

UNIVERSITEIT TWENTE.

Barriers to Social Ventures' attraction of funding:

A legitimization perspective on business plan competitions



Master Thesis

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07.12.2015

Abstract

The attraction of funding is one of the prevailing challenges in the field of social entrepreneurship. The emphasis on social return over financial return and lacking collateral aggravate the persuasion of investors. Business plan competitions form one alternative approach to funding. But which criteria contribute to a successful application is undetermined yet. This thesis analyzes the information content of 126 business plan applications. Content analysis is applied in order to evaluate how the criteria solution, partnership, growth and social impact affect the cognitive legitimacy of the judges and the final decision-making. Exercising ordinal logistic regression further processes the collected data. The results clearly indicate that information content related to the solution offered by the social venture has most significant influence on the cognitive legitimacy perception of the judges and therewith the funding outcome. But also content on growth and partnership is essential to complement the information. The three components should be balanced well in any application that aims to win the funding. The criterion social impact is found to be a keynote that is a requirement for every application, but that statistically does not differentiate a participant from a finalist or a winner. The tested multi-criterion model can explain up to 32.7% of the variance in the funding outcome and can therefore help social entrepreneurs to focus their funding application writing and sensitize them to how funding judgments are finally made.

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1. Introduction

Social entrepreneurship as a field includes the objective target to employ innovative strategies and activities to help an underserved group of people. This presents the first objective of social entrepreneurs. Secondly the aim of social entrepreneurship is to achieve financial value in order to establish a self-sustainable organization. But creating and sustaining social value is the major concern in social ventures as opposed to achieve private gain in terms of profits, personal or shareholder wealth (Zadek & Thake, 1997; Dees, 1998) or the satisfaction of customers (Dees & Anderson, 2003). The mutual strive of a social venture to achieve a financial and social return on investment is referred to as dual bottom line (Clark et al., 2004; Katre & Salipante, 2012). Hereby the generation of economic value is perceived as a requirement to secure economic viability (Mair & Marti, 2006). Recent literature provides evidence that today's definitions of social entrepreneurship agree on the objective of mutual achievement of social and financial value.

Social entrepreneurship appears in the literature as a topic of interest that is on the rise. Although the term social entrepreneurship received standing in the 1980s research on social entrepreneurship is still in its early stages but is gaining increasing attention (Zimmerman & Zeitz, 2002; Austin et al., 2006; Mair & Marti, 2006; Van Slyke & Newman, 2006, Kickul & Lyons, 2015). Theory on social entrepreneurship is still nascent and there exists a demand for further contributions to the field (Austin et al., 2006) because there is a persisting lack of methods and models in social entrepreneurship (Roberts & Woods, 2005). The reason why the field of social entrepreneurship is very relevant nowadays is that there exists an increasing need for more and improved resources to support social ventures in the realization of their objectives (Kickul & Lyons, 2015). One of the major challenges is the attraction of funding. The current ecosystem of funding is very limited for social entrepreneurs (Austin, 2006; Meyskens, 2010). One alternative option to the most widespread funding options for social ventures, including corporate philanthropy, venture philanthropy and crowdfunding, is business plan competitions. This thesis acts on the suggestion to further contribute to the field of social entrepreneurship by surveying the challenge of funding and a potential solution provided through business plan competitions.

Business plan competitions are of increasing popularity (Meyskens, 2010). These competitions offer a chance to social ventures to receive financial and network support. Entrepreneurs deliver a predefined miniature version of their business plan to receive a chance for winning. However since the popularity of the business plan competitions is increasing, this means that the rivalry to gain the grant is also increasing, making it more difficult to portray a social venture as the best option for winning. A question, which those fellowship competitions leave unclear in literature, is how those funding decisions are made. What are the criteria they are based on? The reasons why one social venture is more eligible to funding compared to another venture are still underexplored (Van Slyke & Newman, 2006). Ambiguity exists about what are the criteria that are used for funding decisions (Grimes, 2010; Navis & Glynn, 2011). What specific actions and behaviors lead to which kind of financial support is under concern (Suddaby & Greenwood, 2005).

Literature provides evidence that four main criteria are hypothesized to be of influence in business plan competitions. Firstly, the innovative solution that the social ventures are offering is very valuable for the judgment (Wickham, 2006; Tornikoski & Newbert, 2007; Lepoutre et al., 2013). Topics related to solution in the business plan application accentuate a new product or service offering, a new way of performing an activity or the targeting process

of a niche market (Lepoutre et al., 2013). Secondly, growth is considered to be an influential assessment criterion (Moss et al., 2010). Growth is twofold in social entrepreneurship as it looks at how the organization can scale in the future on the one hand. On the other hand it deals with the increase in diffusion of the impact that the venture has. Thirdly, social impact is an additional measure to determine funding worthiness. The positive outcome for the society in general or a specific target group needs to be communicated in a clear and measurable manner as far as possible (Dees & Anderson, 2003). Thereby how many people have been helped with the solution provided is more significant than the profit made. Fourthly, there exists a need to examine whether external relationships of an organization have an influence on the performance (Moss et al., 2010). This is addressed by looking into partnerships and how they affect the funding outcome. All in all this results in four independent variables, namely solution, growth, impact and partnerships that are under concern to influence the dependent variable of this research, the funding outcome.

A theoretical lens that contributes to learn about how judges are likely to form their decisions is the legitimacy theory. How the judges perceive the organization's legitimacy influences the investor's decision-making about the funding (Pollock & Rindova, 2003). Therefore the theory of legitimacy is substantial in the content analysis of business plan applications. It is acknowledged that legitimacy plays a role in funding decision-making but more in-depth research is desirable (Zahra et al., 2009; Moss et al., 2010). An often-cited definition of legitimacy is the one by Suchman (1995):

"Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions." (p. 574)

Since legitimacy is a broad concept, the focus in this thesis is funneled to cognitive legitimacy in particular. Social entrepreneurship so far is not characterized by a normative logic as compared to commercial entrepreneurship (Nicholls, 2010). This indicates that cognitive legitimacy is a major concern. Dacin et al. (2011) formulate the idea for future research to analyze the relationship between cognition and social entrepreneurship. Before a judgment can be made about the venture, one first needs to understand the activities. If an organization's existence, including its actions and structures, is perceived to be well understood, the less uncertainty will be attached by external observers to the organization itself (Shepherd & Zacharakis, 2003). In turn closing the knowledge gap decreases the level of ambivalence and has a positive influence on decision-making. This concept is especially valid when liability of newness is a concern (Shepherd & Zacharakis, 2003). Cognitive legitimacy from a strategic point of view places the agency in the funding competition procedure on the part of the social ventures. Because of the lacking institutionalization in the field, social ventures can still form the perception about what is perceived to be a valuable business plan. In relation to the previously outlined decision criteria, it means that meaningful content on solution, growth, impact and partnerships increases the cognitive legitimacy of a social venture and in turn positively affects the funding outcome.

Combining the cognitive legitimacy perspective and the provided information content in business plan applications results in the following central research question:

To what extent does the information content of a social venture's business plan application influence the cognitive legitimacy and therewith the outcome of its application to a funding competition?

The idea is that social ventures can influence the funding outcome by purposefully writing and explaining their venture's activities in the miniature business plans they submit as an

application. As a result of presenting content on the four major criteria, the cognitive legitimacy in the perception of the judges should be positively affected. The following quotation highlights the problem at hand:

"The idea that the world's children are entitled to basic health protection was accepted in principle decades ago. However, it took an individual named James Grant [...] to make child survival an idea whose time had come. An idea is like a play. It needs a good producer and a good promoter even if it is a masterpiece. Otherwise the play may never open; or it may pen but, for lack of an audience, close after a week. Similarly, an idea will not move from the fringes to the mainstream simply because it is good; it must be skillfully marketed before it will actually shift people's perceptions and behavior. This is especially true if the idea threatens the powerful or runs counter to established norms or beliefs."

(Bornstein, 2007, pp. 93-94)

The idea that this quotation of a well-known author in social entrepreneurship underlines is ambiguous. It claims that simply having a good idea is not enough to make it work. In this case it means that the business plan application can present a new idea but what is described makes the difference. The second claim is the increased difficulty to market an idea when there exists no institutionalized norms yet, which is exactly the case with social ventures. Therefore the present study contributes to the body of social entrepreneurship literature by showing what factors (content) influence the funding decision-making.

The sample used to get to the bottom of the research question is based on six competitions from a publicly available secondary resource. 126 business plan applications are selected. They represent winners as one group who achieve a positive funding outcome. Further they include finalists who manage to achieve a second round of selection. Lastly the sample consists of participants who, as well as finalists, did not manage to secure a funding. This sample is highly attractive for use because of the homogeneity in the structuration of the application format. The analysis of the sample is promising because the results could address a current gap in the literature. Many researchers only examine the phenomena of funding decisions from one perspective. For their analysis they apply the view of a winner, a venture who was able to secure funding in order to evaluate what they have done right. However to draw a more accurate picture successful and unsuccessful ventures, in terms of securing funding behavior, should be investigated (Zahra et al., 2009; Moss et al., 2010; Katre & Salipante, 2012). Meyskens et al. (2010) suggest enhancing the future research on social entrepreneurship funding by adding a control group, which refers to the same idea of contrasting grant winners versus non-granted organizations. Further this specific sample overcomes the drawbacks of research in which social venture funding decisions are taking place on a national level only (Moss et al, 2010).

