventures in North America. Their first-person accounts of actions and decisions during venture conception and formation were analyzed. The interviews, lasting 60 to 90 minutes, asked entrepreneurs to recreate their "lived worlds" (Spradley, 1979) as social entrepreneurs, beginning with the earliest days of their social ventures and continuing until recent times. They described the initial environment, the goals and strategies adopted, events as they subsequently unfolded, and decisions and changes made along the

way. This data was subjected to rigorous analysis utilizing a naturalistic inquiry approach (Corbin & Strauss, 2008; Lincoln & Guba, 1985) to gain an understanding of the underlying phenomenon in practice (Babbie, 2007).

Sixteen interviews were conducted face-to-face and fifteen by telephone. Prior to each, data was gathered about the organization from websites and other secondary sources, providing a contextual framework. All were audio-recorded and transcribed by reputable professional services, resulting in over 700 pages of transcribed text. Research methodologies which allowed new conceptual categories to emerge (Charmaz, 2009) included theoretical sampling (Corbin & Strauss, 2008), on-going interpretation of data, and the application of theoretical concepts not planned *a priori*. Data collection continued as long as newer actions kept emerging from the data, after which it was concluded that theoretical saturation was reached and the range of responses was sufficient to ensure the validity of the underlying phenomena (Maxwell, 2005).

Sample

The sample (see Table 4) consisted of both nonprofit and for-profit organizations founded in North America. Purposeful selection of organizations launched in 2003 or later ensured vivid respondent recall about their experiences. Although the study was open to including organizations serving all types of social missions, the sample coalesced into three general groups: ventures with human services, environmental, and health-related missions. All participating organizations were members of one of the two leading North American social-enterprise practitioner networks, Social Venture Network and Social Enterprise Alliance. Personal relationships with the founders of organizations belonging to these networks were leveraged.

Of the 23 ventures, thirteen had a for-profit legal structure and ten were 501(c)3-registered entities; eighteen organizations had human-services missions; four, environmental missions; and one, a health-related mission. Fifty-eight percent of the respondents were women.

TABLE 4
Social Ventures in Study One

Org	Product / service	What makes it social	Legal structure	Venture Age (yrs)	Respondent role & gender	Status
A	Long-lasting affordable products such as solar lanterns	Focus is to elevate quality of life for bottom of the pyramid clients in emerging markets	For-profit	2	Cofounder (M) Cofounder (M)	Successful
B	Supplemental education and healthy group recreational programs	Focus is on low-income suburban youth only	Nonprofit	5	Cofounder (M) Cofounder (M)	Struggling (with sales)
C	Certified home compostable food packaging that is safe, durable, and environmentally responsible, and decomposes within 90-days	Uses the design brilliance of nature to make a healthy contribution to the earth	For-profit	5	Founder (F)	Successful
D	Comprehensive and innovative recycling services	Provides life-changing workforce training to formerly incarcerated individuals	Nonprofit	4	Cofounder (M) Cofounder (M)	Successful
E	Makes tiny business loans to deeply impoverished people, mostly women, in developing countries	Focus is on improving the lives of impoverished people	Nonprofit	1	Founder (M)	Too early
F	Tasty and healthy meals and nutrition education to schools	Educate every child about healthy eating and learning about nutritious food.	For-profit	4	Founder (F)	Successful
G	Primarily used book store	Provides community programs, and mobilizes passionate volunteers to promote literacy in its community and beyond	Nonprofit	2	Founder (F)	Successful

H	Green products such as Soy Candles	Provides transitional jobs to inner city, homeless and at-risk young women, between the ages of 16 - 25, and helps them gain the necessary skills to become self-sufficient, successful adults.	Nonprofit	2	Cofounder (F) Cofounder (F)	Successful
I	A line of trend-setting, women-made, fair-trade products including stylish apparel, accessories and gifts	Help women in need worldwide gain economic security.	For-profit	7	Founder (F)	Successful
J	Consulting services to develop self-sustaining and alive communities	Environmentally friendly and sustainable communities	For-profit	1	Cofounder (M) Cofounder (F)	Too early
K	Healthy food products	Healthy eating which also supports the adoption of orphaned children	For-profit	5	Founder (F)	Failed (closed)
L	Natural earth friendly personal-care products	Provides full time transitional job opportunities for formerly incarcerated individuals who struggle with barriers to employment.	For-profit	4	Cofounder (F) Cofounder (F)	Successful
M	Hand-crafted planet friendly designer products	Provides employment & a platform for better childcare and lifestyle for families in rural areas	For-profit	2	Cofounder (F) Cofounder (F)	Struggling (revisit product/pricing)
N	Comprehensive rehabilitation services.	Focus is on long-term care communities	For-profit	4	Cofounder (M) Cofounder (F)	Successful
O	Online educational games	Raise awareness of the millennium development goals while raising funds for specific cause, nonprofit, school, foundation, or business	Nonprofit	7	Founder (M)	Struggling (with opportunity conceptualization)
P	Supportive housing, transitional employment, addiction treatment, recovery management, and education.	Focus is on families and individuals experiencing homelessness or crisis to achieve sustainable self-sufficiency.	Nonprofit	7	Founder (M)	Successful

Q	Horticulture products	Provides transitional employment and training for individuals facing multiple barriers to securing permanent and unsubsidized employment through experiential learning	Nonprofit	7	Founder (M)	Successful
R	Vermiculture solutions	Raises awareness of families and instills practices to reduce organic waste	For-profit	2	Founder (F)	Successful
S	Handmade packaging and products from natural materials	Provides economic security to artisans	For-profit	3	Founder (M)	Struggling (closed and restarted)
T	Biodynamic and organic foods	Provides farmers with markets in which they can maintain the dignity of their work and the integrity of their farm.	For-profit	5	Founder (F)	Struggling (closed and restarted)
U	Sourcing and selling craft items made by their clients	Helps women and their families break the cycle of poverty by providing them steady income and access to education and healthcare	Nonprofit	6	Cofounder (F)	Successful
V	Software as a service for interactive technology challenges	Increase the interest of girls between the ages of 10 and 14 in math, science and engineering	Nonprofit	5	Founder (F)	Struggling (revisit social opportunity)
W	Hand-crafted planet friendly products such as soap	Empowers low-income women to create a brighter future by helping them build a foundation for permanent employment.	Nonprofit	7	Founder (F)	Failed (closed)

Data Analysis

A rigorous three-step open coding process was undertaken (Corbin & Strauss, 2008) while data were simultaneously collected from interviews. Coding was inductive, from the data, rather than from prior theory. Each interview recording was carefully reviewed, and each transcript read line-by-line several times, to identify text of potential

significance. Text described by Boyatzis (1998) as “codable moments,” was captured and labeled for future reference. The more than 2,500 fragments of text thus captured were subjected to focused coding (Glaser, 1978): codes from the interviews were analyzed, compared to one another, and then contrasted with theoretical concepts. This process gave rise to 1173 codes. All codes were subsequently compared, then assigned to either existing or newly created categories.

Concurrently, existing categories were reviewed and analyzed to achieve finer distinctions and to allow the emergence of new concepts from the coded data. The resulting process of splitting, merging, and eliminating, finally yielded 63 categories. An iterative process was adopted to allow categories indicating lower levels of concepts and emergent themes to be compared to other conceptual categories, as well as to other theoretical concepts such as social entrepreneurship process models. The purpose of this iterative process was to develop higher-level concepts. Research notes, memos, and literature were revisited during this process to establish a deeper understanding of the underlying phenomena and core concepts.

In addition, alternate categories were considered when gaps were found in the logic applied. A definition described in the findings section was developed for differentiating successful and struggling ventures. The 63 categories resolved into three major groups representing the first three domains of activities pertaining to the process of social entrepreneurship as defined by Perrini et al. (2010). Each group consisted of entrepreneurial behaviors of successful ventures and also those of struggling ventures. The three major groups of entrepreneurial behaviors are described below as findings.

Findings

Since the success of a venture during launch and early development equates with the founders' success, the remainder of Chapter IV Part One refers to these terms interchangeably. Ventures classified as successful in the study, 15 in number, were those which had conceptualized social and economic opportunities, developed market-driven products/services, and been fully launched with a functional social-business track record for at least three years. Those that either returned to re-conceptualizing after launching, or which had closed down due to financial debt or loss of financiers, were classified as struggling. The study consisted of eight such ventures. Entrepreneurial actions were mapped to three chronological domains of activities, also called developmental stages: conceptualization of social and economic opportunities, exploration of products/services, and launching/administering the social venture. Figure 4 shows ventures in the sample mapped to these developmental stages. Entrepreneurs of successful and struggling ventures demonstrated distinctly different behaviors, actions, and decisions in each cluster.

The factors which differentiated successful entrepreneurs from those who struggled were: establishing a societal issue as the first activity, creating a business concept to bring about social change, carefully selecting products/services, acquiring skills, growing social contacts, and creating support for the social business. Intense personal involvement to acquire first-hand knowledge and diversifying social contacts were characteristic of successful entrepreneurs; on the other hand, virtual communication, delegation, and restrictive homogeneous social contacts were typical of struggling entrepreneurs.

The comparison of behaviors of successful and struggling entrepreneurs in each of the three domains is summarized in Tables 5a, 6a and 7a. Column Two in each of these tables describes the behavior, column three and four list the number of successful and struggling ventures respectively where the behavior was evidenced, and the last column identifies if specific behavior was differing or not for successful and struggling ventures: "Y" represents that they differed and "N" indicates that they did not differ. Comparative quotes illustrating the behaviors in each domain are summarized in Tables 5b, 6b and 7b respectively with cross-references to specific behaviors from the respective table. The behaviors for each domain representing the developmental stages and the comparative quotes are discussed below as three major findings.

FIGURE 4
Distribution of Social Ventures in Study One

Successful Ventures	**One**	**One**	**Thirteen**
Struggling / Dissolved Ventures	**One**	**Three**	**Four**

Behaviors Set 1: Conceptualizing Social and Economic Opportunity

Successful and struggling entrepreneurs approached the conceptualization of the social business through distinctly different actions. Successful entrepreneurs (Table 5a)

started with an initial concept of social change based on personal, family, or community experiences, and then developed an economic opportunity concept to bring about the social change. The economic opportunity concept at the industry level was based on past professional experience, or was driven directly by the social issue under consideration − for example, selecting a manufacturing or retail industry to create employment for disadvantaged clients and, over time, transitioning them into the regular workforce.

By dedicating time and effort to seek feedback from a diverse group of people, successful entrepreneurs were able to refine their concepts, and in doing so they expanded their social networks to include social-mission and business experts. Finally, these entrepreneurs leveraged their social contacts to secure pro-bono resources and financiers in order to explore viable products/services. Intense personal involvement in the form of volunteering, field studies, and interactions with high-status community members and leaders of organizations characterized all of the successful entrepreneurs studied.

Contrary to this, struggling entrepreneurs (Table 5a) in some cases did not begin with a social issue and the need for social change; instead, they conceptualized an economic opportunity based on their past professional experience, then explored a social issue that the business could also address. These entrepreneurs were capable of changing the social issue at any time, even several years into operations. In other cases, struggling entrepreneurs started with a social issue and a concept based on past experience, but depended on the earned-income supplemental income approach of conventional nonprofits for the economic opportunity. For example, in addressing the issue of job readiness for disadvantaged clients, struggling entrepreneurs (like conventional

nonprofits) provided workforce training and, for supplemental income, operated a retail store rather than achieving social change by employing the clients in a retail store.

Regardless of the origin of the social and economic opportunity concept, struggling entrepreneurs rarely sought feedback and, when they did, it was from a narrow group of people. Some were seen to ignore feedback that was unexpected or perceived as unfavorable. Struggling entrepreneurs did not expand their networks to include diverse experts, failed to fill acknowledged gaps in their skill sets, or only remedied their lack of access to expertise "in hindsight" post-launch when faced with issues. Finally, struggling entrepreneurs preferred to self- finance the venture versus securing the support of potential financiers. In many cases, a hands-off approach that involved virtual communication or delegation characterized the struggling entrepreneurs. The entrepreneur for one of the eight struggling ventures, despite having been a legal entity for three years, was still conceptualizing the social-business model and did not explore or launch specific products/services.

For both successful and struggling entrepreneurs, conceptualization implied an underlying business model where (1) clients were either employees or contractors or (2) clients were customers (i.e. consumers of the products/services). In only one case were clients neither employees nor customers. The behaviors of successful and struggling entrepreneurs are summarized in Table 5a, and Table 5b provides comparative illustrative quotes cross-referenced to the specific behaviors.

TABLE 5
Conceptualizing the Social and Business Opportunity

Table 5a. Conceptualizing the Social and Business Opportunity: Behaviors of Successful and Struggling Entrepreneurs

Behavior Number	Behavior	Number of Successful Ventures	Number of Struggling Ventures	Differing Behavior
1	Conceive a social opportunity for a societal issue	15 of 15	8 of 8	N
2	Conceive an economic opportunity for the envisaged social opportunity	15 of 15	7 of 8	N
3	Refine the social and economic opportunity through seeking extensive and diverse feedback	15 of 15	1 of 8	Y
4	Conduct field studies and volunteer with organizations dealing with prospective clients	13 of 15	1 of 8	Y
5	Personally interact with prospective clients	15 of 15	4 of 8	N
6	Hold in-person interactions with leaders of organizations dealing with prospective clients	15 of 15	2 of 8	Y
7	Diversify and expand personal networks to include both social-mission and business related experts	15 of 15	2 of 8	Y
8	Develop relationships opportunistically	15 of 15	2 of 8	Y
9	Identify and initiate new relationships	15 of 15	2 of 8	Y
10	Secure pro-bono and financial resources for product/service exploration	15 of 15	2 of 8	Y
11	Create belief with potential financiers through storytelling and in-person interactions	15 of 15	2 of 8	Y
12	Depend on familiar earned income examples for economic opportunity	1 of 15	2 of 3	Y
13	Conceive economic opportunity before envisioning a social opportunity	0 of 15	4 of 8	Y
14	Change the social opportunity at any time in the venture creation and post launch	0 of 15	2 of 8	Y
15	Seek feedback on social and economic opportunity from few and narrow group of people	0 of 15	8 of 8	Y
16	Hands-off approach while sharing ideas and seeking feedback	0 of 15	3 of 8	Y
17	Virtual / documentation based communication preferred over in-person communication	0 of 15	3 of 8	Y
18	Prefer to ignore unfavorable or unexpected feedback and continue with the original approach	0 of 15	3 of 8	Y
19	Network with people who possess similar skills and expertise	0 of 15	6 of 8	Y
20	Prefer to stay with existing social contacts and avoid diversification of networks	0 of 15	6 of 8	Y
21	Delegate new relationship development or assign this task low priority	0 of 15	7 of 8	Y
22	Prefer to self-finance the venture as against gaining support of potential investors and financiers	5 of 15	5 of 8	Y

Table 5b. Conceptualizing the Social and Business Opportunity: Comparative Quotes

Successful Entrepreneurs	Struggling Entrepreneurs
"It had been my interest to move in [social enterprise] direction to be able to create a business that transformed this workforce development concept into something hands-on…offer an opportunity to create an effective [business] for on-the job coaching and mentoring…" **1, 2, Org H**	An entrepreneur with nonprofit background said: *"We started seeing it about a year and a half ago, we said, "What could we do to generate business income?"… that's where we came up with the idea of a resale shop… every day that the store is open, we would have cash coming in…so we can spend it on whatever we need to spend it on…"* **12 Org B**
[It] was important to us that we not just duplicate what other people were already doing...we talked to about 40 literacy groups around the city...in some cases volunteering with, in some cases helping raise money for them...[By then] we had a really good idea of which programs were needed and what we could do well (e.g. Adventures in Creative Writing Field Trips). **3, 4, 5, 6 Org G**	An entrepreneur with for-profit background said: *I've worked my whole career in the sewn-goods producing industry, [I had] an amazing opportunity to work with people [from a developing country] that had a lot of personal problems, drug abuse and decided to launch boutique products...[these people] were participating in making the bags.* Two years into the business the entrepreneur faced difficulty with sales and operations and said, *"all of a sudden, I had no product...trying to start to rebuild my business again, [she said] this could be a great opportunity to be able to employ people with disabilities."* The entrepreneur subsequently re-launched the product line with disabled people locally. **13, 14 Org M**
[initially] we were looking at anything from do they need more curriculum?...do they need consulting services?...we spent a lot of our time in schools…every day at lunchtime, we would go to a different school and watch what kids were eating for lunch and talk to the kids about it and talk to the school leaders about it, as well… we would come back and compile our findings and brainstorm… what we heard over and over again is that they actually needed better food… **3, 4, 5, 6 Org F**	*I started calling some of my peers [nonprofit leaders] in the field that I knew had started resale shops...we started looking at some of the numbers, and there was some pretty lucrative dollars that some of these agencies were getting…one of the best ones in the area was getting 30 percent of all of their income off of three resale shops.* **15 Org B**
*There were a couple of [potential suppliers] that we had known within the community that [a local museum] had been working with…we had heard their names and seen their names in articles and references…so [we approached] them initially…***7, 9 Org R**	*My process is, if an idea comes to mind, I do a summary or a concept paper, I speak with [the stakeholder] briefly...I follow up with an email...perhaps, I even put the concept online and then wait for their feedback...***16, 17 Org O**
[The cofounder] met somebody somewhere in the south, they were antique dealers, it was a mother/daughter team… they met at some event that [the cofounder] was speaking at, and they called me, and asked for more information… [later on] they helped get a free booth for us… **7, 8 Org U**	*I emailed [a stakeholder] about a project, and his simple reply was, "No interested"… and then, [another stakeholder] replied saying, "Interesting project, but my students are busy"… and she said, "Try other departments."* **16, 18 Org O**
I talked to the Illinois Department of Corrections, and I said, "Listen, I want to create a business that would hire former offenders to work as [manufacturing job description] and then develop other skill sets." And they were like, "Really?" And I think they were so desperate, quite frankly, for ideas for former offenders for jobs, they were like, "Okay, we'll give you some money." The entrepreneur secured $140,000 from them **10, 11 Org L**	*In the early stages I think it was more like it was small groups that I was connecting with, and they would encourage what I was doing. It was very personal, so they felt a personal connection to me…* **19, 20 Org S**
	We then went and hired – I can't remember what company the guy was with… to help me find some investors and/or a buyer. **21 Org K**
	*I guess early on I never felt comfortable with asking [potential investors] for investment because of a number of reasons…***22 Org S**

Behaviors Set 2: Innovating Product/Service

With an understanding of the economic opportunities, entrepreneurs engaged in actions to identify, innovate, select, or develop revenue-generating products/services. As an example, the entrepreneur who decided to employ ex-offenders and to reinstate them in the community explored a range of alternatives from manufacturing, retail, distribution, and services, taking into account the low academic attainment of the ex-offenders. Another entrepreneur who decided to provide solar lanterns to address the quality of life issue of the villagers (that were not on the electricity grid) had to innovate an affordable lantern suited for local conditions.

Successful entrepreneurs (Table 6a) were alert to information shared during formal and informal interactions, connected disparate information, and exploited the opportunities presented. They developed product/service ideas and discussed them with experts from both social-mission and business domains. During this process, successful entrepreneurs were open to discarding ideas and looking at new ones to arrive at those offering market potential. In many cases, pilots and prototypes were demonstrated to prospective customers, investors, and industry experts, then refined based on the feedback.

Successful entrepreneurs proactively planned for, and were alert to, expanding personal networks to include potential suppliers, partners for sales and marketing and nonprofit partners to provide additional client services, and forming the coalitions required to produce long-term change. Through storytelling during in-person interactions, they secured pro-bono resources such as office space, help with specific marketing

activities, and customer referrals, and also secured financiers for the venture. Once again, personal involvement in all these activities was characteristic of successful entrepreneurs.

Struggling entrepreneurs (Table 6a), on the other hand − despite lack of skills and access to experts − displayed behaviors that did not invite, anticipate or respond to negative feedback. For example, an entrepreneur with no experience with artisan products decided to launch a gift item product line for his venture. In most cases, these entrepreneurs did not prototype the product/service and decided to launch it directly. In cases where a prototype shared with stakeholders generated negative feedback and total lack of support, the entrepreneurs decided to go ahead with no changes to their products/services or business model.

Struggling entrepreneurs (Table 6a) acknowledged gaps in their knowledge, or lack of access to expertise regarding the product/service, only after launch when faced with operational and quality issues. In such cases, few struggling entrepreneurs changed the products/services, while one entrepreneur responded to the feedback and did not actively engage in launching the venture. Given the lack of stakeholder support, the entrepreneur decided to take another look at the social-business opportunity and the mission, and said, *"[B]ecause of that, it really forced me to look at what my niche was…[and] where are I in the whole landscape,…because I think when I started, I really didn't want to compete with other groups…[but] wanted to leverage other groups and be a platform for other groups, and so it was some soul-searching, definitely…."*

The behaviors of successful and struggling entrepreneurs are summarized in Table 6a, and Table 6b provides comparative illustrative quotes cross-referenced to the specific behaviors.

TABLE 6
Innovate Products/Services

Table 6a. Innovate Products/Services: Behaviors of Successful and Struggling Entrepreneurs

Behavior Number	Behavior	Number of Successful Ventures	Number of Struggling Ventures *	Differing Behavior
1	Ideate revenue generating products/services	15 of 15	7 of 7	N
2	Maintain alertness to information shared during interactions and potential opportunities thereof	15 of 15	1 of 7	Y
3	In-person interactions with personal network members to seek and share products/services ideas	15 of 15	6 of 7	N
4	Refine products/services for market demand through seeking feedback and acting on it	15 of 15	1 of 7	Y
5	Conduct extensive hands-on activities such as meeting with experts, field studies	15 of 15	1 of 7	Y
6	Develop prototype and share with industry experts, prospective customers, investors and financiers	15 of 15	1 of 7	Y
7	Secure pro-bono and financial resources for the venture launch	15 of 15	2 of 7	Y
8	Create belief about the business with potential financiers through storytelling, on-boarding customers and in-person interactions	15 of 15	2 of 7	Y
9	Posses fixed ideas of products/services with no past experience	0 of 15	6 of 7	Y
10	Spend less time in seeking feedback and ignore unexpected / unfavorable feedback	0 of 15	6 of 7	Y
11	Acknowledge gaps in product/service knowledge post launch when faced with issues	0 of 15	6 of 7	Y
12	Change product line post launch	0 of 15	4 of 7	Y

* One struggling venture did not explore products/services. The entrepreneur, despite being in existence for over five years was still conceptualizing the social business opportunity. Hence the number of struggling ventures here is reduced to seven.

Table 6b. Innovate Products/Services: Comparative Quotes

Successful Entrepreneurs	Struggling Entrepreneurs
An entrepreneur who wanted to employ ex-offenders recognized the low skills' base and was exploring urban bee-keeping and honey based products business. The entrepreneur said, *"[I was looking at] something that anybody can work with, no matter what your academic attainment is…"* **1 Org L**	*I went on my own, and as it turned out, the guy who I sourced tea from, I had known him from my previous life… the place where the spices come from is a famous biodynamic, organic community…*This entrepreneur then decided to start a biodynamic and organic foods business **9 Org T**
"We got very close to making air filtration equipment, furnace filters – that type of thing...in this building where we've been located this whole time, there was a computer refurbisher...one day the landlord comes and says, "I've got to evict these guys. I need you to help me…" This led to conceptualizing an electronics waste recycling business. **1, 2 Org D**	Upon sharing prototypes with prospective customers, channel partners and investors this entrepreneur decided to ignore the feedback and launch the product *"we met with the [state] Nutritional Council...we set up a sampling, went up and presented to the [state center for] school board…they said kids would never eat it...we set up a luncheon at a nice restaurant, and we invited maybe six or seven people from the [city school boards]...they weren't interested either*

because they said kids would never eat it" **10 Org K**

"when [we] decided to research [the product], we made a lot of phone calls to some very high-end [product producers]...they all gave way too much information… the person in Boston [a friend of the cofounder] he's a wholesaler, and he knew that we had a completely different model than him…we'd be selling to different people…and we did sign a contract with him that we would not sell in the Boston area that that could be his territory…" **1, 3 Org U**

An entrepreneur who wanted to provide market access to artisans in remote villages with the goal of improving their quality of life decided to start with products (gift items) the artisans were good at. The entrepreneur did not pilot the products with prospective clients. Once the venture became operational, the entrepreneur said, *"when we were selling… one of them was embroidered bags… we sold a bunch of those…but then styles come and go, and I was never so good at that…I realized that I shouldn't really be selling gift things 'cause I don't know what to get… then we moved into custom packaging."* **11, 12 Org S**

"I met people at [large food chain] and just a cross-section of industries, and showed them the prototype and I said, 'What do you think?'...the head of packaging for [a large cosmetics company] said, 'All of your materials are as natural as possible…you are making a case for doing the right thing…we ship liquids…how does it do with liquids?...It might be sustainable and might be the best product, but unless we can integrate it, economically, into our product line, it won't work." The entrepreneur subsequently changed her product idea **4, 5, 6 Org C**

"One main wholesaler dropped out or just wanted the products so inexpensively that I just – I couldn't afford to produce them… I had to be more innovative and more creative…a friend of mine owns a Focus salon…[working with her] we took their materials and turned them into scissor cases for hairstylists for their industry, out of their materials…" **8 Org M**

To secure raw materials free of cost this entrepreneur required the support of the mayor. The entrepreneur said, *"[we] went to the mayor's office…[he] remembered who we were…[we said] we want a contract…everybody throws this stuff, [we want] to recycle it...that's how we settled on [this business contract]."* **7 Org D**

"[our] business is social when it functions...we function by selling our [products] to [villagers]... [when we] pitch[ed] to a VC, the social mission slide [came] towards the end because everyone gets that there's a social mission, but they kind of want to say, "Okay, how distracted are they by doing good, and how much are they going to make sure that they don't run out of cash? So how much are they going to guard their survival versus trying to selling at as low a cost as they can?" This entrepreneur was able to gain investor financing. **7, 8 Org A**

Behavior Set 3: Social Venture Launch and Functioning

Entrepreneurs of twenty ventures in the study (Table 7a, columns 3 and 4) had engaged in concrete actions to launch the ventures and create functioning organizations. Depending on the business model employed, successful entrepreneurs (Table 7a) had engaged their clients as employees or contractors, or had sold products/services to them. They held in-person interactions with the leaders of organizations which serviced the

client base and formed partnerships to recruit them. These entrepreneurs personally designed programs for their clients which included, for instance, goal-setting, performance management, and basic job-skills orientation for disadvantaged clients.

In order to effect long-term change in clients' status, successful entrepreneurs partnered with nonprofits to deliver basic services. For example, to improve the quality of life of women artisans engaged as contractors, one venture partnered with healthcare providers and educational institutions to provide such services to the women and their families. Successful entrepreneurs also participated in advocacy initiatives to create awareness of the social issue and to create more supporters. On the business side, they were personally involved in creating marketing opportunities through social contacts, while at the same time capitalizing on the opportunities presented, particularly access to media outlets with the potential to generate a positive ripple effect. Successful entrepreneurs leveraged their social contacts to secure the first few sales and to create alternate sales channels, maintaining hands-on involvement in product/service development and delivery to ensure customer satisfaction. Finally, all successful entrepreneurs, regardless of the legal structure of the social venture, created opportunities to lower their cost of operations by leveraging social contacts and securing pro-bono resources such as office space.

Struggling entrepreneurs (Table 7a), on the other hand, faced severe challenges after launching their ventures, and all described more than one operational issue attributed to a lack of skills or access to industry experts. Well into their operations, two could not survive and had closed their ventures, two had temporarily shut down due to financial debt and had just restarted, two had gone back to the drawing board to revisit

social opportunity and product/service offerings, one was still struggling with sales, and one was struggling with opportunity conceptualization. While six out of the eight were able to make some sales and, hence, service a few clients, none described providing additional services to the clients themselves or through nonprofit partnerships.

All described several failures with business operations, such as entering into informal verbal contracts with customers that were subsequently revoked, resulting in financial losses for the ventures. All described some aspect of business operations such as technical know-how, import/export procedures, and vendor management where they had no previous experience and faced nearly fatal issues. Several struggling entrepreneurs preferred to market and sell within their restricted personal networks. Finally, struggling entrepreneurs accepted entering into constantly increasing financial debt to the extent that they had to shut down the operations. The behaviors of successful and struggling entrepreneurs are summarized in Table 7a, and Table 7b provides comparative illustrative quotes cross-referenced to the specific behaviors.

TABLE 7
Launch and Functioning

Table 7a. Launch and Functioning: Behaviors of Successful and Struggling Entrepreneurs

Behavior Number	Behavior	Number of Successful Ventures*	Number of Struggling Ventures**	Differing Behavior
1	Hire or contract with clients (if clients are producers in the business model)	6 of 14***	3 of 6	N
2	Conduct in-person interactions with leaders of organizations who deal with the same client base	14 of 14	2 of 6	Y
3	Design and deliver client programs to effect long-term change to the client situation	14 of 14	6 of 6	N
4	Personally design and deliver the client program(s)	14 of 14	5 of 6	N
5	Form partnerships with organizations to provide client services required for long term change (for example, healthcare, education, banking, legal)	14 of 14	2 of 6	Y
6	Market the products/services	14 of 14	5 of 6	N

7	Leverage personal networks to create marketing opportunities	14 of 14	4 of 6	N
8	Opportunistic in developing marketing partners	11 of 14	1 of 6	Y
9	Personal involvement in specific marketing activities	14 of 14	5 of 6	N
10	Recognize and capitalize ripple effect marketing opportunities	8 of 14	0 of 6	Y
11	Sell products/services	14 of 14	5 of 6	N
12	Personal involvement in sales activities	14 of 14	4 of 6	N
13	Leverage personal networks for initial sales	14 of 14	4 of 6	N
14	Develop and diversify sales channels both opportunistically and proactively	14 of 14	0 of 6	Y
15	Create and leverage opportunities to lower operating costs	14 of 14	0 of 6	Y
16	Acquire pro-bono resources from personal networks	14 of 15	1 of 6	Y
17	Use cost conscious approaches like contract negotiations, cost-benefit and return on investment calculations during decision making	14 of 14	0 of 6	Y
18	Deliver high-quality products/services and manage customer satisfaction	14 of 14	2 of 6	Y
19	Hands-on involvement in all aspects of business operations	14 of 14	4 of 6	N
20	Seek help for products/process quality from experts	14 of 14	1 of 6	Y
21	Create awareness and advocate for social change	14 of 14	2 of 6	Y
22	Acknowledge lack of expertise or access to expertise only when fatal situations are encountered	0 of 14	5 of 6	Y
23	Weak control on business operations (as determined by issues faced)	0 of 14	6 of 6	Y
24	Enter into customer and supplier contracts that are informal and pose risk	0 of 14	5 of 6	Y
25	Enter into new domains like import/export with no previous experience or access to experts	0 of 14	5 of 6	Y
26	Market and sell within restrictive personal networks only	0 of 14	5 of 6	Y
27	Accept increasing financial debt or withdrawal of investor / financier support	0 of 14	5 of 6	Y
28	Ignorant to cost implications of operational issues and decisions	0 of 14	5 of 6	Y
29	Keep trying despite financial losses	0 of 14	5 of 6	Y

* One successful venture was relatively new less than a year old and was not fully functional yet. Hence the number of successful ventures is reduced to 14.

** Two struggling ventures despite being in existence for over five years were not fully functional. Hence the number of struggling ventures is reduced to six.

*** In the case of seven of the 14 successful ventures that were functional, clients were producers of products/services. For seven of the remaining ventures clients were consumers and in the case of one venture clients were neither consumers nor producers.

Table 7b. Launch and Functioning: Comparative Quotes

Successful Entrepreneurs	Struggling Entrepreneurs
"[When] we opened a facility in an area, we would start doing outreach to all the potential [client] referral sources, which would be hospitals. We'd come in and do a presentation and show them pictures and talk about what we do and how if they elected to utilize our resources, would it significantly increase their chances of success. And then also educating the counselors and management at those facilities to consider us as a resource versus other resources out there that weren't equivalent." **1, 2 Org P**	*"There were all kinds of challenges I had with the stocking model business, like knowing what to carry and what size and what color…so I realized I wasn't really good at predicting what to stock…"* Later on this entrepreneur changed the product line. **23 Org S**
"In the first couple years [the clients] would go on the farm and they'd just be farm hands...besides I realized we needed a training staff and a curriculum so that [the clients] would divide their time between farming and learning hands-on skills and the classroom work so that they'd learn a lot of different skills. Most of the people who go through the program aren't going to be farmers...so we need to give them a broad range of skills and the main thing is the job experience that prepares them to go work somewhere else." **3 Org Q**	*"I've bootstrapped this entire thing, it's like I can only get so far to the – it's just hand to mouth…there are days that I don't know that the social enterprise is going to survive."* With the help of a consultant the entrepreneur started working on relooking at the approach and said, *"in our stakeholder summit, we sort of brought everyone together…they broke off into little groups and they were going through about all the things what's going on and how this is gonna happen."* **23 Org M**
"We run four literacy programs right now… the first one that we ever did, I volunteered on because of course I wanted to see it in action." **4 Org G**	*"Not being in the food business for a long time, I never dreamed that the trucks would get left out on the dock and the food would all melt and turn into bad food."* **24, 26 Org K**
"[the company] works with the other non-profits to local NGOs to create school programs...if there's a school close enough for [the children of our clients] to get to or if we need to start a school in their area." **5 Org U**	*"The ironic part was when I actually did show [the product specially manufactured] to [the customer], they're like, "Oh, no, they're too expensive. We're not interested." So it's like, "Can I get my money back?"… I borrowed the money to even get them made"* **24, 25 Org M**
Quoting one opportunistic incident an entrepreneur said, *"Someone blogged about us…which then The Chicago Tribune picked up on…they came out to one of our client's homes… and they covered that…then Channel 7 news came out… pretty much unsolicited."* These opportunistic yet high visibility marketing generated a pipeline of sales prospects. The entrepreneur further said, *"All of a sudden we were getting calls from all kinds of directions and then we just sort of grew."* **6, 9, 10, 14 Org R**	*"Initial stage it was really simple because it was just buying a bunch of things and then selling them… I remember going, selling to one woman, and she then was then passing my information onto her friends and networking and talking about things like that."* **27 Org S**
"Another market that our product is visible in is the incentive industry…we went to [one of the largest incentives companies in Chicago] to sell our products, for them to carry it and warehouse it…we were able to go in front of all of their customers that they manage incentive programs for and have it be a product that's carried." **11, 13, 14 Org H**	Operational issues affected the venture to the extent that this entrepreneur had to dissolve the venture, *"my pockets were pretty deep. I invested a ton of money in it, but they weren't deep enough to sustain."* **28, 29 Org K**
"As a chief operating officer of one of the prominent non-profits in [the city], I knew a lot of the other CEOs and COOs of the other non-profits. So we reached out to them to try to sell our service to them.." **11, 12 Org N**	In the case of this venture drop in sales affected stakeholder confidence and eventual dissolution, *"70% of my funding comes from foundations, corporate sponsors, special events, 30% comes from the sale of the product...The bigger and the more stable and the better the program I have, the more funders I'm going to draw to it...because sales have been down, I don't*

need as many people to produce them, which has resulted in fewer women going through the program, which then funders look at and say your program is shrinking at a time when it needs to be expanding because there's more people who need your services...So it's sort of this spiral." **28, 30 Org W**

"[we] have many, many pro bono services…our office space…our computers…our law firm…we also have brand ambassadors that do things for us for free…they're friends of friends." **15, 16 Org U**

"through research [on which marketing events to go to]...we'd look at the number who's their average attendee, do they fit our demographics, what's the sales number we need to hit to cover the cost" **15, 17 Org I**

"The kerosene lamps emit carbon every year, about 100 kilograms her house...and when we replace the kerosene lantern, and it's in use every night, then we are effectively offsetting carbon output." The entrepreneur was able to secure their support and reduce cost of operations, *"we're partnered with [the bank], to develop a carbon credit program…we can monetize [offsetting of carbon output] as carbon credits and use that to lower the product cost."* **15, 18 Org A**

We do a lot of business training, give a lot of feedback…like we just had some scarves come in from India, and they were definitely set with some sort of petroleum product, they smell like kerosene or gasoline…you know really teaching [the client] about, this is not marketable because nobody will buy something that smells like this… just trying to help [the client] bullet proof their product quality, but also improve their business practices because it's most beneficial to them… **19, 20 Org I**

"It takes a little bit more explaining when some people hear rugs from a non-profit in [developing country]…they don't instantly think oh, wow, the quality's gonna be fantastic…so when you're working with designers, you basically have to explain how much effort we have put into quality, and how unbelievably sustainable, and innovative, and design friendly these rugs actually are." **19, 21 Org U**

"we're dealing with our local [government agencies]...[they] consider our job subsidized employment..we feel it's a real job...we have to compete in the marketplace...I can't say well, I'm sorry, I didn't deliver the product on time because we were doing job readiness...So that's my battle, but often, they're very unmoving...I'm very opposed to the stipend work because people don't earn unemployment insurance and FICA...there's a lack of creative thinking around what we're doing." **22 Org D**

Discussion

This inquiry aimed to understand the startup actions of social entrepreneurs by conducting qualitative research, then comparing their actions to nonprofit and business venture startup actions as defined in the respective literatures. Key objectives were to explore the relevance of the observed behaviors and those previously identified in the respective literatures in the context of social entrepreneurship, and to determine whether certain startup behaviors tend to characterize successful launches, as opposed to failed launches.

To this effect, the main contribution of this study lies in its ability to identify behaviors which differentiate between successful and struggling new ventures. It does so in the context of social ventures, and finds that such context does matter, with some behaviors appearing to be as important as they are to business ventures, versus other behaviors which are quite different. These findings indicate that broad contextual differences have an important influence on which entrepreneurial behaviors are most critical to success. Perhaps most importantly, it is only at a fine-grained level of behavior, usually not achieved in entrepreneurial research, that these distinctive behaviors are revealed.

In particular, the study shows that social entrepreneurs blend behaviors from nonprofit and business ventures, and do not undertake all of the startup actions associated with both institutions. Despite forming a nonprofit legal entity, social entrepreneurs do not prioritize typical nonprofit startup activities such as establishing an effective board of directors, forming a motivated volunteer group, and developing a fund-raising plan. While social entrepreneurs engage in almost all of the business venture startup activities

identified in the business entrepreneurship literature, an activity such as developing a business plan was not found to be central to social venture launches.

The study also highlights that, although the overall tasks and activities of both successful and struggling ventures are the same, fine-grained analyses of the behaviors show stark differences. This can be seen for example, in the diversification of personal networks versus their confinement to homogeneous groups. Such behaviors may be used to predict startup social venture performance.

The findings suggest that the startup actions of social entrepreneurs can be grouped into three main sequential domains: (1) conceptualizing the social and business opportunity, (2) innovating products/services, and (3) the launch and ongoing functioning of the venture. The first domain involves establishing a societal issue and corresponding social opportunity, defining an economic opportunity, creating a business model to address the social issue, forming and expanding the network of potential stakeholders, creating belief regarding the social business opportunity, and securing resources to explore the venture's products/services. The second domain involves ideating revenue generating products/services, establishing products/services demand, developing prototypes, creating belief regarding the business (with financiers, customers, suppliers and industry experts), and securing resources to launch the venture. The third domain involves hiring or contracting with clients (i.e., beneficiaries), designing and establishing client programs, forming partnerships with nonprofits to effect long-term social change, marketing and selling the products/services, and establishing new sales and marketing channels.

Customizing Entrepreneurship to the Social Context by Blending Behaviors

Organizations are rewarded by, and increase their chances of survival by conforming to the social expectations of the institution to which they belong (Baum & Oliver, 1991; DiMaggio & Powell, 1983; Hannan & Freeman, 1984). Analyses of these literatures suggest that social entrepreneurs may be influenced to employ a large set of diverse startup behaviors derived from both nonprofit and business venture institutions. Entrepreneurs react to external stimuli based on the values and norms of the institution, and often decide to act in conformity for one of two reasons: (1) they believe in these values and norms or (2) they fear sanctions from stakeholders who possess the resources (Bresser & Millonig, 2003).

Among all behaviors across the three domains, those which conform to the institutional needs of nonprofits include the following: conceptualizing a societal issue, designing programs to serve the mission, marketing the venture, knowing and engaging the gatekeepers or experts, maintaining a positive image, engaging in exchange relationships with other nonprofits, and advocating for social change (Behaviors 1, 3, 4, 10, 11 in Table 5a, and Behaviors 1, 3, 5, 16, 21 in Table 7a). The study supports the suggestion by Chesbrough and Appleyard (2007) that entrepreneurs need to capitalize opportunities to reduce costs (Behaviors 8, 10 in Table 5a, Behavior 7 in Table 6a, and Behaviors 5, 8, 10, 14, 15, 16 in Table 7a). Behaviors conforming to the institutional needs of business ventures include: conceptualizing an economic opportunity, ideating products/services, developing and sharing models, securing financiers, and marketing/selling/delivering the product/service (Behavior 2 in Table 5a, Behaviors 1, 3, 4, 5, 6, 7, 8 in Table 6a, and Behaviors 6, 10, 11, 14, 18 in Table 7a).

This study proposes that mission and business stakeholder support is achieved through conforming actions; nonprofits' other behaviors such as developing a fund-raising plan, establishing a board of directors, or mobilizing volunteers (Harter, Edwards, McClanahan, Hopson, & Carson-Stern, 2004; Pakroo, 2009), like those of business ventures such as developing a business plan (Carter et al., 1996; Delmar & Shane, 2004), may not be central to the creation of social ventures. It is noteworthy that evidence for a number of startup behaviors (identified by prior nonprofit and business venture studies) was missing in the case of social ventures studied. Not all launches included the creation of a board of directors, whose traditional role in the case of nonprofits is to establish ties to gatekeepers and high-status players, and thus secure financial resources critical to the nonprofit's survival (Hager et al., 2004; Stone et al., 1999).

Sixteen ventures were fully dependent on business income, while the remaining seven had low to medium dependence on grants and donations to cover their operating expenses, confirms that social ventures primarily depend on business income for their survival and, as a consequence, experience a diminished need for a board. While most business venture startup actions were observed in this study, there was a lack of evidence regarding the development of a full-fledged business plan. In nine of the 23 ventures, business plans were created but, as stated by the participants, at best they were "sketchy." The study proposes that mission and business support is achieved through the selective employment of actions conforming to each nonprofit and business venture institution, while at the same time de-selecting conforming actions with reduced relevance (due to the core assumption of financial self-sustainability of social ventures).

Although not identified as a determinant of nonprofit survival by previous studies, planning for and establishing nonprofit partnerships to produce long-term social change differentiated the successful and struggling ventures (Behavior 5 in Table 7a). On the other hand, the determinants of survival for business ventures, such as initiating marketing activities (Delmar & Shane, 2004), did not differentiate successful from struggling ventures, instead, the predecessor behaviors differentiated them. For example, successful entrepreneurs recognized knowledge gaps and spent more time acquiring expertise (e.g., whom you know and how to approach them) through "learning-by-doing" (Malecki & Tootle, 1996) before beginning marketing (Behaviors 4, 5, 6 in Table 5a).

Contrary to this, struggling entrepreneurs marketed despite skills deficiencies, which were acknowledged as gaps only in hind-sight (Behaviors 9, 10, 11 in Table 5a). The study re-emphasizes (Chrisman & McMullan, 2004) findings that actions, when done after the acquisition of tacit knowledge, improve the chances of success. As evidenced in this study, a selective combination of startup actions from nonprofit and business venture literatures, are proposed as potential determinants of social venture success.

Importance of Fine-Grained Analyses of What Entrepreneurs Do

The research confirmed that all ventures, whether successful or not engaged in three broad domains of tasks and activities corresponding to the first three of those defined in the social entrepreneurship process by Perrini et al. (2010). Likewise, a number of the more specific actions of successful and struggling ventures were similar (for example, Behaviors 1, 2 in Table 5a, Behavior 1 in Table 6a, and Behaviors 1, 3, 6, 7, 11 in Table 7a). However, analyses at this more specific level also revealed important behaviors that differentiated successful from struggling ventures (for example, Behaviors

3, 4, 6, 7, 11, 17, 18, 21 in Table 5a, Behaviors 4, 5, 6, 10, 11, 12 in Table 6a, and Behaviors 2, 5, 10, 14, 20, 22, 24, 25, 26, 29 in Table 7a).

Eighteen successful entrepreneurs in the study had only single-sector experience. Arguably, they had started with a restricted and homogeneous stock of initial capital, dominant on either the mission or business side; however, behaviors such as 3, 4, and 7 in Table 5a allowed them to gain new knowledge first-hand, build new social contacts, enhance trust and cooperation, create a shared vision, and convey commitment to stakeholders. Successful entrepreneurs were active agents in growing and transforming their stock of knowledge and personal contacts (Krackhardt & Brass, 1994). For example, conducting field studies exposed them to new knowledge, and using prototypes to seek stakeholder feedback (and following up with interactions showing that stakeholder feedback had been accommodated) helped gain the trust of stakeholders.

Nine of the ten struggling entrepreneurs had a single sector background. Contrary to the successful ones, their behaviors (such as 13, 15, 19, 20, and 21 in Table 5a) did not enable them to acquire new knowledge; it also potentially raised questions about their skills, experience, and commitment, and led to the depletion of their already restricted homogeneous stock of skills. For example, over-reliance on email-based interactions or delegating initial relationship-building to other persons may have raised doubts regarding the entrepreneur's commitment to the societal issue. The contrast suggests that entrepreneurs can overcome the lack of familiarity with mission and/or business domains, and with specific functional domains − such as marketing, business operations, and collaboration to achieve effective collective action − and increase the chances of success through specific behaviors.

Social entrepreneurs require heterogeneous knowledge and networks because they need to deal with diverse mission and business constituencies; the initial knowledge and networks affect their behaviors (De Carolis & Saparito, 2006; King, 2004). An acknowledgement of the structural gaps in their knowledge and networks may be the first step towards enabling social entrepreneurs to address their deficits. The behaviors of successful entrepreneurs facilitated the acquisition of both tacit and explicit knowledge, (Chrisman & McMullan, 2004; Malecki & Tootle, 1996), thereby enabling them to develop new and diverse social contacts, develop trust, and secure resources.

Contrary to this, the behaviors of struggling entrepreneurs suggest they were either blind to the structural holes in their knowledge and networks, or they underestimated its impact on their ability to perform critical tasks. This study, therefore, concludes that greater insights into social venture startup behaviors are possible by studying actions that go deeper than high-level tasks, viewing such activities through fine-grained analyses of the behaviors displayed.

Limitations

The domain of social entrepreneurship is broad, spanning several different types of enterprises, and the approaches to and challenges of creating social ventures may differ significantly between the two. Because autonomous social entrepreneurs constitute a large and growing group, the study was limited to ventures started by them; however, it included both for-profit and nonprofit legal entities. Further research is required to generalize the findings to other types of social ventures — e.g., those undertaken by established nonprofits, corporate social responsibility-related initiatives in for-profit corporations, ventures with emerging legal structures such as L3C, and those from

outside North America or from the arts and crafts sector, etc. In addition, the sample for this study was small due to its in-depth and non-random qualitative nature, and it required respondents to reconstruct past events. Longitudinal studies which observe actions and their impact in "real time" are, when feasible, best-suited to research objectives such as those of this study. Finally, although every effort was made to eliminate researcher bias, it should be noted that the principal researcher is, in fact, a social entrepreneur.

Implications for Research and Practice

This study is one of the first to examine entrepreneurial behaviors in the creation and early development of social ventures. Empirical evidence from 23 successful and struggling ventures was employed to gain insights into entrepreneurial behaviors and the impact on venture success and failure. The findings are based on a qualitative study, and tenets should be empirically validated for causality. For example, empirical studies can be used to explore relationships between entrepreneurial behaviors used to diversify networks and acquire skills relevant to venture creation. In addition, longitudinal studies that capture the quality of social entrepreneurs' actions in real time, and observe venture outcomes over time, can establish the causal relationships when there is a time lag between actions and results, which strengthens the model.

The study has several implications for practice. Its findings may influence social entrepreneurs with prior dominant social work background to focus their effort on a number of specific behaviors in the areas of markets, industry, and customer management. At the same time, they should be aware that not all nonprofit startup behaviors may be relevant while starting a social venture. Social entrepreneurs with dominant business experience can recognize the significance of defining the societal

issue first, before any other significant startup activity. Knowing and removing blind spots (or structural deficits pertaining to know-how and social contacts) facilitates effective action. And, all founders of social ventures should engage in specific behaviors that enable them to seek and respond to critical feedback through ties to key stakeholders.

Regarding research in entrepreneurship, this study points to the importance of uncovering specific sets of behaviors required to successfully launch a social venture and to reveal those that may lead to failure. Entrepreneurial theory can advance via a series of studies that explore the sequence, relative effort and pacing of behaviors, to understand the process of emergence. This study suggests the importance of broad but contextually specific forces in play, particularly the norms and expectations of each nonprofit and business institution. As entrepreneurship becomes more prominent in settings beyond the business sector (such as in the social sector), it will be important for entrepreneurial research to establish which of these forces are most relevant in determining entrepreneurial behaviors − which behaviors are critical for survival and success.

PART II: HOW TO BALANCE COMPETITION AND COLLABORATION

Abstract

Social entrepreneurs engage in seemingly contradictory behaviors during interactions with mission versus business stakeholders, projecting two different orientations: the collaborative and the competitive. Collaboration is required to effect long-term social change, and proactive competition to achieve business growth and profit goals. Social entrepreneurship research is in an embryonic stage and, despite recent calls for research into the extent and form of competition and collaboration practiced by social enterprises, no empirical studies have yet been published.

I conducted a qualitative study of 31 social entrepreneurs leading successful versus struggling nascent ventures to understand how they deal with the paradox of simultaneous collaborative and competitive orientations, and how their past experiences influence preferences for either. I used the conceptual lenses of stakeholder analysis and dialectical blending to map the stakeholders, understand their orientation expectations and analyze entrepreneur – stakeholder interactions. The study highlights that successful entrepreneurs consciously create diverse social identities and manage them through a sufficiently large behavioral repertoire.

Although not explicit, I infer that they situate stakeholders on a mission–business continuum to inform themselves of stakeholders' orientation expectations and proactively seek feedback. The prior experience of founders does not affect their competitive/ collaborative ambidexterity. Rather, thriving ventures were distinguished by their founders' competence in recognizing and remedying deficits of stakeholder networks and building a diverse repository of behaviors to interact with them. The research offers a framework to help practicing social entrepreneurs situate and prioritize stakeholder interactions, and selectively deploy both collaborative and competitive orientations. My work contributes to the field of social entrepreneurship by extending to it the theories of stakeholder analysis and social identities. Competently operating with multiple identities requires analyzing stakeholder expectations and selectively deploying behaviors from a personal collection that is consistent with the social identity of the stakeholder.

Introduction

Social entrepreneurs who take a market-based approach to long-term social change have an imperative to capture the market, grow their businesses and generate

profits (Salamon, 2002; Young and Salamon, 2002) for sustained service to mission beneficiaries. Such ventures are hybrid organizations (Guclu et al., 2002), sharing with traditional businesses the goal of generating profits and with conventional nonprofits the objective of effecting social change. Consequently, they require a certain managerial ambidexterity – the ability to proactively compete to achieve market goals (Porter, 1996) and to collaborate to actualize pro-social objectives (Bloom & Chatterji, 2009; Mair & Schoen, 2007; Wei-Skillern et al., 2007).

Challenged to operate concomitantly as a business and a nonprofit organization, it is unclear whether a social venture should prioritize − that is, give more importance to one orientation over the other, and when. Does the prior experience of the founders influence the dominance of one orientation over the other? And, do venture founders become overwhelmed with the number of competitive and collaborative tasks to perform? A quintessential component of each of the several distinctive frameworks business ventures deploy to capture market share, grow, and create shareholder value – via chains, shops, and networks (Stabell & Fjeldstad, 1998) – is competition. While businesses do cooperate in building alliances, participating in networks and deploying vertical integration strategies, their objective is always to strengthen their competitive advantage and/or increase profitability (Clarke-Hill et al., 2003; Child et al., 2005; Hill & Jones, 2007; Human & Provan, 1997;).

Traditional nonprofits, contrarily, rely on cooperation as a primary strategy. Their goal is to develop an ecosystem of collaborators (Wei-Skillern et al., 2007) to facilitate access to human, physical and technology resources (Bourdieu, 1986; Burt & Celotto, 1992; Lin, 2002) – either free of cost, or at lower than market rates. While nonprofits do

compete – for capital, labor, board members, prestige, political power, volunteers, and to increase their earned income (Brody, 1996; Galaskiewicz et al., 2006; Weisbrod, 1997) – their primary purpose for doing so is not the desire to increase profits and personal wealth but to change the status quo (Auerswald, 2009; Guclu et al., 2002).

A qualitative study involving 31 autonomous social entrepreneurs who had (co)founded 23 ventures in North America was conducted to inform my understanding about the competitive and collaborative orientation of social entrepreneurs during early-stage development. My study indicates that entrepreneurs do not perceive these orientations as competing; instead, they recognize the importance of integration and an artful balance of both for successful venture development. The study contributes to the practice of social entrepreneurship by identifying behaviors that achieve both competitive and collaborative orientations, and behaviors that are unique to each orientation. In response to the call for empirical research on social entrepreneurship (Gras et al., 2011), this study advances theoretical understanding on how social entrepreneurs respond to the need for competition and collaboration. In interpreting my findings, I use the conceptual lenses of stakeholder analysis and dialectical theory to resolve paradoxes arising during entrepreneur–stakeholder interactions.

Theoretical Foundation

The term social-purpose ventures describes a wide range of initiatives, from those begun by traditional donative nonprofits to those initiated by established for-profits to fulfill corporate social responsibilities (Dees et al., 2002). Social-purpose ventures started by autonomous social entrepreneurs are in the middle of this spectrum. Initiated by an individual, or two or more cofounders, they view individual success as synonymous with

venture success − much different from organizations that appoint and compensate start-up managers.

Social ventures are fundamentally different from traditional business ventures with respect to genesis. Business ventures emerge when entrepreneurs perceive a market opportunity and create value through profits. The trigger for social ventures is the entrepreneur's concern for or dissatisfaction with status quo responses to problems encountered personally, in the family, or in the community (Guclu et al., 2002). It is the perceived opportunity to change the status quo and to create social value and long term sustained change − through a well operating profitable business – that motivates the social entrepreneur.

Collaborative and Competitive Orientations

In a one-dimensional view collaboration and competition may be viewed as polar opposites driven by goal interdependence of individuals and/or organizations (Johnson, Maruyama, Johnson, Nelson, & Skon, 1981). Collaboration occurs when one perceives a win-win relationship, i.e., one's success is related to another's, whereas competition is perceived as a win-lose relationship.

In collaboration each group recognizes the skills, competencies and value of resources held by the other and is encouraged to share them for productive outcomes. Businesses form strategic alliances to improve their competitive advantage in the marketplace by collaborating (Child et al., 2005), also referred to as collaborative advantage (Burton, 1994; Kanter, 1994). Nonprofit organizations collaborate with businesses for philanthropic, commercial, strategic and political advantages (Austin, 2000; Galaskiewicz & Colman, 2006). They cooperate with other nonprofits to gain

legitimacy (Galaskiewicz et al., 2006), share resources, and collectively improve efficiencies (Sawhill & Williamson, 2001) to promote long term social change. Collaborative behaviors are characterized by trust, reciprocity, commitment and use of coordination to achieve results (Clarke-Hill et al., 2003).

Competition is a driving force for organizations to gain entry, capture market share and secure their position. The competitive posture of a venture may take several forms depending on whether the venture intends to be a leader or follower, the breadth of customers and product lines, and their willingness to take risk and innovate for competitive advantage (Covin & Slevin, 1989; Miller & Friesen, 1982). A venture's competitive strategy may be long-term goal oriented, maintaining an awareness of industry trends, or a more conservative, risk-averse orientation with emphasis on immediate profitability. Traditionally, nonprofits have competed with other nonprofits for financial resources, but with increased commercial orientation of the sector they also compete with businesses for revenue from trading (Young & Salamon, 2002). The competitive behaviors of entrepreneurs and organization leaders may be characterized by calculating, bargaining, maneuvering, and the use of power to achieve results (Clarke-Hill et al., 2003) regardless of competitive orientation.

Social ventures have an integrated business model wherein social-mission outcomes are a direct consequence of a well-operating business. Their mission outcomes scale up (i.e., serve more beneficiaries) as their market share and income increase. Therefore, like business ventures, they need to adopt a head to head posture to compete with existing rivals and incumbents in order to secure their position. Having a primarily social mission, they are likely less efficient, delivering lower profits and sometimes

barely breaking even (Wallace, 2005), often having lower-than-market rates of return on investments, which limits their ability to attract traditional business investors. Pressure to demonstrate self-sufficiency and sustainability with scarce financial resources drives opportunistic behaviors to lower the cost of resource acquisition and operations.

This analysis suggests that social entrepreneurs must maintain the best interests of their social-missions as well as their business initiatives through concurrently invoked collaborative and competitive orientations. Table 8 below indicates how ventures may collaborate or compete with other organizations for mission and business benefits. How founders deal with the requirements to execute actions in all four categories, some of which require seemingly contradictory behaviors, is discussed next.

TABLE 8
Collaborative and Competitive Orientation

	Mission best interest	Business best interest
Collaborate	With other nonprofits, businesses and government agencies to affect long term sustained change	With suppliers, alliances, associations and customers to lower their cost of operations and increase competitive advantage
Compete	With nonprofits, businesses for start-up funding / grants; May compete (in rare situations) with other social organizations to serve more clients, unlikely otherwise	With existing rivals (other businesses) to increase market share and secure funding for the business

Paradox of Simultaneous Collaboration and Competition

Tensions arising from simultaneous pursuit of mission and business goals present both a threat and an opportunity. Dangers of analyzing a paradox include premature resolution of the dilemma without full comprehension of the phenomenon or, alternatively, maintaining a position in which the incongruent components in the paradox have to exist as mutually exclusive elements (Ghent, 1992). Opportunity associated with

the analysis includes comprehending the process at a whole new level with the two poles integrated to constitute a totality (Poole & Ven, 1989). Just as organizations face paradoxes of different types and at different levels (Clegg, Da Cunha, & e Cunha, 2002; Clarke-Hill et al., 2003), so do entrepreneurs at different stages of developing a venture (Baker & Nelson, 2005; Kanai, 1988). These include planned versus emerged efforts, or creativity and intuition versus analysis and logic.

Large firms manage their organizational ambidexterity through hierarchical administrative structures for conflicting knowledge processes, whereas for small businesses and start-up entrepreneurial ventures the paradox manifests as incongruent behaviors by top management teams (Lubatkin, 2006). For example, social entrepreneurs have to negotiate deals with a win-lose attitude while competing for business but they need to demonstrate an attitude of shared success with nonprofit partners. A head-to-head competitive posture requires a dominant personal identity (Lumpkin & Dess, 1996) where the motive in any social exchange is solely self-interest. Such transactions must be direct and explicit with an assurance of the performance of each exchange (Flynn, 2005). Contrarily, interdependence and a win-win posture require a relational identity orientation to maintain both self as well as other's interest, with less time spent bargaining over the terms and value of transactions. Recognizing the adaptive limitations of each orientation, social entrepreneurs may put their ventures at risk when skill gaps are not addressed.

Social entrepreneurs thus face the challenge of dual identity and multiple faces (Goffman, 1967; Short et al., 2009), arising from the need to perform seemingly contradictory behaviors during interactions with mission and business stakeholders. It is

possible that entrepreneurs may be able to maintain and manage these contrasting identities through a dialectical blend (Bratnicki & Zabkowska, 2009) − an optimal balancing of compartmentalization and integration, choosing to employ different identities at different times and in different contexts (Shepherd & Haynie, 2009). However, some scholars (Wallace, 2005) suggest that social entrepreneurs may prioritize their relational identity (for collaboration) over personal identity (for competitive positioning), and may forego the business best interest for the broader mission achievement.

Human Capital for Collaborating and Competing

Entrepreneurial capital consists of the collective value embedded in the founding team's human and economic capital, and their social networks (Bourdieu, 1986; Coleman, 1988; Firkin, 2001; Sharir & Lerner, 2006). Human capital consists of skills and capabilities acquired through education and experience, enabling individuals to respond to situations in new ways. Various forms of entrepreneurial experience (Firkin, 2001), both generic (education and work experience) and specific (industry, managerial and business ownership), increase the likelihood of early stage survival of business ventures (Baptista, Lima, & Mendonca, 2009; Carter et al., 1996).

Prior knowledge represents resources held by the founding team which can be traded during social exchange to generate value for the venture (Davidsson & Honig, 2003). Social entrepreneurs possessing business-related knowledge, such as understanding of markets, competitive landscape, operations, financing etc., may need to dedicate more time and effort to the development of collaborative skills, and vice versa for those possessing mission-related knowledge. In the absence of a balanced

collaborative and competitive orientation their behaviors are likely to be driven by past experience and may be detrimental to venture development.

Human capital plays an important role in resource acquisition due to its convertibility to social capital (Bourdieu, 1986; Lin, 2002). It is closely associated with an individual's social networks. Greater work experience provides increased opportunity to develop the desired size and quality of networks for venture development. When proactive, greater human capital can lead to wider entrepreneurial networks (Mosey & Wright, 2007). However, there is also the possibility that homophily resulting from previous experience can limit the diversity of networks (Ndofor & Priem, 2005). In such cases, founders need to dedicate more time and effort to develop broader networks that provide the complementary knowledge and capabilities required to balance collaborative and competitive orientations.

In general, I expect entrepreneurs with greater human capital to succeed with both collaborative and competitive orientations; in sum, founders of social ventures need to both collaborate and compete in order to achieve the dual goals of mission and business benefits. Since founders themselves are facing the paradox, they need to dialectically integrate them to succeed. A qualitative analysis of the behaviors of successful and struggling social entrepreneurs and their approach to prioritize actions can enrich my understanding of actions that deal effectively with the paradox, and those that may result in potential pitfalls.

Research Design

Methodology

This study was an extension of that described in the beginning of Chapter IV − where the focus was still on the "What?" and the "How?" − but was narrowed to studying actions addressing the ambidexterity component of venture development. As a result, I reused the research design and data from the previous study but focused on codes pertaining to the ambidexterity component.

Data Analysis

From the previously conducted three-step, open coding process (Corbin & Strauss, 2008) 913 codes pertained to the simultaneity of collaboration and competition during venture development. From this categories of codes were formed, reviewed and analyzed to achieve finer distinctions and to allow the emergence of new concepts and higher level concepts from the coded data. Research notes, memos, and literature were revisited during this process to establish a deeper understanding of the underlying phenomena of simultaneity and core concepts related to ambidextrous cognitive orientation of entrepreneurs. A process of splitting, merging, and eliminating codes, ultimately yielded fourteen categories (Table 9) in four major themes described below as findings.

TABLE 9
Collaboration and Competition Codes

Final Thematic Codes	No. of Occurrences
Juggle and balance collaborative and competitive orientations	101
Seeking stakeholder feedback for collaboration	61
Seeking stakeholder feedback to be competitive	46
Aggressive expansion of mission stakeholder networks	39
Aggressive expansion of business stakeholder networks	44
Leverage of personal networks for mission collaborative orientation	73
Leverage of personal networks for business competitive orientation	76
Opportunism for collaboration	30
Opportunism to be competitive	28
Distinct behaviors for collaborative orientation	90
Distinct behaviors for competitive orientation	103
Hands-on knowledge and skills acquisition	111
Issues with specific skills (marketing, sales, customer acquisition, customer servicing, business model conceptualization)	34
Leverage of prior experience	87

Findings

The 23 nascent social ventures I studied were at different stages of progression, based on the number of business and mission related activities completed, such as conceptualizing a social-business model, selecting products/services for the venture, engaging clients (beneficiaries), establishing a legal entity, generating sales, and forging nonprofit partnerships. Ventures were treated as successful when they progressed by completing both business and mission activities over time and were labeled as struggling if they dissolved or were "stuck" in the development process despite being in existence for several years.

My study revealed that successful social venture founders purposefully collaborated and competed during venture conception and development. Success with joint collaborative and competitive orientation required several behaviors common to both orientations and some unique to each. The compatible behaviors common to both included proactively seeking stakeholder feedback, growing personal networks, and opportunism. Incongruent behaviors were maneuvering and negotiating for competing, versus building trust and encouraging reciprocity for collaborating. The complexity of shifting between behaviors required entrepreneurs to maintain multiple identities and selectively employ one over the other based on the type and interests of a given stakeholder during an exchange. Finally, prior experience of the founders did not affect competitive /collaborative ambidexterity; rather, competence in recognizing and remedying skill deficits distinguished thriving ventures. Each finding is further described below supported by tabulated excerpts from the interviews.

Finding 1: *Social entrepreneurs juggle collaborative and competitive orientations for mission and business success. Successful entrepreneurs strive to balance these orientations while struggling entrepreneurs prioritize collaboration.*

My data revealed distinctions between how successful and. struggling social venture founders shift between collaborative and competitive orientations. Successful principals maintained a balance while struggling entrepreneurs were more collaborative than competitive. Tables 10a and 10b show the distribution of collaborative and competitive orientation for successful and struggling entrepreneurs respectively during the early development of the venture. Successful venture's founders made many more

references in their narratives to both, collaborative and competitive orientations, and to balancing the two than did struggling entrepreneurs.

Successful entrepreneurs were more sales focused than their struggling counterparts, revealing keen awareness that greater revenues meant capability to do more missions. In all cases they recognized the need to brand, market and sell their products/services aggressively and grow the top line of the venture. Successful founders conducted market research, analyzed the competition, strove to creatively brand their ventures, and proactively marketed their products/services, often cold calling and aggressively networking – tactics that struggling entrepreneurs did not report. Successful entrepreneurs focused on diversifying sales channels as well as growing sales networks to reach untapped customer segments.

Contrarily, struggling entrepreneurs were less apt to seek market feedback to inform decisions about product/service features, admitted to lacking adequate knowledge about their products/services, and acknowledged inability to acquire new customers. While performing business-related activities, both successful and struggling founders diligently addressed client needs and developed relationships with organizations that could provide complementary support. Most entrepreneurs in my sample viewed these collaborations as two-way mutually beneficial relationships. They also recognized the need to participate in advocacy to advance broader social missions related to their venture's specific focus. Successful entrepreneurs, recognizing success was tied to social change and not just operating a profitable business, judiciously balanced their time. Interview excerpts demonstrating the combination of collaborative and competitive orientations within one venture are presented in Table 11.

TABLE 10
Balance of Collaborative and Competitive Orientation

Table 10a. Balance of Collaborative and Competitive Orientation – Successful Ventures

Company	Struggling / Successful	No. of codes with collaborative orientation	No. of codes with competitive orientation	No. of codes (balance priorities)
A	Successful	23	33	10
C	Successful	6	15	05
D	Successful	15	11	08
E	Successful	9	7	01
F	Successful	12	9	00
G	Successful	13	14	05
H	Successful	35	23	09
I	Successful	16	16	06
J	Successful	24	26	06
L	Successful	09	27	09
N	Successful	02	14	04
P	Successful	19	06	06
Q	Successful	12	12	05
R	Successful	06	11	03
U	Successful	20	18	09
	Total	221	242	86
	Average	10	11	4

Table 10b. Balance of Collaborative and Competitive Orientation – Struggling Ventures

Company	Struggling / Successful	No. of codes with collaborative orientation	No. of codes with competitive orientation	No. of codes (balance priorities)
B	Struggling	20	02	03
K	Struggling	05	07	00
M	Struggling	18	09	02
O	Struggling	07	03	00
S	Struggling	05	11	04
T	Struggling	07	03	01
V	Struggling	06	05	03
W	Struggling	04	05	02
	Total	72	45	15
	Average	09	06	02

TABLE 11
Collaborative and Competitive Orientation Quotes

Company	Collaborative orientation	Competitive orientation
U	[the company] works with the other non-profits to local NGOs to create school programs...if there's a school close enough for [the children of our clients] to get to or if we need to start a school in their area	when [we] decided to research [the product], [we] made a lot of phone calls to some very high-end [product producers]...[they] all gave way too much information...it's kind of funny that [we] became some of their competitors
H	We went to [the nonprofit] many times to get their advice or support, their feedback... it was a natural choice to then start working with [them] because we definitely filled a void that they had when it came to real work experience	We sent our product line out to several catalogs, several online retailers to see if we could get picked up…[they] were the first to pick us up…[they] operate so many different websites that it gave us such an amazing amount of exposure
L	right now [our clients are] going through [specialized course work], which we were able to get a college credit for them through our partnership with [a local college]	Ultimately at the end of the day, the product has to be extreme. People could care less who's making it [un-skilled labor] if the product is good.
I	we can't provide health care services...so our approach is to team up with non-profits...then we have the opportunity to help them…[a nonprofit] partnered with us [to help their clients] start a jewelry-making group to make an income	through research [on which marketing events to go to]...we'd look at the number who's their average attendee, do they fit our demographics, what's the sales number we need to hit to cover the costs…

Finding 2. Behaviors such as seeking stakeholder feedback, aggressive expansion and leverage of personal networks and opportunism differentiated successful entrepreneurs from those that struggled. For success, entrepreneurs used these behaviors to facilitate both competitive and collaborative activities.

At each stage of venture development − investigating a social problem they wished to address, conceptualizing a business to fund that effort, or strategizing to sustain the effort over a longer duration − successful social venture founders recognized the need to deliberate with appropriate stakeholders. To collaborate on the mission side, the entrepreneurs engaged potential beneficiaries, community members and leaders,

nonprofit organizations, and foundations who shared their concerns for the focal social issue. Successful entrepreneurs exploited existing personal and professional networks to court stakeholders and to convey to them their mission-related vision.

These interactions provided valuable feedback to adjust understanding of an issue and design the business model. In many cases these actions also resulted in the acquisition of financial and other resources vital to the business or in partnerships that provided additional client programming. Successful founders also worked inventively to expand their networks in an effort to identify opportunities to reduce operational costs and improve operational efforts. The data strongly emphasize successful founders' personal involvement with both mission and business stakeholders. Successful entrepreneurs engaged with business stakeholders using these very behaviors to be competitive. As evidenced in the interview excerpts in Table 12, they personally called on potential customers to seek feedback on product/service features and prices, leveraged personal networks to gain competitive intelligence, conducted primary market research, and explored supplier relationships and new sales channels.

Founders of struggling ventures were less competitive in courting business or mission stakeholders. Often they delegated interaction with stakeholders due to time constraints, competing priorities or lack of skills. The founder of a venture stuck in development, when talking about her experiences, explained, *"I had actually spent a good deal of money, not time, trying to get a handle on how the industry worked… I hired a bunch of consultants for procurement, marketing…[they] were feeding me information, but in hindsight I could have saved myself a lot of agony and money just kind of doing that on my own."*

Another founder of a dissolved organization spent only 10% of her time during start-up and hired consultants to help with sales, marketing, and packaging. She said, *"[The consultant] did a lot of spinning of the wheels without much happening…I paid [the sales consultant, packaging consultant] way longer than I should have…I should have seen that it was going nowhere and just cut the ties, but I was so emotionally and passionately attached to the success of the branding, that I was afraid that if I cut them off, I would have to either stop or start over, and emotionally I wasn't ready to do either of those two things…"*

TABLE 12
Behaviors Common to Collaborative and Competitive Orientations

Behaviors	Leverage for collaboration	Leverage to be competitive
Seeking & analyzing stakeholder feedback	[we met] with leaders to find out what services look like [for our target client]...there was this real gaping hole for individuals [of certain age, also their target client market], where they were not accessing social services...	[to sell more, we] would go talk with designers, and go talk with [end product] experts, and [we] would go talk with consumers...and so we started to learn very quickly [their feedback on our product]
Expanding personal networks	[an interesting] thing about this space...within a 5-km radius, you can find 200 minds that are doing social businesses...concentration of people that are all thinking about and trying to solve similar problems...there ends up being these [opportunities] which connect people...you ask a couple of "friends," and they're like, "Oh, you know, someone who'd do this was...	[basically] anyone who we could think of or get introduced to who we thought would know something about [the venture's market] – we took every meeting we could...I feel like we were just back-to-back in meetings and networking for a couple of years
Leveraging personal networks	[we] have many, many pro bono services…our office space…our computers…our law firm…we also have brand ambassadors that do things for us for free…they're friends of friends	My business partner knew a lot of [target organizations leaders] personally…she would just call them up and say, "Hey, can we come and visit you at lunchtime?" And the [leader] would say, "Well, you're not gonna like the [service] that you see, but you're welcome to come and figure out how to do it better.
Opportunism	[we] were getting calls from all kinds of directions, …that's when we really started working [sharing our knowledge at] the libraries, with the classrooms, so teachers	[We] would be happy to provide as many volunteers as you need to make the whole thing work [if] in exchange, you will give us a free tent to sell [our

	and educators were contacting us	products] and mention in all of the ads …and various other media opportunities
Hands-on involvement	[the founder and volunteers] spent a lot of time going around, talking to, in some cases [volunteering with], in some cases helping raise money for [other nonprofits] in the city…	[we] spent a lot time in [target organizations] …every day we would go to a different [organization] and watch what [our potential customers] were eating…talk to them, talk to the [organization] leaders...[we] would come back and compile our findings and brainstorm...