In order to analyze the sample content analysis is applied. The aim is to be able to draw valid and replicable inferences from texts to the contexts of their use utilizing a set of procedures (Weber 1990; Neuendorf, 2002; Krippendorff, 2004). First of all content analysis is used qualitatively to categorize elements of content within a text (Weber, 1990), here to classify the content according to the identified decision criteria. Secondly, it is used as a quantitative approach (Neuendorf, 2002) where rates are assigned to the coded material according to predefined rating schemes. Later on ordinal logistic regression is applied to figure out which of the independent variables positively relates to the funding outcome and to what extent. Dacin et al. (2011) express the need for quantitative data analysis in social entrepreneurship research since many studies focus on case studies and qualitative approaches. This research intends to close this gap by drawing a sample from a huge database, applying a qualitative coding procedure thoroughly and assigning weights to the statements, which allows for quantitative analysis in the end.

The study's results indicate that information content in business plan applications on all four criteria (solution, growth, social impact, partnerships) are positively related to the funding outcome. Overall solution-related information content offered by the social venture is identified to have most significant influence on the cognitive legitimacy perception of the judges and therewith the funding outcome. But also content on growth and partnership is essential to complement the information. The three components should be balanced well in any application that aims to win the funding. Social impact-related information content is found to be a keynote that is a requirement for every application, but is insignificant to differentiate a participant from a finalist, or a finalist from a winner. The model that has the highest explanatory value in terms of determining which application is winning or not, includes all four criteria. 32.7% of the variance in funding decisions can be possibly explained by it. Overall the findings should help social entrepreneurs to focus their funding application writing and sensitize them to how decisions are finally made.

The thesis is structured in the following way. Chapter 2 presents the theoretical background. First of all social entrepreneurship as an emerging field is elucidated which includes the listing of current challenges that social entrepreneurs meet nowadays. The shortage of funding is underlined in the exemplification of current funding options. Further in chapter 2.4 the focal point is on the explanation of business plan competitions and what criteria can be found in the current literature for judgments of business plans. Section 2.5 explicates the legitimization theory, its different perspectives and types. Further it provides the justification for the narrow focus on cognitive legitimacy in this research. The application of the cognitive legitimacy theory to the funding problem at hand together with the previously established criteria for judgment leads to the core hypothesis of the thesis that the higher the cognitive legitimacy is of the audience (the judges of the business plan applications), the more likely a social venture is to receive funding. With this as a starting point, a set of hypotheses is developed. Next, chapter 3 details the methods applied in this research. It explains the source of the data and outlines the sampling strategy. Afterwards the key variables in the context of this research are defined and operationalized. Section 3.4 deals with the data analysis. An overview of the technique of content analysis is given. In addition to that the qualitative coding and quantitative rating procedure are described, delivering schemes for practice. Finally the statistical method of ordinal logistic regression is disclosed. Chapter 4 summarizes the results of the study, including the hypotheses testing. In chapter 5 the findings are discussed and implications for theory and practice are exemplified. Further the limitations of the study and possible future research directions are outlined. Finally chapter 6 provides a conclusion.

2. Theoretical Background

The chapter on theories first of all develops an understanding of the field of social entrepreneurship before it summarizes the major challenges encountered by social ventures. Afterwards different financing methods for social ventures are exemplified, displaying possible solutions to the challenge of attracting funding. Business plan competitions are introduced as a new way of securing grants. Selection criteria that are discussed in the current literature are summarized. Furthermore the theory of legitimacy is elaborated upon to underline the relationship between the judges' perception in a competition about how legitimate a social venture is and what influence that can have on the final funding decision. The chapter is composed in a way to result in a set of hypotheses.

2.1 Social Entrepreneurship

The following section first of all underlines the fact that social entrepreneurship is not clearly defined. However some common understanding about the meaning of social entrepreneurship is developed and reviewed. The chapter underlines to what problems social entrepreneurship provides what kind of solutions, describes the target group of social entrepreneurs' activities and discusses lastly the legal forms in social entrepreneurship.

2.1.1 Definition of Social Entrepreneurship

In order to conduct research on the business plans of social entrepreneurs, the concept of social entrepreneurship needs to be understood. However literature consistently highlights the fact that there is no one common used definition of the term social entrepreneurship (Dart, 2004; Light, 2008; Zahra et al., 2009; Bacq & Janssen, 2011). According to Nicholls (2010) social entrepreneurship as a field is still short of "a paradigmatic consensus", lacking "normal science or clear epistemology" (p.611), indicating that there is no clarity about what the term precisely encompasses or not. However in the past years there has been an evolution of definitions and most of the ones which are in use today, underline the dual aim of achieving social and financial benefits through the social entrepreneur's solution practiced.

The social entrepreneur's aim is to exploit chances leading to social change and therewith improvement. The focal point of maximizing profits as the overarching aim of an entrepreneur is increasingly dwindling in defining social entrepreneurship (Zahra et al., 2009). Establishing and sustaining social value is the main interest in social ventures as compared to achieve private gain, like for example profits, personal or shareholder wealth (Zadek & Thake, 1997; Dees, 1998) or customer satisfaction (Dees & Anderson, 2003). The term 'double bottom line' or 'dual bottom line' describes the mutual strive of a social venture to achieve a financial and social return on investment (Clark et al., 2004; Katre & Salipante, 2012). The idea incorporates for a social entrepreneur to be able to achieve both, social impact on the one hand but also to become self-sustainable or even profitable in the long term (Clark et al., 2004; Tan et al., 2005). Mostly the creation of economic value is understood as a requirement to secure economic viability (Mair & Marti, 2006). This aspect is often used in literature to distinguish social entrepreneurs from traditional non-profit organizations that limit their mission solely to social contribution and are fully dependent on grants from external parties, whereas in social entrepreneurship the goal is to be financially strong through earned revenue and return on investment (Dart, 2004). Both financial and social objectives drive decision-making processes and determine a social entrepreneur's success or failure (Dees & Anderson, 2003). These objectives are likely to be ordered hierarchically, placing social objectives above financial ones, but it is generally agreed that a social venture's aim is to find the right balance of both (Dacin et al., 2011). In brief, literature provides evidence that

today's definitions of social entrepreneurship agree on the objective of a mutual attempt to realize social and financial value.

2.1.2 Target Group and Activities of Social Entrepreneurship

On the whole after coming to know that social entrepreneurs are driven by two mutual objectives, it is of interest to know whom social entrepreneurs are targeting with their work. Most importantly social entrepreneurs aim to positively contribute to the local communities' and societies' wealth they are operating in (Zahra et al., 2009). The social entrepreneur's actions are targeted towards helping a specific disadvantaged group of people who are typically underserved or not served at all with the current products and services in their areas of living (Zahra et al., 2009). Examples of social drawbacks that social entrepreneurs try to have an effect on by their actions are poverty reduction, enhancement of education and health and global development (Grimes, 2010). Being a social entrepreneur trying to reduce the drawbacks for one or several underserved communities, involves internalizing a great sense of accountability to this target group and the movements that the entrepreneur takes (Dees, 1998). In the end most examples of social entrepreneurs' activities in the literature target groups of individuals who are either lacking solutions to satisfy basic human needs or communities in which social wealth standards still leave room for improvement.

Once targeting a specific segment of people, social entrepreneurs' goal is to offer solutions to enduring social problems by deploying new and innovative strategies (Dees, 1998; Zahra et al., 2009). The social entrepreneurs' idea is to enhance social value by introducing innovation to current social drawbacks and leveraging financial resources and capacities needed for social change (Reis & Clohesy, 1999; Alvord et al., 2004). Dees (1998) amplifies the definition by saying that besides the difficulty of resource allocation for a social entrepreneur, he/she has to behave boldly even though he/she has not all the required resources readily at his/her disposal. Peredo and McLean (2006) add in their definition of social entrepreneurship that it involves the acceptance of a high level of risk, which is in accordance with Dees' (1998) statement. In addition social entrepreneurship is not characterized by a one-time innovation but rather by a continuous process in which innovation, adaption and learning are recurring stages (Dees, 1998). The social entrepreneur's activities are thereby intended to result in sustainable solutions in terms of financial, organizational, social and environmental aspects (Zadek, 1997). A social entrepreneur's solutions are often very practical and achieve economic, political and cultural transition to some degree (Van Slyke & Newman, 2006). The innovation included in social entrepreneurs' solutions can be of disruptive or radical nature, meaning the exploitation of existing ideas to reduce social grievance and/or the exploration of completely new ideas to better meet social needs are possible (Mair & Marti, 2006). Most of the social entrepreneur's activities require a high degree of skill combinations like interlinking entrepreneurial skills and business expertise (Austin et al., 2006). Thus the solution that social entrepreneurs want to provide is often based on innovation in terms of strategy, implementation or products and services offered.