Finding 3: *Founders of successful social ventures differentiated between mission and business stakeholders in each interaction and employed several distinct behaviors to achieve results.*

While the behaviors described in Finding Two were common to simultaneously competing in the marketplace and collaborating for mission success, my study also revealed several contradictory behaviors that the entrepreneurs personally enacted in their early stage ventures. Successful entrepreneurs distinguished between mission and business stakeholders and adopted distinctly different approaches to deal with them. They focused on a specific interaction with a stakeholder, examining her/his interests and expectations and responding accordingly. For mission stakeholders the focus was on conveying passion, commitment, sharing, goal alignment, and working on win-win outcomes, whereas, with a business stakeholder, the entrepreneur conveyed a good grasp in the areas of markets, competition, and product quality, and demonstrated ability to bargain, negotiate, and compete head-on for sales.

Ventures in my sample mostly offered run-of-the-mill commodity products/services. Early on in venture development they recognized that customers bought the product/service for its quality and market price and were not as concerned

with the social-cause it served. This meant their actions had to align with traditional profit oriented business practices. They bargained while dealing with suppliers, as in the case where a founder said, *"I spent a lot of time testing and visiting suppliers and trying to figure out what their quality level is and negotiating for better payment terms and prices…"* This social entrepreneur was trying to get a relatively big company excited about working with his startup and maneuvered to gain the attention of business stakeholders. He said, *"[W]I go out to dinner with them quite often…almost every week lately, and talk about these new designs…I go out and play Frisbee on the weekend, I meet interesting engineers…we're all excited about [our] new designs."* In addition, entrepreneurs personally attended to customer satisfaction and issues. As described by another founder, "*[W]e're trying to run this as a business… the trucks have to be loaded right and you've got to make sure you perform to the expectations of the industry.… we've had many incidents where I don't do things correctly and I get yelled at… then I have to talk to a very irate customer…"*

Concomitantly, these same entrepreneurs demonstrated passion and commitment to their social causes. They worked hard to convince community groups and local businesses to support them − not through charitable donations, but by providing complementary services. One founder whose mission was to provide life skills to incarcerated people, lobbied with a local bank to provide them with accounts. He stated, *"[Opening]a bank account with bad credit… many of the banks hate to do it….[The clients] are in the check system, so [the bank] can help them open a bank account and have them cure their check system problem.."* While convincing the stakeholder at the bank he said, *"I begin to say, look, this guy has no hope…so you can't lose…give him a*

passbook savings, make the minimum balance $5, and don't charge him a fee." With some more convincing, he said, *"banks will do it…"*

Founders' efforts to build trust, align their organizational goals and establish win-win operating relationships for the benefit of clients is exemplified in these comments from a founder: *"[W]I worked very closely [on a project] with [a coalition] to raise the consciousness of this issue [my mission]...my guys [went] out there and work[ed] with them...they see that these are good people that are trying to get back on their feet…"* The founder of another organization, however, said, *"…[R]ight now, [the clients] are all going through [a special course for] which I were able to get college credit for them through my partnership with [local college]…"*

At early stages the task of leveraging relationships to gain access to business- and mission- related resources was solely carried out by the social entrepreneurs themselves. Successful entrepreneurs in my study managed the dialectical tension by artfully differentiating between mission and business stakeholders. They strategically navigated conversations to understand stakeholder needs and demonstrated knowledge of the subject. For example, when a focus on product sales was important for a stakeholder (for example, a potential funder), entrepreneurs demonstrated selling skills, knowledge of the competition, product quality, and customer service. Table 13 illustrates additional situations in which founders demonstrated an understanding of stakeholder interests in the social venture and accordingly led the conversation.

TABLE 13
Behaviors to Deal with Diverse Stakeholders

Company	Illustration of contrasting approaches
U	[when] you're working with [a business contractor], you basically have to give a little bit more of an elevator pitch to explain how much effort we have put into quality, and how unbelievably sustainable, and innovative, and design friendly these [products] actually are...
	But when you're working direct with the[consumer], being able to say that this is a non-profit, and that 93 percent of the proceeds from the [product sales] actually go back into [the region of our clientele] is critical
D	[we] went to the mayor's office…[he] remembered who we were…[we said] we want a contract…everybody throws this stuff, [we want] to recycle it...that's how we settled on [this business contract]
	[our clients] live in this community...the community's falling apart...[it's] been in denial...if there are not jobs in this community, there will be nothing for them to do...so [I said] you have an interest in seeing common sense, low-income work...[the community then] helped me gain the support of the mayor and the governor and the stakeholders
A	[our] business is social when it functions...we function by selling our [products] to [villagers]... [when we] pitch[ed] to a VC, the social mission slide [came] towards the end because everyone gets that there's a social mission, but they kind of want to say, "Okay, how distracted are they by doing good, and how much are they going to make sure that they don't run out of cash? So how much are they going to guard their survival versus trying to selling at as low a cost as they can?"
	[when we were] pitching to a mid-pack fund, we start[ed] with the social side...the fact that this is really a vehicle for getting life-changing products into village houses

Finding 4: *Prior for-profit experience does not ensure success on the business side, but marketing, sales and operations know-how is critical for success.*

While my results demonstrate maintaining a balance between collaborative and competitive orientation is crucial to early-stage social venture success, my sample revealed that failure was most often associated with a specific deficit of experience in and/or attention to marketing and sales – skills I would expect more for-profit than nonprofit-trained entrepreneurs to possess. Seven of the 10 struggling entrepreneurs I studied lacked these skills despite substantial prior for-profit experience. Surprisingly, entrepreneurs with nonprofit experience were more successful overall (75%) than were those with for-profit backgrounds (63%). Table 14 displays excerpts from the interviews

of both successful and struggling founders with diverse backgrounds, demonstrating the criticality of marketing/sales skills.

Successful entrepreneurs were quick to acknowledge skill and experience deficits and were aggressive in remedying them. Struggling entrepreneurs, contrarily, prioritized skills they already possessed; for example, an entrepreneur with a legal background focused on forming a legal entity vs. gaining knowledge of the distribution industry, while another with substantial marketing experience distanced herself from operations.

In summary, my findings strongly confirm the need for social entrepreneurs to deftly balance collaborative and competitive orientations for mission and business success. While some behaviors are common to both, others are unique to each. My data suggest successful entrepreneurs make the most of every stakeholder interaction, staying focused on who they are talking to and maintaining clarity about their value to the venture. Contrary to common wisdom, I found that a social entrepreneur's for-profit experience was not directly related to venture success. Successful entrepreneurs recognized and addressed skill gaps whereas struggling entrepreneurs prioritized activities at which they were already proficient.

TABLE 14
Behaviors to Address Skills Gaps

Situation	Illustration
Org A: Successful cofounders fresh with undergrad engineering degrees	[we] had a product in hand and actual people in other countries...we were raising $2,000 to $10,000 per event every couple of months...[at these events] there would always be a few people [who said] "Oh, I know some angel investors. I know a good early stage advisor you should talk to." And so in this way, we kept meeting people and just finding people that could connect us
Org S: Struggling entrepreneur with for-profit background	[initially] it was really simple...just buying a bunch of things and then selling them...[there] was a little bit of effort on identifying who we were gonna buy from and then maybe some marketing things...[for sales] it was small groups that I was connecting with...it was very personal, so they felt a personal connection to me and what I was doing...[then] I realized that I shouldn't really be selling gift things 'cause I don't know what to get...[and] styles come and go, and I was never so good at that
Org L: Successful entrepreneur with nonprofit background	So we had [a lot] to figure out, "Well, what do you want [the product line] to smell like?" So I remember sitting [at a vendor's office]...they had at least 13 different scents...and I remember kind of coming up with a combination of this one, and this one, and this one...[and] going online to look for packaging, and nametags, and labels, and really trying to [get] just some of the basics. At the same time, you know, working with [our source of raw material] and learning all about [them]
Org G: Serial for-profit entrepreneur successful at the first social venture initiative	It was important to us that we not just duplicate what other people were already doing...we spent a lot of time going around, talking to, in some cases volunteering with [other nonprofits]...by doing that, we found out what worked for them, what didn't work for them, which programs they had that were really strong, which programs nobody was offering that we could do or that we could do better
Org K: Struggling entrepreneur with Fortune 500 marketing background	We always wanted it to be a huge, national brand… maybe that's because we came from [fortune 500 company]… so when [a national retailer] said to us, "We want to put you in 400 stores"… I made the decision that we had to do it…not being in the food business for a long time, I never dreamed that the trucks would get left out on the dock and the food would all melt and turn into bad food …

Discussion

This inquiry exposed the need for cognitive ambidexterity – the ability to concurrently compete and collaborate – when leading a social venture. The orientations are illustrated in Tables 15a and 15b for two ventures in my sample. The data revealed differences in the approaches adopted by successful and struggling entrepreneurs at the helm of a wide spectrum of social ventures. A reasonably large percentage of social

entrepreneurs do struggle with the seemingly conflicting demands of collaboration and competition, confirming that these create a challenge for them.

That this challenge is also paradoxical is supported by the findings, specifically by the need to use multiple identities and to stretch beyond one's pre-existing skills base. The findings indicate willingness on the part of the successful social entrepreneur to engage with many stakeholders rather than retreat from them or engage them at a distance. Such a retreat on the part of struggling entrepreneurs may be due in part to the conflicting orientations creating a personal unease with social exchanges in areas where the founder(s) lack human capital.

On the business side I observed that successful ventures compete with incumbents to gain market share. They study the competition and lead sales based on the value of their products/services, not on the social-mission the business seeks to serve. Social entrepreneurs are diligent and opportunistic in lowering operating costs. They promote supplier and other vendor alliances as do traditional for-profit businesses. On the mission side they collaborate with other nonprofit, for-profit and government agencies to provide complementary services to clients, in order to bring about the intended long term social change. Nonprofit social ventures compete with other social ventures and nonprofits to gain traditional sources of funding (e.g., grants, donations for start-up and operating expenses, and lowering the cost of operations).

While not a large enough difference to be definitive in my small sample, the relationship between venture performance and entrepreneurs' professional experience prior to venture creation is provocative since it is in the opposite direction from what one would expect (see Finding 4). The study confirms the need to possess and/or develop

various forms of human capital – education, industry, entrepreneurial, business, etc. – for success. I observed that startup human capital of the founding team does not limit venture success.

Successful entrepreneurs at early stages recognized the deficit in founding teams' human capital and were aggressive in personally acquiring requisite knowledge, skills and capabilities as against hiring employees to address the deficit. Struggling entrepreneurs on the other hand demonstrated homophily (McPherson et al., 2001) and did not diversify into critical areas such as direct sales and marketing. I further analyzed my findings in the context of excessive priorities and competing values through the conceptual lenses of stakeholder analysis and the dialectic of social exchange in order to draw conclusions and propose implications for both theory and practice.

TABLE 15
Behaviors to Address Goal Duality

Table 15a. Behaviors to Address Goal Duality

Org Q	Mission best interest	Business best interest
Collaborate	partnership with local nonprofit for client training and developmental workshops	partnership with a business for contract managers and in return they act as one of the sales channel
Compete	Competing with other nonprofit to recruit clients (beneficiaries)	In-person market research to decide where to sell their products, run pilots to explore demand and competition

Table 15b. Behaviors to Address Goal Duality

Org I	Mission best interest	Business best interest
Collaborate	Partner with local nonprofit in the country where the clients are located to provide health care services (complement their services)	Cooperation with a large national retailer as a customer and as a sales channel for national reach
Compete	The venture is a for-profit legal entity funded solely by the founder and had strong network ties to recruit clients	Negotiating during marketing events on price and conducting cost/benefit analysis of participation in the event

Stakeholder Analysis

Unlike nonprofits starting social ventures for self-sufficiency, individual social entrepreneurs have the opportunity to start anew and conceive integrated business models where client service or the social-mission benefit to clients is a direct consequence of a well-operating business. This may be a reason why social entrepreneurs see the situation as an act of balancing versus the trade-offs experienced by nonprofit managers (Young, 2005) between mission-responsive and commercially rewarding actions.

Each category in Table 8 represents a unique set of stakeholders with differential interests in the social venture. Stakeholder analysis (Grimble & Chan, 1995) informs an understanding of the system as a whole and of the interests of the entrepreneurs and stakeholders as actors in the system. Social entrepreneurs may gain stakeholder support by understanding interaction complexities, their relative power and interests (McVea & Freeman, 2005), the influence they may have through networks and coalitions (Grimble & Wellard, 1997), and potential alignment of objectives. Investigating patterns and context of interaction with stakeholders allows entrepreneurs to situate a stakeholder interaction into the appropriate category in Table 8 and wear the most relevant hat to gain legitimacy.

Successful founders in my study consciously differentiated stakeholders on the basis of their mission-interest vs. business-interest (Table 10). Stakeholder analysis can help founders to identify gaps in the stakeholder base required to develop the venture and aggressively expand their networks to draw in new supporters. Although there was no evidence of formal stakeholder analysis in my respondents' narratives, I suggest that such analysis may enable entrepreneurs to deal with the inherent ambidexterity needed to

manage a social venture. In particular, it may guide the prioritization of actions across the two orientations for successful venture development in the context of the founding team's human and social capital.

Dialectical Blend during Social Interactions

Legitimacy is conferred and resources are awarded to a venture based not only on the value the stakeholder attributes to the human, social and economic capital possessed by the founding team (Carter et al., 1996; Davidsson & Honig, 2003; Firkin, 2001). It is also influenced by the entrepreneurial stories told during interactions involving social exchange (Lounsbury & Ann, 2001). Social entrepreneurs gain legitimacy from both nonprofit and for-profit institutions with distinct symbolic activities and potentially conflicting postures during storytelling. Dual identity requirements of social entrepreneurs may pose internal conflict (Simms & Robinson, 2006) during stakeholder exchanges.

Some entrepreneurs are likely to gravitate towards their dominant social identity (Tajfel & Turner, 2004). Those with extensive for-profit experience tend to have greater business related human and social capital, and are likely to possess a dominant entrepreneurial identity whereas those with greater nonprofit experience might possess mission-related social identity. While the identity theory suggests that social entrepreneurs will identify more with one of the two identities, Jenkins (2004) proposes that social construction of identity is a continuous process and is a result of the dialectic of multiple identities. Successful entrepreneurs in my study were able to compartmentalize and integrate seemingly incongruent identities into a unitary self through a dialectical blend (Bratnicki & Zabkowska, 2009; Cruz, 2009; Zeitz, 1980).

Struggling entrepreneurs, who, in my study maintained a dominant identity in interaction with all stakeholders, were consequently less able to engage with and gain the support of some of them who may have been more sympathetic to a different identity. In one case, the leader of a nonprofit educational venture, a lawyer, struggled to get mission stakeholders to lend their expertise. His reliance on formal written communication with stakeholders was less effective with mission stakeholders for whom passionate in-person conversations is a preferred social exchange norm. The entrepreneur said, *"My process is, if an idea comes to mind, I do a summary or a concept paper, and then I share it with others…" Narrating an incident he said, "I emailed her about a project, and her simple reply was, 'interesting project, but try other departments'…"*

The entrepreneur of one of the successful organizations, on the other hand, narrated incidents demonstrating the adoption of different situationally informed identities. Describing an interaction with community stakeholders to plan a volunteer staffed event, the leader, a serial for-profit entrepreneur, said, *"I [W]e were very conscious… let's have enough for [the volunteers] to do, and let's have it be interesting, and let's make sure they have a good time…[because] when you show up for the day, and they don't have anything for you to do… you're just annoyed because you gave up ymy whole day, and that's not fair."*

These differences relate to two seemingly paradoxical, but necessary cognitive orientations and the ability of the entrepreneur to artfully manage them. Early stage social ventures benefit when their leaders appreciate and hone the ability to concomitantly compete and collaborate. This ability, in turn, requires the entrepreneur's appreciation of the role of many disparate stakeholders critical to a social venture's success − each of

which may require a different form of social interaction. Aligning stakeholder interests and their value to the venture with appropriate behavioral responses differentiated the successful vs. struggling social entrepreneurs in my study. While none of the former reported formally conducting stakeholder analysis, their narratives demonstrated both intuitive appreciation for and actual enactment of it. The data clearly show how successful entrepreneurs utilized selective social exchange techniques to secure legitimacy in interactions with myriad stakeholders. Founders who made insightful differentiation of stakeholders and who broadened their human capital were able to engage more effectively with a range of stakeholders.

Building on the above discussion of my research findings, the paper proposes a contribution to theory by providing one explanation of how individuals operate with multiple identities. Doing so competently requires (1) an awareness of one's legitimate goals, in order to be authentic with one's behavior, (2) recognition of the opportunities latent in the social exchange with a particular stakeholder, and (3) a behavioral repertoire large enough to engage actions appropriate to a variety of situations.

Limitations

My sample, while appropriate for an exploratory inductive study, was small, non-random and focused specifically on early stage development of social ventures initiated by autonomous entrepreneurs. The domain of social entrepreneurship is broad and includes many other types of enterprises including those undertaken by established nonprofits or operated by for-profit corporations, others with emerging legal structures such as L3C, and those originated in other parts of the world. Because the motives, approaches and challenges associated with each type may differ significantly, I

recommend caution in generalizing my findings to them. Although my work required respondents to reconstruct past events - a process subject to interpretation and selective bias - I purposely crafted my interview protocol to minimize this limitation. Finally, although every effort was made to eliminate researcher bias, it should be noted that the principal researcher is, in fact, a social entrepreneur.

Implications for Future Research

The findings advance both research and practice. The wide range of mission and business activities at startup pose unique challenges with regards to distribution of time and effort, while simultaneously dealing with competing values. I suggest further research using dialectical and social exchange theories, as well as exploring the use of the Competing Values Framework (Cameron, 1986; Quinn & Rohrbaugh, 1981) to arrive at models for the dialectical blend of the paradoxical behaviors required for success. Research should take into account the startup human capital of the founding team, the dominant individual identities, and the requirements of both mission and business-related social identities. Such research may lead to practical tools to assist social entrepreneurs in achieving productive stakeholder exchanges.

Finally, contrary to the proposition of Simms & Robinson (2006), I found that previous experience of the founding team did not influence their choice of legal entity (Table 16). In addition, my study suggests that the success of individual social entrepreneurial ventures is little affected by legal structure: ventures organized as non-profit were only slightly more likely (66%) than those structured as for-profit (63%) to succeed. This issue of entrepreneurial identity, choice of legal structure and success needs further research.

TABLE 16
Entrepreneur's Prior Experience and Choice of Legal Structure

	Legal structure	
Prior experience	For-profit	Nonprofit
For-profit	9	6
Nonprofit	6	4
Cross sector	2	4

Implications for Social Entrepreneurs and Practitioners

The goal of the research reported in this part of the dissertation was to empirically examine how social entrepreneurs deal with the two orientations of collaboration and competition necessary for mission and business success. I also wanted to understand the actions they take while dealing with these seemingly incongruent orientations and if and how the entrepreneurs' past experience influences their actions. I present a practitioner centered framework (Figure 5) to discuss the implications of the research for social entrepreneurs.

Social entrepreneurs operate in a unique environment. Arguably, they must deal with a much larger and diverse set of constituencies than do business entrepreneurs. In addition to the business stakeholders that business entrepreneurs attend to, social entrepreneur must gain the confidence of mission constituencies to produce long term social change. They also have to deal with two dominant, incongruent orientations – collaborative and competitive – to gain the confidence of mission and business constituencies respectively, both of which are necessary for success.

The four quadrants Q1 to Q4 depicted in Figure 5 represent the intersection of the constituencies and the orientations. Each quadrant represents a group of actors with unique social identities, who, during social exchanges, might associate themselves with

particular behaviors consistent with the identity of the group. This research suggests that successful social venture leaders need to be multi-dimensional as regards their desire and ability to consciously navigate in all quadrants and switch behaviors accordingly.

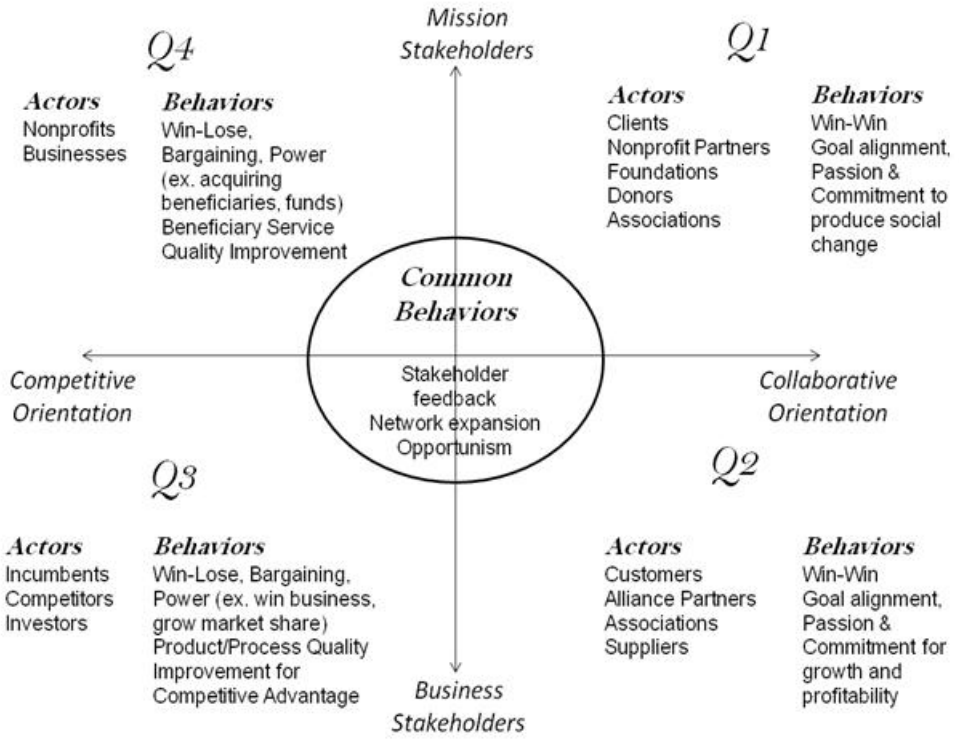
The framework enables social entrepreneurs to understand the alignment and integration of seemingly contradictory behaviors essential for the sole reason they exist, to produce long term social change. It highlights the diversity in the stakeholder interactions and the behavioral nuances associated with the social identity of actors in each quadrant. Social entrepreneurs can be more conscious of the multitude of social identities required during stakeholder interactions as well as identifying the specific identity likely of any particular actor or stakeholder. The framework emphasizes the diversity of the dimensions of the social-business and therefore allows the social entrepreneur to reconcile the contradictions inherent in the multiple identities as well as facilitate smooth transition between identities.

The actions and interactions of social entrepreneurs, like business entrepreneurs, are more emergent than planned (Read, Sarasvathy, Dew, Wiltbank, & Ohlsson, 2011). For successful interactions, social entrepreneurs may use the framework of Figure 5 to situate the actors and anticipate their competitive and collaborative role expectations. Social entrepreneurs may proactively seek feedback during stakeholder interactions regardless of the quadrant in which the stakeholder belongs. Depending on the actor, the feedback may focus on different aspects of the social-business, such as services for beneficiaries, vision of how a specific nonprofit partnership may help clients in the long run, product features, proposal for a specific channel partner to grow sales, etc. The research shows that emphasis on growing personal networks and increasing the diversity

of networks to cover all quadrants differentiates successful entrepreneurs from those who struggle. My research suggests that entrepreneurs adopt opportunism in all dimensions of the social-business as a way to create new stakeholders and strengthen their position with existing stakeholders.

In the normal course of activities, entrepreneurs may use the framework to self-assess for (1) size and quality of networks, (2) effectiveness at complex interactions, (3) entrepreneurs' biases, and (4) knowledge of relative power and interests of the actors. Such analysis may help both prioritize stakeholder interactions to create new supporters and also diversify the behavioral repertoire required for success. As suggested by my research, such analysis is fairly continuous and conducted in a practical manner through strategic conversational processes with cofounders, and existing and new stakeholders (Morrison & Salipante, 2007). Feedback gained from these conversations not only helps identify gaps in the entrepreneur's ability to gain specific stakeholder confidence, but also the need to be skilled at specific behaviors and thereby prioritize actions in each quadrant. Social entrepreneurs are likely to have a dominant identity based on training and past experiences. This research shows that entrepreneurs who stay with the quadrant they are most comfortable with (i.e., that which relates to their dominant identity) and don't prioritize actions to address deficits in other quadrants tend to struggle. Appropriate prioritization of stakeholder interactions and a learning-by-doing approach may help the entrepreneur diversify their behavioral repertoire while shying away from particular types of stakeholder interactions would diminish the opportunities for stakeholder and repertoire expansion.

FIGURE 5
Framework to Balance Competing Dimensions of the Social-Business



CHAPTER V:
CONCEPTUALIZING AND VALIDATING THE "WHAT" AND "HOW"
STUDY TWO: EMERGENT CONCEPTUALIZATION

Introduction

The world needs more social innovation and entrepreneurs as change agents need to adopt newer sustainable methods to produce the social change (Phills, Deiglmeier, & Dale, 2008). While reduced funding and increased demands for accountability exert pressure on the United States' nonprofit sector (Young & Salamon, 2002), availability of technology, heightened entrepreneurial desire, and an increasingly knowledge-based economy (Hecht, 2008) provide opportunity. Social-purpose organizations promoting a change to the status-quo range from purely philanthropic to purely commercial (Dees et al., 2002). This spectrum consists of organizations, some of which are entrepreneurial and others that appoint and compensate start-up managers. This study is limited to social entrepreneurial ventures only.

Increasingly, such ventures – regardless of whether they are structured as for-profit or nonprofit entities − are compelled to engage with the market economy. They share characteristics with earned income ventures due to their dual mission and market goals. Although no studies have quantified social venture mortality, most earned-income ventures studied in the United States expire within the first five years (Foster & Bradach, 2005), and Kleiman and Rosenbaum (2007) suggest their failure resembles small businesses − 40% fail in the first five years (Headd & Kirchhoff, 2009). Consequently, social ventures must purposefully navigate their start-up phases if they are to survive and position themselves to achieve sustained social change. Despite mounting calls to improve the theoretical foundation of social entrepreneurship (Boschee,1995; Dees &

Elias, 1998; Alvord et al., 2004; Haugh, 2005; Nicholls, 2006; Mosher-Williams, 2006), the formation and early development of social entrepreneurial ventures has been the subject of very few empirical studies (Gras et al., 2011).

My objective is to promote an understanding of early stage venture performance with a global reach. In particular, I examine three focal research questions:

(1) How do the entrepreneurial approaches of proactiveness, experimentation, and alertness impact the performance of social ventures at nascent stage?

(2) What is the mediating effect of the venture organizing activities on the relationship between the entrepreneurial approaches and venture performance?

(3) How does the founders' prior sector-specific experience impact venture performance?

Theoretical Foundation and Hypotheses

Measuring Social Venture Performance

The institution of social entrepreneurship is nascent and lacks standardized performance measures. Due to their simultaneous business and mission focus, social ventures may borrow performance measures from both business and nonprofit institutions. On the business side, a meta-analysis of entrepreneurship studies by Lumpkin and Dess (1996) shows usage of diverse financial and non-financial indicators to study venture performance. Their study finds that performance measures are often self-perceived, and that some are financial (such as growth and profitability) while others are non-financial (for example, the number of employees). Further, their analysis revealed

that frequently self-reported measures are used and common method bias is not an important issue in such cases.

On the mission side, however, the design of performance measurement has received limited attention (Dart, 2004) and lacks standard measures. A category of performance measures focuses on the efficiency and effectiveness of the nonprofits, such as the numbers of clients served, quantity of program units delivered, and activities provided or number of volunteer hours contributed, whereas another category focuses on financial measures such as program expenditures stipulated by funders and regulators (LeRoux & Wright, 2010; Moxham, 2009). In addition, mission performance has temporal dimensions, is often difficult to quantify, and is perception-based (Wei-Skillern et al., 2007).

While prior business studies can be leveraged to measure business performance of social ventures, measuring the mission performance is a challenge.

Entrepreneurial Approaches, Organizing Activities, and Linkage to Performance

People think and behave differently: we constantly interpret information in my environment, draw inferences, and make judgments. Such perceptual and cognitive predispositions are based on one's motivation, prior experience, knowledge, networks, and capabilities (Gartner, 1985). They have an action orientation such as an inclination for problem-solving and form the basis of my actions, but for the purpose of this dissertation I term them "entrepreneurial approaches." They form the thinking-doing connections in entrepreneurship (Frese, 2007; Mitchell et al., 2007). Entrepreneurial approaches have been used to predict business venture performance (Baum et al., 2001;

Herron & Robinson, 1993; Rauch et al., 2009). I propose they be used to predict social venture performance as well.

Like other business ventures, at start-up social ventures too have limited resources causing them to depend on other organizations. Entrepreneurs, in their quest to acquire resources for both mission- and business-related developmental activities, interact with a variety of constituencies including beneficiaries, nonprofits, foundations, donors, suppliers, customers, business partners, government agencies, and business investors. Entrepreneurial approaches help make sense of the complex environment and drive situational actions, also called entrepreneurial behaviors (Bird & Schjoedt, 2009). The goal is to marshal resources required for venture development (Bird, 1988; Tornikoski & Newbert, 2007). Table 17 provides some examples of mission and business related entrepreneurial behaviors which culminate in intermediate results and constitute venture-organizing activities. Entrepreneurial approaches make it possible to adjust the organizing activities to one's knowledge, skills, and capabilities.

Business venture studies have established relationships between organizing activities and venture performance (Carter et al., 1996; Delmar & Shane, 2004). Zahra et al. (2008) pose questions as to entrepreneurial behaviors and the organizing activities of social ventures, and how they might differ from those for business ventures. Although there are fewer than five known empirical investigations on social entrepreneurship (Gras et al., 2011), none have specifically investigated the role of entrepreneurial behaviors and approaches in the creation of social entrepreneurial ventures. This research is centered on three key entrepreneurial approaches – proactiveness, experimentation, and alertness −

and a set of mission and business related organizing activities for the development of social ventures (Katre et al., 2010).

TABLE 17
Mission and Business Specific Entrepreneurial Behaviors

Mission Related	Business Related
Share concept of the social business with potential donors, funders or investors	Establish a legal entity
Explore services provided for similar causes by other nonprofit, government and for-profit organizations	Share product/service prototype with stakeholders
Secure funds from donors, funders or investors	Make the first sales of product/service
Employ beneficiaries	Establish channel partner to grow sales
Partner with nonprofits to provide other desired services to the beneficiaries	Stabilize product/service quality

Proactiveness. Despite how others have defined proactiveness, for the purpose of this research it is defined as "the perceptual and cognitive predisposition of the entrepreneur towards action-orientation to solve problems, explore opportunities, and carry out improvements." Leaders need to cooperate with individuals and organizations in their environments in order to gain access to resources that are critical for early stage survival (Foster & Meinhard, 2002; King, 2008; Stinchcombe, 1965). Approaches such as exploration, information sharing, viewing problems as opportunities, and exhibiting conviction (while developing both mission and business sides of the venture) may enable the entrepreneur to gain confidence of those who hold the resources. While doing this, they may need to maintain simultaneous long term and short term orientation to the exchanges and outcomes resulting from these approaches – long-term in the case of mission-related activities and short-term when they are business-related.

Individual proactiveness positively affects entrepreneurial intent (Zampetakis, 2008), and organizational proactiveness positively affects organization performance (Helm & Andersson, 2010; Lumpkin & Dess, 1996). While individual and organizational proactiveness are different, they are synonymous at nascent stages of venture development. I therefore propose that the social entrepreneur's proactiveness positively affects venture performance. Since similar complexities and uncertainties exist for both mission- and business-related aspects, I hypothesize that it will positively influence both the mission and business performance of the venture.

Hypothesis 1a. The entrepreneur's proactiveness positively influences mission performance.

Hypothesis 1b. The entrepreneur's proactiveness positively influences business performance.

Experimentation. Entrepreneurs solve problems and get to know their environment by investigating, trying, testing or examining, and through the feedback they receive as a result of that action (Frese, 2007; Thomke, 1998). In understanding the key parameters of the social business they have to be goal-driven and purposeful (Murray & Tripsas, 2004). On the business side, it involves actions such as demonstrating a prototype of the product/service to prospective customers, as well as seeking their feedback on the features, utility and price to understand improvements for market viability. On the other hand, nonprofits establish ties with high-status players and gatekeepers in the community (Baum & Oliver, 1991; Baum & Singh, 1994) and develop volunteer groups to overcome start-up resource constraints (Brown, 2007). Small iterative steps which produce intermediate results help gain the support of volunteers and key stakeholders in the community (Bryson, Gibbons, & Shaye, 2001).

Social entrepreneurs, therefore, may overcome knowledge deficits and resource constraints through experimentation wherein improvisations are in-the-moment focused on practical issues related to progressing the venture development. Rather than acting based on deliberate plans, leaders of nascent ventures can quickly get the most relevant information by experimenting and differentiating between the important and not-so-important information. Thus, similar to business entrepreneurs (Bhide. 2000; Hmieleski & Corbett, 2006; Miner et al., 2001) active and purposeful experimentation may not only help acquire knowledge and resolve the uncertainty surrounding them, but also advance both the mission and business sides of the venture (Corner & Ho, 2010).

I therefore hypothesize that like business ventures (Baum & Bird, 2010; Bhave, 1994; Carter et al., 1996) social ventures will benefit from purposeful experimentation in the development of their social and business ventures. I posit that:

> *Hypothesis 1c. The extent of experimentation positively influences mission performance.*
>
> *Hypothesis 1d. The extent of experimentation positively influences business performance.*

Alertness. Since social entrepreneurial ventures are generally excluded from conventional funding sources such as banks, equity markets, angel and venture capital funding (Certo & Miller, 2008; Datta, 2011), they must be alert to opportunities to access, control, and borrow money, or at least associate with important financial, human, and political resources. Likewise, conventional nonprofits, founded on charitable contributions and collaboration, are resource-constrained, requiring their leaders to be alert to potential opportunities to acquire resources. An approach where the entrepreneur

actively scans the environment to detect and leverage opportunities for venture development is referred to as opportunistic (Frese, 2007) or alert-to-the-environment.

Although researchers frequently refer to Kirzner's (1979) definition of alertness, there continues to be ambiguity surrounding the concept (Tang et al., 2011). For the purpose of this research, alertness is the entrepreneur's action-oriented predisposition to being opportunistic and alert-to-the-environment. Tang et al. (2011) provide a holistic measurement scale which captures three dimensions of entrepreneurial alertness: (1) scanning and searching for information, (2) connecting previously disparate information, and (3) making evaluations and judgments regarding the existence of potential business opportunities.

The role of alertness in social entrepreneurship has not been widely studied to date, as evidenced by the lack of references to it in the meta-analysis by Short et al. (2009) and Gras et al. (2011). A recent qualitative study of 31 nascent stage social entrepreneurs (Katre et al., 2010) indicated that successful entrepreneurs demonstrate opportunism by connecting what would appear to be unrelated information; this ability helps venture leaders to do things better, faster, or cheaper at start-up. In this study such alertness differentiated the better-performing ventures from those which struggled to advance the mission. Therefore, I propose that social entrepreneurs must, in fact, exercise alertness-to-the-environment to enhance their mission performance:

> *Hypothesis 1e. The extent to which the social entrepreneur remains alert to leveraging opportunities and connecting information inputs positively influences mission performance.*

As with business ventures I propose that entrepreneurial alertness positively affects the business performance of social ventures (Kaish & Gilad, 1991; Zhineng, 2004):

> *Hypothesis 1f. The extent of the social entrepreneur's alertness positively influences the business performance of the venture.*

Venture organizing activities. Entrepreneurship studies (Carter et al., 1996; Delmar & Shane, 2004; Gartner et al., 1999) have suggested that specific activities such as arranging for facilities, forming a legal entity, and creating a business plan are vital for a venture to come into existence and to survive. At nascent stages, survival is an indicator of success: activities successfully completed at any point in time determine the subsequent development of a venture (Delmar & Shane, 2004), with the rate of completion and the amount of time required acting as significant factors (Lichtenstein et al., 2007).

In a qualitative study of nascent social ventures, Katre et al. (2010) found that the execution of both mission- and business-related activities with tangible intermediate outcomes differentiated ventures which emerged and performed well from those which failed or struggled to survive. Therefore, I hypothesize that both mission- and business-organizing activities are central to social venture emergence and the early development of both mission and business ventures.

As discussed earlier, entrepreneurial approaches are precursors to *doing* (i.e., they are precursors to the organizing activities). While I propose that each entrepreneurial approach affects both mission and business performance (Hypotheses 1a−1f), the number and types of organizing activities (mission- and business-related) performed at a point in

time may explain why some ventures perform better than others in each dimension. I therefore propose that:

> *Hypothesis 2. the number of mission- and business-specific organizing activities undertaken partially mediates the relationship between each of the three independent variables and the dependent variable, such that:*
>
> *Hypothesis 2a. greater proactiveness enhances mission performance;*
>
> *Hypothesis 2b. greater proactiveness enhances business performance;*
>
> *Hypothesis 2c. greater experimentation enhances mission performance.*
>
> *Hypothesis 2d. greater experimentation enhances business performance;*
>
> *Hypothesis 2e. greater alertness enhances mission performance;*
>
> *Hypothesis 2f. greater alertness enhances business performance.*

Performance link with entrepreneur's prior knowledge. Legitimacy conferred at nascent stages is attributable to the entrepreneur's education as well as general and industry-specific work experience (Low et al., 1994): prior knowledge enables individuals to respond to situations in new and different ways. Various forms of entrepreneurial experience (Firkin, 2001) both generic (education and work experience) and specific (industry, managerial and business ownership) increase the likelihood of early-stage survival of business ventures (Baptista et al., 2009; Carter et al., 1996; Davidsson & Honig, 2003). Prior knowledge represents resources held by the founding team which can be traded during social exchange to generate value for the venture (Lin, 2002).

To gain support of and acquire resources from both business and mission stakeholders, social entrepreneurs possessing business-related knowledge, such as understanding of markets, competitive landscape, operations, financing etc., may need to

pursue entrepreneurial approaches to enable mission-related tasks and activities, and vice versa for those possessing mission-related knowledge. Occasionally, entrepreneurs with cross-sector experience may possess greater capability in both business and mission domains gaining a head start in securing stakeholder confidence. Prior knowledge plays an important role in accessing resources held by people in the entrepreneur's personal networks (Bourdieu 1986; Mosey & Wright, 2007). Presence of prior knowledge therefore can lead to increased success with organizing activities. However, there is also the possibility that homophily resulting from previous experience (McPherson et al., 2001) can limit one's ability to expand into complementary capability areas required to address deficit in prior knowledge.

Business entrepreneurship research has generally supported a positive relationship between entrepreneur's prior knowledge and entrepreneurship success, but caution that it may be confounded by many factors (Davidsson & Honig 2003). In addition, diversity of prior knowledge, skills and capabilities, are helpful during start-up (Meyskens et al., 2011). Social entrepreneurs require both mission and business-related knowledge to succeed. Leaders with prior experience in the nonprofit sector will most likely have the mission-related knowledge and networks and are likely to demonstrate better mission performance. On the other hand those with for-profit experience are more likely to succeed at business performance. Finally leaders with extensive cross-sector experience may in general perform better on both mission and business dimensions. I propose that:

> *Hypothesis 3. The entrepreneur's sector specific experience will moderate the strength of the mediated relationship between the three independent variables and the mission performance via number of mission activities such that:*

Hypothesis 3a. The mediated effect of proactiveness on mission performance is stronger for entrepreneurs with nonprofit or cross-sector experience than for those with for-profit experience

Hypothesis 3b. The mediated effect of proactiveness on business performance is stronger for entrepreneurs with for-profit or cross-sector experience than for those with nonprofit experience

Hypothesis 3c. The mediated effect of experimentation on mission performance is stronger for entrepreneurs with nonprofit or cross-sector experience than for those with for-profit experience

Hypothesis 3d. The mediated effect of experimentation on business performance is stronger for entrepreneurs with for-profit or cross-sector experience than for those with nonprofit experience

Hypothesis 3e. The mediated effect of alertness on mission performance is stronger for entrepreneurs with nonprofit or cross-sector experience than for those with for-profit experience

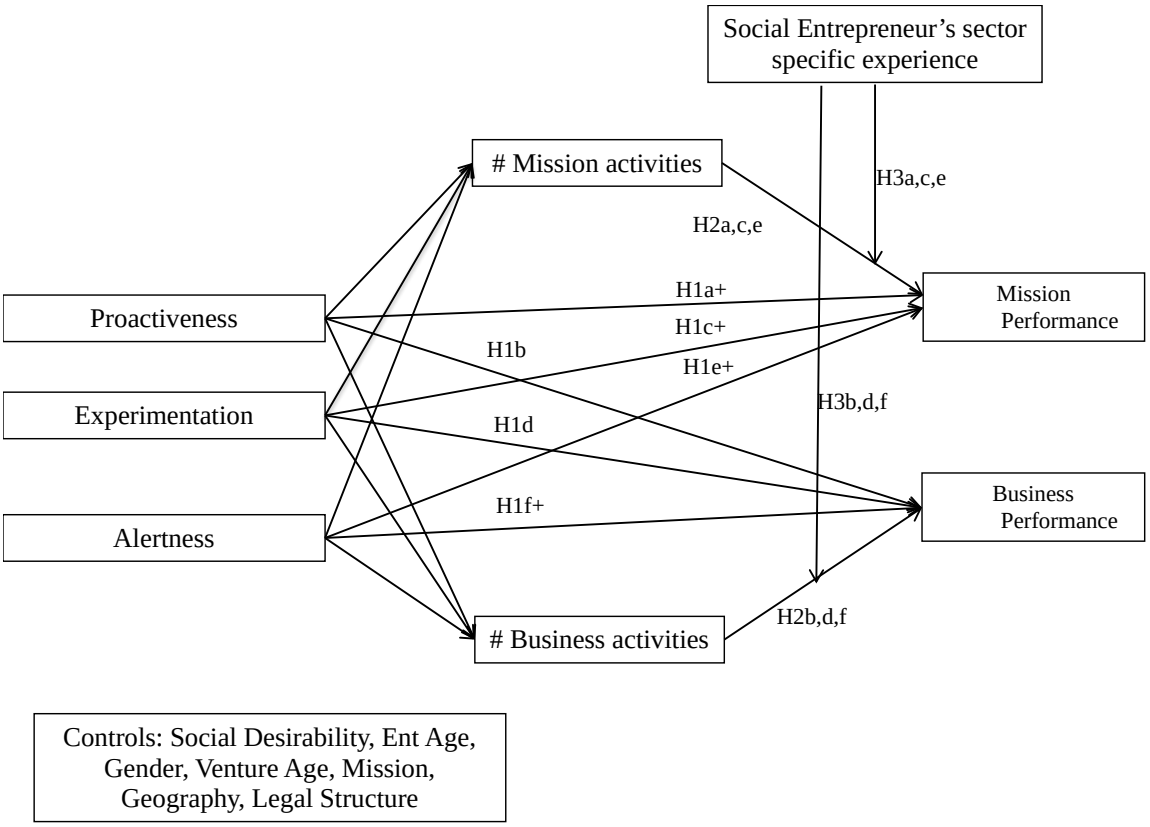
Hypothesis 3f. The mediated effect of alertness on business performance is stronger for entrepreneurs with for-profit or cross-sector experience than for those with nonprofit experience

Controls. The study controls for several factors which are either known or likely to affect venture performance. I discuss each of these controls – a) venture age – more time provides older ventures with greater opportunities to try organizing activities, which in turn affects business venture growth and development (Carter et al., 1996, Gartner et al., 1999) b) mission domain – it is likely that ventures may develop differently depending on the cause such as human services, environment and education. Human services social ventures often will have beneficiaries with inadequate skills as employees requiring them to emphasize their development processes as against those with environmental mission having to emphasize product innovation c) legal structure –such as not-for-profit, for-profit or mixed structures of the venture - may enable or inhibit the entrepreneur's ability to acquire financial and non-financial resources (for example,

nonprofit entrepreneurs can acquire donated resources vs. purchasing for a cost) d) venture's geography for sales and serving clients – country environmental characteristics and industry effects cause differential business venture performance (Arbaugh et al., 2005). I expect the same with social ventures. e) Entrepreneur's gender and age – like business entrepreneurship I expect the entrepreneur's gender to affect venture performance (De Bruin et al., 2007; Manolova et al., 2007). Entrepreneur's age is an antecedent to the extent of knowledge s/he possess, which in turn affects venture performance (Baptista et al., 2009; Carter et al., 1996; Davidsson & Honig 2003), and f) social desirability – I chose to control for social desirability since the study was based on self-reported data (Conway & Lance, 2010; Ones et al., 1996).

In summary, my model shown in Figure 6 posits that: (a) three entrepreneurial approaches (proactiveness, experimentation and alertness) can influence both business and mission performance of the venture; (b) the number of business-related organizing activities necessary to develop the venture strengthens the impact of each of the three approaches on business performance; (c) the number of mission-related organizing activities strengthens the impact of each of the approaches on mission performance; and (d) entrepreneur's prior sector-specific experience (nonprofit, for-profit, or cross- sector) moderates the relationships described in b and c above.

FIGURE 6
Emergent Research Based Conceptualization of Social Venture Development



Research Design and Methods

Measure Development and Survey Design

To test these hypotheses I used a self-administered survey methodology. Scale items for the independent variables in my Study One were adapted from existing literature, while new scales were developed for the mediators and dependent variables. The scales were refined through pretests and pilot testing with my target population using scale development guidelines (Churchill, 1979). Surveys were administered in-person using concurrent verbal protocol content analysis (Bolton, 1993) to assess the survey quality; additional pretests with 25 nonprofit practitioners and academicians involved

written and verbal feedback. Next, the survey design was further modified based on a pilot test with nascent social entrepreneurs. The survey items are presented in Appendix B and a description of the study constructs and corresponding scale items presented in Appendix C.

Proactiveness. My focus was to study behaviors specifically in the context of venture creation rather than generic personality traits. I adapted the original 17 item scale by (Bateman & Crant, 1993) by selecting eight specifically action-oriented items applicable to the context of venture creation. They were reworded to reflect actions which the founders may have taken, rather than generic indicators of proactive behavior. Each item was measured on a five-point Likert scale anchored at the extremes by "1 − strongly disagree" to "5 − strongly agree."

Experimentation. A five-item scale was used to measure the act of goal-driven investigation, trial, testing, and examination (Baum & Bird, 2010) in order to understand key parameters of the mission and business. Each item was measured on a five-point Likert scale anchored at the extremes by "1 − strongly disagree" to "5 − strongly agree."

Alertness. Tang et al. (2011) have proposed three dimensions to alertness: scanning and searching for information, connecting previously-disparate information, and evaluation and judgment. My focus was on the second dimension, which captures the entrepreneur's opportunism and alertness-to-the-environment, and the study leveraged all items of this dimension of alertness.

Given my interest in observable behaviors, I chose not to include the first dimension pertaining to information-seeking. The third dimension (evaluation and judgment) was, in my opinion, captured by items in experimentation and by organizing

activities; therefore, I chose not to include this dimension either. For the dimension chosen, each item was measured on a five-point Likert scale anchored at the extremes by "strongly disagree" to "strongly agree."

Mission and business organizing activities. To measure venture leaders' behaviors, constituting tasks and activities undertaken to (1) gain individuals' and organizations' confidence and (2) obtain critical resources, I studied items captured by business venture studies (Carter et al., 1996; Edelman & Yli-Renko, 2010) and social venture studies (Katre et al., 2010). Activities critical to survival identified in these studies were categorized as mission-related or business-related and constituted the items for two constructs, mission and business – organizing activities. Each consisted of five items with response options of "true" or "false" depending on whether they were undertaken or not.

Perceived mission and business performance. The study focused on the very early stages of social venture creation. While there are some standard measures for business performance, mission-performance scales are nonstandard and primarily applicable to donor-based organizations. Informed by previous work (Moxham, 2009; Katre et al., 2010; LeRoux& Wright, 2010), I designed two scales of three items each to measure founders' perceptions of mission and business performance vis-à-vis their vision. Each item was measured on a three-point Likert scale encompassing "1− low", " 2− medium," and "3 −high" (with an option for "not applicable" in case the venture had not proceeded farther along in its development).

Work experience. A scale to measure the founder's prior knowledge was adapted from business venture studies (Carter et al., 1996; Davidsson & Honig, 2003). The intent

was to capture the dominant sector-specific experience of venture leaders. Data were aggregated into three categories of experience: (1) primarily in the nonprofit sector, (2) primarily in the for-profit sector, and (3) across sectors.

Social desirability. While individuals can reasonably report on their actions in questionnaires, such a technique is subject to recall bias and social desirability bias (i.e., possibly untrue but socially desirable results). Bird and Schjoedt (2009) strongly recommend controlling for social desirability while using self-reported data. A 10-item social desirability scale (Strahan & Gerbasi, 1972) was included with response options of "true" or "false".

Data Collection

A cross-sectional study was administered online from May 2011 to August 2011. The target population was (co)founders of social entrepreneurial ventures with no restrictions on age, gender, social mission, geographies served, or legal structure. As a result of targeting only early-stage ventures, 53% of those studied were less than five years old. In addition, the survey questions were worded to ensure that data were captured for at least the first five years, even if the ventures had been in existence for over five years.

The Social Venture Network (SVN), a practitioner network composed of the founders of social ventures throughout North America, supported my research by providing access to their database of current members. Additionally, I leveraged membership-based networking forums such as the Social Enterprise Alliance, the Social Entrepreneur Empowerment Network, and the International Network of Socio-Eco Entrepreneurs to participate in the online survey. All non-respondents were sent two

follow-up reminders spaced three weeks apart, and several other procedures were taken to ensure high response and completion rates: (a) a cover letter explained the need for scholarly research in the area and the critical role of practitioners in creating useful knowledge; (b) anonymity was assured, as well as individual and organizational confidentiality; and (c) respondents were informed they would have access to survey results upon completion of the study.

I received 450 responses, of which 196 were complete and usable for my analysis, resulting in a 37% completion rate. The sample size was deemed adequate (a minimum of five times the number of items: 34 x 5 = 170). To test for unit non-response bias, the time trend extrapolation procedure suggested by Armstrong and Overton (1977) was employed; the presumption is that those who reply later to a survey are more likely to resemble non-respondents than early respondents.

This suggests that significant differences between first- and second-administration respondents predict differences between those who responded and those who did not. To estimate non-response bias, I conducted a one-way ANOVA to compare the responses of early and late respondents. Item level comparisons revealed no significant differences between early and late respondents, except on two of the 43 items (4.6%); this indicates that responses can be regarded as broadly representative of the pooled sample. I also examined incomplete responses and discovered that 90% of such respondents had dropped out early after responding to about 5% of the survey. During the three months when the survey was administered, the inflow of responses was fairly consistent. Characteristics of my sample are outlined in Table 18. The social-purpose of ventures in the sample represented a mix of human services, education and environmental issues, and

more than 85% of the ventures' beneficiaries and customers were spread across North America, Africa and Asia.

TABLE 18
Study Two Sample Characteristics

Mission Purpose	**Number**	**%**		**Main Business**	**Number**	**%**
Human Services	63	32%		Manufacturing	14	7%
Education	28	14%		Retail and Distribution	39	20%
Environment	38	19%		Services	93	47%
Arts and Crafts	4	2%		Agriculture	5	3%
Health	16	8%		Real Estate	6	3%
Other	47	24%		Other	39	20%
Sales Geography	**Number**	**%**		**Beneficiaries' Geography**	**Number**	**%**
Africa	10	5%		Africa	7	4%
Asia	18	9%		Asia	14	7%
Europe	2	1%		Europe	2	1%
North America	109	56%		North America	111	57%
South America	2	1%		South America	2	1%
Global	55	28%		Global	60	31%
Legal Structure	**Number**	**%**		**Respondent's Gender**	**Number**	**%**
Nonprofit	69	35%		Male	119	61%
For-profit	124	63%		Female	77	39%
Mixed	3	2%				
Total Respondents 196						

Data Screening

I conducted analyses of the descriptive statistics for the study variables. A few significant cases of univariate and multivariate outliers were identified, but retained for further analysis. The tests for skewness and kurtosis using z-score tests (Hair et al., 2010) showed normality for all variables. The test for heteroscedasticity showed all relationships other than the two pairs: proactiveness and experimentation, and mission performance and business performance to be heteroscedastic ($R2<0.3$). Tests for linearity

and multicollinearity did not show any significant threat, nor the need to remove any variables. The Durbin-Watson statistic was in the acceptable range (close to 2.0), indicating independence of the variables. The data consisted of adequate group sizes for the entrepreneur's prior experience (non-profit, 48%; for-profit, 27%; and cross-sector 25%) permitting multi-group analysis for the causal paths in the model

Data Analyses

The following analyses were conducted using SPSS (Release 18) and AMOS (Version 18.0): Exploratory Factor Analysis (EFA) to confirm suitability of the data for multivariate analysis, Confirmatory Factor Analysis (CFA), and Structural Equation Modeling (SEM).

Exploratory factor analysis. The purpose of conducting an EFA was to evaluate and reduce the 22 items to a smaller number of latent variables that reflected a priori theoretical constructs. As shown in Table 19, a principal axis factoring with Promax rotation resulted in a four-factor unconstrained solution (with Eigen values > 1). An examination of the correlation matrix revealed that about 70% of the reproduced correlations were less than 0.30, implying a lack of multicollinearity. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was good (0.834) and Bartlett's Test of Sphericity was significant ($\chi 2$ 120df = 1404.987, $p < 0.000$), indicating sufficient sample size and inter-correlations in the data to conduct EFA.

All measures of sampling adequacy (MSA) across the diagonal of the anti-image matrix were above 0.60, suggesting the factorability of the data. Communalities for all items (except one) exceeded 0.35, indicating that the fmy factors extracted explain most

of the variance found in the 22 items. The four-factor solution explained a total variance of 52.97%.

Convergent and discriminant validity of the four factors was validated using the criteria that each item should load (a) 0.50 or greater on one factor and (b) 0.35 or lower on the other factors (Igbaria, Iivari, & Maragahh, 1995). Based on the scree plot I conducted a sensitivity analysis with five- and six-factor solutions; both lacked convergent and discriminant validity. The items measuring the four factors are considered reflective of their corresponding construct, based on the loadings and the description of the individual items. Consequently, the four factors fit the data well and formed the basis for conducting a CFA.

TABLE 19
Results of Study Two Exploratory Factor Analysis

Factor	No. of Items	%variance explained	Loadings	Factor Correlations		
				PRO	EXP	AL
Proactiveness (PRO)	3	4.77	0.436, 0.995, 0.605			
Experimentation (EXP)	5	18.57	0.771, 0.666, 0.715, 0.464, 0.620	0.528		
Alertness (AL)	3	4.28	0.615,0 .616, 0.762	0.485	0.555	
Venture Performance (PERF)	6	25.35	0.833, 0.765, 0.755, 0.837, 0.790, 0.522	0.255	0.076	0.060

Confirmatory factor analysis. We conducted a CFA to confirm the factor structure. The latent constructs were allowed to correlate with other constructs given no evidence to the contrary. During the analysis I allowed co-varying error terms within a construct. Finally, the sample size of 196 was deemed sufficient, given the significant percentage of low communalities (Hair et al., 2010) and acceptable Hoelter's Critical N Test (values 187 and 203).

The CFA results presented in Table 20 revealed moderately high standardized regression weights (greater than 0.55) for all measures, confirming that the individual measures reflect their respective constructs. The factor correlations across all factors was acceptable (less than 0.70), indicating the individual variables appropriately reflect the four latent constructs. Also shown are the convergent and discriminant validity results. For each construct I observed both internal consistency as well as Cronbach alpha and composite reliability (CR), and found that all scales exceeded the recommended threshold of 0.70 (Tabachnick & Fidell, 2007).

Convergent validity was assessed by average variance extracted (AVE). A construct is considered to display convergent validity if AVE is at least 0.50, meaning that the variance explained by the construct is greater than measurement error. Moreover, I can confirm convergent validity if the CR is greater than AVE. Further, I can establish discriminant validity by examining AVE and ensuring that it is greater than the maximum shared variance (MSV) and average shared variance (ASV). As seen in Table 20, (a) AVE for all factors is greater than MSV and ASV and (b) AVE is less than CR, suggesting discriminant validity of the factors (Fornell & Larcker, 1981). Although AVE is greater than the recommended threshold of 0.5 (Fornell & Larcker, 1981) for Proactiveness and Venture Performance, it was marginal for Experimentation (0.45) and Alertness (0.47). Therefore, the CFA model demonstrated reasonable convergent and discriminant validity. A good model fit was concluded based on appropriate indices (χ^2_{112df} = 143.936, p< 0.023, CFI=0.950, RMSEA=0.038, PCLOSE=0.861, SRMR=0.053).

TABLE 20
Results of Study Two Confirmatory Factor Analysis

Construct and Items	Cronbach Alpha	Mean	Standard Deviation	Regression Weights	Standardized Regression Estimate	Critical Ratio	Composite Reliability	Average Variance Extracted	Minimum Shared Variance	Average Shared Variance
Proactiveness (PRO)										
	0.723	4.01	0.703				0.75	0.52	0.37	0.23
PRO5		4.04	0.885	0.549	0.622	8.673				
PRO7		4.12	0.838	0.691	0.826	12.071				
PRO8		3.87	0.867	0.605	0.700	9.962				
Experimentation (EXP)										
	0.802	4.26	0.609				0.81	0.45	0.38	0.26
PRO1		4.43	0.758	0.531	0.702	10.338				
MIA1		4.21	0.897	0.575	0.642	9.229				
MIA3		4.23	0.831	0.549	0.662	9.590				
MIA4		4.28	0.756	0.562	0.745	11.175				
MIA5		4.34	0.709	0.433	0.612	8.700				
Alertness (AL)										
	0.747	4.02	0.664				0.72	0.47	0.37	0.22
AL2		3.98	0.859	0.580	0.677	9.165				
AL4		4.16	0.774	0.558	0.722	9.841				
AL7		3.93	0.848	0.547	0.646	8.700				
Venture Performance (PERF)										
	0.837	1.75	0.858				0.88	0.55	0.06	0.02
B1T2		1.76	1.076	0.813	0.758	11.817				
B2T2		1.64	1.055	0.787	0.748	11.607				
B3T2		1.29	1.078	0.582	0.542	7.723				
M1T2		1.93	1.015	0.825	0.814	13.145				
M2T2		1.98	1.123	0.877	0.783	12.418				
M3T2		1.90	1.128	0.884	0.786	12.484				

Model Fit Measures	**Threshold**	**Results**	**References**
Chi-Square; p-value	<0.05	143.936; .023	
DF		112	
CMIN/DF	<2.00	1.285	Tabachnik & Fidell (2007)
SRMR	<0.09	0.053	Hu & Bentler (1999)
AGFI	>0.90	0.899	Hooper, et.al. (2008)
CFI	>0.95	0.976	Hu & Bentler (1999)
PCFI	>0.50	0.803	Hu & Bentler (1999)
RMSEA	<0.06	0.038	Hu & Bentler (1999)
PCLOSE	>0.50	0.861	Joreskog & Sorborn (1993)

Configural and metric invariance. I conducted a multigroup SEM to test for invariance of the model for the entrepreneur's prior experience (nonprofit, for-profit, or cross sector). A good model fit ($\chi 2$ 291df = 369.32, $p < 0.001$, CFI=0.941, RMSEA=0.037, PCLOSE=0.971) suggested that the three groups were invariant. The standardized regression estimates for each group (see Table 21) showed no common insignificant paths. The chi square statistic for the default and fully constrained models (unconstrained $\chi 2$ 291df =369.3, constrained $\chi 2$ 323df =404.3, p-value=0.328) showed that the models did not differ significantly based on the prior experience of the entrepreneur.

Common method bias was analyzed using four techniques:

(a) A single-factor test (Harman, 1960: 362);

(b) The Common Method Variance (CMV0 test);

(c) The Lindell & Whitney (2001) Marker Variable test;

(d) The Social Desirability test (Strahan & Gerbasi, 1972).

Applying Harman's single-factor test, an unrotated principal-component analysis with single-factor extraction was done to explore the presence of common method bias. The single- factor test explained 27.58% of the variance, providing initial evidence that common method variance is not a problem. The Common Method Bias in the CMV test was significant: $p<0.05$ with common variance extracted at 16% (assuming equal weights to be correct: $\chi^2_{1df} = 19.394$, $p=.000$).

To further test the presence of common method bias I introduced a marker variable (Lindell & Whitney, 2001) consisting of three items representing the effort expended by the entrepreneur, theoretically uncorrelated with proactiveness. The correlation of the marker variable and proactiveness was not significant. Mixed results from these tests did not consistently demonstrate the presence or absence of common method bias; consequently, I controlled for common method bias during Structural Equation Modeling using a Social Desirability scale (Conway & Lance, 2010).

TABLE 21
Invariance to Entrepreneur's Prior Experience

Path	Regression Weight - Nonprofit	Critical Ratio	Regression Weight – For-profit	Critical Ratio	Regression Weight – Cross Sector	Critical Ratio
Proactiveness ← PRO5	0.500	5.925***	0.690	6.105***	0.445	2.853**
Proactiveness ← PRO7	0.655	8.234***	0.852	9.169***	0.567	4.116***
Proactiveness ← PRO8	0.485	5.755***	0.748	6.421***	0.662	4.847***
Experimentation ← PRO1	0.471	4.213***	0.521	4.413***	0.453	2.750**
Experimentation ← EXP1	0.501	6.047***	0.711	5.426***	0.345	2.415*
Experimentation ← EXP3	0.638	7.027***	0.625	6.296***	0.321	2.743**
Experimentation ← EXP4	0.523	6.627***	0.715	7.936***	0.549	4.814***
Experimentation ← EXP5	0.310	4.962***	0.608	6.306***	0.280	2.171*
Alertness ← AL2	0.554	6.617***	0.659	5.450***	0.414	3.017**
Alertness ← AL4	0.575	8.144***	0.606	5.077***	0.499	4.222***
Alertness ← AL7	0.538	5.900***	0.542	4.680***	0.593	4.931***
Venture Performance ←M1T2	0.933	10.383***	0.626	5.221***	0.726	5.328***
Venture Performance ←M2T2	0.940	10.201***	0.823	6.032***	0.749	4.422***
Venture Performance ←M3T2	0.901	9.087***	0.948	7.316***	0.826	5.187***
Venture Performance ←B1T2	0.971	10.390***	0.744	5.384***	0.559	3.981***
Venture Performance ←B2T2	0.962	10.567***	0.628	4.625***	0.563	3.875***
Venture Performance ←B3T2	0.624	5.818***	0.632	4.799***	0.483	2.891**

*p<.05, **p<.01, ***p<.001

Findings

In factor analysis, six items corresponding to mission and business performance would have been loaded into a single factor had I not decided to retain them as separate factors during SEM (due to the conceptual difference in what they represent). I began testing model fit starting with the baseline model specified in Figure 6. To test the statistical goodness of fit I used CMIN, df, p and CMIN/df. I used the threshold suggested by Tabachnick and Fidell (2007), which is CMIN/df less than 2. I checked to ensure the Comparative Fit Index exceeded 0.95 (Hu & Bentler, 1999). For absolute goodness of fit, I verified that SRMR < 0.09 (Hu & Bentler, 1999), AGFI > 0.9 (Hooper, 2008), RMSEA < 0.06 (Hu & Bentler, 1999), and PCLOSE > 0.5 (Jöreskog & Sorbon, 1993). As shown in Table 22, the fit statistics were acceptable.

While arriving at an acceptable model fit and reducing the potential for misspecification bias, I retained paths found to be significant and added theoretically plausible but un-hypothesized paths to the final model. During this process I examined individual coefficients and changes in Chi-square, as well as other model fit statistics, with the final model fit statistics summarized in Table 22. Modification indices were used to co-vary error terms and introduce paths not posited *a priori*. I co-varied the error terms for mission- and business- performance constructs due to the fundamental principle on which social ventures operate; a market-led approach to achieve mission results. I also introduced a path between the two mediating constructs: the number of business activities to the number of mission activities, as they collectively form the organizing activities for the venture.

Regression estimates and critical ratios are summarized in Table 23. While arriving at a good model fit I also checked whether the model was significantly different for the entrepreneur's prior experience (nonprofit, for-profit, or cross-sector). The statistics for the default and fully constrained models (unconstrained χ^2_{45df} =53.8, constrained χ^2_{89df} =109.6, p-value=0.109) showed that the model did not differ significantly based on the prior experience of the entrepreneur.

While arriving at a good model fit I also checked to determine whether the model was invariant for the entrepreneur's prior experience (nonprofit, for-profit, or cross-sector). The statistics for the default and fully constrained models (unconstrained χ^2_{45df} =53.8, constrained χ^2_{89df} =109.6, p-value=0.109) showed that the model did not differ significantly based on the prior experience of the entrepreneur.

Figure 7 shows the final good-fitting model for the three groups of entrepreneurs in my study (those with nonprofit, for-profit, and cross-sector experience). The estimated regression coefficients for the three groups are shown in Table 24. All paths from the control variables, including Social Desirability, were retained to capture any effect they might have in the causal model.

FIGURE 7
Results For Emergent Conceptualization Of Social Venture Development

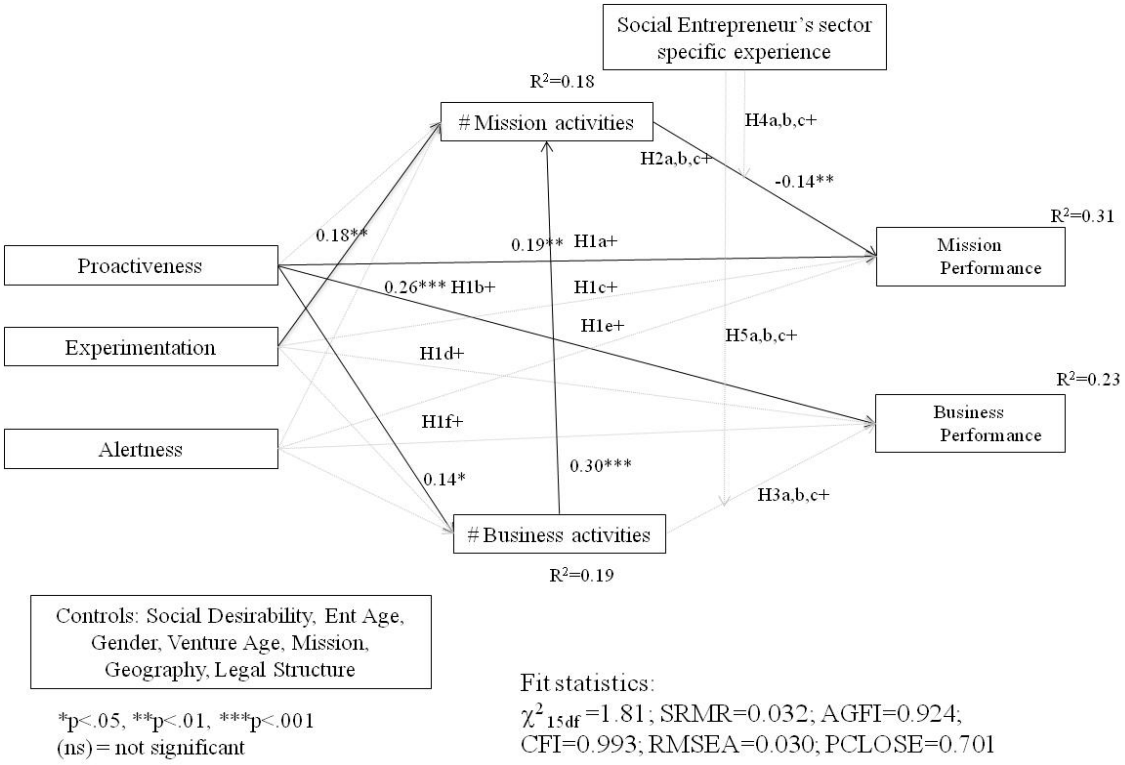


TABLE 22
Study Two Structural Equation Modeling Fit Statistics

Model Fit Measures	Threshold	Results	References
Chi-Square; p-value	<0.05	17.718; 0.278	
DF		15	
CMIN/DF	<2	1.181	Tabachnik & Fidell (2007)
SRMR	<0.09	0.032	Hu & Bentler (1999)
AGFI	>0.9	0.924	Hooper et.al. (2008)
CFI	>0.95	0.993	Hu & Bentler (1999)
RMSEA	<0.06	0.030	Hu & Bentler (1999)
PCLOSE	>.5	0.701	Joreskog & Sorborn (1993)

TABLE 23
Study Two Structural Equation Model Results

			Unstandardized Regression Est	Standardized Regressio Est	Critical Ratio
DV – Mission Performance					
# Mission Activities	→	Mission Performance	-0.141	-0.141	-3.105**
Proactiveness	→	Mission Performance	0.187	0.186	3.022**
DV – Business Performance					
Proactiveness	→	Business Performance	0.257	0.257	3.968***
Mediator – # Mission Activities					
Experimentation	→	# Mission Activities	0.184	0.184	2.788**
# Bus Activities	→	# Mission Activities	0.298	0.297	4.537***
Mediator – # Business Activities					
Proactiveness	→	# Business Activities	0.141	0.141	2.169*
Controls					
Venture Age	→	Mission Performance	0.518	0.533	7.989***
Venture Age	→	Business Performance	0.423	0.419	6.221***
Venture Mission	→	Mission Performance	-0.138	-0.152	-2.120**
Venture Mission	→	Business Performance	-0.071	-0.104	-1.038(ns)
Legal Structure	→	Mission Performance	-0.036	-0.058	-0.581(ns)
Legal Structure	→	Business Performance	-0.011	-0.004	-0.176(ns)
Entrepreneur's Age	→	Mission Performance	0.002	-0.028	0.030(ns)
Entrepreneur's Age	→	Business Performance	-0.056	-0.076	-0.824(ns)
Gender	→	Mission Performance	-0.042	-0.021	-0.686(ns)
Gender	→	Business Performance	-0.084	-0.070	-1.307(ns)
Social Desirability	→	Mission Performance	-0.025	-0.008	-0.403(ns)
Social Desirability	→	Business Performance	-0.032	-0.032	-0.502(ns)

*p<.05, **p<.01, ***p<.001

TABLE 24
Nonprofit, For-Profit and Cross Sector Multigroup Results

			Nonprofit	t-value	For-Profit	t-value	Cross Sector	t-value	R^2
DV – Mission Performance									0.38/0.28/0.28
# Mission Activities	→	Mission Performance	-0.024	-0.416(ns)	-0.334	-4.191***	-0.172	-1.583(ns)	
Proactiveness	→	Mission Performance	0.223	2.593**	0.135	1.076(ns)	0.279	2.081*	
DV – Business Performance									0.33/0.34/0.23
Proactiveness	→	Business Performance	0.249	2.793**	0.240	1.820(ns)	0.437	3.217**	
Mediator – # Mission Activities									0.16/0.25/0.36
Experimentation	→	# Mission Activities	0.194	2.010*	0.071	0.571(ns)	0.487	4.138***	
# Bus Activities	→	# Mission Activities	0.202	2.101*	0.445	3.712***	0.331	2.836**	
Mediator – # Business Activities									0.26/0.23/0.10
Proactiveness	→	# Business Activities	0.237	2.611**	0.014	0.111(ns)	0.112	0.785(ns)	
Controls									
Venture Age	→	Mission Performance	0.557	6.274***	0.493	3.873***	0.491	3.390***	
Venture Age	→	Business Performance	0.494	5.358***	0.420	3.178**	0.229	1.543(ns)	
Venture Mission	→	Mission Performance	0.384	4.068***	0.500	3.816***	0.305	1.984*	
Venture Mission	→	Business Performance	-0.107	-1.255(ns)	-0.162	-1.374(ns)	-0.201	-1.501(ns)	
Legal Structure	→	Mission Performance	-0.079	-0.893(ns)	0.025	0.201(ns)	-0.242	-1.760(ns)	
Legal Structure	→	Business Performance	-0.102	-1.171(ns)	-0.084	-0.656(ns)	0.001	0.005(ns)	
Entrepreneur's Age	→	Mission Performance	-0.129	-1.452(ns)	0.097	0.725(ns)	-0.040	-0.297(ns)	
Entrepreneur's Age	→	Business Performance	-0.257	-2.703**	-0.177	-1.425(ns)	0.016	0.139(ns)	
Gender	→	Mission Performance	-0.089	-1.037(ns)	0.130	1.009(ns)	0.071	0.508(ns)	
Gender	→	Business Performance	-0.121	-1.347(ns)	0.046	0.336(ns)	-0.019	-0.130(ns)	
Social Desirability	→	Mission Performance	-0.086	-0.926(ns)	-0.247	-1.898(ns)	-0.215	-1.406(ns)	
Social Desirability	→	Business Performance	-0.052	-0.633(ns)	0.014	0.122(ns)	-0.065	-0.510(ns)	
Venture Age	→	Mission Performance	-0.045	-0.522(ns)	-0.135	-1.094(ns)	-0.027	-0.203(ns)	
Venture Age	→	Business Performance	-0.230	-2.564*	-0.029	-0.236(ns)	-0.129	-0.918(ns)	
Venture Mission	→	Mission Performance	0.006	0.076(ns)	-0.140	-1.115(ns)	-0.003	-0.026(ns)	
Venture Mission	→	Business Performance	-0.002	-0.028(ns)	-0.224	-1.700(ns)	0.031	0.813(ns)	

*p<.05, **p<.01, ***p<.001

Direct Effects

Among the hypothesized direct effects of the independent variables (proactiveness, experimentation, and alertness) on each of the dependent variables (Mission and Business Performance), the direct effects significant at $p<0.05$ were those of proactiveness relative to mission and business performance (Table 25). Therefore, H1a and H1b were supported while H1c, H1d, H1e, and H1f were not supported.