2.1.3 Legal Forms of Social Entrepreneurship

When it comes to setting up a new social venture the question of the legal form of the entity arises. Literature provides evidence that social entrepreneurship is nowadays understood as not being defined by its legal form anymore. A for-profit venture, a non-profit venture as well as a hybrid organization, that combines for-profit with non-profit approaches, can all pursue the activities of social entrepreneurship (Austin et al., 2006; Meyskens, 2010; Bacq & Janssen, 2011). Contrary to that Dart (2004) underlines that social entrepreneurship is different from the traditional, more commonly understood non-profit organization, meaning that he excludes the non-profit legal form for social entrepreneurship. Zahra et al. (2009) describe in more detail, which organizations under the three different legal forms would not

qualify as social entrepreneurs to draw a clear line of separation. Most obviously for-profit ventures with the pure aim of profit and shareholders' wealth maximization do not qualify. Further for-profit organizations that claim to pursue corporate social responsibility activities are not characterized as social entrepreneurship. Additionally non-profit firms, social service organizations or non-governmental organizations that take little care of their operation's economic significance are excluded (Zahra et al., 2009). On the other hand there is a focus on how the social ventures in each type of legal form differ in terms of balancing social and financial objectives. First of all non-profit social ventures commonly try to establish a product or service which generates sales and creates social value simultaneously. The generated revenues are used as means to decrease the financial dependence on external resources but not striving for profits. To exemplify the idea, non-profit microfinance social entrepreneurs are mentioned who provide underserved people with financial means thereby creating social value and at the same time earn revenue through the small interest that they charge their clients (Meyskens, 2010). For-profit social ventures' primary goal is also the establishment of social value but secondly they aim for economic profit. Examples found in literature are for-profit hospitals and charter schools that in order to survive aim for profits (Meyskens, 2010). Overall the legal form narrows the social entrepreneur's activities towards a certain direction, mostly influencing the order of financial and social objectives.

Summarizing the discussion on social entrepreneurship, even though there is an ongoing debate about the term, key elements of the field include the aim to pursue innovative strategies and activities to help an underserved group of people, which displays the first objective of social entrepreneurs. Secondly the goal is to achieve financial value to become a self-sustainable organization. The breadth and focus of activities vary with the type of entrepreneurs and legal form that the organization has. The understanding of the field of social entrepreneurship is valuable since in this research the business plans of social ventures are analyzed. As a result of the previous discussion these social ventures are understood as business organizations that aim to solve enduring social problems by using entrepreneurial methods. The social business ventures under consideration are all relatively recently established and further they can have any of the three legal forms, being either for-profit, non-profit or a hybrid.

2.2 Challenges in Social Entrepreneurship

The execution of social entrepreneurship is a challenge in itself because of the guiding dual purpose. The aim to achieve social and financial impact simultaneously can result in difficulties when it comes to decision making about what strategies to follow best. Influential stakeholders can have an adverse impact on the dual mission. While investors might direct the social entrepreneur towards pursuing the financial goals more strictly, customers or government might increase the pressure for social goal attainment (Dees & Anderson, 2003). Understanding the challenges related to managing such a dual purpose venture is essential to discover the need to further conduct research in the field of social entrepreneurship. The following section deals with the social entrepreneur's difficulties to attract resources and gain legitimacy.

2.2.1 Attraction of Human Resources

The attraction of resources is a major challenge for social ventures. A social venture requires many resources, but ostensibly human and financial resources. Looking at the human resources first, recruiting and retaining human capital is of difficulty because social entrepreneurs do not have the capabilities to offer their staff industry competitive salaries (Austin et al., 2006). Since the creation of social value has greater priority than the financial value a social venture is limited in its expenditure on personnel. Creating revenues, which could be spent on human capital is critical. Because of the fact that social entrepreneurs'

products or services often target a group of people who are very poor and indigent, it is problematic to make them pay for the values offered, which in turn harms the social entrepreneur's mission of besides pursuing social value to also achieve economic value (Seelos & Mair, 2005). In the end, without offering attractive compensation to personnel, social business ventures lack an incentive for personnel to work for them instead of working for a commercial business where salaries are higher.

2.2.2 Attraction of Financial Resources

The second type of resources, which is difficult to attract for social entrepreneurs, is financial capital. Social entrepreneurs are not given the same access to financial resources as compared to commercial entrepreneurs. There exist fewer options in terms of financial institutions, instruments and resources for social entrepreneurship, which makes the execution of intended missions and objectives more difficult (Austin et al., 2006). Especially in the case of the emergence of a new venture, the need for financial resources is even higher and the acquirement is even more laborious (Peredo & Chrismen, 2006; Meyskens, 2010). Accompanying to the fact that financial resources are rare, the competition in gaining those limited funds is constantly increasing (Grimes, 2010). In turn this indicates that a social entrepreneur who is able to secure funding increases the likelihood of competitive advantage and therewith success (Zahra et al., 2009). If social enterprises can locate investors, many times they are only provided with restricted capital, receiving comparably small loans and only for a short and limited amount of time because of great uncertainties (Austin et al., 2006). In essence, guaranteeing funding for the social business venture is one of the most challenging tasks a social entrepreneur has to deal with and find solutions for.

2.2.3 Gaining Legitimacy

The challenge to attract funding is accompanied by the difficulty to gain legitimacy as a social venture. Legitimacy is a perception about how well the social venture fits into the social and cultural environment in terms of its operations (Oliver, 1991; Bitektine, 2011). Not only financing institutions attribute legitimacy but all of the social venture's stakeholders, like customers, government or suppliers. A venture aims to receive legitimacy because it can serve as an operational resource. When a social venture is accepted by the stakeholders, and perceived to be legitimate, it enables the organization to attract other resources, such as personnel or funding, much easier (Zimmerman & Zeitz, 2002; Bitektine, 2011). The main challenge here lies in the 'liability of newness' (Shepherd & Zacharakis, 2003; Dacin et al., 2011). Social entrepreneurs' activities are innovative including its product and service offering, meaning that they are not proven to be accountable. The field's, products' and services' ideas are unknown and new to all stakeholders, and particularly to investors. The ventures' models are untested which leads to concerns and open questions about their liability (Zahra et al., 2009). Especially in early stages this liability of newness is a barrier that makes it difficult for social entrepreneurs to gain and maintain the critical resource of legitimacy (Dart, 2004). It is essential because the stakeholders' potential to accord legitimacy to an organization or to deny it decides about the acceptance of the venture in the market and whether other stakeholders enter into business with the venture (Bitektine, 2011).

Since the field and popularity of social entrepreneurship is relatively nascent, a possible objective of comparison is missing when attributing legitimacy. In commercial entrepreneurship measurements of profitability, return on investment or equity are often estimated to give stakeholders some indication of the venture's performance (Lounsbury & Glynn, 2001). But standards and metrics like these, which would enable comparisons between different social entrepreneurs' ideas but also between commercial and social entrepreneurs' activities are lacking (Austin et al., 2006; Zahra et al., 2009). How to measure a social venture's success is still in discussion and no standards have been established yet (Gruber,

2007). The inability to precisely measure the performance to enable risk calculations and return predictions makes it more difficult for a social venture to be legitimized. Measurement procedures appear to differ widely between social ventures (Meyskens, 2010). Besides that a social entrepreneur's product or service often cannot be expressed or translated into quantitative terms as the social aspect mostly involves a more qualitative rather than quantitative value. To illustrate this Zahra et al. (2009) ask the question: "What is the value of clean water in remote villages, [...] or the empowerment of women entrepreneurs in oppressive societies?" (p.522) Many social ventures are also perceived small in size and lack past records or predictions for the future, which makes them appear rather illegitimate (Meyskens, 2010).

As indicated in the challenges of social ventures, lacking financial resources and the barrier of legitimization are the biggest challenges of social ventures. In turn it requires social entrepreneurs to rely on fundamentally different sources and tactics to acquire financial resources.

2.3 Financing Options for Social Business Ventures

As outlined in the challenges to social entrepreneurship, the ecosystem of social venture finance is more limited compared to commercial entrepreneurs. Nevertheless there are increasing opportunities. In the following sections corporate philanthropy, venture philanthropy and crowdfunding are exposed as they are most elaborated upon in the current literature. Additionally business plan competitions are explained as an alternative method to finance.

2.3.1 Corporate Philanthropy

Corporate philanthropy, also known as corporate giving (Wang et al., 2008; Nicholls, 2006), implicates the donation of money or other kind of gifts from corporations to (financial) resource needing parties that are related to social and altruistic origins (Wang et al., 2008). Donations other than money could be equipment, stock, volunteer time or expertise (Bartkus & Morris, 2015). Corporations make donations to promote educational, medical, environmental, scientific, artistic and cultural concerns (Seifert et al., 2004). Many of the corporations take part in philanthropic activities that are supposed to bring advantages to communities (Nicholls, 2006) in need. Some corporations directly issue funds, whereas others purposefully set up foundations in the name of the corporation (Nicholls, 2006;). Especially large corporations tend to establish foundations. The idea of such foundations is to return something to the social environment. Corporate foundations are strategically set up to manage an organization's philanthropic actions (Crane & Matten, 2010).

2.3.2 Venture Philanthropy

Venture philanthropy is a financing method offered by venture capital funds, which deliver different resources to social entrepreneurs, ranging from financial capital to contacts (Scarlata et al., 2012, Lehner, 2013). The investment can be made over a time frame of approximately three to seven years (Miller et al., 2010; Larralde & Schwienbacher, 2012). Comparing corporate to venture philanthropy one can say that the relationship between a venture philanthropist and the social entrepreneur is more profound (Van Slyke & Newman, 2006). Because of the long-term commitment, high engagement and limited opportunities to break up the commitment, screening and selection of appropriate social entrepreneurs is a requirement (Miller et al., 2010). Social venture capital is comparable to commercial venture capital (Miller et al., 2010; Scarlata et al., 2012) in a way that both strive to receive a rate of return (Miller et al., 2010), although the one for social venture philanthropists might be lower but therefore the funding should also result in a social impact. All in all venture philanthropy resembles strategies of corporate philanthropy but is more focused on the social result than

the economic return. Well-known social venture funds are the “Acumen Fund, the Roberts Enterprise Development Fund (REDF), and Venture Philanthropy Partners” (Miller et al., 2010, p. 708), as well as the Bill and Melinda Gates Foundation and the Google.org Foundation (Crane & Matten, 2010).