TABLE 25
Study Two Results of Hypothesis Test

Hypothesis	Standardized Regression Coefficients	Supported
H1a: *Entrepreneur's proactiveness positively influences the mission performance*	0.25***	Yes
H1b: *Entrepreneur's proactiveness positively influences the business performance*	0.32***	Yes
H1c: *The extent of experimentation positively influences the mission performance*	-0.06(ns)	No
H1d: *The extent of experimentation positively influence the business performance*	-0.06(ns)	No
H1e: *The extent of alertness positively influences the mission performance*	-0.10(ns)	No
H1f: *The extent of alertness positively influences the business performance*	-0.08(ns)	No

*p<.05, **p<.01, ***p<.001

Mediating Effects in the Model

My mediation hypotheses proposed that the number of mission activities and business organizing activities would partially and positively mediate the effect of each independent variable on each dependent variable. I performed a mediation analysis using causal and intervening variable methodology (Baron & Kenny, 1986) and techniques described by Mathieu and Taylor (2006). Mediated paths connecting independent variables to dependent variables through a mediating variable were analyzed to examine the direct, indirect, and total effects. All procedures were performed for both the main model and the moderating groups and entrepreneur's prior sector specific experience.

The significance of the indirect effects was tested using bootstrapping in AMOS; the mediation analyses and support for hypotheses 2a through 2f are summarized in Table 26. While I observed a significant (indirect $\beta = -0.006$, $p<0.01$) partial mediating effect as to the effect of proactiveness on mission performance, it was dampening rather than the hypothesized amplifying effect. There was an indirect effect of experimentation on mission performance through the number of business and mission organizing activities

(indirect $\beta = -0.026$, $p<0.01$). Thus, all mediating effect hypotheses (H2a through 2f) were not supported.

TABLE 26
Mediation Effects

Hypothesis No.	Direct Beta w/o mediation	Direct Beta with mediation	Indirect Beta	Mediation type observed	Support for Hyp	Comments
H2a	0.246***	0.186**	-0.006**	Partial	No	Mediation is present, but is dampening rather than the hypothesized amplifying effect
H2b	0.324***	0.257**	NA	None	No	Effect is direct only
H2c	-0.057(ns)	NA	-0.026**	Indirect Effect	No	Effect is indirect and dampening rather than the hypothesized amplifying effect
H2d	-0.061(ns)	NA	NA	None	No	Both direct and indirect effects are insignificant
H2e	-0.098(ns)	NA	NA	None	No	Both direct and indirect effects are insignificant
H2f	-0.081(ns)	NA	NA	None	No	Both direct and indirect effects are insignificant

*p<.05, **p<.01, ***p<.001

Moderating Effect of Entrepreneur's Prior Work Experience

To assess moderated mediation (Preacher et al., 2007), I examined the conditional indirect effects of the independent variables on the dependent variables through the mediators for the three groups. Standardized regression weights and significance of each path in the final model for each of the three groups is depicted in Figure 8.

The indirect effects of proactiveness and experimentation on mission performance were not significant for all three groups; all other mediated paths were trimmed and/or found to be not significant. Thus, none of my hypotheses (H 3a through 3f) concerning the moderating effect of the entrepreneur's prior experience (nonprofit, for-profit, and cross sector) were supported (Table 27). However, some observations are noteworthy. A heterogeneity test of the significance of path-level differences across groups was conducted (see Tables 28-30), and I found the following paths to be different at $p<0.05$:

(a) The significant negative effect of number of mission activities on mission performance (for-profit entrepreneurs only) may signify lack of their familiarity with the social domain.

(b) The lack of any significant effect of experimentation on the number of mission activities for founders with prior for-profit experience may indicate hesitancy on their part to seek feedback from mission stakeholders.

FIGURE 8
Multigroup Analysis (Nonprofit / For-Profit / Cross Sector Entrepreneurs) for Emergent Conceptualization

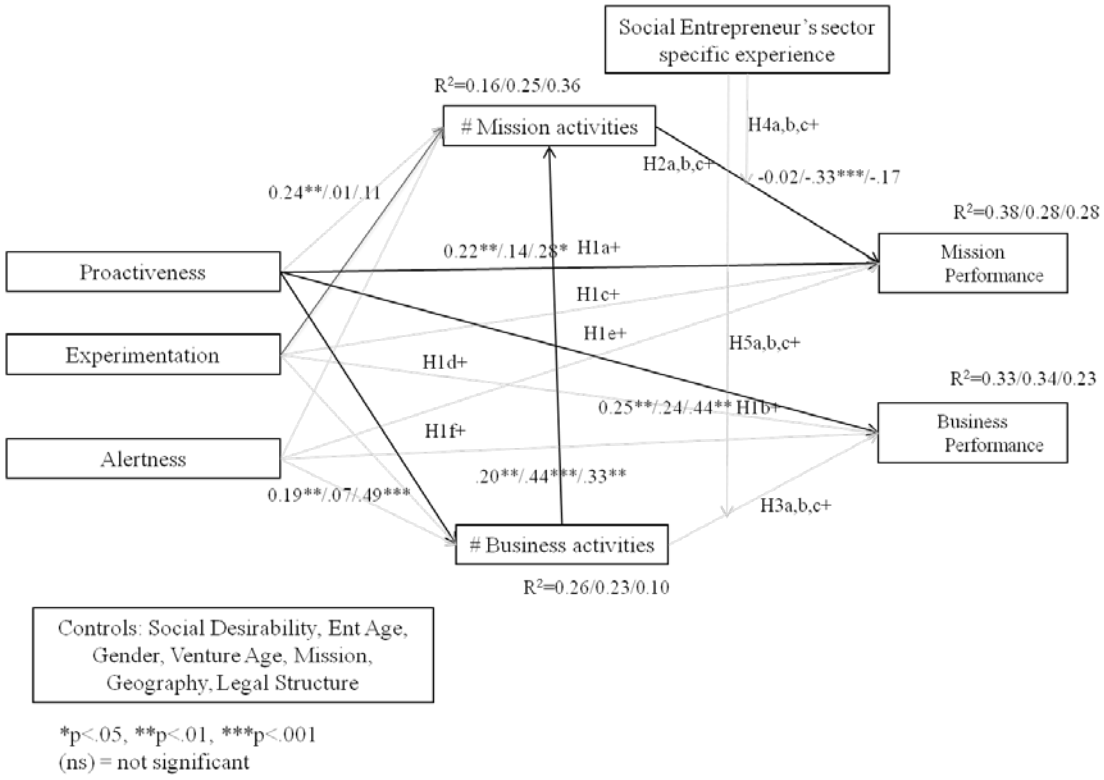


TABLE 27
Moderated Mediation for Prior Experience

	Nonprofit				For-profit				Cross Sector				
Hyp	Direct w/o med	Direct w/ med	Indirect	Type of Med	Direct w/o med	Direct	Indirect	Type of Med	Direct w/o med	Direct	Indirect	Type of Med	Support for Hyp
H3a	0.246***	0.260**	-0.001(ns)	None	0.246***	0.109(ns)	-0.002(ns)	None	0.246***	0.279*	-0.006(ns)	None	No
H3b	0.324***	0.299**	NA	None	0.324***	0.196(ns)	NA	None	0.324***	0.437**	NA	None	No
H3c	-0.057(ns)	NA	-0.005(ns)	None	-0.057(ns)	NA	-0.024(ns)	None	-0.057(ns)	NA	-0.084(ns)	None	No
H3d	-0.061(ns)	NA	NA	None	-0.061(ns)	NA	NA	None	-0.061(ns)	NA	NA	None	No
H3e	-0.098(ns)	NA	NA	None	-0.098(ns)	NA	NA	None	-0.098(ns)	NA	NA	None	No
H3f	-0.081(ns)	NA	NA	None	-0.081(ns)	NA	NA	None	-0.081(ns)	NA	NA	None	No

*p<.05, **p<.01, ***p<.001

TABLE 28
Path Level Differences for Nonprofit and For-Profit Entrepreneurs

			Nonprofit		For-profit		
			Estimate	P	Estimate	P	z-score
# Mission Activities	←	Proactiveness	0.242	0.009	0.014	0.912	-1.473
# Mission Activities	←	Experimentation	0.195	0.044	0.068	0.568	-0.831
# Mission Activities	←	# Business Activities	0.207	0.036	0.428	0.000	1.459
Mission Performance	←	Proactiveness	0.260	0.010	0.109	0.282	-1.058
Business Performance	←	Proactiveness	0.299	0.005	0.196	0.069	-0.681
Mission Performance	←	# Mission Activities	-0.027	0.677	-0.275	0.000	-2.694***

*** p-value < 0.01; ** p-value < 0.05; * p-value < 0.10

TABLE 29
Path Level Differences for Nonprofit and Cross Sector Entrepreneurs

			Nonprofit		Cross Sector		
			Estimate	P	Estimate	P	z-score
# Business Activities	←	Proactiveness	0.242	0.009	0.096	0.432	-0.958
# Mission Activities	←	Experimentation	0.195	0.044	0.575	0.000	2.245**
# Mission Activities	←	# Business Activities	0.207	0.036	0.388	0.005	1.072
Mission Performance	←	Proactiveness	0.260	0.010	0.266	0.037	0.042
Business Performance	←	Proactiveness	0.299	0.005	0.386	0.001	0.539
Mission Performance	←	# Mission Activities	-0.027	0.677	-0.165	0.113	-1.128

*** p-value < 0.01; ** p-value < 0.05; * p-value < 0.10

TABLE 30
Path Level Differences For For-Profit and Cross Sector Entrepreneurs

			Nonprofit		Cross Sector		
			Estimate	P	Estimate	P	z-score
# Business Activities	←	Proactiveness	0.014	0.912	0.096	0.432	0.470
# Mission Activities	←	Experimentation	0.068	0.568	0.575	0.000	2.779***
# Mission Activities	←	# Business Activities	0.428	0.000	0.388	0.005	-0.227
Mission Performance	←	Proactiveness	0.109	0.282	0.266	0.037	0.965
Business Performance	←	Proactiveness	0.196	0.069	0.386	0.001	1.180
Mission Performance	←	# Mission Activities	-0.275	0.000	-0.165	0.113	0.888

*** p-value < 0.01; ** p-value < 0.05; * p-value < 0.10

Controls

As expected, I found that older ventures performed better than the younger ventures on both business and mission dimensions. Further, it appears that the mission of the social venture is important for satisfactory mission performance. Specifically, social ventures with human services have greater mission performance than, for example, those with an arts and crafts mission. All other controls were not significant, including the effect of social desirability on business and mission performance.

Discussion

This study seeks to explore the relationships between specific entrepreneurial behaviors for venture creation, the founder's prior experience, and his/her perception of early- stage mission and business performance. My research model was based on the qualitative research as well as on studies of traditional entrepreneurship, nonprofit organizations, and organizational ecology. The lack of prior quantitative studies and measurement models in social entrepreneurship required me to adapt models from traditional entrepreneurship, based on the belief that social entrepreneurship is not very different from traditional entrepreneurship, other than the context in which it operates

(Dacin et al., 2010). While some of the results of this study were as hypothesized, other findings were counterintuitive. This study provides a number of unique contributions that fall under the domain of social entrepreneurship.

Role of Entrepreneurial Behaviors and Their Precursors at Nascent Stages

The findings of this study reveal the direct role of proactiveness in achieving results in uncertain and ambiguous environments. However, among all proactive actions, only those pertaining to problem-solving (e.g., "No matter what the odds, if I believed in something I would make it happen") predicted venture performance. Since proactiveness (in this case, problem-solving) predicts both mission and business performance, the study supports the theory that problem-solving forms a foundation for result orientation (Dewey, 1997; Friedel & Hatala, 2010; Kirton, 2003). Actions for experimentation primarily revolved around prioritizing improvements to products/services and processes by seeking stakeholder feedback, until an acceptable solution was found or the desired knowledge was acquired.

This study measures experimentation in terms of usage of an adaptive versus an innovative style of problem-solving, leveraging knowledge and resources embedded in social contacts (Friedel & Hatala, 2010; Kirton, 2003). The results indicate that an adaptive problem-solving style does not predict mission or business performance; rather, it results in better organization of the activities necessary for venture development. The results also demonstrate a positive, significant relationship between experimentation and mission-organizing activities relative to nonprofit and cross-sector entrepreneurs, indicating their ease in dealing with mission-related uncertainties and ambiguities. In the

case of for-profit entrepreneurs, on the other hand, an insignificant relationship may indicate their hesitancy to engage in the unknown.

I propose that entrepreneurs who problem-solve to resolve the uncertainty and ambiguity associated with nascent ventures are more likely to be successful at mission and business performance than those who do not problem-solve. At the core of this argument resides the entrepreneur's ability to conceive of a problem and iteratively develop a legitimate solution or response (Tolbert & Zucker, 1983). For example, consider a social venture providing employment to incarcerated people, with the goal of lowering the rate of incarceration in the community. This raises an issue which needs resolution: the employees' current skills and capabilities versus the skills required for high-quality product development. The skills gap, which may be unknown, involves exploring various product/service ideas, potential training to employees, and running pilot programs to examine product/service feasibility. Such problem-solving and improvisation − with the goal of arriving at an acceptable solution − requires the involvement of clients (in this case, incarcerated persons), potential suppliers, customers, nonprofit partners, and funders.

Performance Expectations

I observed an unexpected finding: that the number of mission- organizing activities had a significant dampening effect on mission performance among for-profit entrepreneurs, but was *not* significant for nonprofit and cross-sector entrepreneurs. It is possible to reconcile this puzzling finding with three possible explanations:

First, actions are largely driven from one's efficacy beliefs in a given context, and outcomes from these actions are influenced by outcome expectancies of the individual

(Bandura, 1997). Growth and performance expectations may be shaped by prior professional experience (Bussey & Bandura, 1999; Manolova et al., 2007) in the case of for-profit or nonprofit experience. Due to a lack of skills, competencies, and networks in the social domain, founders with for-profit backgrounds may set unrealistic mission performance expectations and consequently fall short on performance.

Second, it is likely that for-profit entrepreneurs were hesitant to engage with mission stakeholders and, despite the number of mission activities undertaken, their mission performance may be low because stakeholders lack confidence in them.

Third, although self-reporting of performance was shown not to pose a serious threat to studying business-venture performance in light of entrepreneurial behaviors (Rauch et al., 2009), I cannot rule out the potential of temporal myopia in which founders have a tendency to underestimate the time required to achieve results.

Recognizing lower-than-expected performance, entrepreneurs are likely to increase the number of mission activities in which they engage with diminishing returns thereby causing a dampening effect of the number of mission activities on mission performance. Thus, I posit the presence of a particular threshold of activities needed to achieve the desired performance.

Application of Traditional Entrepreneurship Measurement Models

Finally, I comment on adapting constructs and measures almost *as-is* from traditional entrepreneurship literature. The meta-analysis by (Short et al., 2009) on social entrepreneurship highlights the disappointing fact that only two studies (3% of the total number) set forth operational hypotheses that may be rigorously tested. They call for multivariate research methods (such as SEM) to move past the embryonic stage of

empirical research, in which constructs are typically based on a case-study approach. I believe that constructs should be defined and examined through a variety of established conceptual lenses, including strategy and entrepreneurship.

A shortened version of the original proactiveness scale (Bateman & Crant, 1993) has previously been used in entrepreneurship studies (Zampetakis, 2008) with acceptable convergent and discriminant validity as well as reliability. My study confirmed the use of this shorter scale, demonstrating the importance of problem-solving related items to superior venture performance. I also provided validity to the use of experimentation from business entrepreneurship for studying social ventures.

The literature has reported mixed results on the use of the original alertness scale (Kaish & Gilad, 1991; Tang *e*t al., 2011) consisting of three sub-dimensions. My use of one sub-dimension (i.e., connecting previously disparate information), based on the study by Katre et al. (2010) as well as a pretest, did not exhibit any significant causal relationships. A potential explanation is that all three dimensions of alertness – scanning and searching, association/ connection, and evaluation/ judgment −are collectively required to achieve outcomes and superior performance. I suggest merging five of the six indicators from mission and business performance into a single venture performance construct. For further refinement of these constructs and measurement scales, a mixed methods research approach (Johnson & Onwuegbuzie, 2004) may be beneficial.

Limitations

This study is one of the less than 5% quantitative empirical studies on social entrepreneurship exploring the validity of formal hypotheses using a rigorous structural-equation modeling technique. Several limitations should be acknowledged in the

interpretation of my findings. The domain of social entrepreneurship is broad and includes many other types of enterprises, including the following:

- Those undertaken by established nonprofits or operated by for-profit corporations;
- Others with emerging legal structures such as L3C;
- Those originating in other parts of the world.

Because the motives, approaches, and challenges associated with early development of each type may differ significantly, I recommend caution in generalizing my findings to them. My respondents were from professional associations and special interest groups with self-selected membership and, therefore, may not be representative of the broader population of entrepreneurial social ventures. Although I was open to social ventures from all geographies, 57% of my respondents' scope (i.e., clients and sales geography) was North America. Caution should be exercised in generalizing the findings to social ventures operating in other continents and countries. My study was focused on capturing actions, behaviours, and results pertaining to nascent stages of venture creation (i.e., the initial five years). Since 47% of the ventures in my study had been in existence for more than five years, I recognize a potential time-bias because my respondents may have had difficulty recalling their actions. The study did control for socially desirable responses, yet I acknowledge that responses may represent prospective or hypothetical actions (Babbie, 2007) as opposed to the actions respondents actually took.

Conclusions

The triad of problem-solving, adaptation, and attaining goals via specific actions can be viewed as practical tools for early-stage social entrepreneurs, whose prior experience plays a role in driving specific behaviors which accelerate or impede goal attainment. Entrepreneurs with for-profit experience may achieve greater results, leveraging their strengths pertaining to business-related behaviors, engaging more with mission stakeholders, and being relatively unconcerned about their lack of familiarity with mission-related activities. They may be more astute about the mission-related activities on which to focus. On the other hand, those with nonprofit experience can do better on the business side by being proactive and achieve improved results through adaptive behaviors.

However, when viewed against the findings from Study One these conclusions can be incomplete. Study One showed that founders of successful ventures consistently employed all three entrepreneurial approaches and reducing the emphasis on one or more was counter-productive. The absence of the impact of alertness-to-the-environment on venture performance contradicts the findings from Study One. It is likely that the three approaches combine in a unique way to create balancing forces which lead to progression of the venture. Alternatively there might be an interaction effect rather than individual effect of each entrepreneurial approach. Further it is difficult to comprehend how greater experimentation with stakeholder engagement results in poorer performance. While I provided a potential explanation earlier it is also likely that problem solving and being alert together balance the need for experimentation to create stakeholder support, once again suggesting a combination of the three approaches. These collectively suggest the

need for an alternate conceptualization of entrepreneurial approaches for superior performance.

STUDY THREE: ALTERNATE CONCEPTUALIZATION

A Case for Design / Constructivist Approach to Venture Development

Two phases of previously conducted research, one qualitative and the other quantitative, addressed the research questions cited above; their mixed findings enabled us to triangulate findings and propose an alternate model to conceptualize venture development behaviors. I sought answers to specific research questions pertaining to actions taken for the sake of social venture development. My goal was to understand how startup actions compared with those of conventional nonprofits and business ventures, both in terms of the specific actions themselves and the underlying approach.

I asked myself whether I would observe the most common startup actions of conventional nonprofits (establishing the mission, a group of volunteers, a board of directors, and client programs among others), as well as those of business ventures (identifying an opportunity, creating a business plan, acquiring facilities, undertaking training, developing the product, etc.). In addition, I asked this question: "What was the approach for their actions? Was it driven by upfront planning and an attempt to predict outcomes, or was it focused on engaging with stakeholders to shape objectives and outcomes? Or was it actually a combination of the two?"

Only a subset of actions from conventional nonprofits and business ventures were observed in the case of social ventures. However, this entire subset of actions did not differentiate the successful from the struggling entrepreneurs. It was their approach (i.e., how and when certain actions were undertaken in the sequence) which differentiated

successful from struggling entrepreneurs. My sample did not reflect typical predictive logic-based activities on either the mission or the business side. For example, on the mission side there was no evidence of planning for recruiting volunteers, hiring board members, initiating client programs, or creating a marketing plan. The business side, on the other hand, tended to lack such items as planning for product/service development, market sizing, competitive analysis, and the creation of marketing and customer-acquisition plans.

Instead, what was consistently observed in the case of successful ventures was an adaptive and incremental approach involving testing ideas with stakeholders, receiving feedback, and adjusting the product/process via feedback. Founders actively engaged with stakeholders to create venture artifacts such as defining the desired social change, narrowing down target, defining and developing services for the beneficiaries, defining the type of business, developing products/services, and acquiring customers. Successful entrepreneurs demonstrated a motivation to engage hands-on rather than analyze and plan. The findings in my quantitative study further revealed that hands-on engagement to solve problems (i.e., to overcome the unknowns) involved sharing solutions with stakeholders, receiving stakeholder feedback, acquiring new knowledge, and factoring in stakeholder feedback to continuously evolve the solution to stakeholders' satisfaction. In this process, entrepreneurs had let go of their initial solutions and ideas.

Studies One and Two revealed a fundamental design dynamic, which (Simon, 1996: 128-129) defines as *"the generation of alternatives and then, testing of these alternatives against a whole array of requirements and constraints."* Simon describes *"a process of designing a complex system[that] requires decomposing the system into semi-*

independent components corresponding to its many functional parts." Thus, one may look at social venture development as a complex system requiring a need to design various components such as mission, business model, client programs, and products/services.

That this is essentially a design approach is demonstrated by the social ventures studied: they are conceived as potential vehicles for producing social change through the active engagement of stakeholders, exploration of alternate approaches, and a commitment to move forward with a solution which aligns with entrepreneurs' and stakeholders' goals − even if that sometimes means discarding the initial proposed approach. Design practice, inherent in start-up actions, is revealed via the construction of design artifacts (Avital, Boland, & Lyytinen, 2009) such as client programs and business models. Experimentation, problem-solving, and making sense of the information shared in the environment are a few such processes founded on design approaches, since they facilitate the generation and testing of alternatives to construct artifacts.

I therefore propose using design as a theoretical framework to study social venture development. Design is an emerging field of study that calls for both conducting field-based and experimental studies, as well as for developing new and more refined theories of artifacts, communication processes, and design cognition (Avital et al., 2009). Venkataraman, Sarasvathy, Dew and Forster, (2012) propose that entrepreneurship is a "Science of the Artificial" founded on design approaches which focus on "what entrepreneurs do." I therefore conducted a review of design literature, leveraging previously collected qualitative and quantitative data, to propose and validate an alternate conceptual model for measuring social venture development. In particular, I attempted to

answer the question, “Which constructivist actions are exhibited by entrepreneurs during the successful creation of social ventures? Do the observed constructivist actions explain nascent social-venture performance?”

Effectuation is, to the best of my knowledge, the only known theoretical exploration which contextualizes a design approach for nascent entrepreneurship. It provides visualization of design actions in the context of new venture creation and development, and is most relevant for my research. I therefore review effectuation literature to further identify entrepreneurial actions illustrating the design approach to (a) help conceptualize code categories and (b) enable associating respondent narratives with specific effectual actions and code categories. Using theory-driven code categories to code founder interviews I develop an alternative conceptual model for testing venture development. This new conceptual model is tested for validity using Structural Equation Modeling and employing survey-based cross sectional data.

Design and Effectuation Literature Review

Design Approach

A design approach intended to solve a problem, whether it pertains to an organizational artifact or to venture creation, requires individuals to generate and test shifts in the external environment based on the operative principles and constraints of the inner environment (Simon, 1996). The design artifact itself results from the confluence of external demands and the internal resources at the disposal of the designer; therefore, design artifacts, requirements of the external environment, and the constraints of the internal environment are all key components of the system under construction.

The artifacts may also be thought of as mediating the demand side, the external environment, and the supply side (the internal environment). Consider the case of a social entrepreneur who intends to effect change in impoverished communities by constructing a new reality, for which s/he conceptualizes a business model (i.e., a design artifact) using the means (knowledge, skills, experience, resources, and personal networks) available to her/him. The design approach suggests that the artifact, in this case the conceptual business model, will facilitate the needs of the impoverished communities in relation to the means (i.e., the skills, expertise, and social networks available to the entrepreneur). Along similar lines, the artifact − a revenue-generating product/service of the venture − results from the meeting of market demand, the collective capabilities of the founders, and the resources contained in their networks.

Design therefore emphasizes the evolution of design artifacts through interactions of the supply and demand sides in an emergent fashion. Selecting a good design approach requires choosing a vocabulary for the design task, generating alternatives, and making judgments as to the balance, fit, and scale of the design artifact versus the demands of the environment (Boland & Collopy, 2004). In Simon's (1996) view, social venture design reflecting the moral obligations of the designer would be a higher-level design activity when entrepreneurs engage in constructing new environments.

I argue that social venture creation exhibits the characteristics of a design activity. Social entrepreneurs' belief that they can create an improved future for clients influences not only how they experience the world around them but also shapes their intentions, and intentions are the first acts of design (Stolterman, 2008). Design activity is not just habitual adaptation of design artifacts to the environment (Lyytinen, 2004); rather, the

intentionality of the actor and the activity itself help shift the future towards a desired state. Such intentionality requires the cognitive engagement of the designer with her/his environment (i.e., with stakeholders and previously created design artifacts) to facilitate the generation of new ideas and concepts. Embedded in the design process is the need to make connections between seemingly alien repositories of information (Caplan, 2005: 205).

Boland and Collopy (2004) suggest that design is punctuated in entrepreneurial action when the entrepreneur performs three main activities: (a) intelligence, or activity which alerts the entrepreneur to the need for intervention; (b) design, which is the formulation of possible courses of actions to shape the intervention; and (c) choice, the selection of the design alternative that most efficiently and effectively achieves the goals of the intervention. During the previous discussion of the grounded theory analysis of qualitative data, I observed that these design activities are germane to entrepreneurs heading successful ventures. Although not coded, illustrations of intelligence-related actions involved proactively seeking information from a variety of sources and required establishing a critical view of the current design artifacts (such as a product prototype or sharing ideas about the social-business concept and seeking feedback). The formulation of alternatives involved improving current artifacts (process and product) as well as maintaining opportunism in order to envision new possibilities. Improvising while designing implies the use of readily available resources (artifacts, structures, people, and processes) in ways which are not normally intended and avoiding a default solution (Boland & Collopy, 2004: 273). This requires maintaining opportunism while undertaking improvement actions and problem-solving. During the process of forming

and testing alternatives, entrepreneurs made choices pertaining to the processes and products based on their potential to shape the future of the venture. All three steps require the cognitive engagement of the entrepreneur (Lyytinen, 2004) and first-hand learning (Caplan, 2005), which involves interactions with design artifacts, analytic procedures for disassembling the artifacts, and overcoming conceptual blindness so as not to cling to one's own ideas (Kaiser, 2004).

As suggested by Boland and Collopy (2004), I observed several illustrations of design actions during my grounded-theory analysis. In a sense-making-based design approach (Boland & Collopy, 2004; Weick, 1969), actors take the initiative to shape circumstances while also engaging with stakeholders, applying feedback to design artifacts (to make them meaningful and, normally, acceptable), and making choices as to which meanings and structures to carry forward for future enactment. Grounded theory supported the emergent versus the business planning approach to venture development. Theory- driven analysis may help explore this further if the emergent strategy shows characteristics of a sense-making-based design approach wherein the shaping of "things" is the primary driving force.

In summary, the design approach consists of conducting intelligence, forming alternatives, and making choices. These three elements are defined as follows:

- Conducting intelligence, as gathering knowledge and gaining feedback on design artifacts to direct future actions;
- Forming alternatives, as designing artifacts by combining resources, making improvements, or conceptualizing new forms by connecting seemingly alien information;

- Making choices, as taking action to decide which meanings, structures, and components of the artifacts to carry forward for future enactment.

Furthermore, a sense-making-based approach suggests that design is what drives gathering intelligence, which is followed by making choices (Boland & Collopy, 2004).

Effectual Actions

Effectuation is a design logic for making things in a human-made universe (Sarasvathy & Simon, 2000). Entrepreneurs design ventures through a collection of venture artifacts; each artifact not only adapts to the needs of the environment, it shapes the environment to resemble the entrepreneur's ambitions and means (Sarasvathy, 2008: 155). A complex task of venture creation, referred to as a near-decomposable system (Simon, 1996), is decomposed into semi-independent functional components, each of which can be constructed through a manageable set of actions and artifacts. Effectual logic enables the creation of these near-decomposable artifacts and facilitates their endurance as the system comes together through individual artifacts (Sarasvathy, 2008: 165). This logic also facilitates the process of fitting the requirements of the dynamic, uncertain external environment with the inner constraints of each near-decomposable component. The artifacts of each such near-decomposable components are produced through stakeholder commitment and goal convergence in effectual cycles, which are founded on three main effectual principles: (a) actions based on the means available to the entrepreneur (skills, knowledge, and social networks); (b) affordable loss as the criteria for deciding which alternatives to choose from; and (c) a determination not to be bound by the constraints of the inner environment, with the ability instead to leverage them to create alternatives (Sarasvathy, 2001).

Effectuation suggests that goal-setting is endogenous and can be modified based on the situation to generate a wide range of alternatives (Read, Song, & Smit, 2009). Entrepreneurs leverage this endogeneity of goals to create new possibilities, facilitate stakeholder commitment, and expand the knowledge and resource base of the venture (Wiltbank, Dew, Read, & Sarasvathy, 2006). I discuss how effectual actions facilitate the design approach which incorporates the intelligence, design, and choice discussed earlier.

Intelligence involves using the current resource base (i.e., the means available to the entrepreneur to gain feedback about venture artifacts, with the goal of guiding future actions). Engaging in effectual cycles establishes a greater understanding of stakeholder needs, thus providing the basis for closing the gap between environmental demands and features of the venture artifacts. Convergence of goals is, on the one hand, founded on stakeholders' willingness to give feedback and participate in the iterative construction of venture artifacts (Read & Sarasvathy, 2005); on the other hand, it requires the entrepreneur to cognitively engage in discussions and to persuade stakeholders in the construction process. Actions such as regularly interacting with stakeholders (prospective customers, suppliers, clients, and community leaders), demonstrating prototypes, and testing ideas with people in the network facilitate feedback and the early commitment of stakeholders (Fisher, 2012).

Design is the process of making the venture artifact more meaningful and normally acceptable. Stakeholder feedback allows the improvement of venture artifacts and the development of new ones which are more appealing and potentially acceptable to suppliers, customers, and community leaders. Entrepreneurs leverage the means at their disposal to devise product/process improvements; in this process, they create multiple

different prototypes, experiment with different ways to sell and deliver products/services, and are open to changing the venture artifacts (Fisher, 2012). Entrepreneurs who don't undervalue their skills, experience, and resources are likely to apply collective creativity and imagination to solving problems pertaining to more appealing venture artifacts (Sarasvathy, 2008).

Problem-solving behaviors allow effectuators to focus on doing "what they can" to gain commitments, suggesting that entrepreneurs model new venture creation by focusing on problems that they are able to solve (Read & Sarasvathy, 2005). Faced with constraints, social entrepreneurs may view the unknowns during venture development as a problem to solve. For example, one of the first steps in social venture creation is defining a business model capable of producing long-term social change; this requires deep knowledge of the social issue, access to clients and nonprofits serving clients, and, most importantly, a vision of change relating to clients' situation (Guclu, Dees, & Anderson, 2002; Wei-Skillern, Austin, Leonard, & Stevenson, 2007). Gaining access to clients, a pressing factor in the changing, uncertain environment in which startups must navigate, may be viewed as a problem to be solved in order to conceptualize the business model.

Effectual entrepreneurs are proactive in engaging with people and building a community into which they can tap for knowledge and expertise. Stakeholder interactions provide a platform from which to acquire broad and undirected information, which entrepreneurs leverage to establish connections and arrive at creative solutions (Alvarez & Busenitz, 2001; Brush, Greene, Hart, & Haller, 2001; Haugh, 2007). Effectual entrepreneurs demonstrate flexibility in capturing opportunistic unplanned situations

(Fisher, 2012; Sarasvathy, 2008). As the social venture proceeds, a base of knowledge is gradually built, not only by the entrepreneur but also by key stakeholders, including funders. This shared knowledge base equips the entrepreneur to design venture artifacts in a way which moves the organization and mission forward together with key stakeholders (Hosking & Morley, 2004).

Choice consists of deciding which meanings and structures to carry forward in the development of the venture. Having generated alternatives, effectual entrepreneurs select the most efficient and effective alternatives with the goal of gaining stakeholder support, enabling them to gain stakeholder commitment prior to significant investments of time and money to develop specific venture artifacts. Effectual entrepreneurs commit a limited amount of resources to the venture at a time and seek ways to do things inexpensively (Fisher, 2012; Sarasvathy, 2008); in cases where stakeholder support is not secured, this allows entrepreneurs to minimize losses, keep failures small and contained, and make mid-course corrections.

Effectual actions − seeking information, listening to stakeholder feedback, and improvising and combining resources in new ways − provide an enactment of design approaches to form alternatives. Effectuation emphasizes a problem-solving orientation of "doing what one can" to formulate new possibilities, which may help shape the future. Finally, effectual logic suggests that entrepreneurs make choices based on the principle of affordable loss. As a result, I form four broad theory-driven categories for further exploration: (a) intelligence, (b) improvisation, (c) problem-solving, and (d) choice. The description of these theory-driven categories and their codes are described in Table 31.