2.3.3. Crowdfunding

The idea of financing a social venture through crowdfunding relies on receiving small amounts of money from a preferably high number of individual investors, referred to as the crowd (Larralde & Schwienbacher, 2012; Lehner, 2013; Mollick, 2014). The dispenser makes a contribution via the Internet. Initially there is no financial intermediary as is the case when a social entrepreneur would want to borrow money from a bank (Larralde & Schwienbacher, 2012; Mollick, 2014). However nowadays online platforms manage the relation between the crowd, the investors in the general public and the entrepreneurs (Larralde & Schwienbacher, 2012; Tomczak & Brem, 2013). Each investor might only pay a small amount to the entrepreneur but in sum it will be sufficient to realize a venture’s emergence (Tomczak & Brem, 2013) or growth, seeing “high combined impact” (Lehner, 2013, p. 292). In some cases the investors ask for the entrepreneur’s products, services or equity as a compensation for their investment (Mollick, 2014). The sum of funding that a social entrepreneur can gain from crowdsourcing can vary up to hundreds of thousands of dollars (Mollick, 2014). Well-known examples of crowdfunding organizations that support social ventures are Fundly.com, Indiegogo, StartSomeGood.com and Rockethub.com (Forbes, 2012).

2.3.4 Business Plan Competitions

There also exist fellowship organizations that especially aim to support social entrepreneurship (Bornstein & Davis, 2010; Nicholls, 2010). Fellowship organizations offer selected social entrepreneurs tailored help, mentoring in operational and networking activities and access to financial means. Each fellowship organization has a distinct orientation and focus but what they all have in common is that they carefully select (Nicholls, 2010) whom they are offering help to and who might become a fellow. One option of selecting whom to grant financial capital is a business plan competition.

Thereby a business plan is a formal document that summarizes a business’ objectives and strategies. The business plan demonstrates how the organization is planning to emerge and grow, highlighting future opportunities and capabilities, but also stating risks and the market situation in general (Schwetje & Vaseghi, 2007). Basically the business plan in the context of a funding decision is the written justification for why a certain organization is eligible for funding. A social business plan competition is a type of contest that compares and judges business plans of applying social ventures. The winners are awarded with financial capital and/or access to larger business networks. The business plan’s content and quality is used as a basis for decision-making (Mason & Stark, 2004). The business plan is used as a mean to validate the social entrepreneur’s “cognitive preparedness” (p. 202) in a way that the judges can be convinced that the applicant has the abilities to realize what is outlined in the plan if the grants are given (Chen et al., 2009). The formal structure summarizes the most important facts that a stakeholder needs to know about the business’ purpose.

A business plan competition for social ventures can then serve three purposes. It raises awareness and public outreach for the field and activities of social entrepreneurship among the public and target communities. Further through funding and networking it enhances social venture’s capacities. The ultimate goal is to establish social value through the support given to social enterprises (International Labour Organization, 2011). Business plan competitions are advantageous for social entrepreneurs in many ways. They are relatively easy to enter as they provide a standardized format. There is no limitation on the amount of applications entered

for different themed competitions. Although the prize amount might be small (up to US\$ 100.000) compared to other sources of funding, they still display a great chance for social entrepreneurs to realize their ideas. Once an organization wins a competition, this prize will provide it with more than financial resources but also increased legitimacy, which is positive for attracting further financial capital in the future.

In this thesis the funding application, a miniature business plan is analyzed. It is understood as a tool of communication through which a social venture expresses its chances in the market and how to best make use of them with the final goal to convince investors (Wickham, 2006). Referring to the legitimacy theory and its usefulness to business plan applications, here business plans are assessed as a method through which a social entrepreneur tries to increase his or her organization's legitimacy by increasing the judges' understanding of the social entrepreneur's activities (cognitive legitimacy). Karlsson and Honig (2009) describe the business plan writing "as part of a symbolic act to gain legitimacy to [the entrepreneur's] actions" (p. 28) with the final intention to win the business plan competition and the announced prize.

2.4 Criteria for Judgment

A panel of judges receives the business plan application and evaluates them to finally make a judgment about whether a venture is worth given a grant or not. However, the criteria for judging the plans are not universal. There is no consensus on how to evaluate the potential of social entrepreneurs (Meyskens, 2010) since rules on decision-making are rare (Certo & Miller, 2008). It is unclear why one organization is judged to be more eligible for funding than others (Slyke & Newman, 2006; Grimes, 2010). At least different evaluating parties make comparable decisions when judging a venture to be legitimate (Überbacher, 2014).

Even though there are some publicly available criteria upon which judges of business plan competitions claim to make decisions, this portrayed objectivity only forms one part of the judgment. On the other hand there is always a certain degree of subjectivity in those decision-makings, which is even more difficult to predict (Nagy et al., 2012). Especially in the case of new ventures, the subjectivity is found to prevail since objective judgments of strategy and performance are unthinkable at that point in time (Tornikoski & Newbert, 2007). Further judges can only make a decision based on the information given, meaning that they are limited to the extent of incompleteness (Überbacher, 2014). Overall plausibility and coherence are found to be two key factors when it comes to funding decisions (Navis & Glynn, 2011). By being presented as highly attractive (in the business plan), the judges are more convinced by the opportunities a certain entrepreneur is facing, which increases the legitimacy and therefore likelihood that an emerging business is given the chance to grow (Tornikoski & Newbert, 2007). Overall it appears that objective- as well as subjective cues contribute to the final funding decision.

Since judges "explicitly or implicitly rely on multiple cues" when making decisions (Nagy et al., 2012, p. 942), for this thesis, based on existing theory on social entrepreneurship, four evaluation criteria have been identified: solution, growth, social impact and partnerships.

1. Solution: For nascent and established social entrepreneurs the innovative solution behind what they are doing has a high value in terms of characteristics to be judged (Wickham, 2006; Tornikoski & Newbert, 2007; Lepoutre et al., 2013). The solution criterion is applied to check whether (yes/no) the social ventures offer an innovative improvement to the field and how much detail (qualitative and quantitative facts) they provide. Solution-related content is identified mainly by three topics. Content on solution can present a new product or service

offering, a new way of performing an activity and/or the targeting process of a niche market (Lepoutre et al., 2013). Thereby the innovation behind the solution can be of disruptive or continuous nature. Secondly, the criterion is used to measure to what degree the application offers content about the improvement to the field. The more complete explanation about the business working model and primary activities carried out by the applicant, the higher is the qualification for selection (Lepoutre et al., 2013). The criterion is used to check the main actions of the venture (Wickham, 2006). These actions need to be linked to the survival of the business and how exactly they result in the predicted social impact to be influential as a decision criterion. The solution itself is better comprehensible if it is embedded into a description of the drawback to put the approach to solve the problem into a framework. The criterion is further used to assess whether the solution has the potential to persist in the future and be applied in other regions as well.

2. Growth: All social entrepreneurs follow one of the common main goals, which are to grow their business (Moss et al., 2010); otherwise they would not be applying for support. The criterion growth in social venture's applications to funding competitions evaluates whether and how well the venture describes how to grow financially to become a sustainable and/or profitable business. It considers whether (yes/no) the application outlines what to expect from the venture in the future and how to reach it. Further the criterion is used to differentiate the depth with which growth-related topics are formulated. Depth can be higher when the quantity but also quality of the information content provided increases. Content related to the growth criterion describes how the organization plans to scale its operations to achieve predicted social impact. The growth criterion looks at what growth stage the venture is in and whether it is reported about where the venture is likely to be in the future (Wickham, 2006). The presentation of a detailed action path is relevant for the judges in order to judge risks and worthiness of the ventures. A demonstrated capacity to grow in the future, assuming that the fund will be received, is essential when formulating the application. The judges' interest is in the application to demonstrate what precisely the venture's goals are and how the venture is planning to grow in the near future, underscoring what specific milestones that will involve.

3. Social Impact: A difficulty for social ventures is to express their social impact, as there are no standard measurements (Haugh, 2005). Still in a business plan application, the social venture should try "to develop meaningful and credible measures" (Dees & Anderson, 2003, p. 16). Because of the fact that the social entrepreneurs' outcomes and results are difficult to express in financial terms, like return on investment, the ponderousness of the criterion social impact even increases, and the results in terms of social change are a major matter of concern (Bornstein & Davis, 2010). The criterion first of all assesses whether (yes/no) the venture is able to express how the solution provided makes a difference to a certain situation or target group. When the topic of social impact is addressed, the quality can still differ. Exemplification and quantitative facts increase the quality. Social impact-related content treats how many people have been helped and in what ways. The criterion departs from content that elucidates achieved profits. Instead the criterion serves to judge the idea of how the needs of the "immediate society" (p. 705) can be satisfied by the solution of the social venture (Lepoutre et al., 2013). The criterion of realized and predicted social impact is very relevant and the scores for the criterion increase when clear indicative qualitative and quantitative measures are provided.