TABLE 31
Study Three Theory-Driven Codes Categories

Code Category	Description	Exhibited When
1. Intelligence	Using your current resource base to gather knowledge and gain feedback on the product / process with the goal of future actions	1.1 Test ideas with those in the outer environment 1.2 Entrepreneurs seek feedback from stakeholders 1.3 There is activity alerting the need for intervention
2. Design Venture artifacts	Applying feedback to make the product/process meaningful & normally acceptable	2.1 Adapting (incremental improvements) 2.1.1 Improve product/process to meet demands of stakeholders 2.1.2 Listen, engage and persuade stakeholders 2.1.3 Not be blind to one's own ideas (conceptual blindness) 2.2 Making connections (conceptualizing new forms): Make connections between seemingly alien information, Connecting information to envision new alternatives 2.3 Problem-solving (conceptualizing new forms) 2.3.1 Not undervalue means at your disposal and do what you can to gain commitments 2.3.2 Turn problems into opportunities
3. Choice	Decide which meanings and structures to carry forward in the development	3.1 Make judgments on the balance, fit and scale of the product / process 3.2 Selecting alternative that is most efficient and effective in achieving the goals of the intervention 3.3 Decide which alternatives to carry forward

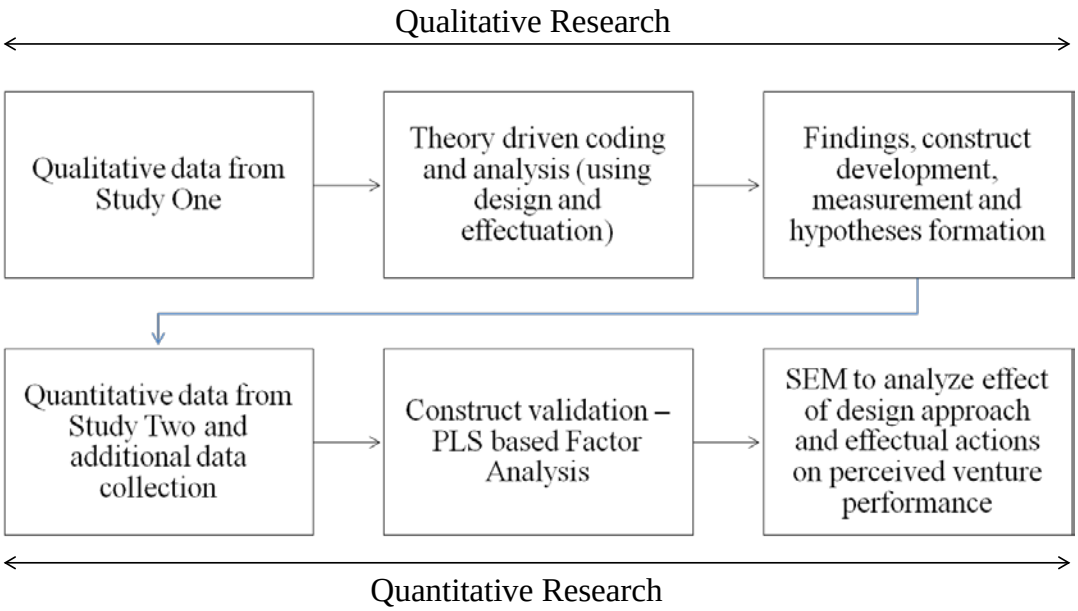
Research Design and Methods

A mix of qualitative and quantitative methods is recommended when theories are in developmental stages (Perry, Chandler, & Markova, 2012; Short, Moss, & Lumpkin, 2009). Qualitative research design is best suited for conceptualizing and designing new instruments, whereas quantitative methods are useful in examining the generalizability of the instruments and the causal relationships of concepts (Johnson & Onwuegbuzie,

2004). Qualitative research yields rich descriptions and fruitful explanations of the underlying processes and phenomena (Clarke, 2005; Lincoln & Guba, 1985), whereas quantitative methods are useful in exploratory research and theory-building (Cook & Campbell, 1979). The developmental stages of design, effectuation, and social entrepreneurship called for a qualitative approach embedded in a quantitative, mixed-method research design (Figure 9).

The first step in this process consisted of theory-driven thematic analysis (Boyatzis, 1998) of the qualitative data collected in Study One; theory-driven categories (Table 31) were used to code the interviews. With this, an understanding was established as to whether (and if so, how) social entrepreneurs use design and effectual actions to develop their ventures. The code categories and themes were used to propose constructs and to hypothesize the effect of effectual actions on early-stage performance. Self-reported survey data gathered during Study Two of the research was used to test the validity and reliability of the effectual actions, while Structural Equation Modeling (SEM) was used to test hypotheses in the alternate conceptual model.

FIGURE 9
Mixed Methods Research Design for Study Three



Analysis of Interview Data

A rigorous theory-driven coding process (Boyatzis, 1998) was undertaken wherein each interview recording was carefully reviewed, and each transcript read line-by-line several times, to locate potentially significant text and identify it in terms of a predetermined code category. The fragments of text thus captured were subjected to focused coding (Glaser, 1978): codes from the interviews were analyzed, compared to one another, and contrasted with theoretical categories and codes listed in Table 31. The codes were subsequently assigned to the code categories from Table 31 for each venture. As described in Chapter IV, Study One, ventures in the sample were differentiated as successful and struggling. For each code category a count of successful and struggling ventures was determined and is summarized in Table 32. A comparison of the count for

code categories resulted in three main findings, which are discussed below. Table 33 provides illustrative quotes relative to the five code categories observed in the data.

TABLE 32
Design Approach and Effectual Actions: Code Categories

Code Category	Exhibited When	Illustration of Data Driven Codes	Number of Successful Ventures*	Number of Struggling Ventures**
1. Intelligence Using your current resource base to gather knowledge and gain feedback on the product / process with the goal of future actions	1.1 Test ideas with those in the outer environment	Share prototype with industry experts, prospective customers, investors and financiers	15 of 15	1 of 7
		Personally interact with prospective clients to understand their needs	15 of 15	4 of 8
		Personal involvement in activities such as initial sales	14 of 14	4 of 6
	1.2 Entrepreneurs seek feedback from stakeholders	Conduct field studies and volunteer with organizations dealing with prospective clients	13 of 15	1 of 8
	1.3 There is activity alerting the need for intervention	Diversify and expand personal networks to include both social-mission and business experts	15 of 15	2 of 8
		Identify and initiate new relationships	15 of 15	4 of 8
2. Design venture artefacts Applying feedback to make the product/process meaningful & normally acceptable	2.1 Adapting (incremental improvements)			
	2.1.1 Improve product/process to meet demands of stakeholders	Refine social and economic opportunity by seeking extensive and diverse stakeholder feedback	15 of 15	1 of 8
		Develop prototypes	15 of 15	1 of 7
	2.1.2 Listen, engage and persuade stakeholders	Engage personal network members to share product/service ideas	15 of 15	6 of 7
		Create belief about the business with potential financiers through storytelling, on-boarding customers and personal interactions	14 of 14	2 of 7
	2.1.3 Not be blind to one's own ideas (conceptual blindness)	Refine product / service by acting on stakeholder feedback	15 of 15	1 of 7
	2.2 Making connections (conceptualizing new forms):			
	Make connections between seemingly alien information, Connecting information to envision new alternatives	Maintain alertness to information shared during interactions and potential opportunities thereof	15 of 15	1 of 7
		Develop relationships opportunistically	15 of 15	2 of 8
		Maintain opportunism in developing marketing partners	11 of 14	1 of 6
		Develop and diversify sales channels opportunistically	14 of 14	0 of 6

		Recognize and capitalize ripple effect marketing opportunities	8 of 14	0 of 6
	2.3 Problem-solving (conceptualizing new forms)			
	2.3.1 Not undervalue means at your disposal and do what you can to gain commitments	Address production skills' gap issue and other business operations issues with personal hands-on involvement	14 of 14	5 of 6
	2.3.2 Turn problems into opportunities	Tap into personal networks to accomplish the first sales	14 of 14	4 of 6
		Seek help for products / services quality from experts	14 of 14	1 of 6
		Use personal networks to address issues in marketing activities	14 of 14	5 of 6
3. Choice Decide which meanings and structures to carry forward in the development	3.1 Make judgments on the balance, fit and scale of the product / process	Prioritize acquiring pro-bono resources for product / service exploration and business operations (legal, facilities etc.)	15 of 15	2 of 8
	3.2 Selecting alternative that is most efficient and effective in achieving the goals of the intervention	Create opportunities to lower operating costs (ex. procuring donated raw materials)	14 of 14	0 of 6
		Partner with organizations to provide client services required for long term change (for example, healthcare, education, banking, legal services)	14 of 14	2 of 6
	3.3 Decide which alternatives to carry forward	Prioritize cost consciousness during decision making such as contract negotiations	14 of 14	0 of 6

* One successful venture was relatively new less than a year old and wasn't fully functional yet. Hence the number of successful ventures is reduced to 14 in some cases.
** Two struggling ventures despite being in existence for over five years were not fully functional. Hence the number of struggling ventures is reduced to six in some cases

TABLE 33
Effectual Actions: Illustrative Quotes

Design Approach	Effectual Action	Illustrative Quotes
Design Venture Artifact	Means (Make Connections)	*We got very close to making air filtration equipment, furnace filters – that type of thing...in this building where we've been located this whole time, there was a computer re-furbisher...one day the landlord comes and says, "I've got to evict these guys. I need you to help me…"* This led to conceptualizing an electronics waste recycling business
Design Venture Artifact	Means (Improvement Actions)	*Initially we were looking at anything from do they need more curriculum?...do they need consulting services?...we spent a lot of our time in schools…every day at lunchtime, we would go to a different school and watch what kids were eating for lunch and talk to the kids about it and talk to the school leaders about it, as well… what we heard over and over again is that they actually needed better food*
Design Venture Artifact	Means (Growing Stakeholder Network)	*When we opened a facility in an area, we would start doing outreach to all the potential [client] referral sources, which would be hospitals. We'd come in and do a presentation and show them pictures and talk about what we do and how if they elected to utilize our resources, would it significantly increase their chances of success. And then also educating the counselors and management at those facilities to consider us as a resource versus other resources out there that weren't equivalent.*
Design Venture Artifact	Leveraging contingencies (Problem Solving)	*We do a lot of business training, give a lot of feedback…like we just had some scarves come in from India, and they were definitely set with some sort of petroleum product, they smell like kerosene or gasoline…you know really teaching [the client] about, this is not marketable because nobody will buy something that smells like this… just trying to help [the client] bullet proof their product quality, but also improve their business practices because it's most beneficial to them*
Intelligence	Means (Knowledge Acquisition)	*[It] was important to us that we not just duplicate what other people were already doing...we talked to about 40 literacy groups around the city...in some cases volunteering with, in some cases helping raise money for them...[By then] we had a really good idea of which programs were needed and what we could do well*
Choice	Affordable loss	*Through research [on which marketing events to go to]...we'd look at the number who's their average attendee, do they fit our demographics, what's the sales number we need to hit to cover the cost*

Results

This analysis of qualitative data focused on identifying if and how theory-driven design actions were actualized in the creation of social ventures, and whether there were differences in the effectual actions of successful and struggling ventures.

Finding 1: *Social entrepreneurs exhibit design approaches and specific effectual actions during the conception and early development of their ventures.*

The effectual actions observed provide vernacular familiar to entrepreneurs, while also presenting a visualization of how specific effectual actions are enacted in practice to design a venture. Entrepreneurial actions provide a context within which to view their interview statements and actual implementation of the principles, and these entrepreneurs designed venture artifacts iteratively through adaptation, making connections, and problem-solving. Successful ventures demonstrated actions where prototypes were modified to incorporate stakeholder feedback (to accommodate the demands of the external environment); for example, all successful social entrepreneurs extensively revised their social-business concept by seeking feedback from mission stakeholders.

The data-driven codes for adaptation are illustrated in Table 32, (item 2.1); actual quotes (Table 33, rows 3–4) provide examples from specific ventures. My data revealed several examples of opportunistic behavior whereby entrepreneurs, alert to the environment, made connections between seemingly disparate pieces of information to create new possibilities (Table 32, Item 2.2; Table 33, row 2). Examples of such innovation include opening up a new sales channel by volunteering at an event, or leveraging the mayor's office to create a constant supply of donated raw materials. Finally, entrepreneurs were not restricted by the lack of resources and the constraints faced; instead, they were creative in tapping into personal networks to gain access to experts, and to get hands-on and learn-by-doing in order to solve challenges pertaining to processes such as production and venture financing (Table 32, 2.3; Table 33, row 5).

Critical steps in developing venture products, such as conceptualizing a business model, involved deliberate actions to refine the raw ideas of people passionate about the mission, acquire new knowledge, and persuade stakeholders. In other cases, the entrepreneur's acknowledgement as to a lack of knowledge of competitive product selling triggered actions to engage hands-on, or to reach out to people in their network who were knowledgeable about sales, with the goal of bridging the knowledge gap (Table 32, 1.1, 1.2, 1.3; Table 33, row 1). While designing the venture artifacts, entrepreneurs consciously chose alternatives which allowed them to leverage pro-bono resources for legal and healthcare services, access to facilities, and so forth. Likewise, they maintained cost consciousness while negotiating vendor contracts (Table 32, 3.1, 3.2 and 3.3; Table 33, row 6).

"Means-driven" effectual actions were operationalized by (a) identifying connections (inadvertently or intentionally) and shaping venture artifacts (Table 32, 2.2) as well as (b) capitalizing these opportunities through stakeholder interactions (Table 32, 1.1, 1.2, 1.3), improvising the product/process accordingly (Table 32, 2.1). Entrepreneurs described several challenging situations where, instead of succumbing to the situation because of the lack of resources, they adopted creative approaches to solve the immediate problem and overcome limitations (Table 32, 2.3). Having conviction and applying problem-solving approaches were critical to turning a problem into an opportunity favorable for venture development, thereby operationalizing the effectuation principle of leveraging constraints. Finally, the concept of affordable loss was best exemplified by "judgmental calls" as to whether the opportunities progressively facilitated one or more of these factors: keeping costs low, acquiring pro-bono resources, or allowing for a

positive sales and marketing ripple effect (Table 32, 3.1, 3.2, 3.3). The analysis provides multiple practitioner-oriented actions for effectual actions based on design approaches (Table 32).

Finding 2: *Entrepreneurs employ effectual actions to design venture artifacts.*

In addition to individual actions pertaining to designing venture artifacts discussed previously (Table 32, 2.1, 2.2, 2.3), successful entrepreneurs demonstrated all three approaches of adaptation, making connections, and problem-solving. These actions allowed entrepreneurs to either serendipitously or proactively identify opportunities to improve concepts, products, and processes to advance the venture development. For example, the founder of one social venture (whose mission was to improve literacy in impoverished communities) described volunteering and conducting field studies to confirm client needs, improve their ideas, and test concepts pertaining to social-business concept. One founder said, "*[We] talked to about 40 literacy groups around the city,...in some cases volunteering with them and in some cases helping raise money for them...[B]y then I had a really good idea of which programs were needed and what I could do well.*" Feedback and improvement actions allowed entrepreneurs to further shape the artifacts (concepts, products, processes) which stakeholders supported, and to which they were willing to lend knowledge, expertise, and resources. In one case, for example, an entrepreneur demonstrating a prototype to prospective clients said, *"[The] first time I went to [the country], I did bring a solar powered lantern to that village, along with a number of other light sources to see what people thought."* The entrepreneur conceptualized the product specifications based on the feedback and said, "*[It] was around a price point that I knew I could make something reasonably attractive at."*

Entrepreneurs proactively sought stakeholder feedback with the goal of acting on the feedback; in many cases, stakeholder feedback led to totally changing the course of action and redefining the product/process. For example, in this case the entrepreneur summarized the feedback received on the product prototype this way: "*[The] head of packaging for [a large cosmetics company] said, 'All of your materials are as natural as possible…[Y]ou are making a case for doing the right thing…[W]e ship liquids[, and] how does it [work] with liquids?...It might be sustainable and might be the best product, but unless we can integrate it, economically, into our product line, it won't work.*" This led the entrepreneur to redefine the product.

Finding 3: *Consistency of effectual actions differentiated successfully designed ventures from those that struggle.*

Founders of successful ventures consistently employed all of the coded effectual actions, whereas those of struggling ventures omitted some effectual actions and only partially employed the remaining actions (Table 32, columns 4 and 5). Successful entrepreneurs were consistent in iteratively acquiring new knowledge, making connections to identify improvement opportunities, trying improvements with the goal of gaining stakeholder satisfaction, and diversifying and growing the network of potential stakeholders (Table 32, column 4). Decision actions were focused on reducing costs by securing pro-bono resources or materials at lower-than-market rates and, on many occasions, led to changing the course of improvements. Contrary to this, entrepreneurs of struggling ventures fell short on one or more of these actions (Table 32, column 5, items 1.1, 1.2, 2.2), failing to create belief and securing micro-commitments.

These findings offer a context within which to conceptualize how design approaches and effectual actions are operationalized during the early design and development of social ventures.

Alternate Conceptualization of Venture Development

To summarize, the goal was to develop an alternate conceptualization of the "What?" and the "How?" of venture development. This theory-driven analysis examined whether and how entrepreneurs utilized a design approach to launch social ventures. I interpreted the findings to illuminate how venture design is underscored by specific effectual actions. For this, I looked at the three main design activities − intelligence, design, and choice − which explain the "how" of venture development, then hypothesized relationships between design activities and venture development. In order to conceptualize the "What?" I focused on design artifacts created by entrepreneurs using the design process. I reused findings from Study One of the research as to "what" entrepreneurs do, then hypothesized relationships between design artifacts and venture development to integrate in an alternative conceptualization. Finally, I now discuss in detail my findings as to both aspects − the "What?" and the "How?" − of the design model.

"How?": Gaining Knowledge to Guide Actions

Chapter IV of the dissertation showed that entrepreneurs heading successful ventures employed actions such as seeking stakeholder feedback and expanding personal networks. Founders recognized the need to deliberate with stakeholders as to both the mission and business plan to (1) gain valuable feedback and (2) better understand the needs of the external environment. In other cases, founders of successful ventures not

only felt the need to engage with both mission and business stakeholders, they also employed distinctly different behaviors while testing their ideas and seeking feedback from them. In addition, these entrepreneurs were quick to acknowledge skill and experience deficits, and they were aggressive in remedying them through field studies, consulting people from their personal networks, and hands-on involvement with the processes.

The knowledge then allowed entrepreneurs to refine or re-conceptualize artifacts under design and to facilitate the mediating role of the artifacts. Acquiring and applying intelligence thus allowed the situation to become meaningful and normally acceptable (Boland & Collopy, 2004) to stakeholders who award legitimacy, whether mission- or business-related.

"How?": Designing Venture Artifacts

Designing both intangibles (i.e., conceptual models and processes) and tangible items (i.e., products) was achieved through three main approaches:

(a) Improving: Incorporating stakeholder feedback to make incremental or radical changes;

(b) Connecting: Conceptualizing new forms by making connections between disparate information; and

(c) Problem-solving: Leveraging limitations to solve problems and develop new forms.

I argue that designing venture products/processes is formed by the three components described above. Formative measures provide a means of modeling complex phenomena from a diverse and disparate set of observable items (Chin & Gopal, 1995; Diamantopoulos & Siguaw, 2006; Gefen & Straub, 2005); they also facilitate the

aggregation of disparate indicators to the level of a holistic, single construct, which improves parsimony and enhances the predictive value of a measurement model (Cenfetelli & Bassellier, 2009). Jarvis, Mackenzie, Podsakoff, Mick and Bearden (2003) suggest four primary guidelines for specifying formative constructs:

(1) The theoretical causal direction suggests that the formative measure (in this case, designing) is causing rather than being caused by the latent variables such as problem-solving;

(2) An examination of the interchangeability of latent variables allows the researcher to ascertain those which are not easily interchangeable and actually reflect different content themes;

(3) The latent variables are not multicollinear i.e., correlation among them is less than 0.7 (Hair et al., 2010);

(4) The latent constructs have different antecedents and consequences.

I explore and validate criteria 1, 2 and 4 below; criterion 3, on the other hand, will be validated in the quantitative study which follows this analysis.

Implementing improvement actions based on stakeholder feedback allowed products and processes to be modified, and the designed artifact to evolve to meet the expectations of the external environment. The creative visualization to conjure a possibility for the future reality (Arnheim, 1980) is facilitated by making connections between unconnected information, as was evidenced through several examples in my study. Making connections is central to creative thinking in the design process and leads to newer, modified design artifacts. Constraints can limit the actions of the designer and are treated as fundamental to the design process. However, identifying and negotiating the meanings of constraints, challenging them, and leveraging them allows designers to turn them into opportunities to produce artifacts with greater acceptability in the

environment (Vandenbosch & Gallagher, 2004). Therefore, in each of these cases the designing artifact is caused by the three factors and validates the first criterion for a formative measure.

Next, I argue that the three factors are distinct and not interchangeable. Entrepreneurs get to know their environment by investigating, trying, testing, or examining, and through the feedback they receive as a result (Frese, 2007; Thomke, 1998). On the mission side, human services social ventures are often employers of their beneficiaries and need to involve them in the production or service delivery processes. Through trials and pilots, they can determine the skills deficit and determine a subsequent course of action, such as selecting different products/services or training the employees. On the business side this involves actions such as demonstrating a prototype of the product/service to prospective customers, seeking their feedback on its features, and understanding needed improvements (utility, price) in order that the product/service is viable. Improvement-oriented actions are emergent (Mintzberg & Waters, 1985), wherein trials are in-the-moment focused on practical issues.

Contrary to this, social ventures' common exclusion from conventional funding sources (Certo & Miller, 2008; Datta, 2011) may be overcome by being alert to the environment, picking up on opportunities to make connections to gain access to important financial, human, and political resources. In my study, entrepreneurs adopted diverse ways to actively scan the environment and to detect and leverage opportunities, both opportunistically (Frese, 2007) and intentionally. The actions involved connecting information which may have been disparate, perhaps unrelated, so as to make sense and to conceptualize opportunities for exploration with stakeholders.

Furthermore, cases in which entrepreneurs resolved the uncertainty and ambiguity associated with nascent ventures through problem-solving were distinctly different from the two factors discussed above. For example, impoverished clients are often under-skilled for their jobs, resulting in product quality issues; to solve this problem, entrepreneurs engaged in a series of actions with partners to improve the skills rather than hiring skilled workers. Founders perceived the most immediate situation at hand as a problem and developed a legitimate response (Tolbert & Zucker, 1983), despite the limitations of a nascent venture. Therefore, improvement actions, making connections, and problem-solving are conceptually different and not interchangeable (Jarvis et al., 2003): each has a different focus when it comes to designing artifacts (responding to stakeholder feedback, creatively conceptualizing using disparate sources, and leveraging constraints respectively).

Finally, the antecedents and consequences of the three factors are different. Intelligence (which can be gathered through prior experience, engaging with stakeholders, or previous trials) is the antecedent to *improvement actions.* Consequences, on the other hand, involve improved products / processes which meet stakeholders' needs (Baum & Bird, 2010). *Making connections* requires maintaining continuous, broad, and undirected search for information, then creatively combining the information in new combinations (Tang, Kacmar, & Busenitz, 2011); the consequences involve product / process design of which entrepreneurs had not previously thought. Finally, an entrepreneur who is *problem-solving* is pursuing goals and, thus, treats the accepted means with little regard, takes control in unstructured situations, challenges the rules, and has little respect for past custom. The entrepreneur may solve the problem independently

or, in the case of complex problems, leverage social networks (Friedel & Hatala, 2010); when successful, the outcome is a problem that is fixed. Therefore, the antecedents and consequences of the three factors are distinctly different and support the formative nature of *design venture artifacts*.

This validation led to my proposing that *improving*, *connecting,* and *problem-solving* are distinctly different, but together constitute the formative measure: *designing venture artifacts*.

"How?": Making Choices

Entrepreneurs regularly strove to design venture artifacts to meet the demands of the environment and to assess the worthiness of the design from the perspective of resources expended and the potential presented. Founders reviewed opportunities to acquire resources pro bono or at lower-than-market rates, thereby keeping costs low, consistent with the need to constantly evaluate opportunities and situations for their financial impact in relation to the worthiness of the design pursuit. The process of designing venture artifacts provided unique information, which entrepreneurs used to judge worthiness and risks associated with opportunities as well as potential losses (Sarasvathy, 2001).

Entrepreneurs did not arrive at decisions to continue or change the direction of the artifact features and characteristics based on research, detailed analysis and deliberate logic; instead, they were emergent, made "in the moment" (March & Simon, 1958; Mintzberg & Waters, 1985; Simon, 1996), based on the reality being designed. My data supported the depiction of Karl Weick's "Sense-Making Manager" (Boland & Collopy, 2004), in which goals were understood retrospectively and the enactment of specific

design approaches was the primary driving force. This logic suggests that the *designing venture artifact* is an antecedent to *choice*, rather than it being a factor of *designing the artifact*.

"What?": Organizing Tasks

Prior research, which guided this mixed-methods research, had identified venture artifacts (both tangible and intangible) created during venture development. These include social-business model concepts, establishing legal entities, product / service prototypes, securing funds, recruiting clients (as employees or customers), partnering with nonprofits, and making the first sale. Commitments made by the stakeholders are symbolized by the resources awarded or exchanged for venture development. The resources shared may be non-financial (such as office space or free training and other pro bono services) or financial (project-related investments, grants, donations, or "angel investments"). Entrepreneurs mobilized their personal networks (King, 2008) and used various methods– experimentation, storytelling, and sharing views – to engage and on-board stakeholders (Frooman, 1999) (Table 32, 1.2, 2.1.2). Stakeholder micro-commitments were exhibited when they chose to lend resources (for example, offering healthcare services to the clients of the social venture) or engaging in material resource exchanges such as buying products / services (Jenkins, 1983). Resource acquisition and exchange enables initiation and completion of venture development tasks and activities.

I postulate that actions oriented towards both "What?" and "How?" positively influence venture performance at early stages. As regards the "What?" category of actions, prior research shows that organizing activities predict venture outcomes (Carter, Gartner, & Reynolds, 1996; Delmar & Shane, 2004; Gartner, Starr, & Bhat, 1999).

Organizing activities undertaken and successfully completed at any point in time determine further development of the venture (Eckhardt, Shane, & Delmar, 2006). Further, effectual actions positively impact new business venture performance in terms of "How?" (Read et al., 2009). In addition, consistent employment of effectual actions differentiated successful ventures from those which struggled, suggesting a positive impact on venture performance in the case of social ventures as well. Therefore, I propose a conceptual model, Figure 10, to explore the impact of effectual actions on new venture performance and suggest that:

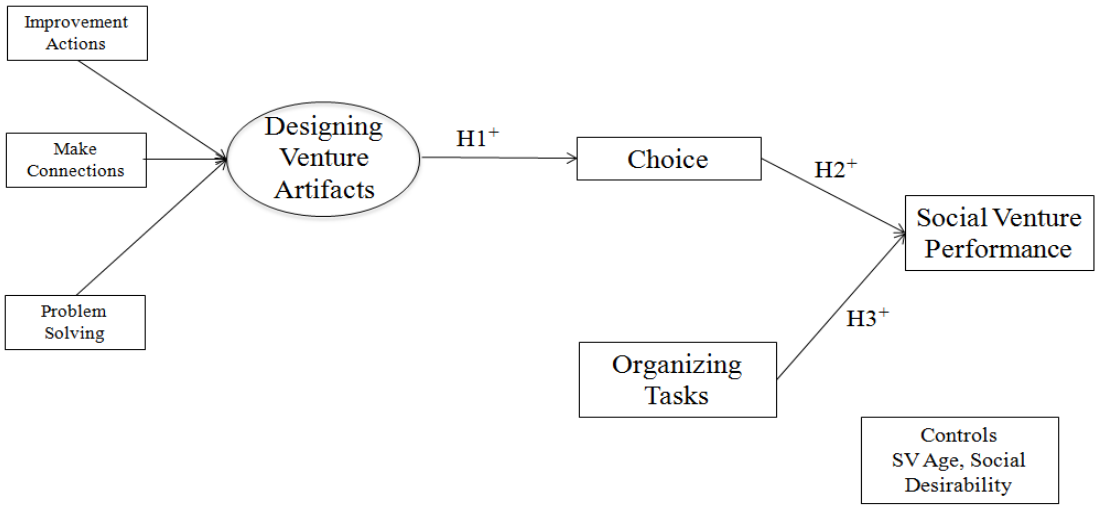
Hypothesis 1. Designing Venture Artifacts Is an Antecedent to Choice

Hypothesis 2. Choice Positively Impacts Venture Performance

Hypothesis 3. Organizing Tasks Positively Impacts Venture Performance

To test both the formative nature of the measure *Design Venture Artifacts* and to test these hypotheses, I designed the quantitative research model described below.

FIGURE 10
Design Approach and Perceived Venture Performance



Quantitative Research

Measure Development and Survey Design

To test both effectual action constructs and hypotheses, I employed a self-administered survey methodology. Existing and validated measures were adapted wherever possible; in other cases, new measures were defined based on the qualitative research.

Improving. I reviewed the literature as to scales used to measure actions pertaining to product / process improvements; consequently, I selected the five-item scale employed by (Baum & Bird, 2010) to measure multiple improvement actions, but enhanced it by adding two more items based on qualitative research. Each item was measured on a five-point Likert scale anchored at the extremes by "1 − strongly disagree" and "5 − strongly agree."

Connecting. Qualitative research suggested that entrepreneurial actions helped to make sense of information present in the environment, and that entrepreneurial opportunism served to detect or create improvement opportunities. A review of the literature led to exploring the measurement scale for alertness (Tang et al., 2011), which provides a method of connecting previously disparate information. Items in this dimension of alertness corresponded to the actions exhibited by entrepreneurs in the qualitative research, but were reworded to measure the behavior to detect and/or to create improvement opportunities. Each item was measured on a five-point Likert scale anchored at the extremes by "strongly disagree" and "strongly agree."

Problem-solving. I selected problem-solving items from an existing, comprehensive proactiveness scale (Bateman & Crant, 1993), reworded to reflect actions

which founders may have taken rather than generic indicators of problem-solving. Each item was measured on a five-point Likert scale anchored at the extremes by “strongly disagree” to “strongly agree.”

Choice. I reviewed the literature for scales which measure actions in light of evaluating situations for their potential − in this case, the potential to acquire pro-bono resources or pay lower costs.. The evaluation and judgment dimension of the alertness scale (Tang et al., 2011) measuring these actions was adapted; each item was reworded and measured on a five-point Likert scale anchored at the extremes by “strongly disagree” to “strongly agree”.

Organizing tasks. The specific tasks and activities venture founders undertake provide a measure of the lengths to which they will go to develop their new ventures. Business ventures engage in organizing tasks such as attending training, forming legal entities, creating business plans, developing products / services, and making their first sales (Carter et al., 1996; Gartner et al., 1999); nonprofits, on the other hand, engage in defining the mission, recruiting board members and volunteers, developing client programs, and fundraising (Bobo, Kendall, & Max, 1996; Gartner, 1993). To assess such organizing tasks, I derived a list of the organizing activities undertaken by social ventures from qualitative research and social entrepreneurship process models (Guclu et al., 2002; Perrini et al., 2010). A score of “Low” was assigned if the number of activities was three or less; “Medium,” between four and six; and “High,” otherwise.

One critical organizing activity is the financial support provided by external stakeholders to sustain the development of the venture. These may take the form of project-related investments and foundation grants, as is the case with conventional

nonprofits; in the case of business ventures, it may take the form of startup capital from investors or "bootstrap" funds from family, friends, and social investors. These sources of financing are indicative of the entrepreneurs' ability to convince stakeholders and onboard them to support venture development. Therefore, financial support relative to the total operating budget was used as a measure on a three-point Likert scale of "Low," "Medium," and "High". Both the number of organizing activities and financial support constituted measures classified as Organizing Tasks.

Perceived venture performance. While there are some standard measures for business performance (revenue, profits, number of employees, growth rate), mission-performance scales are non-standard (Moxham, 2009) and primarily applicable to donor-based organizations. The respondent narratives suggested using the number of clients served to measure the founder's perception of mission performance; revenue from the sale of products/services and the venture's profitability were also used to measure business performance ("Low," "Medium," or "High") vis-à-vis their vision.

Venture age. Older ventures have had more time and, thus, greater opportunities to undertake organizing activities, which in turn affects business venture growth and development (Carter et al., 1996; Gartner et al., 1999). As a result, I used venture age as a control.

These measurement scales were refined through pretests and pilot testing using scale development guidelines (Churchill, 1979). Surveys were administered in-person using concurrent verbal-protocol content analysis (Bolton, 1993) to assess the survey quality. Additional pretests with 25 nonprofit practitioners and academicians involved

written and verbal feedback. Finally, the survey design was further modified based on a pilot test with nascent social entrepreneurs.

Empirical Strategy

I leveraged the data collected in Study Two. Data collection, screening and suitability for factor analysis are as described in Study Two. The research model was tested using Partial Least Squares (PLS-Graph, v3.0, Build 1060, Chin & Frye, 1998). PLS was particularly well suited for analysis of my data given its flexibility in handling constructs with both reflective and formative indicators (Chin & Gopal, 1995). The PLS modeling approach involved two steps: validating the measurement model, then fitting the structural model. The former was accomplished primarily by reliability and validity tests of the measurement model; these were followed by testing the explanatory power of the overall model to explain variance and testing individual hypotheses in the structural model. A bootstrap resampling procedure (500 resamples) was conducted to test for significance of my hypothesized relationships.

As noted earlier, and following the characterization by Diamantopoulos and Siguaw (2006) and Jarvis et al., (2003), the second-order formative construct *design venture artifacts* consists of reflective first-order components. Commonly espoused approaches to evaluating validity and reliability for first-order constructs were employed. Treating the sub-constructs as reflective constructs is appropriate, even though second-order constructs are formative (Cadogan, Souchon, & Procter, 2008). The dimensionality of each first order construct in the research was verified using Confirmatory Factor Analysis (CFA) and ensuring that cross-loading of items was within acceptable limits. The CFA results, presented in Table 34, revealed high standardized regression weights

(greater than 0.7) for all first-order constructs, confirming that the individual measures reflected the respective constructs. Further, internal consistency was observed, with composite reliability (CR) exceeding the recommended threshold of 0.70 (Tabachnick & Fidell, 2007).

Convergent validity, too, was established where the average variance explained (AVE) by each construct was greater than the measurement error (i.e., the AVE is at least 0.50). Further, discriminant validity was established by examining cross-loading of each item from a given construct on all of the other constructs, and by ensuring that maximum loadings were in fact appropriate to the construct to which each item belonged. As seen in Table 34, the AVE for all factors was less than the CR, suggesting discriminant validity of the factors (Fornell & Larcker, 1981).

For the formative construct *designing venture artifacts*, three of the four primary guidelines suggested by Jarvis et al. (2003) were reviewed while proposing the construct. The fourth guideline, which pertained to multi-collinearity, was analyzed to explore the lack of parsimony and conceptual overlap among the first-order constructs (Diamantopoulos & Siguaw, 2006). The data showed the shared variance was within acceptable range (less than 0.5) as suggested by (Hair et al., 2010) (Table 35).

Checking for internal consistency of a formative construct is inappropriate, since each item of the construct is there for a theoretical reason: removing one component may adversely affect the overall meaning of the latent construct (Jarvis et al., 2003). PLS estimates the weights used to measure the contribution of each first-order latent construct to the variance of the latent variable. Following the suggestion of Petter, Straub and Rai, (2008), these weights were used as evidence of construct validity. When these are

significant (by means of bootstrapping), item weights indicate that the first-order latent construct explains a significant portion of the variance in the formative construct (Roberts & Thatcher, 2009). As shown in Table 34, all latent constructs of the formative construct are significant ($p < 0.001$) and with acceptable values (Chin & Frye, 1998). Collectively the analysis confirms that *designing venture artifacts* is a higher-order formative construct made up of three lower-level reflective constructs, and can be used for hypothesis testing.

Common method bias was analyzed using the Marker Variable technique (Lindell & Whitney, 2001). Social desirability, a construct theoretically not correlated with other constructs in my model, was introduced as a marker variable and showed a 0.22 correlation with all other latent constructs, indicating less than 5% maximum shared variance with other latent constructs. The data, therefore, did not demonstrate the presence of common-method bias.

TABLE 34
Results of Study Three Confirmatory Factor Analysis

Construct and Items	Mean	Standard Deviation	Regression Weights	Critical Ratio	Composite Reliability	Average Variance Extracted
SVPerf					**0.921**	**0.796**
M1T2	0.8418	0.0313	0.8363	27.6296		
B1T2	0.9198	0.0140	0.9210	61.9921		
B2T2	0.9099	0.0138	0.9174	79.6941		
Choice					**0.838**	**0.721**
AL1	0.8992	0.0208	0.8518	45.8986		
AL6	0.7911	0.0503	0.8518	45.8986		
OrganizingTasks					**0.741**	**0.598**
B3T2	0.9076	0.0433	0.7816	34.1430		
ActDone	0.5977	0.1164	0.7816	34.1430		
MakeConn					**0.844**	**0.644**
AL2	0.8002	0.0340	0.8002	23.4092		
AL4	0.8254	0.0294	0.8233	26.8174		
AL7	0.7797	0.0470	0.7835	17.2560		
ImprovActions					**0.881**	**0.553**
MIA1	0.7003	0.0518	0.6991	13.1910		
MIA3	0.7155	0.0449	0.7224	15.7608		
MIA4	0.7539	0.0414	0.7581	17.7265		
MIA5	0.7191	0.0644	0.7213	11.1786		
PRO1	0.7774	0.0437	0.7816	17.7848		
PRO6	0.7729	0.0533	0.7777	14.4963		
ProbSolve					**0.850**	**0.654**
PRO4	0.7424	0.0489	0.7527	17.2393		
PRO7	0.8812	0.0211	0.8817	43.0220		
PRO8	0.7866	0.0298	0.7868	24.0753		
Design Venture Artifacts (DesignVA)					**0.879**	**0.398***
MakeConn			0.3567	12.9214		
ImprovActions			0.4770	17.7935		
ProbSolv			0.3696	12.6288		

*This is a formative construct

TABLE 35
Study Three Correlations of Latent Variables

	SVPerf	DesignVA	Choice	Venture Artifacts	MakeConn	ImprovActions	ProbSolve
SVPerf	**0.892**						
DesignVA	0.121	**0.630****					
Choice	0.281	0.539	**0.849**				
OrganizingTasks	0.478	0.230	0.136	**0.773**			
MakeConn	0.017	0.750*	0.475	0.138	**0.802**		
ImprovActions	0.066	0.870*	0.435	0.187	0.496	**0.744**	
ProbSolve	0.177	0.800*	0.430	0.190	0.416	0.599	**0.809**

*These latent constructs load on to DesignVA as a formative construct

** DesignVA is a formative construct

Results

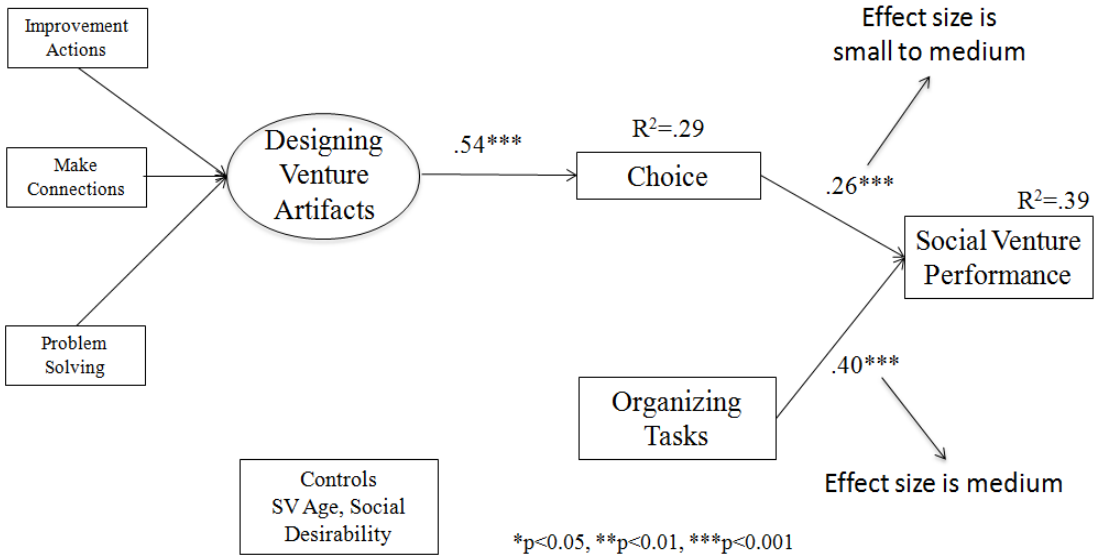
To test the design hypotheses, the conceptual model in Figure 10 was fitted using PLS, and each path in the causal model was tested for the significance of effect size and effect strength. The results (Table 36 and Figure 11) provide evidence to support H1: *designing venture artifacts* is an antecedent of, and is positively and significantly related to, *choice* ($\beta = 0.54$, $p < .001$). On the other hand, c*hoice* ($\beta = 0.29$, $p < .001$) was positively and significantly related to perceived venture performance, confirming support for H2. In support of H3, *Organizing Tasks* ($\beta = 0.40$, $p < .001$) had a significant and positive relationship with perceived venture performance. The coefficient of determination R^2 was evaluated, and I found that it accounted adequately for variance in choice ($R^2 = 0.29$), and perceived venture performance ($R^2 = 0.39$).

TABLE 36
Study Three Structural Model results

Path	Regression Weight	Critical Ratio	p-value	Support for the Hypothesis
H1: DesignVA → Choice	0.539	9.395	0.000***	Yes
H2: Choice → SVPerf	0.260	3.559	0.000***	Yes
H3: OrganizingTasks→ SVPerf	0.401	6.405	0.000***	Yes
SVAge → SVPerf	0.332	5.322	0.000***	

*p<0.05, **p<0.01, ***p<0.001

FIGURE 11
Results: Design Approach and Perceived Venture Performance



Predictive relevance and validity. In order to investigate the predictive power of each effectual action in the model, effect size tests were conducted as recommended by (Chin & Frye, 1998). The f^2 statistic is based on the differences in R^2 between two models, with and without the particular construct whose effect strength is being measured. Cohen (1988) recommends that the effect size values of 0.02, 0.15, and 0.35 be viewed as an estimate of whether a predictor has a small, medium, or large effect at the structural level.

The f^2 values for each hypothesized relationship are summarized in Table 37. Both *designing venture artifacts* and *choice* were found to have a small- to medium-size effect on perceived venture performance, whereas that of *organizing tasks* was medium to large (Table 37). Thus, the conceptual model highlights that the "How?" (i.e., the design approach and specific effectual actions) and the "What?" (i.e., the *organizing*

tasks) helps explain perceived venture performance. Finally, the model's predictive validity, Q^2, was verified according to the recommendation of Stone (1974) and Geisser (1975): a blindfolding procedure revealed that the Q^2-value estimate was greater than zero ($Q^2 = 0.05$), indicating that the model had predictive relevance.

TABLE 37
Study Three Path Effect Strength

Path	R^2 included	R^2 excluded	f-squared and effect significance
Choice → SVPerf	0.386	0.341	0.08 (Small)
OrganizingTasks→ SVPerf	0.386	0.256	0.21 (Medium)
SVAge → SVPerf	0.386	0.294	0.16 (Medium)

Discussion

This inquiry aimed to understand the effectual actions exhibited by social entrepreneurs during the design of their ventures, and whether effectual actions explain performance. The qualitative analysis in the mixed-methods approach allowed specific effectual actions to be identified in the context in which they were employed. The quantitative research takes the next step in design and effectuation by developing measures and testing the proposed relationships among these measures. The research makes three important contributions:

(a) Empirically validated constructs provide measures of effectual actions;

(b) The dimensionality of the constructs is tested and the formative nature of three of the five effectual actions is confirmed; and, in support of effectuation;

(c) The research shows that design using effectual actions explain early stage success of the venture.

To the best of my knowledge, only one study (Chandler, DeTienne, McKelvie, & Mumford, 2011) has empirically explored the dimensionality of effectuation processes.

However, that research was in the context of contrasting effectuation and causation processes for business ventures. This research was different in two regards: (1) its goal was to study the enactment of specific effectual actions versus the process of effectuation, and (2) the focus was on social ventures rather than on business ventures. The logic of selecting effectual actions and proposing *designing venture artifacts* as a formative construct was based on design concepts (Boland & Collopy, 2004; Caplan, 2005; Lyytinen, 2004; Simon, 1996), and the causal relationships in the conceptual model were based on Boland and Collopy's, (2004) design approach of a "Sense-Making Manager."

Actions representing the concept of *designing venture artifacts* were based on means-driven effectual actions and those which leveraged contingencies; this concept was verified as a formative construct with adequate convergent, discriminant, and predictive validity. *Choice* representing the "Affordable Loss" principle was also strongly supported by the research. To explore flaws in my conceptualization of the *designing venture artifacts* construct, I evaluated the possibility of *choice* as an additional dimension of the construct, but did not find adequate support. The data strongly supported the relationships between venture performance and "what" entrepreneurs do and "how" they do; it also supported the proposed antecedent relationship.

The rather strong antecedent relationship may imply that designing venture artifacts is useful − to the extent that it provides a real basis to judge an opportunity and arrive at decisions. It may also provide information as to the extent of stakeholder engagement, responses from other nonprofits, and the market opportunity being shaped so as to arrive at a pragmatic decision (Simon, 1996) based on constructed reality (Giddens, 1979) rather than deliberate plans (Mintzberg & Waters, 1985). The

dimensions and components of the design approach enacted through specific effectual actions in the vernacular of social entrepreneurs is a unique and important contribution to the theory of effectuation. Further, at nascent stages of theory-testing the effect size of the effectual actions (small to medium) is, I believe, promising. The Q^2 measure provides evidence of the predictive validity of the model.

Limitations

Both the qualitative and quantitative research may not have covered the entire spectrum of social ventures. The domain of social entrepreneurship is broad and includes many types of enterprises: those undertaken by established nonprofits or operated by for-profit corporations, others with emerging legal structures such as L3C, and those originating in other parts of the world. Because the motives, approaches, and challenges associated with early development of each type may differ significantly, it is recommended that investigators exercise caution in generalizing the findings. My respondents were from professional associations and special-interest groups with self-selected membership and, therefore, they may not be representative of the broader population of social ventures.

Although the study was global and open to social ventures from all geographies, in both qualitative and quantitative studies a significant percentage of my respondents were from North America. Caution should be exercised in generalizing these findings to social ventures operating in other continents and countries. Furthermore, the study was focused on capturing actions, behaviors, and results pertaining to nascent stages (i.e., the initial five years). Since 47% of the ventures in the quantitative research had existed for more than five years I recognize a potential time-bias because my respondents may have

had difficulty in recalling their actions. Although the study controlled for socially desirable responses, I acknowledge that responses may represent prospective or hypothetical actions (Babbie, 2007) as opposed to the actions respondents actually took. Finally, since I did not capture the antecedents of *organizing tasks* there is a possibility that the observed effect may indeed be due to the antecedents.

Implications for Research and Practice

This research is one of the few to examine effectual actions to design social ventures. The research advances our understanding of effectuation by identifying measures for specific effectual actions in the context of social ventures. It also advances our understanding of design through (1) empirical validation of the design approach based on Karl Weick's "Sense-Making Manager" model and (2) providing measurement for the components in the approach. I have increased confidence in the importance of design and effectuation, since they survived a "mixed-methods" investigation.

There are several methodological and theoretical implications for future research. I used theory-driven approach to code specific effectual actions, and this process is subject to the coder's interpretation of the effectual actions in the context of social ventures. Future research can benefit from using multiple coders to improve the reliability of the theory-driven coding. Because the research was a sub-component of a larger inquiry, it was constrained in its ability to (1) code all effectual actions observed in the qualitative research and (2) extend all codes into quantitative research for investigation. For example, I observed specific effectual actions pertaining to forming alliances and partnerships which were not coded and conceptualized in the model; instead, I only measured whether alliances and partnerships were formed as a part of

organizing tasks and activities. The effectual actions were antecedent to forming alliances and, thus, were not included in the measurement model.

The research used existing measures from business entrepreneurship and organization literatures which accurately reflected the actions observed in the qualitative research. The predictive reliability provides initial support for a positive relationship between effectual actions and nascent stage performance. Therefore, these measures provide a starting point for future research to further refine these measures and instruments relative to effectual actions. The research also advances social entrepreneurship theory by providing specific actions founded on design and constructivist principles for social innovation. The constructs are now available for further development in social venture research.

Finally, this research into venture development made a case for the use of a constructivist model rather than business planning models. My results show that, at a minimum, design and effectuation should be a complement to these latter models. The qualitative research yielded several indications that sticking to initial ideas and plans, as opposed to being flexible and effectual, hampered venture success. Unlike the study by Chandler et al. (2011), which compared prediction and design logic of ventures, my study was limited to exploring just the design logic and is not in a position to conclude on comparison of the two logics. The fact of small- to medium-effect sizes for design constructs leaves open the distinct possibility that predictive or planning logic may play a role. An exploration of planning for the venture configurations (i.e., developmental stages, as discussed in Chapter IV, Study One) with specific venture artifacts may improve our understanding of the relationship of design to planning constructs.

The research also has several implications for practice. Sustainable social innovation is founded on designing cross-sector partnerships. Effectual actions are also founded on the principle of design, in which actions are based on stakeholder commitments (i.e., what the entrepreneur controls); thus, they provide a pragmatic approach to the creation of sustainable social businesses. The conceptual model and measures use entrepreneurial vernacular, thereby providing a visualization of the venture creation actions for nascent social entrepreneurs. It highlights entrepreneurial actions essential to gaining micro-commitments from stakeholders, thus leading to the successful designing of venture artifacts. These include maintaining a high level of alertness to the information shared by others in day-to-day dealings, trying out improvements with stakeholders, and problem-solving to gain knowledge and acquire resources. But, most importantly, embedded in this conceptual model and its measures is the need to constantly review whether ventures should continue down their chosen paths − based on stakeholder commitments they may or may not secure.

CHAPTER VI:
CONCLUSIONS

Integrated Findings and Discussion

The purpose of this dissertation is to develop a better understanding of how entrepreneurial actions influence social venture performance. Not only is the literature on startup stages lean, it is predominantly at concept level, lacking constructs and hypotheses which can be empirically tested. To expand my understanding of social venture conception and development, I examined the actions (tasks, activities, and approaches) in which social entrepreneurs engage.

The analysis involved identifying the tasks and activities involved as well as the approaches employed to enact them. To determine the impact of entrepreneurial actions, I analyzed differences between the actions of successful and struggling ventures over the course of three studies. The objective of Study One was phenomenological inquiry to shed light on three areas:

(a) The startup actions and the underlying logic which drive the actions;

(b) Systematic differences between actions of successful and struggling ventures;

(c) Entrepreneurial approaches employed while executing the startup actions.

Grounded theory-based emergent findings in Study One provided a basis for a more refined conceptualizing of relationships between entrepreneurial approaches, tasks and activities, and venture performance.

Study Two's quantitative analyses expanded my understanding of the phenomenon of research interest by examining support for the proposed relationships between entrepreneurial approaches, venture creation tasks and activities, and

performance. The findings from Study Two were somewhat puzzling and appeared counter-intuitive in light of the emergent findings from Study One. The side-by-side interpretation and triangulation of the results from the sequential qualitative and quantitative studies which comprise mixed-methods research enabled a deeper understanding of the phenomenon of social venture creation. Grounded theory development had strongly suggested that experimentation and alertness-to-the-environment were factors which differentiated successful from struggling ventures, but in Study Two neither factor had a significant direct effect on venture performance. Further, it was surprising to find that undertaking more organizing tasks and activities actually dampened the indirect effect of experimentation on venture performance, suggesting that one has to be careful as to the extent to which other tasks are undertaken when trials pertaining to products and processes are ongoing.

The puzzling nature of the findings, plus the fact that social venture theory development is still nascent suggested the need to investigate an alternative conceptual model. My initial conceptualization was proposed based on the emergent findings and the known relationships between key observed behaviors from prior organizational studies. Dominant institutional or organization ecology theories and organization studies were not used in the conceptualization. I arrived at new findings through the application of design theoretical lens to the qualitative data from Study One. This was necessary (for reasons cited in Chapter V, Study Three) because grounded-theory findings from Study One strongly supported constructivist approaches, rather than a rational planning approach, to venture creation. These findings then led to my exploring a conceptual model where effectual actions are used to design new ventures. To test this I used quantitative data

captured in Study Two, augmented with additional data for a new construct utilized in Study Three of the research.

This chapter connects the results of the two alternative conceptual models discussed in Studies Two and Three, attempting to arrive at a better holistic explanation of behaviors and venture performance. Then, to present the most important insights gained from this research, findings from all three studies are discussed with a proposed framework for successful development of new social ventures.

Theory Triangulation: Examining the Conceptual Models

The qualitative research in Study One identified specific entrepreneurial behaviors and approaches which differentiated successful and struggling ventures. These emergent findings led to a conceptual model with hypotheses pertaining to the relationships between behaviors, entrepreneurial approaches, and venture performance. Key conceptualizations were as follows:

(a) Performance in relation to mission fulfillment and business success were measured separately;

(b) Each entrepreneurial approach was viewed as having a direct impact on the achievement of both mission and business results;

(c) The tasks and activities undertaken to develop meaningful venture artifacts were hypothesized as having a mediating effect on the relationship between the approaches and performance.

However, as discussed earlier, the results of this conceptualization were mixed. Connecting the results from Studies One and Two suggested designing venture artifacts using entrepreneurial approaches (those of improving, connecting, and problem-solving), then choosing the methods which best meet customer demands, plus minimize losses and keep costs low. Effectuation was supported since creative alternatives for

experimentation were primarily generated together with those stakeholders interested in the venture development.

Furthermore, co-varying mission and business activities in the Study Two model indicates that I may not need to differentiate between the two. The same was the case with mission and business performance reinforcing that there may not be a need to differentiate between the two. I found that this conceptualization of entrepreneurial approaches, used in conjunction with one overall measure of the activities undertaken (i.e., venture artifacts developed), better explains venture performance than does the Study Two model. In particular:

1. While problem-solving determines venture performance through its direct effect, it exhibits a better capacity to explain venture performance when combined with other entrepreneurial approaches towards (a) designing artifacts such as client programs and (b) choosing designs to minimize losses.

2. Being alert to the environment does not independently determine venture performance; however, just like the previous point it better explains performance when combined with approaches for proactive information-seeking, experimenting with improvements, and problem-solving.

3. As seen in Study Two experimenting simultaneously with multiple improvements for venture products / processes and in isolation from other factors can have a dampening effect on the venture performance. Study Three showed that social entrepreneurs move forward incrementally making variations to the product / process to better meet stakeholder expectations. With incremental improvements and frequent evaluation if further improvements pose financial risks allows changing the course of product / process development leading to superior venture performance.

4. While testing the alternate conceptual model, I also tested whether each individual approach – i.e., experimenting with improvements, connecting information, and problem-solving – is an antecedent to design choice, but did not find support. This finding has profound implications: it suggests that social entrepreneurs need to use an amalgamation of all three entrepreneurial approaches to design stakeholder-agreeable venture artifacts, rather than just employing a subset of the approaches.

5. A more parsimonious model, in which the design approach and the number of artifacts designed determine performance, has greater explanatory power than when entrepreneurial approaches are employed independently of each other and not all are considered simultaneously. These findings are consistent with those in Study One wherein Successful entrepreneurs consistently employed all three entrepreneurial approaches and focused on stage-specific products/processes.

I now propose an overarching framework which summarizes the "What?" and "How?" of successful start-up social ventures.

Framework for Successful Startup of Social Ventures

The research vividly captures three distinct developmental stages. Within each stage progress depends on *what* entrepreneurs do in terms of the organizing activities relevant to the stage, employing a design approach to artifact development (*how* they carry out the activities), and behaviors to manage the duality of social and business goals (*how* they deal with ambidextrous activities). I propose an integrated framework for successful startups guided by the knowledge of the developmental stages, in which the focus at each stage is to design responses to key questions (i.e., create venture artifacts). At an organizational level, knowledge of stage-specific questions and accompanying prioritization of organizing activities and venture artifacts provides the basis for developing the venture. At the venture product / process development level, a design approach to address questions pertaining to suitability of product / process to stakeholder needs and creating stakeholder acceptable artifacts, helps secure the resources necessary for development.

Furthermore, design issues and responses constantly alternate between those pertaining to social change and those of economic goals. This framework offers a viable approach to managing this goal duality on a day-to-day basis. The framework provides an

integration of organizing activities (the “what”) and entrepreneurial approaches (the “how”) for improved outcomes during startup. Next I discuss each component of the integrated framework.

A Model for Organizing Activities

Business entrepreneurship and nonprofit institutional theories emphasize their own sets of startup tasks and activities; in each case, such actions are specific to their respective institutions and are focused on seeking institutional legitimacy (Bresser & Millonig, 2003) to garner necessary resources for survival (Hager, Galaskiewicz, & Larson, 2004; Hannan & Freeman, 1984). The duality of goals complicates the issue of organizing activities, since venture founders now must focus on both their mission and business stakeholders to ensure institutional legitimacy.

This can be daunting if the organizing activities are a sum total of the startup activities required of both business ventures and nonprofits. Not only is this set of activities much larger, it may require an extra effort in terms of stakeholder persuasion because social ventures often have systemic disadvantages over business ventures and nonprofits. For example, human services social ventures serve disadvantaged clients who often lack the skills expected of productive employees. If such clients are employees of the social venture, it has a direct impact on the quality of products and the profitability of the venture: quality-control processes must be put in place and investors must be persuaded to accept lower profitability goals.

On the other hand, focusing on the profit motive may cause the leaders of conventional nonprofits (which the venture is attempting to partner with to effect social change) to become suspicious. Once again, this demands extra effort on the part of

startup leaders, who must demonstrate that a profit motive does not automatically indicate a quest for personal gains. Instead, the venture leaders must show how profits generated for the common good may comprise a win-win situation for their partnership. On the other side of the coin there are complementarities wherein for-profit corporations may be more disposed to support social mission. Such complementarities might explain why in the case of social ventures both mission and business results tend to move together.

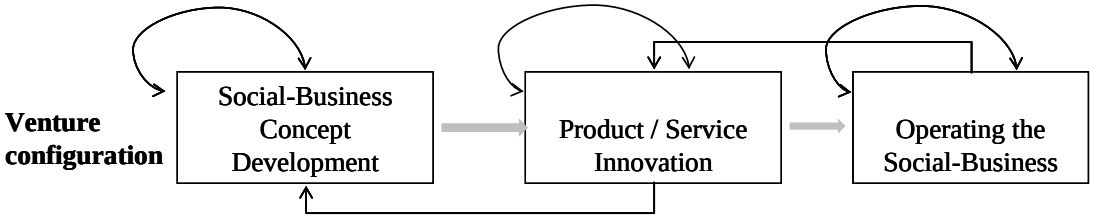
The research provides a framework with which to visualize startup development in three major configurations displaying focused sets of organizing activities (Figure 12). The developmental stage model (Gabraith, 1982; Greiner, 1998; Lippitt, & Schmidt, 1967; Scott & Bruce, 1987) is one approach to conceptualizing early developmental processes; stages are seen as distinguishable configurations of the venture (Levie & Lichtenstein, 2010) in response to common problems encountered during evolution (Bhide, 2000). The qualitative research reported in Study One suggested three major configurations /developmental stages whose unique problems must be tackled with distinctly different organizing activities. The questions tackled at each stage are unique, and ventures struggle when entrepreneurs do not attribute due importance to those questions specific to the current developmental stage: such ventures periodically regress to prior developmental stages and, in the process, lose time, money, clients, customers, and, most importantly, critical stakeholders' confidence.

Although the model suggests a sequence of stages, the entrepreneurial approaches employed to gain stakeholder support and achieve stage-specific artifacts and results are characterized by a high degree of dynamism. As shown in Figure 12, there are several

feedback loops across the three stages which allow entrepreneurs to continually fine-tune venture artifacts based on new knowledge acquired. For example, as was the case with a respondent in Study One, in Stage One, the entrepreneur had conceptualized a social business to improve the employability of disadvantaged clients from a specific community by becoming their employer; at Stage Two, the entrepreneur decided to produce environmentally friendly custom packaging. However, as the venture became operational the entrepreneur found a niche opportunity providing custom packaging for the chocolate industry, making it necessary to prototype the product, conduct training for employees (clients), and partner with an academic institution for specific skills advancement (i.e., the need to revert to some of Stage Two activities).

Following this deliberate pattern of engagement (Figure 12) with focus on designing stage- appropriate products / processes and the requisite prioritization of organizing activities, helps make social entrepreneurship less daunting and assists efforts to secure legitimacy with specific stakeholders. By contrast, the absence of one or more aspects of this deliberate pattern leads to regression and potential venture failure.

FIGURE 12
The "What" of Social Venture Development: A Model for Organizing Activities



	Social-Business Concept Development	Product / Service Innovation	Operating the Social-Business
Typical questions to respond to	• What is the social need? Do stakeholders really find it as a need? What are my options for a business model?	• What are my options for revenue & profit generating products / services? What is my model to engage the beneficiaries?	• What should I do to acquire and retain customers? Is my venture moving towards being profitable? Are my clients being set on a path for social change?
Organizing tasks and activities	• Define / refine the social need • Define / refine the business model concept • Persuade stakeholders • Diversify stakeholder network	• Develop / test prototypes • Develop / test client programs • Recruit clients • Make the first sale • Persuade stakeholders • Diversify stakeholder network	• Identify & persuade partners for client programs • Deliver client programs • Market & sell the product / service • Diversify stakeholder network • Persuade stakeholders
Social Venture artifacts	• Social change vision • Business model • Secure financing / pro-bono resources	• Market-driven product / service • Client programs for social change • Secure financing / pro-bono resources	• Revenue & profit from product / service • Clients served • Partners for social change • Secure financing / pro-bono resources

Employing Design Approach

Consider next those aspects of the framework which characterize *how* the venture develops. Research shows that venture outcomes are influenced by the sequence in which activities are undertaken. I also found, through a fine-grained analysis of entrepreneurial behaviors, that although the organizing activities (i.e., the "What?") may be similar, successful and struggling social ventures differ when it comes to the entrepreneurial approaches employed (i.e., the "How?"). While the study identified stages, tasks, and activities, it also revealed that − instead of contemplating and planning strategically for

outcomes at each stage (Ansoff, 1965; Porter, 1996) − entrepreneurs employed a design approach (Figure 13) to developing stakeholder-supported venture artifacts across the three stages of development.

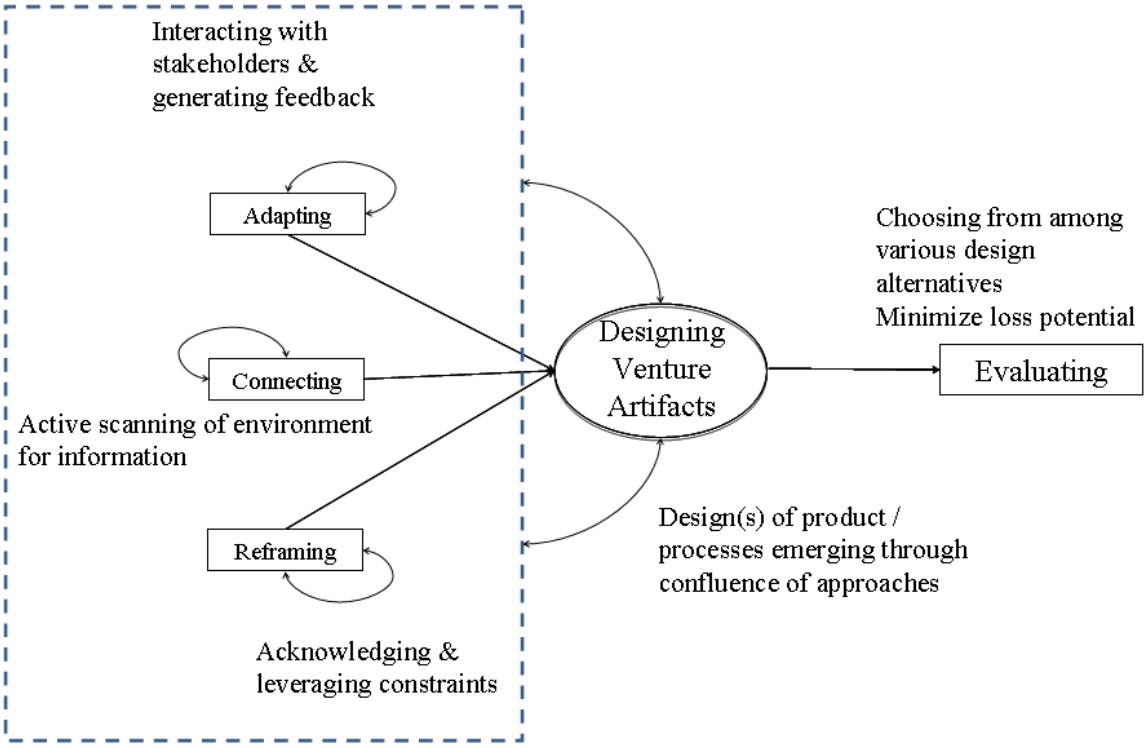
This empirically validated construct emphasizes the constant iteration of three distinct vehicles to designing venture artifacts described earlier. Creating opportunities to gain feedback through experimentation, responding to feedback in a “hands-on” manner through a series of iterations allows the shaping of venture artifacts. This feedback rather than a “feed-forward” approach to driving tasks towards outcomes, nurtures positive stakeholder beliefs and support (March & Simon, 1958; Mintzberg, 1978; Prahalad & Hamel, 1990).

In many cases, the artifacts were different than originally envisioned, suggesting that entrepreneurs’ goals are endogenous and can morph into new goals endorsed by the stakeholders. While solving problems, successful entrepreneurs leveraged contingencies and used the means at their disposal − skills, experience, and networks (Sarasvathy, 2001) − to conceptualize new forms of the venture artifacts under construction. Tapping into the networks, combined with an improvement-focused approach to design artifacts, led to onboarding stakeholders.

The approach (the ”How?”) pertains not just to designing venture artifacts but, in addition, to decision-making. Entrepreneurs must make conscious decisions and weigh alternatives to determine which artifacts provide the greatest opportunities to improve performance and reduce loss potential. Options which involve pro-bono resources reduce potential losses; those with the potential to create a desirable “ripple effect” lead to greater opportunities at no additional cost. Decision-making based on such factors

increases venture outcomes. Finally the "How?" also involves dealing with the constant shifts between mission and business-related artifacts, tasks, activities, and dealing with stakeholders.

FIGURE 13
The "How" of Social Venture Development: Employing a Design Approach



Next, I discuss how the framework helps prioritize tasks and activities across development of both the mission and business sides of the venture.

Selective Institutional Blending by Prioritizing Relevant Activities

Organizational emergence is a complex phenomenon (Aldrich, 1999) in which creation depends on such factors as individual knowledge, environmental context, and the availability of resources (Gartner, 1985). Gaining legitimacy is critical to the emergence of both the social and business aspects of the venture. In order for

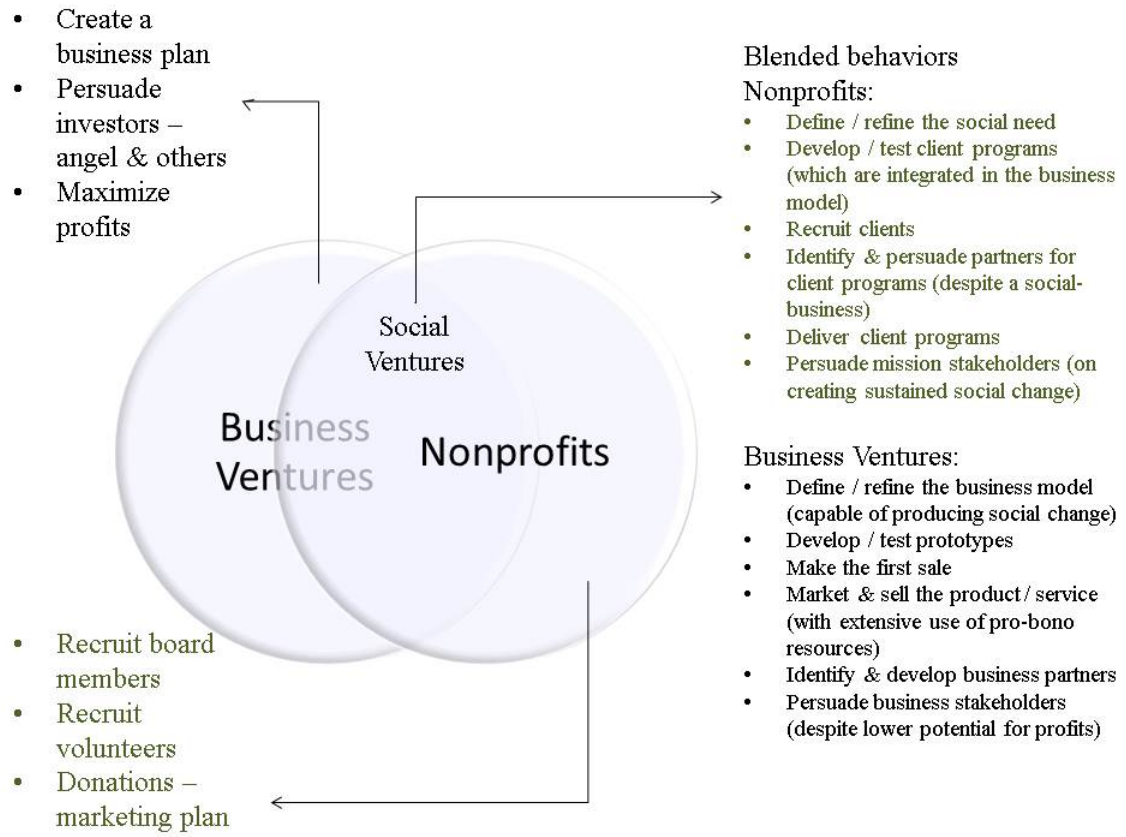
stakeholders to give credence to the venture's concepts, and for the venture to be seen to emerge (Aldrich & Martinez, 2001; Tornikoski & Newbert, 2007), entrepreneurs must engage in such activities as exchanging ideas with mission stakeholders, gaining a better understanding of social needs, and adapting product/service features to better meet customers' needs. Legitimacy is symbolically realized when actions are desirable, proper, or appropriate within a socially constructed system of norms, values, beliefs, and definitions (Suchman, 1995). Clearly, gaining legitimacy is aided by the performance of desirable actions.

However, it is not clear whether conforming actions as previously identified in nonprofit and for-profit organizational studies (Baum & Oliver, 1991; Carter et al., 1996; Gartner et al., 1999; Hager et al., 2004) and those listed as critical to survival in Chapter II are entirely necessary in order to be seen as a legitimate entity, especially in the case of organizations which cross institutional boundaries. The research suggests that this is not necessarily the case, since there are activities typical of business ventures and nonprofits which are less significant to social ventures. Figure 14, which lists such activities, suggests that social entrepreneurs' actions can de-emphasize some activities, freeing up additional resources for those most important to securing stakeholder support. For example, if volunteer support is not central to the business model, then social entrepreneurs can de-emphasize this activity and, instead, align the resources to another priority such as developing product / service prototypes endorsed by prospective customers.

The comparison also highlights the contextual tailoring of those activities common to both conventional nonprofits and business ventures. For example, although

business ventures also focus on developing market-driven business models, social ventures need to develop a business model capable of producing social change. In other words, the clients who benefit must be an integral component of the business model, and the model itself should be capable of addressing their social needs.

FIGURE 14
Selective Institutional Blending: Focusing on Relevant Activities



Next, I discuss those aspects of the framework to successfully deal with the goal duality of social ventures.

Managing Orientational Duality

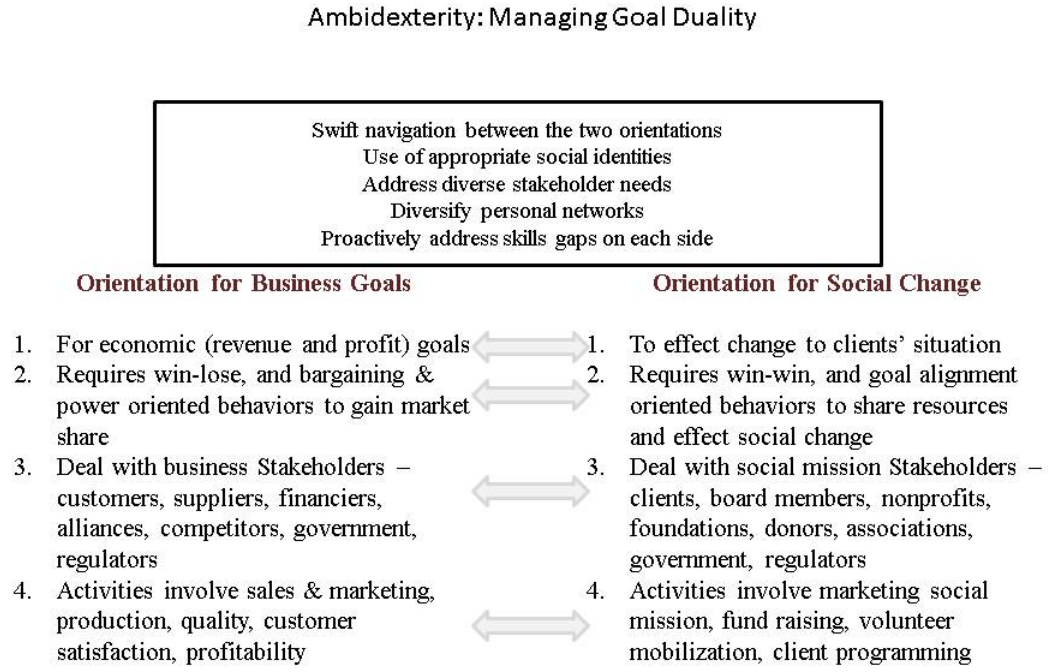
The fundamental difference between business and social ventures − i.e., starting with the idea of a product/service versus the idea of a social outcome/change – has

consequences during startup. It introduces an added layer of complexity to managing the dialectic tension between achieving outcomes along both social and business dimensions at each step of venture development. While nonprofits and business ventures both have a dominant orientation (collaborating and competing respectively), they both compete and collaborate at different times and for different reasons. Competitive orientation implies behaviors driven by potential for revenue and profit, a win-lose attitude, bargaining, and the exercise of power. Collaborative orientation, on the other hand, is founded on a win-win attitude, a focus on goal alignment, and a primary responsibility to the mission. Unlike nonprofits, social ventures are less likely to compete for grants and donations but more so to capture market-share. Unlike business ventures, social ventures need to collaborate with competitors (nonprofits) to produce social change. Figure 15 shows the behaviors suggested by the research to successfully reconcile the competing orientations.