4. Partnerships: The demonstration of partnerships and social networks is highly necessary in a business plan application (Meyskens, 2010; Überbacher, 2014). Showing that there are other parties who trust in the social entrepreneur's work confirms the viability of the venture, which in turn positively affects the perceived legitimacy of the external environment (the judges)

(Weber et al., 2015). The criterion assesses whether (yes/no) a social venture's business plan highlights the venture's position and activities within a network of partners, as it is one form of indicating a competitive advantage (Wickham, 2006). Partnerships are essential for social entrepreneurs in a way that first of all more people can be reached. Secondly aiming for a strong network can lower costs and increase overall awareness of the existence of the venture through a broad range of contacts (Nicholls, 2006). Many social problems are multisided and therefore the expertise from diverse parties can only be beneficial. Katre and Salipante (2012) found in their study that successful social entrepreneurs in comparison to failing ventures focus on ensuring existing and growing new partnerships in order to broaden their services and secure support and resources to achieve social change in the long-term. Besides the pure existence of material related to the criterion partnership, the content can differ qualitatively. The criterion differentiates between simple listings of partners and explanations of working relationships, which score higher rankings.

2.5 Legitimacy Theory

The theory of legitimacy is meaningful for the content analysis of business plans as the perception of an organization's legitimacy influences investor's decision-making (Pollock & Rindova, 2003). In relation to the previously outlined decision criteria, it means that meaningful content on solution, growth, social impact and partnerships increases the legitimacy of a social venture. Therefore the concept of legitimacy is first defined, after which different perspectives on- and types of legitimacy are elucidated. The focus of this study builds the cognitive legitimacy. The final intention of the chapter is to combine the legitimacy theory with the previously discussed decision criteria and formulate hypotheses about how they influence the funding outcome.

2.5.1 Definition of Legitimacy, its Obtainment and Relevance

Legitimacy is defined in various ways and diverse operationalization of its characteristics are identified. Most definitions agree on the fact that legitimacy is an intangible asset; it is a perception and could function as a resource. An often-cited definition of legitimacy is that by Suchman (1995): "*Legitimacy is a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within some socially constructed system of norms, values, beliefs, and definitions.*" (p. 574)

Firstly, legitimacy is described as a perception as it is not something that an organization does naturally possess or not but it is rather an attribute which "represents a reaction of observers to the organization as they see it" (Suchman, 1995, p. 574). The perception of an external stakeholder leads to judgments, which results in behaviors such as approval, recognition and support (Bitektine, 2011). The perception itself is a judgment about whether the organization with its structures, processes and results socially fits or not (Oliver, 1991) in the cultural environment (Bitektine, 2011). Secondly, legitimacy hereby is an intangible asset, which cannot be measured easily (Nagy et al., 2012) and is referred to as an "unobservable construct" (Tornikoski & Newbert, 2007, p. 315), which "ultimately exists in the eye of the beholder" (Zimmerman & Zeitz, 2002, p. 416). Thirdly, legitimacy is understood as a resource that provides organizations the chance to acquire other resources (Zimmerman & Zeitz, 2002; Bitektine, 2011) such as human or financial capital. In sum, legitimacy incorporates several characteristics, of which most importantly it is a perception by the public, which in the optimal case serves as a resource.

As it appears the external audience is an influential participator in the formation of legitimacy. Legitimacy is driven by stakeholders, which underlines the fact that legitimacy cannot be purely gained through actions of the organization but is always dependent on external parties, as for example employees, customers, suppliers, investors (Nagy et al., 2012), media or regulators (Bitektine, 2011). Noticeably here is that the part that legitimacy

plays in external audiences' decision making is not necessarily a conscious and deliberate one, but the judgment often happens without notice (Zimmerman & Zeitz, 2002). The power of stakeholders to accord legitimacy to an organization or to deny it gives control to the stakeholders in a way that if they endorse the organization's actions and policies, these practices are likely to be accepted by other stakeholders and repeated by the organization in the future (Bitektine, 2011). Overall an organization can be aware of its lack of legitimacy and can proactively try to gain more legitimacy but at the end the audience will judge the appropriateness of the organization. Stakeholders label organizations as legitimate when multiple characteristics are fulfilled. An organization holds legitimacy when the actions carried out by the firm are related to social and cultural values that are perceived as adequate in the social system (Dowling & Pfeffer, 1975). Organizations that are perceived legitimate by its surrounding managed to provide conformance and credibility for the activities they are carrying out (Meyer & Scott, 1983; Suchman, 1995), whereas organizations with low perceived legitimacy fail to provide evidence that what the organization does is accepted by a wider environment. The obtainment of legitimacy is a positive and preferable evaluation of an organizations' worthiness (Zimmermann & Zeitz, 2002). Conjointly an organization achieves external legitimacy when dominant external parties allow and support the organizations' business (Shepherd & Zacharakis, 2003).

As mentioned before although the judgment of the level of legitimacy is not within the scope of the organization itself, it can still actively contribute to a more positive outcome by pursuing activities of legitimization. The term legitimization describes the process by which an organization makes justifications through any form of communication as to why the organization is valid to exist, describing the logic behind the existence of the firm (Maurer, 1971). This process of justification can be directed towards the organization itself but is mainly aimed to express the right of continuation towards other entities. Legitimation describes the process of how legitimacy is build up (Bitektine, 2011). This process of legitimization is important for this study, as the idea is that the more legitimacy the social venture is able to gain by the judges of the business plan competitions through providing information content on solution, growth, social impact and partnerships, the more likely they will be granted funding. The aim of gaining legitimacy is to reach a status of stability and durability in which the organization is provided with resources of all kinds, human, material and financial resources (Suchman, 1995; Zimmerman & Zeitz, 2002; Hillman & Dalziel, 2003). This state of affair is granted when the organization is perceived as desirable, proper and appropriate. Being legitimate then means that future investments into gaining acceptance through external parties are reduced and the organization becomes more autonomous (Suchman, 1995). Concluding, the business plan applications are a legitimization mean of texts in which the social venture entrepreneurs aim to express reasons why they can be claimed legitimate and ultimately are the right candidate for funding.

2.5.2 Different Perspectives on Studying Legitimacy

Legitimacy as a concept can be further differentiated into different perspectives. There is evidence in literature for two main streams of perspectives on legitimacy, referred to as institutional and strategic legitimacy (Suchman, 1995). A short overview of the institutional approach is given, but the focus of this study is on the strategic approach. The institutional approach to legitimacy is based on the convention that cultural definitions direct how a business has to operate, from building it to running and growing it. Legitimacy here is understood as an institutionalization, a summation of beliefs how an organization should appear (Suchman, 1995). Further those fundamental beliefs define how the organization is understood, perceived and evaluated by other stakeholders (Suchman, 1995). Isomorphism, the reflection of parallels of accepted and legitimate organizations to other organizations in

the surrounding, is a well-known institutional approach. In general words, the more similar organizations are (Deephouse, 1996) in the way they are structured and operate, the higher is the perception that they are legitimate. This involves a great deal of alignment and decreases the agency of the emerging business.

Recently more researchers apply a strategic approach to legitimacy, although it exists for a long time (Suchman, 1995). Strategic legitimacy is found to be more powerful than the conforming institutional legitimacy (Zimmerman & Zeitz, 2002; Tornikoski & Newbert, 2007). Through the lens of a strategic approach legitimacy is an operational resource, in which management has comparably high control (Suchman, 1995) over the legitimization act. This is opposed to the institutional approach where there is little to no agency with the organization in the legitimization process. From a strategic perspective legitimization is an instrument through which an organization can manipulate the current socially accepted understanding of what is legitimate by using reminiscent symbols to achieve the external' perception of legitimacy (Suchman, 1995). It allows organizations to apply strategic behavior and actions (Tonikoski & Newbert, 2007). Legitimacy not only means conformance to what already exists, but it is possible for the entrepreneur to actively contribute to the formation of what is legitimate or not (Zimmerman & Zeitz, 2002). An organization can behave in a proactive manner towards achieving legitimacy by influencing the environment in the formation of performance- and therewith legitimacy measurements (Zimmerman & Zeitz, 2002).

In general it is acknowledged that in reality both approaches to legitimacy might be combined and the approaches are not distinctly separate but overlap to some degree. However this study's focus is purely on the strategic approach. The reason for that is that the conformation to preexisting standards is difficult in the field of entrepreneurship (Navis & Glynn, 2011), and especially in the area of social entrepreneurship, since the field is emerging and not many norms are established yet. Therefore institutional legitimacy is less applicable. In the case of social entrepreneurship it is more important to position the agency on the side of the entrepreneur, as he/she still has the opportunity to form what is accepted and what not, in other terms what is deemed to be legitimate or not.

2.5.3 Diversity of Types of Legitimacy

Similarly to the existence of different perspectives on studying legitimacy, there is also considerable diversity on the types of legitimacy. A review by Bitektine from 2011 lists 18 different types of legitimacy and can be found in table 1.0. The demonstration of the broad variety underlines the need to narrow down the focus of the study.

Table 1.0: Types of Legitimacy in Organizational Studies from Bitektine (2011)

Legitimacy Type	References
Media legitimacy	Bansal & Clelland (2004), Deephouse (1996), Hybels (1994), Lamertz & Baum (1998), Pollock & Rindova (2003)
Legitimacy with regulators	Baum & Oliver (1991), Deephouse (1996), Pfeffer & Salancik (1978), Rao (2004), Singh, Tucker & House (1986)
Legitimacy with investors	Certo (2003), Rao, Greve & Davis (2001)
Legitimacy with advocacy groups	Rao (1998), Morrill & Zaid (2000)
Internal legitimacy	Kostova & Roth (2002), Kostova & Zaheer (1999)
Procedural legitimacy	Suchman (1995)
Consequential legitimacy	Suchman (1995)
Structural legitimacy	Suchman (1995)
Personal Legitimacy	Suchman (1995)
Linkage legitimacy	Discerned here based on the legitimating effect of organizational linkages described in Baum & Oliver (1991)
Technical legitimacy	Ruef & Scott (1998)
Managerial legitimacy	Ruef & Scott (1998)
Cognitive legitimacy	Aldrich & Fiol (1994), Hannan, Carroll, Dundon & Torres (1995), Hannan & Freeman (1987)
Sociopolitical legitimacy	Aldrich & Fiol (1994)
Pragmatic legitimacy	Ashfort & Gibbs (1990), Barron (1998), Foreman & Whetten (2002), Suchman (1995)
Moral legitimacy	Barron (1998), Greenwood, Suddaby & Hinings (2002), Rindova, Pollock & Hayward (2006), Suchman (1995), Tolbert & Zucker (1996)
Normative legitimacy	Kostova & Zaheer (1999), Scott (1995)
Regulative legitimacy	Baum & Oliver (1991), Deephouse (1996), Kostova & Zaheer (1999), Scott (1995)

A more limited typology, which is often referred to, is the one by Suchman (1995). He spreads legitimacy over three different roots. The first one is the pragmatic legitimacy and is built on the idea that an audience defines the level of legitimacy of an organization by self-interest. If a judgment of being legitimate has any favorable consequence for the audience they are more likely to announce that perception. Pragmatic legitimacy is not considered in this study, as it is assumed that the judges of the business plan competition do not have any incentive to grant organizations legitimacy because it will result in a positive outcome for either himself/herself or the granting organization. The second type of legitimacy is the moral one, which is based on normative consent. Moral legitimacy is also beyond the scope of this research because it involves the analysis of norms and rules, which can be used to benchmark legitimate perceived organizations to non-legitimate perceived organizations. This is difficult in the field of social venture entrepreneurship, as such set of guidelines do not exist yet. Further because the subject of the analysis are social ventures, moral legitimacy is already implicit as all ventures work on socially important causes. However no qualitative differentiation of the degree of morality can be made. One cannot judge one venture to be better, or more morally legitimate because it helps in reducing street harassment of women compared to another project where electric infrastructure is developed in a rural area, for example. The third type is cognitive legitimacy and is dealing with aspects of comprehensibility (Suchman, 1995). The following section first defines cognitive legitimacy before it is argued why it is the most suitable type for this thesis.

2.5.4 Focus on Cognitive Legitimacy

Cognitive legitimacy itself is defined as the examination and control for comprehensibility in this study. External parties that have a stake in the organization make the cognitive legitimacy judgment about whether the actions and movements of a particular organization are understandable and traceable (Shepherd & Zacharakis, 2003; Bitektine, 2011). Additionally the degree of comprehensibility relating to the overall organization's attributes is evaluated (Überbacher, 2014). The idea is the higher the level of understanding, the lower will be the extent of observers withholding trust (Bitektine, 2011). If an organization's existence, including its actions and structures, is perceived to be well understood, the less uncertainty is attached by external observers to the organization itself (Shepherd & Zacharakis, 2003). Knowledge decreases the level of ambivalence and is needed in decision-making, especially when liability of newness is a concern (Shepherd & Zacharakis, 2003). In aiming to achieve cognitive legitimacy, organizations make justifications as to their right of existence and functioning (Meyer & Scott, 1983). An organization which is completely cognitive legitimate is one, where there exists no longer a need to ask questions about (Meyer & Scott, 1983; Hannan & Carroll, 1992). The ultimate stage of cognitive legitimacy goes beyond the advancement of understanding and is referred to as taken-for-grantedness (Suchman, 1995; Shepherd & Zacharakis, 2003). It describes the stage in which an organization is grasped as fully cognitive legitimate and the external audience finally observes it as a viable and institutionalized organization (Suchman, 1995; Tost, 2011). When an organization is comprehended as familiar, it will be perceived as taken-for-granted (Aldrich & Fiol, 1994).

Cognitive legitimacy fits the present situation the most because it is the one type of legitimacy, which is acknowledged to be most important for new entrepreneurial ventures (Suchman, 1995; Choi & Shepherd, 2005). It is argued that the existing knowledge about strategically building cognitive legitimacy in the field of entrepreneurship can be used for understanding how cognitive legitimacy is formed in social entrepreneurship. This is a valid approach as it is shown that the field of social entrepreneurship follows the same development as its forerunner of entrepreneurship (Bacq & Janssen, 2011). The emergence of social ventures is comparable to the one of commercial ventures and the procedures to accomplish cognitive legitimacy are alike (Meyskens, 2010). Therefore cognitive legitimacy is also of high importance in the emerging field of social entrepreneurship where a common basis of understanding is missing. This is the case in this study. Social entrepreneurship is a relatively unexplored field with lacking norms and measurements. That means judges cannot rely on institutionalized judgments to grant a funding but the perception of the degree of understanding is much more valuable. According to the theory of cognitive legitimacy before a judgment can be made about the social venture, it is fundamental to first understand the activities. Only when the business operations are comprehensible to the audience, the venture is perceived legitimate on a cognitive level. Cognitive legitimacy therefore displays the starting point when judging the level of legitimacy of a social venture. It builds the foundation of being legitimate because if it is not given, judgments about the morality for example cannot be made.

Legitimacy can be gained, maintained or repaired. Most of the observed ventures are in their early stages of operation (1-5 years) and therefore the first activity of gaining legitimacy is of greatest concern because many ventures fail within the first years of existence. Considering an entrepreneur in a nascent industry who is trying to generate legitimacy, it is most logical to look at it from a cognitive angle (Shepherd & Zacharakis, 2003; Überbacher, 2014). This is because many new ventures have difficulties to be accepted in the market place because of a lack of knowledge and comprehensibility in the external environment (Aldrich & Fiol, 1994; Hannan & Carroll, 1992). The alteration of a new business into an accepted business is known

as a “quest for legitimacy” (Tornikoski & Newbert, 2007, p. 311). New ventures are highly dependent on the understanding of stakeholders because they are the ones who allocate needed resources for survival. High uncertainty plus lacking performance measurement result in low legitimacy perceptions and in turn lead many investors to refuse funding (Zimmerman & Zeitz, 2002; Tornikoski & Newbert, 2007; Nagy et al., 2012). Cognitive legitimacy is hereby about sense making from the perspective of potential stakeholders, a “quest for categorizing the current state affairs” (Navis & Glynn, 2011, p. 488). Because of an extant ambivalence as to what extent the new venture can be understood through existing categories, observers need to be presented with content that supports them in sense making. Being perceived as legitimate by the parties that an organization wants to do business with is a crucial resource for success in terms of survival (Hannan & Freeman, 1984) in the first instance and growth in the second (Zimmerman & Zeitz, 2002). Once legitimacy is claimed it will turn out to become a resource for gaining other resources (Zimmerman & Zeitz, 2002) as the liability of newness is conquered. Because the level of cognitive legitimacy can be enhanced through symbolic language and behaviors (Shepherd & Zacharakis, 2003), this theory is used to analyze how the information content in business plans of social entrepreneurs is deployed to convince the judges of the organization’s legitimacy.

When looking at cognitive legitimacy it can be understood from an institutional or strategic view. According to the institutional view, an organization is perceived to be legitimate when it conforms through isomorphism to the environment in which it is operating (Navis & Glynn, 2011). However innovative entrepreneurs in new (social) ventures differ to what is considered standard or normal and therefore need to strategically interact to receive support (Suchman, 1995; Navis & Glynn, 2011). These entrepreneurs must develop explanations as to why their organizations are worth to make business with or invest in, by building new realities (Suchman, 1995). From a strategic view it is important to tactically deliver convincing arguments to answer questions as to why the organization is capable of operation (Tornikoski & Newbert, 2007; Tost, 2011; Nagy et al., 2012). In the strategic view of legitimacy, cognitive legitimacy can be influenced by managerial actions in form of communication in order to increase the chances of being perceived as appropriate (Suchman, 1995). Content needs to be provided which reduces questionability, doubt and disbelief, which exist when stakeholders are confronted with unknown circumstances and conditions (Aldrich & Fiol, 1994). Therefore the strategic point of view in gaining cognitive legitimacy is prevailing in this thesis.

Strategic actions are aimed at improving the level of cognitive legitimacy through making the organization better understandable to relevant stakeholders (Überbacher, 2014). One way of influential communication to external stakeholders is to apply impression management tactics, whereby certain favorable information about an organization is communicated in-depth whereas other non-contributing information to legitimacy is rather hidden. Creating a positive image about the organization should persuade external audiences when judging about the right of existence (Elsbach, 2003; Überbacher, 2014). Forms of impression management are symbolic management (Überbacher, 2014) and self-promotion, which are used to underline characteristics of the nascent organization that display competence or to emphasize achievements. The application of symbolic language and behavior is predicted to lead to easier allocation of legitimacy (Aldrich & Fiol, 1994). In cases of entrepreneurship emerging ideas need to be combined with established cultural perceptions in order to be understood (Meyer & Scott, 1983). Another mean is the utilization of exemplification, where the entrepreneur is illustrated as qualified and suitable (Nagy et al., 2012). Highlighting the abilities of an organization and explaining how it can be successful focusing on attributes such as behaviors and expertise give the entrepreneur the chance to make stakeholders better

understand what the organization is doing and aiming for. Thus it reduces uncertainty and increases cognitive legitimacy at the same time (Nagy et al., 2012). Tornikoski and Newbert (2007) add two relevant strategic tactics to gain more legitimacy: “acting-as-if behavior” (p. 318) referring to improvisations and “networking behavior” (p. 319) to increase the chances of being accepted. In sum there exist diverse tactics, which can be employed to strategically increase the perception of cognitive legitimacy.