The framework suggests that entrepreneurs need to stretch beyond their pre-existing skills base to switch between behaviors when dealing with competing orientations. A natural inclination is to stay within one's own known skills base and one's comfort zone; however, success requires active engagement rather than avoiding personal discomfort. Grounded theory suggested that venture founders need to carry multiple social identities and, to be successful, should employ the appropriate social identity and corresponding normative behaviors while dealing with a specific group of stakeholders. Practicing the appropriate behaviors requires familiarity, plus the desire to acquire diverse skills and to avoid homophilous actions. To succeed at the ambidexterity, managing the dual goals of social ventures, entrepreneurs must become adept at active stakeholder analysis, educate themselves on diverse social identities, understand personal

biases relative to social exchanges, and be comfortable dealing with paradoxical cognitive orientations.

FIGURE 15
Bilingual Approach to Manage Goal Duality



Summary

In this chapter I have summarized the findings from three studies intended to examine an integrated framework, one which identifies the salient features of social-venture startup actions having the greatest impact on early-stage venture performance. Although dominant in business entrepreneurship and nonprofit organizational studies, the research suggests that a deliberate business planning-oriented approach may have its place in social entrepreneurship − but perhaps more to tell a good story to potential stakeholders rather than to drive actions (Morrison & Salipante, 2007). The research

strongly supported a design approach in which the pathway to successful development was characterized by the founders' hands-on involvement with product/process trials, visualizing new combinations of solutions to problems, and leveraging the means at hand to overcome constraints.

A hands-on, feedback-seeking design approach acts as a vehicle to develop venture artifacts and continuously reveal future actions in which founders should engage. A social-exchange theoretical lens revealed behaviors necessary to deal with the paradox associated with hybrid organizations: social ventures which cut across institutional boundaries, still emerging as institutions in which values, norms and acceptable behaviors have yet to take shape. The newness of this empirical research opens the door for multiple research streams building on its results.

Limitations of the Research

As with any study, this research contains several limitations. Individual study-specific limitations have already been discussed in Chapters IV and V; however, an even broader set of limitations, which cuts across the individual studies, is applicable to the overall research. These are discussed next.

Methodological Limitations

In my approach, grounded, theory-based emergent findings led to the initial conceptualization of key constructs and the relationship between them as regards social venture development. Since social entrepreneurship lacks measures and key constructs, I decided to adapt the constructs from business venture and organizational studies rather than developing them from the ground up. This enabled me to build on accumulated

knowledge. However, one should treat these constructs as preliminary, allowing wide latitude to further test and refine them.

My studies utilized sequential mixed methods with empirical testing of the conceptualization based on findings from previous studies. In this process, I was not able to control or test for all parameters identified in prior studies. For example, Study One had shown that the founders of successful social ventures diversify and expand their social networks, whereas the founders of struggling ventures do not. I was not able to incorporate this measure in the conceptual model, and my results may be confounded. The integration of findings from Studies One and Two suggested the need for theory-based intervention to explore alternate conceptual models. The application of a narrower theoretical lens (bricolage) or resilience theories could also be used in addition to design and effectuation theories.

As a first step − given that social entrepreneurship theory development is still nascent − I chose one of the more fundamental constructivist theories for my analysis, that of design. However, alternative theories may produce different conceptualizations and results. Studying founders' actions through participant observation, rather than through semi-structured interviews, may unravel additional factors which prove difficult to access when recall of actions is required. In addition, a longitudinal approach (versus a cross-sectional study) can shed more light, particularly when the subject of the study is a process model.

Sample Biases

Innovative social-venture business models of the past decade have not been confined to a single country or region. As regards the sample for this research, 57%

served clients and customers from North America, but approximately 31% were intended to serve clients globally. Since the social, cultural, and political dynamics of each country and/or region are different, caution must be exercised when generalizing findings to a specific country or region. The sample size did not permit conducting a multigroup analysis to identify differences if any between North American and other ventures.

Respondents to both my qualitative and quantitative studies were selected from specific practitioner networks founded in North America. They may not be representative of typical social ventures across the world, which would limit the potential to generalize study findings. I expect that social ventures founded by entrepreneurs in developing or emerging countries may represent a different breed of entrepreneurs than those primarily from North America; likewise, their actions may differ from those of their North American counterparts.

Contextual Impact of the Current Global Environment

Since the arrival of the 21st Century, philanthropy has reached a tipping point. As described in the introduction, the concept of "sustainability" and the presence of social enterprises have gained momentum with which to address global issues. Corporations, nonprofits, and government institutions all support "doing good" and "doing well" in different ways, and the number of social venture business plan competitions has also been on the rise. This environment influences entrepreneurial behaviors differently than did the environment in past decades, just as the future environment, if it continues to change radically, will exert yet another set of influences.

Approaches to experimentation, opportunism, problem-solving, and decision-making are context-sensitive and influenced by the current global environment. The

younger generation is not only motivated, it may also adopt distinctly different approaches to problem-solving than in the past. Not only have the cycle times for technology innovation shrunk, but also the application of technology and business model innovations to the social sector is frequent and rapid. Caution must be exercised when generalizing the theory for entrepreneurial actions over longer timeframes.

Researcher Biases

The theory of interpretation suggests that no observation or description is entirely free of the observer's experiences, presuppositions, and her/his personal values and expectations (Corbin & Strauss, 2008). As a practicing social entrepreneur, my personal bias is likely to influence the analysis involved in this research. To address this issue, the data, findings, and analyses were all subjected to independent reviews by my advisory committee. In addition, feedback obtained from various practitioner and academic conferences, as well as from doctoral workshops, was incorporated into the research process, thus minimizing the potential for undue personal biases.

Implications

The largely open canvas for social entrepreneurship research means profound implications of any research that is empirically grounded. In addition since the turn of this century growing pressure to adopt the little-known triple-bottom line approach to business (which results in simultaneous positive outcomes for people, the planet, and profitability) means significant practical leverage from empirical research. To this effect I see my research as a start towards making small but deep contributions to both theory and practice, while also charting out a more extensive research agenda which builds on this dissertation.

Key Theoretical Contributions

Being problem-driven, my research is by its very nature cross-disciplinary wherein applying multiple theoretical lenses for the inquiry, I am able to offer contributions to multiple disciplines. These include key contributions to social entrepreneurship theory, entrepreneurial behaviors, entrepreneurial strategy (including design), organizational ecology and institutional theories. Contribution to each of these areas is discussed sequentially.

Social entrepreneurship theories. The actions to conceptualize and implement market-driven solutions to complex social problems are largely assumed rather than theoretically and empirically examined. Most prevalent social entrepreneurship process models (Guclu et al., 2002; Perrini et al., 2010; Wei-Skillern et al., 2007) define developmental stages in the form of a description and dimensions of each stage. This research makes a key contribution by empirically confirming the first three stages of the process model by Perrini et al. (2010). Next it addresses gaps in the literature pertaining to process models by a) enlisting the entrepreneurial actions (the "What?") of each of the three developmental stages, and b) describe the entrepreneurial approaches (i.e., the "How?") of developing the venture's products and processes.

As compared to most social entrepreneurship research, my findings provide unique insights by listing actions which differentiate startup social ventures which succeed from those that struggle. The research points to those actions (the "What?"), which differentiate the successful ventures from those that struggle. While many of the venture creation actions themselves may be undertaken by both successful and struggling ventures, it is *how* the actions themselves are enacted (i.e., the approaches employed)

which differentiate them. Through such extension of social entrepreneurship process literature, I am able to provide more concrete and actionable behaviors for which constructs and measures can be developed. By doing so (i.e., providing tentative constructs and empirically tested relationships between behaviors and nascent-stage perceived performance), the research begins to address one of the core legitimacy-related questions regarding social entrepreneurship: "Is social entrepreneurship really different from business entrepreneurship and philanthropy?" The research provides preliminary indications of relationships between entrepreneurial behaviors and nascent-stage perceived performance.

Entrepreneurial behaviors. Little is known about the entrepreneurial behaviors employed in the creation of business ventures, particularly those behaviors which are observable and can be learned (Bird & Schoejdt, 2009). The implication of my findings that entrepreneurial behaviors are context sensitive is profound as entrepreneurship takes root in non-conventional domains such as philanthropy. Empirically validated observable actions, entrepreneurial approaches, and corresponding constructs and hypotheses fulfill a need to grow the body of literature on entrepreneurial behaviors. The research also adds to the rather scant body of literature which relates entrepreneurial behaviors and venture outcomes (Delmar & Shane, 2004) by suggesting relationships between *what*, *how*, and nascent- stage venture performance.

Entrepreneurial strategy. The findings of the research directly challenge the adequacy of planning strategies on their own. Strategic business planning is relevant to the extent of conveying a story to potential stakeholders but was not found to determine actions entrepreneurs took. Instead, the research suggests that a deliberate pattern of

engagement, i.e. the "How?" and prioritization of actions helps secure resources for further development while the absence of either the actions or the pattern leads to regression with potential venture failure. Although the research describes the developmental stages, it reveals that instead of contemplating and planning strategically for outcomes at each stage (Ansoff, 1965; Porter, 1996), entrepreneurs create opportunities to gain feedback through experimentation and engaging "hands-on" in its development.

Entrepreneurs use feedback rather than "feed-forward" in driving tasks towards outcomes to nurture positive stakeholder beliefs. The research confirms a design approach to develop venture products and processes and adds to the scant literature on designing entrepreneurial ventures. Design provided an explanatory and generative framework to shaping social ventures during startup. This research to the best of my knowledge is one of the first to conceptualize and also empirically validate design based entrepreneurial behaviors for venture creation. It suggests that design based approaches wherein experimentation, making connections and problem-solving complement each other to formulate products and processes, and is followed by an ongoing evaluation of them, leads to superior nascent stage performance. I propose tentative constructs to measure designing venture artifacts with adequate validity and predictive relevance to predict venture performance.

Organization ecology and institutional theory. Since my research focuses on hybrid organizations with dual mission and profit goals, it makes unique contributions to the understanding of those organizations that cut across institutional boundaries. Individuals leading hybrid organizations need not focus on fulfilling the institutional

norms of each institution the venture belongs to; instead, a particular subset of the normative behaviors may be adequate to secure stakeholder legitimacy. Such is also the case of behaviors identified as central to the survival of hybrid entrepreneurial ventures.

Implications for research methodology. My choice of mixed methods enabled overcoming inherent limitations of using a single method, be it qualitative or quantitative (Creswell, Plano Clark, Gutmann, & Hanson, 2003). Not all emergent findings from the qualitative research conceptualized as hypotheses were statistically significant. While qualitative research allowed us to discover as well as gain an in-depth understanding of entrepreneurial behaviors and approaches, some of the thematic findings (i.e., the effect of some of the behaviors on venture performance) could not be generalized in the quantitative research. However, revisiting the qualitative data with a predetermined theoretical lens as against emergent observations then led to a more robust conceptualization of entrepreneurial behaviors. Had I not employed a mixed methods research or if these were treated as independent mono method research, the biases from individual methods would have remained leading to incomplete or inaccurate understanding of what is a rather complex phenomenon of hybrid venture creation. In addition, methodological intervention to further explore the puzzling findings allowed me to gain new meaning from the qualitative data, an inherent strength of qualitative research. The research affirms that theory development is influenced by the choice of methods, and that theories − particularly those in social sciences − are not neutral to methods.

The distinctive nature of the practitioner-centered Doctor of Management and Ph.D. in Management: Designing Sustainable Systems programs has led to additional

methodological contributions central to producing rigorous yet practical knowledge. The research process started with framing an overarching ("grand tour") research question in a way that related to problems and challenges faced by social entrepreneurs rather than to one particular theory. A second methodological characteristic was being open to drawing on multiple theories and empirical bodies of knowledge rather than being discipline-focused. For example, my focus on practitioner issues of which startup actions lead to the venture survival versus those that may lead to its demise allowed me to draw upon organizational ecology and make connections with entrepreneurial behavior and strategy literatures. A third component was methodological tapping into the social entrepreneur's lived experiences to produce knowledge grounded in practice. In addition, a design approach wherein the findings were periodically shared with practitioners, their feedback sought and factored into subsequent stages of the research made the research more relevant to practitioners. Finally, a key component was keeping one's own knowledge goals as a practitioner in mind when making choices throughout the research. For example, since the social venture research field is broad and open, there were a number of instances where the research could have taken a different direction such as focusing on stakeholder management or the role of personal human and social capital in building successful social ventures. As a practitioner my primary purpose of knowing which startup actions practitioners should engage in, and what is the potential impact of the actions, grounded my research agenda.

Key Practical Contributions

The research was initiated with my personal interest as a practitioner-scholar. As a corporate executive turned into a nascent social entrepreneur it was my interest to

understand which actions to engage in for success and be aware of actions with potential pitfalls. All through the research process, my own experiences were a trial bed to test the relevance of the findings. In addition, given that the guiding purpose of my doctoral program to produce knowledge that is not only rigorous but also of direct relevance to practitioners, the findings from time to time were shared at practitioner conferences as well as with special interest groups which have led to follow-on discussions. One social entrepreneur requested the papers (presented in Chapter IV) to share with the venture's board members to emphasize how organizations balance competition and collaboration (which the entrepreneur termed as "coopetition"). Social investors have requested more details on the developmental model to assess venture progress. Finally one social entrepreneurship educator said, "this research [Study Three] is action oriented" and has shown interest in using it for MBA instruction.

As a result, besides the theoretical contributions discussed above, the research provides important insights for a variety of practitioner roles – social entrepreneurs, policy makers, social investors and foundations, and educators. Many implications are discussed in the individual studies in the preceding chapters. Here I discuss broad implications from information synthesized across the individual studies.

Social entrepreneurs. The research has several implications – specified here using normative language – for individuals and organizations intending to produce social change using business principles. Entrepreneurs can approach the development of social-purpose ventures in three main stages (Figure 12): a) conceptualize the social change, and design a model to generate revenues, profits and the desired social outcomes, b) design specific revenue and profit generating products / services, and c) operate and adapt the

social-business model. The sequence of the developmental stages is critical as the activities performed at a particular stage may be pre-requisites to those at the subsequent stages.

The trigger for social-purpose business is one's dissatisfaction with a current social situation and the motivation to bring about a social change. At the first developmental stage social entrepreneurs focus on immersing themselves in activities to gain first hand understanding of the needs and problems of the targeted beneficiaries of the social venture. To succeed, founders constitute and engage the publics who possess the relevant knowledge. This includes, the beneficiaries themselves, nonprofits, community leaders, businesses, government officials and financiers among others. Through methods such as field studies, interviews and focus groups, entrepreneurs acquire the practical intelligence pertaining to the social change, and conceptualize both the solution and the desired social outcomes. The solution consists of revenue generating and profit making business concept which also directly results in the desired social outcomes. Engaging multiple constituencies early on ensures diverse perspectives are taken into account for robust conceptualization of the solution. Behaviors wherein entrepreneurs test different concepts, stay open to diverse opinions, are attentive to differences, and use storytelling and persuasion helps design a solution to which the constituencies are willing to lend financial and non-financial resources (Figure 13). Entrepreneurs may create sketchy business plans to facilitate storytelling conversations with the constituencies.

In the next developmental stage entrepreneurs must focus on ideating market-driven products/services as well as designing programs and cross-sector partnerships

necessary for transformative effect on their beneficiaries (Figure 12). Often faced with severe resource constraints, social entrepreneurs must challenge the underlying assumptions, make creative connections and use the constraints to their advantage while exploring the features of their business. A critical step at this stage is to transform ideas into prototypes, experiment with prospective customers, business partners, and people who possess relevant knowledge, so as to prioritize those features that are important for the market-orientation of the business. Engaging diverse constituencies provides the opportunities to lower the cost of these activities. Entrepreneur's openness to divergent feedback, making creative connections to acquire resources and/or define features, as well as storytelling (sometimes using rough business plans) to create belief in the venture helps advance the venture development. While these tasks are underway, in parallel entrepreneurs identify other components in the ecosystem necessary to achieve the social outcomes and sustain the social change (i.e., the beneficiaries do not revert to their original status). For which, entrepreneurs design supplemental services together with the collective imagination of other nonprofits, businesses, government agencies and leaders from the community, providing ample opportunities to gain their support. During this process entrepreneurs must secure the first few customers and financiers for further development, and forge partnerships in the ecosystem to set the venture on a path for success.

The third developmental stage requires operating the social-business to generate revenue, profits as well as generate the desired social-outcomes (Figure 12). Due to the vast and diverse nature of knowledge, skills and capabilities required to operate a social-business, entrepreneurs must engage with people who possess the relevant knowledge

(Figure 15). At this stage the capabilities pertain to sales and marketing, operations, financial management, as well as those to maintain and grow the ecosystem partnerships initiated at previous stages. The people engaged in previous stages constitute a diverse and large pool to further tap into for these skills, particularly in the areas where the founders lack prior experience. Once again design methods such as reframing the problem, be it an operations or sales issue, and making creative connections to generate new resources for the venture (Figure 13) are crucial for successful development at this stage.

In summary, focusing on the specific domains of activities at each stage helps prioritize the tasks and achieve the desired balance and synergies across social and economic outcomes. Specific design approaches in the context of a developmental stage further allows designing stage-specific components leading to the overall advancement of the social venture.

Policy makers. Many nonprofit and business support groups exist regionally and nationally. For example, in the United States the Urban Institute, Foundation Center, and similar organizations support start-up nonprofits, while small-business development centers do the same for entrepreneurial business venture start-ups. Each of these provides distinctly different services and promotes a business / strategic plan based approach for start-up.

Given the unique nature of social ventures and also due to the findings pertaining to the design approach, either of these is inadequate and may provide conflicting guidance, leaving the social entrepreneurs confused. In order to effectively provide startup guidance, there is a need for support groups, organizations, or forums which

understand both, (a) cross-sector collaboration to achieve long-term sustained social change, and (b) competition to stimulate the innovation needed for success in the marketplace. Furthermore, special financial instruments may be designed to support investment at startup stages, wherein the returns from such investments are radically different from those of business ventures and nonprofits.

Social investors and foundations. Investors interested in funding social ventures may well be an institutional force pushing social entrepreneurs toward formal business plans. The research shows that over-commitment to such plans (e.g., "I promised my investors that I'd do such-and-such, and I will.") would be detrimental to both the social entrepreneur and the investors. So, investors should also, in addition to examining plans, probe social entrepreneurs on how those plans have evolved and how they are (through the period of the investment) engaging with diverse constituencies to continue to evolve the venture components to achieve social and economic outcomes. Stage specific actions (Figure 12) and design approaches such as reframing the problem, being open to feedback, making improvements, and making connections (Figure 13) may act as checkpoints to assess the progress of the venture. Investors may assess the diversity of the founders' networks, and the capability to expand stakeholder networks. The three developmental stages and achieving the outcomes at each stage can act as checkpoints for staged financing of the venture. Designing when practiced is easily observable due to high engagement of stakeholders; hence, investors and founders can either provide an intervention or call off further investments when a design approach is not evidenced.

Educators. Most schools today teach a rational business planning approach to venture development and also hold business plan competitions to foster entrepreneurship.

This research strongly suggests that deliberate planning has its place in venture development, mainly to tell a story to constituencies. Business plans as strong guides for management may be more useful later in the development, only after the venture has taken root and the products and processes have emerged through experimentation and stakeholder engagement. Schools must build design thinking and execution skills among aspiring social entrepreneurs for which they may leverage real world settings or virtual world simulations. Educators must create settings for students to practice skills such as making creative connections, storytelling, seeking feedback, immersion to gain practical intelligence, adapting, and reframing problems in a constrained environment.

To support successful venture development, social-entrepreneurship learning programs must emphasize the need to achieve a level of specificity in the mission (i.e., social change issue) through active engagement with mission stakeholders including the beneficiaries themselves. Unlike rational planning, in which the need is assumed, my research shows that specificity emerges through field studies, holding focus group discussions with community leaders and beneficiaries, making critical observations, and experimenting with the concepts in a real-world setting. Educators should create real-world and simulated environments which foster practicing these approaches, thereby honing among students the critical skills necessary for social venture startup stages.

Future Research Agenda

Given the nascent stage of social entrepreneurship theory development I identify a number of questions stemming from this research that are worthy of future research.

First, the quantitative study to establish measures for social entrepreneur behaviors is just the beginning to develop robust measures. The tentative “designing

venture artifacts" construct should be further refined using established construct development approaches with mixed qualitative and quantitative methods. The research has shown that entrepreneurial behaviors are context-sensitive; unlike my approach to construct development (founded on leveraging preliminary measures from business entrepreneurship and organization studies literature), the development could be more "ground up" to handle the nuances of social ventures.

Second, practical realities of any single quantitative research project allowed us to test only a limited set of concepts from the qualitative research. There is a need to conceptualize other findings for empirical validation. For example, the developmental stage model representing three observable configurations of startup ventures may be empirically validated using cluster analysis. Alternatively, other approaches to test process models may be used to test the sequence of the three developmental stages.

Third, and similar to business-venture emergence (Levie & Lichtenstein, 2010; Lichtenstein, Carter, Dooley, & Gartner, 2007), the startup behaviors may also be studied from a complexity theory perspective to better understand the timing, sequence, and pace of tasks/activities leading to successful versus failed startups. Such research may be extremely useful as far as indicating practitioners if and when aggressive early pacing should slow down allowing them to focus on a vital few activities. On the other hand, it may also signal those who have not selected enough activities (despite investing significant time and money into the startup), perhaps causing them to potentially abandon the effort.

Fourth, the research studied independent effect of the "What?" and "How?" behaviors on nascent-stage performance. It is likely that stakeholder confidence, and

hence success, is achieved when entrepreneurs work on the right activities with the right approach implying an interaction effect. I therefore recommend advancing the conceptual model in Study Three to include the interaction effect and test for its significance, the implications of which can be profound for both research and practice.

Fifth, the design approach suggests the importance of three activities: designing, accumulating practical intelligence relative to designing, and decision-making. The items in my research which constituted the construct for designing venture artifacts were somewhat convoluted: they included adapting, connecting and problem-solving embedded within practical intelligence – which is gained through the collection of the three components. The constructs can be refined to separate intelligence from designing components, and to test the antecedent relationship between these two to provide better guidance as to whether intelligence-gathering should precede taking action, vice versa, or whether the two are so intertwined that the sequence is immaterial.

Sixth, qualitative research identified the importance of the quality (diversity, structural holes, strong versus weak ties) and extent (size and density) of personal networks for startup success. Regardless of the initial quality and extent of the personal networks, the research showed that entrepreneurial actions to grow, diversify, and address systemic gaps in the network were all factors that differentiated ventures which succeeded from those that struggled. Further research should be conducted to conceptualize and test the effect of the rate of growth of networks and the diversity of networks on venture performance.

Seventh, in conjunction with the diversity of personal networks, the research also revealed that entrepreneurs need to possess a diverse behavioral repertory to deal with the

challenges stemming from the ambidextrous nature of mission and business goals, and the constant need to switch between the dominant orientations of collaboration and competition.

Eighth, an associated but complementary area is the need to study the effect of the nature and extent of startup human capital on venture performance. Human capital includes the breadth of skills and capabilities pertaining to social work, business or other related domains, the extent, on the other hand, pertains to the depth of the skills and capabilities in each of these areas. At startup, legitimacy is built from founders' personal capabilities, so it is likely that lack of skills may create blind spots for the entrepreneur, and prevent his/her venturing deeper into those areas.

Last, but not least, is the importance of researching the entrepreneurial motivation to enter the social-venture realm while turning down the more conventional options of nonprofit, private- or public-sector leadership, or business entrepreneurship. Presumably, entrepreneurship in the social sector is equally (if not more) difficult when compared to entrepreneurship in the business sector. Given this, it is important to research whether a particular profile of social entrepreneurs is more likely to succeed than others. Does the founder's personal social and economic background affect her / his ability to succeed? Is one's self efficacy and the level of self-actualization related to success in starting social ventures?

Although I cannot generalize, the founder narratives in the qualitative research showed a mix of economic (well-to-do versus somewhat needy) backgrounds of people who chose social-purpose venturing. Entrepreneurs who succeeded had a direct history or a very personal association with the cause, whereas such a direct association with the

cause was lacking among those who struggled. Further research is needed to understand whether such attributes can be measured, and if they determine success in social venturing.

Closing Thoughts

Driven by my personal narrative – the transition from corporate leader to social-venture entrepreneur − I started out on an exploratory research agenda, hoping to better understand the "What?" and "How?" of successful startup social ventures. My parallel real-world platform worked as a sounding board from which to learn, and to which to apply, research findings as a practitioner. I have benefitted tremendously from engaging in practitioner research, which has led me to nail down what had initially been a rather ambiguous social purpose and to emphasize the need for a business model forged through the active engagement of stakeholders from the community.

Social ventures are complex due to their cross-disciplinary and hybrid institutional nature. While the research only sheds light on a small cross-section of social ventures and their role in a complex ecosystem, it provides tangible, actionable insights into what founders should do during startup. It identifies those actions which can be learned and are required for success, while also cautioning founders as to actions which are likely to lead to failure. Could further research eventually lead to what might be a roadmap identifying the actions, engagement methods, decision processes, and other key elements which guide startup success? That is the great unanswered question worth asking.

APPENDIX A
Interview Protocol

1. Please take five minutes and tell me about yourself: your educational background, your interests, where you grew up, and what you have done prior to this venture.
2. Tell me briefly about the history of your organization:
    a. When was it started?
    b. What was the motivation to launch this venture?
    c. What is your vision for the organization?
    d. Is it a 501(c)3 organization?
3. During the early days, when you were formulating the idea for your social venture, what did "a typical week" consist of? Please walk me through these activities:
    a. Whom did you meet, what were your interactions, why did you meet with them, what took place, and what impact did the interactions have?
    b. Can you recollect a day that was particularly tense for you during that time? Describe to me what happened that day.
4. Now that your organization is operational, walk me through a typical week and your interactions with various people during the day:
    a. Whom do you meet, what are your interactions, why do you meet with those persons, what takes place, and what impact do these interactions have?
    b. Can you recollect a day that was particularly tense in the last few days or weeks? Describe to me what happened that day.
5. Can you think of any other situations you haven't spoken about, but were critical to the survival of your organization?

APPENDIX B
Scale Items

Items	**Proactiveness**
PRO1	I was constantly on the lookout for new ways to improve
PRO2	Wherever I was, I was a powerful force for constructive change (D)
PRO3	Nothing was more exciting than seeing my ideas turn into reality
PRO5	No matter what the odds, if I believed in something I would make it happen
PRO6	I was always looking for better ways to do things (D)
Items	**Problem Solving**
PRO4	If I saw something I didn't like, I would fix it
PRO7	When I had a problem, I tackled it head-on
PRO8	I was great at turning problems into opportunities
Items	**Experimentation**
MIA1	I frequently experimented with product and process improvements
MIA2	After I made decisions, I was good at monitoring the unfolding results (D)
MIA3	Continuous improvement in our products and processes was a priority
MIA4	I kept trying until I found a solution
MIA5	I regularly tried to figure out how to make everything work better
PRO6	I was always looking for better ways to do things
Items	**Connect – Connecting disparate information for opportunity creation**
AL2	I was able to see connections between previously unconnected domains of information
AL4	I was good at connecting dots
AL7	I saw links between seemingly unrelated pieces of information
Items	**Information Seeking – Scanning and searching for new opportunities**
AL3	I kept an eye out for new ideas when looking for information
AL5	I was actively looking for new information
AL8	I was an avid information seeker
Items	**Choice – Evaluating whether new information represents an opportunity**
AL1	I was able to distinguish high-value opportunities from low-value ones
AL6	I could distinguish between profitable and not-so profitable opportunities
AL9	I had a gut feeling for potential opportunities
Items	**Mission Organizing Activities**
AE1	Develop a viable concept of the social business model
AE2	Explore services provided by other nonprofit, government and for-profit organizations
AE3	Secure funds from external funders
AE7	Involve clients as employees &/or customers
AE9	Partner with nonprofits to provide additional services to clients
Items	**Business Organizing Activities**
AE4	Establish a legal entity
AE5	Pilot &/or prototype revenue generating product/service
AE6	Make the first sales of product/service
AE8	Implement strategies to grow sales
AE10	Stabilize operations for financial sustainability
Items	**Mission Performance (in comparison with your vision)**
MOUT1	Number of clients served
MOUT2	Extent of improvement in clients' conditions
MOUT3	Additional programming and services offered to your clients
Items	**Business Performance (in comparison with your vision)**
BOUT1	Revenues from sales of product/service in comparison with the total operating budget

BOUT2	Extent of profitability
BOUT3	Level of funds received (from investors, grants and donors) in comparison with the total operating budget
Items	**Social Desirability**
SD1	By and large I do not hesitate to go out of my way to help someone in trouble
SD2	I have never intensely disliked anyone
SD3	I sometimes feel resentful when I don't get my way
SD4	There have been times when I felt like rebelling against people in authority even though I knew they were right
SD5	I can remember "playing sick" to get out of something
SD6	When I don't know something I don't mind at all admitting it
SD7	Most often I am courteous, even to people who are disagreeable
SD8	I would rarely think of letting someone else be punished for my wrong-doings
SD9	There have been times when I was quite jealous of the good fortune of others
SD10	I am sometimes irritated by people who ask favors of me
EXP	**Sector specific professional experience of the entrepreneur**
Items	**Controls**
SVAGE	No. of years the social venture has been in existence
PURP	Primary purpose of the social venture
INDUS	Primary industry of the business
CLIENTLOC	Geography clients are located in
SALESLOC	Geography where the product/service is sold
LEGALSTR	Legal structure of the venture
CTRLSTR	Control structure – autonomous, subsidiary of a nonprofit / for-profit corporation
CLIENTROLE	Role of clients (beneficiaries) in the venture
AGE	Entrepreneur's age
GENDER	Entrepreneur's gender

APPENDIX C
Construct Table

Construct	Definition	Items	Source
Proactiveness	Actions taken by the venture leader based on personal belief that s/he can alter his/her environment	The extent to which you agree with each of the **actions** listed below when you were creating your social venture *(1=Strongly Disagree to 5=Strongly Agree)* 1. I was constantly on the lookout for new ways to improve (Loaded on Experimentation) 2. Wherever I was, I was a powerful force for constructive change (D) 3. Nothing was more exciting than seeing my ideas turn into reality (D) 4. If I saw something I didn't like, I would fix it (D) 5. No matter what the odds, if I believed in something I would make it happen 6. I was always looking for better ways to do things (D) 7. When I had a problem, I tackled it head-on 8. I was great at turning problems into opportunities	Eight items were selected from the original 17 item scale by Bateman and Crant (1993) and reworded to make it specific to venture creation. Construct had a Cronbach Alpha of 0.72. Our study yielded 0.723.
Experimentation	The act of investigating, trying, testing, or examining, undertaken by the entrepreneurs with the goal of understanding key parameters of the social-business	Social entrepreneurs have many demands on their time and must **prioritize** their activities. Please tell us about your **choices for actions** during the initial development of your venture. Indicate the extent to which you agree with the following statements. *(1=Strongly Disagree to 5=Strongly Agree)* 1. I frequently experimented with product and process improvements 2. After I made decisions, I was good at monitoring the unfolding results (D) 3. Continuous improvement in our products and processes was a priority 4. I kept trying until I found a solution 5. I regularly tried to figure out how to make everything work better	Five item scale by Baum and Bird (2010) was adapted to suite the context of venture creation. Construct had a Cronbach Alpha of 0.81. Our study yielded 0.802.
Alertness	Prioritizing actions to connect seemingly disparate information during venture	Social entrepreneurs have many demands on their time and must **prioritize** their activities. Please tell us about your **choices for actions** during the initial development of your venture. Indicate the	One of the three dimensions of alertness scale defined by Tang, Kacmar and Busenitz,

	creation	extent to which you agree with the following statements. *(1=Strongly Disagree to 5=Strongly Agree)* 1. I was able to see connections between previously unconnected domains of information 2. I was good at connecting dots 3. I saw links between seemingly unrelated pieces of information	(2011) was used. Construct had a Cronbach Alpha of 0.94. Our study yielded 0.747.
Mission Organizing Activities	Entrepreneurs create legitimacy with stakeholders, establish social ties and obtain resources critical to venture emergence and development through organizing activities. For social ventures these activities are along both mission and business dimensions	Tell us if you have **executed** the following activities for your venture. *(Y=Yes, N=No)* 1. Developed a viable concept of the social business model 2. Explored services provided by other nonprofit, government and for-profit organizations 3. Secured funds from external funders 4. Involved clients as employees &/or customers 5. Partnered with nonprofits to provide additional services to clients	Construct and items definition was done based on other business venture emergence empirical studies (Edelman and Yli-Renko, 2010; Carter et.al. 2008). Mission and business specific activities was informed by previous related qualitative research (Katre, Salipante, and Perelli, 2010) Construct was an aggregate of the number of activities executed.
Business Organizing Activities		Tell us if you have **executed** the following activities for your venture. *(Y=Yes, N=No)* 1. Established a legal entity 2. Piloted &/or prototyped revenue generating product/service 3. Generated the first sales of product/service 4. Implemented strategies to grow sales 5. Stabilized operations for financial sustainability	
Perceived Mission Performance Perceived Business Performance	Respondent's perceived evaluation of their venture's performance relative to their vision for mission and business results Our study is measuring these as two separate constructs	We would like to know the **performance** of your venture **against the vision**. Mission related *(1=Low, 2=Medium, 3=High, 4=Not Applicable)* 1. Number of clients served 2. Extent of improvement in clients' conditions 3. Additional programming and services offered to your clients Business related 1. Revenues from sales of product/service in comparison with the total operating budget 2. Extent of profitability 3. Level of funds received (from investors, grants and donors) in comparison with the total	Construct and items' definition was done based on the related qualitative research study (Katre, Salipante, Perelli, 2010). All items loaded on a single construct with a Cronbach Alpha of 0.837

Social Desirability	Measuring socially desirable responding, especially important in case of self-reported data as in this study	Indicate if each of the following statements is true or false as it pertains to you personally, and beyond the development of the social venture *(1=True, 2=False)* 1. By and large I do not hesitate to go out of my way to help someone in trouble 2. I have never intensely disliked anyone 3. I sometimes feel resentful when I don't get my way 4. There have been times when I felt like rebelling against people in authority even though I knew they were right 5. I can remember "playing sick" to get out of something 6. When I don't know something I don't mind at all admitting it 7. Most often I am courteous, even to people who are disagreeable 8. I would rarely think of letting someone else be punished for my wrong-doings 9. There have been times when I was quite jealous of the good fortune of others 10. I am sometimes irritated by people who ask favors of me	Strahan and Gerbasi (1972) 10 item scale was used. Measure is an aggregate of the 10 items.
Experience	Measures founder's human capital at the start of venture development in the form of dominant sector-specific experience	Before starting this social venture most of your career has been 1. In the for-profit corporate sector 2. In the nonprofit sector 3. In the public sector 4. As a for-profit entrepreneur 5. As a social entrepreneur 6. Different sectors over my career	Scale adapted from (Ansoff, 1965; Porter, 1996) and (March & Simon, 1958; Mintzberg, 1978; C. K. Prahalad & Hamel, 1990). Construct is used for multi-group analysis.

(D) = Items were dropped during EFA

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