Whether or not an organization, in this case a social venture, is perceived as being acceptable, desirable and appropriate, is decided upon by the audience, the perceivers of organizations external communications (Suchman, 1995, Biketine, 2011). There is little preexisting logic and understanding of the social entrepreneurship field and the applying social ventures in particular. Therefore the ventures, including their lead entrepreneurs, need to shift, reshape and form the understanding to an extent to which new legitimization criteria are ultimately built (Suddaby & Greenwood, 2005). In this study the judges of the business plan competitions are the receiver of the business plan application and the content provided in there. Based on what they perceive from the information content, meaning the level to which it is comprehensible, the judges can assess to what degree the organization’s ideas are legitimate. The topics of the content provided that are relevant have been identified earlier as the four criteria of judgment (solution, growth, social impact and partnership). Applying a strategic lens to legitimacy, a social venture can actively influence the legitimization process and perception ratings of audiences through certain behaviors. This study observes the behavioral action in application writing by investigating the information content in social venture’s business plans. It is claimed that above all cognitive legitimacy is most important for social ventures to gain, as social entrepreneurship is a nascent and under-institutionalized concept. Since cognitive legitimacy is primarily enhanced through information content it is logical to investigate information content based on the judgment criteria of funding competitions found in the literature and published by the funding organizations. The adherence to the established judging criteria is predicted to increase the level of cognitive legitimacy. Because more profound information content on solution, growth, social impact and partnership will make it easier for the judges to understand the intentions and activities of the social venture, the knowledge gap and uncertainties will decrease. In turn the likelihood for winning the competition increases. This reasoning leads to the development of the following hypotheses, in which each hypothesis concentrates on one particular judgment criterion and how it affects the cognitive legitimacy perception. The information content provided for each criterion can be increased not only through existence, but also through qualitative additions. The overall concept is that the higher the cognitive legitimacy of a social business venture, the greater is the likelihood of funding. Information content related to solution, growth, social impact and partnership add up together to increase the perceived cognitive legitimacy of the venture and therewith increase the chance of a funding success.

Hypothesis 1: The higher the cognitive legitimacy of a social venture from its solution-related information content, the greater is the likelihood of funding success.

Hypothesis 2: The higher the cognitive legitimacy of a social venture from its growth-related information content, the greater is the likelihood of funding success.

Hypothesis 3: The higher the cognitive legitimacy of a social venture from its social impact-related information content, the greater is the likelihood of funding success.

Hypothesis 4: The higher the cognitive legitimacy of a social venture from its partnership-related information content, the greater is the likelihood of funding success.

3. Methods

The method section explains how the study is conducted in order to find an answer to the overall research question. First of all the origin of the data is outlined, followed by the explanation of the sampling design. Further the variables of interest and their attributes are determined. Subsequently the data analysis procedure is elucidated, wherein the idea of content analysis is summarized and coding schemes are developed to reveal how the data is treated. In a final step the statistical method of ordinal logistic regression is explicated, highlighting necessary assumptions and tests.

3.1 Data

The data that is analyzed in this research is derived from business plan applications' data that is publicly available from a secondary resource¹. Out of the data six different competitions are selected for the analysis. These competitions qualify because the business plan application forms in there are highly comparable. The volume and type of content they ask the applicant to provide is highly homogeneous. These competitions do not have any regional focus, but are open to international applications. Further the competitions are aiming at social ventures past the idea stage, which is advantageous for this study to examine the realized impact.

Every application of the six competitions can be found in the database. The applications are divided into three groups.

- *Group 1:* Applications that have been submitted but have not been processed to a second round of screening. They are referred to as participants and naturally build the largest group.
- *Group 2:* Finalists are applications that the judges decide to have valuable potential.
- *Group 3:* Winners are applications selected to be given a grant.

All groups are considered for this research. Particularly analyzing cases of best and worst practices, meaning in this case comparing winners with participants, is promising to find new explanations for a phenomena, since objectifying solely an average performer will not lead to significant results (Daft & Lewin, 1990). All winners and finalists have been chosen for analysis, whereas for participants, a sampling method was needed.

Purposive (also referred to as relevance or judgmental) sampling is considered an appropriate sampling frame because an initial screening of 25 participants' applications showed that many simply do not fit to the competition criteria. More precise, the solutions presented in the business plans do not contribute to solving the social need that is announced in the competition description. For example, a plan is submitted in which a social entrepreneur describes his/her solution to deliver electricity to rural areas in Kenya. But the competition's theme is innovation for health. If a probability-sampling technique is applied, those cases that actually do not fit to the competition would be included and that is likely to lead to unrepresentative results. Applying purposive sampling is advantageous for sampling participants as it improves the chance to find an explanation for the phenomenon at hand, so to explain why certain ventures win the competition and others do not.

Purposive homogeneous sampling will enable to narrow down the group and is the most suitable method in this research because it ensures the criterion of fit. A random sampling method would not ensure this criterion. A selection of cases is made based on whether an

¹ Further details can be provided upon request.

application fits the theme of the competition, so a homogeneous set of characteristics, and is a fully completed document. Overall the selected sample should lead to a total number of 130 cases. When using this non-probability sampling technique, a choice needs to be made what applications qualify to be part of the homogenous sample and which ones not. In order to come up with a selection procedure a multistage process is needed. All participants' applications are collected in a random order. Careful and intensive one-by-reading and selection of the business plan applications needs to be done until the requested sample size is met (Dooley, 2001; Neuendorf, 2002; Krippendorff, 2004; Babbie, 2013). The filter to find suitable applicants includes three steps:

1. *Language*: The application needs to be written in English. All other applications in Spanish, French, Chinese or Portuguese are excluded.
2. *Completeness*: All items in the business plan that are analyzed, meaning all the questions in the business plans that are considered, need to be answered. Further the control variables venture type and venture age need to be given. Venture age is of high importance to make sure that only applications of social ventures that have passed the idea phase are included to enable the analysis of the realized impact.
3. *Fit*: The application's solution needs to fit to the respective competition criteria. Each competition has on average five main criteria. Once an application fits at least two of them, it is considered to be a fit. This filter only applies to the selection of participants.

The number of participants to be selected has been derived proportionally to the total entries per competition. The total number of applications that are considered to be eligible for the sample for this research is N=126. As in the total population the winners still display the smallest group and participants form the largest group.

3.2 Variables

In order to answer the research question, the variables need to be defined. Firstly the dependent variable is discussed. Secondly the independent variables are outlined. And lastly the control variables are summarized.

3.2.1 Dependent Variable

The dependent variable in this research setting is the funding outcome because the aim is to figure out what contributes to a positive funding outcome (being a winner) as compared to what leads to a negative outcome (being a participant in the worst scenario). The funding outcome answers the question in which category the application falls. Possible funding outcomes are as stated earlier: winner (3), finalist (2) and participant (1). As the groups differ naturally in size, seeing participants as the largest and winners as the smallest group, the differences in the information content in the applications is expected to differ as well. There is expected to be much more significant (in statistical, quantitative terms and clear (in qualitative terms) differences when comparing the information content of participants to the winners, than when comparing the finalists to these winners. That means that the outcome of being a winner is greater than that of a finalist, a non-finalist and lastly a participant. That makes the outcome variable a categorical variable with an ordinal level of measurement. Ordinal measures display characteristics that can be rank-ordered by logic. The outcome variable in this thesis is ordinal because the applications are not only characterized into three groups, but those groups also imply a ranking. Winners have the highest ranking, followed by the other groups. However the interval between the highest ranking (winner) and the next ranking (finalist) does not need to be of the same size as the interval between finalist and the lowest ranking (participant), for example. There are no indications on how much the diverse groups differ from each other and even if the distance is known it has no meaning (Dooley, 2001; Babbie, 2013). Ordinal scales are often derived from language and therefore are a suitable scale in content analysis (Krippendorff, 2004)

3.2.2 Independent Variables

There are four independent variables that are predicted to influence the dependent variable. As introduced in the selection criteria (2.4) they are named solution, growth, social impact and partnership. These criteria are identified in the information content provided in the open questions in the application form. The measurement of these variables is elucidated in the data analysis section (3.4), when the investigation procedures are outlined. Summarizing that, in the final step of the analysis the independent variables are given a score. Therefore a number at the end characterizes each independent variable. This makes the dependent variables continuous ones.

3.2.3 Control Variables

In order to control for the effects of other influences on the judges' funding decision, three control variables are examined. This is of high value to check whether entrepreneur's credentials and experience have a positive, negative or no effect on the funding decision (Nagy et al., 2012).

- *Venture organization type*: Literature provides evidence that entrepreneurs, who can exhibit relevant industry experience, in this case having a higher venture age, positively influence the audience's cognitive legitimacy (Zimmerman & Zeitz, 2002). It is a categorical nominal variable, distinguishing between the types of venture organizations (1=non-profit, 2=hybrid, 3=for-profit).
- *Venture age*: It is treated as a categorical variable distinguishing between the ages of the different organizations. The indicators are: 0=idea, 1=less than 1 year, 2=1-5 years and 3=more than 5 years.
- *Prize*: It is a categorical variable. Two different prize amounts were offered (US\$10.000, US\$50.000).

3.3 Data Analysis

The succeeding section introduces the idea of content analysis. Coding schemes are developed to reveal how the data is treated. In a final step the statistical method of ordinal logistic regression is explicated, highlighting necessary assumptions and tests.

3.3.1 Content Analysis

Content analysis was first introduced in the 20th century to comparatively analyze newspaper content (Krippendorff, 2004). As a research method content analysis sees a growth in application particularly in the organization studies. Texts originating from an organization, such as CEO shareholder letters, mission statements or annual reports are typically used for content analysis (Duriau et al., 2007) to investigate research topics in corporate strategy and managerial attention (Short et al., 2010). Content analysis is also becoming more popular to use for analyzing social ventures. Sharir & Lerner (2006) use content analysis to single out factors that lead to the success of social ventures in Israel, looking at documents published about the organizations and by the organizations themselves. Meyskens et al. (2010) look at online profiles of fellows and apply content analysis according to the resource-based view to figure out differences and similarities between operational processes of commercial and social ventures in using their resources. Moss et al. (2010) look at award-winning social ventures' mission statements and they use content analysis to better characterize the identities of those ventures. Mair et al. (2012) exercise content analysis of fellowship applications. It helped them to classify social entrepreneurs into a typology of entrepreneurial models. Moss et al. (2015) use content analysis to investigate microenterprise's narratives found on microfinance platforms in order to figure out what influences lenders' funding decisions. These examples underline that content analysis is an appropriate method to use in order to gain better insights into social ventures' business plan applications.

Most importantly content analysis is used as a method to find answers to research questions that investigate contemporary under researched phenomena, which is the case in this thesis, in a qualitative and quantitative manner. The method provides a new approach to analyze a phenomenon, the funding decisions of social ventures, which allows for validation or invalidation of previous assumptions, hypotheses and findings (Krippendorff, 2004). The aims of content analysis is to objectively and systematically draw valid and replicable inferences from texts to the contexts of their use utilizing a set of procedures (Weber 1990; Neuendorf, 2002; Krippendorff, 2004). Content analysis allows for a combination of qualitative and quantitative analysis (Duriau et al., 2007). Firstly content analysis is used as a qualitative approach to classify or categorize elements of content within a text (Weber, 1990). But secondly it follows a quantitative approach (Neuendorf, 2002) since the goal of the predefined categorizations is to “produce thematic or semantic indices of observable and countable features of text” (Pollach 2012, p. 267). In essence content analysis is a method that qualifies for qualitative analysis that is transferred into quantitative material in order to apply statistical tests.

Content analysis is applied in this research in order to gain a better understanding of the material and information provided by the social venture’s applicants. A set of coding rules and rating schemes was necessary to ensure validity and reliability. The creation of validity is important to ensure that the operationalization really measure the intended variables. Reliability is necessary to ensure that the results can be replicated and that if another researcher would use the same coding rules and rating schemes, he/she would have consistent results. In order to ensure both criteria human and computer-aided content analysis are applied to analyze the set of business plans. ATLAS.ti is a software that is used as a helping tool in analyzing the business plans. ATLAS.ti is a common used program when researchers aim at making sense of qualitative data. First of all it helps the researcher to physically divide the text into units of analysis. Secondly it allows the researcher to assign codes to the single units. The researcher predefines these codes and it is up to the researcher’s judgment which code is assigned. This is different to other computer-aided text analysis programs, where for example dictionaries are applied and the software runs the complete analysis for the researcher. ATLAS.ti graphically depicts the coded text segments. It helps organizing the data and it allows the researcher to draw queries on individual applications or the total sample. The same counts for individual codes or group of codes (Krippendorff, 2004; ATLAS.ti, 2015). In sum, ATLAS.ti is used to support the aim of the content analysis, to better apprehend the provided information content and to keep track of decisions.

3.3.2 Qualitative Analysis: Coding

The first method in this research is of qualitative nature and involves coding of textual information. Coding is defined as a “process whereby raw data are transformed into standardized form” (Babbie, 2013, p. 550). It implies reading the predefined sections in the application template. Coding in this research is understood as categorizing the units of the information content into the criteria used for evaluating business plan applications. These criteria are solution, growth, partnerships and social impact and build the independent variables in this thesis. Practically that means reading each application’s contents of the preselected sections and classifying coherent units of information per theme.

In the beginning phase of the coding, two coders jointly coded ten business plans in order to come up with an initial operationalization of the variables. The categories of codes are provided with a scheme for coding, including themes that fall into the particular category and examples. After the initial first round of coding, the raters proceeded individually to code another set of fifteen applications and thoroughly reviewed and discussed their coding

afterwards until an acceptable interrater reliability was achieved. Interrater reliability refers to the reproducibility, so to what extent at least two independent coders yield the same results (Krippendorff, 2004). From then on one coder finished coding the rest of the material by consistently sticking to the pre-established rules. Text units that are comparable to the established scheme are categorized into the same code. Regular discussion rounds were held to clarify questions and coding differences and to adjust the coding procedure. Every adjustment was carefully made, as it implied an additional loop in coding, meaning that one needs to reevaluate from plan number one, as changes are made.

In this qualitative method coding of manifest content takes place. Manifest content refers to the “concrete terms contained in a communication” (Babbie 2013, p. 554). The information content is separated into meaningful units that can stretch over multiple sentences but should not include more than one main idea. Information is regarded to be codable when it is specific. That means that not all sentences need to be assigned a code. A specific statement clearly identifies detailed actions or descriptions of operations. Background information that is solely presented aside from the venture’s activities is not coded. Further specific details about the working model and future plans are considered to be specific. Repetitions that deal with the exact same idea are also excluded from coding. What content is given which code is explained in the coding scheme as presented in tables 2.0 to 5.0.

Table 2.0: Coding Scheme Solution

<i>Question set 1</i>	<i>If the answer is yes*</i>
- Does it describe a new product/service offering?	
- Does it describe specific actions towards solving a social problem?	
- Does it describe a new way of performing an activity?	
- Does it provide meaningful details about the execution of activities?	
- Does it describe the link between actions and how they enable impact?	→ Code as Solution
- Does it outline a targeting process of a niche market?	
- Does it describe a new improvement to the field?	
- Does it exemplify the working model?	
- Does it exemplify primary activities?	

*other information is left without code

Text segments that are coded as solutions refer to the evaluating criteria ‘solution’ as described in the judgment criteria of business plans. The solution includes specific actions towards solving a social problem. A solution might include partially the description of the drawback in order to put the approach to solve the problem into a framework. It may provide a new improvement to the field, which is innovative. The solution can also include the exemplification of a working business model or the primary activities.

Table 3.0: Coding Scheme Growth

<i>Question set 2</i>	<i>If the answer is yes*</i>
- Does it describe future objectives?	
- Does it describe how to achieve growth?	
- Does it describe future activities?	
- Does it describe how to measure growth?	→ Code as Growth
- Does it identify the activities to be done to reach the claimed objectives (in 6-12 months)?	

*other information is left without code

Text segments related to growth, highlight what the organization wants to do in the future. It includes specific tasks and actions that need to be fulfilled in order to scale the impact and financial contributions of the organization. Growth can talk about key goals that the social venture strives for in the future.

Table 4.0: Coding Scheme Social Impact

<i>Question set 3</i>	<i>If the answer is yes</i> [*]
- Does it describe/list the realized impact (conceptual and events)?	
- Does it describe the successful outcome of specific actions?	
- Does it describe how the impact/success is measured?	→ Code as Social Impact
- Does it outline the predicted impact (1-5 years)?	
- Does it describe how future impact is going to be measured?	

^{*}other information is left without code

Social Impact describes the social footprint of the organization, so what is the successful outcome of the activity. It can include information about who is affected by the solution and how many. Further it exemplifies how the effects are measured. The social impact differs from the solution in a way that the impact is about consequences of behavior, whereas solution is derived from operational plans, functions and descriptions. The projected social impact comprises the outcome and power of the future activities of the applicant and how they are measured.

Table 5.0: Coding Scheme Partnership

<i>Question set 4</i>	<i>If the answer is yes</i> [*]
- Does it list the partners (conceptual and brand names)?	
- Does it claim credibility of the partners?	
- Does it describe the contribution of the partner?	
- Does it describe the working relationship?	→ Code as Partnership
- Does it describe the link between partner's actions and how it enables impact?	
- Does it describe how critical the partnerships are for success?	

^{*}other information is left without code

Text segments coded as partnership inform about current partners and how they are related to the applicant's organization. It can range from naming or listing the partners, to explaining their functions and what they work together on in the partnership.

3.3.3 Rating

After the first stage of the content analysis, coding, a second procedure is applied. The following method is about assigning a value to the previously coded units. Previously the idea was to simply work with a count. However the initial rounds of coding already showed that the number of statements does not differ to a great extent between the diverse funding outcomes, which might be due to the fact that the entry form provides limited space per question. But it was obvious that the level of detail and specificity of the statements differed. In order to give a fairer judgment to the statements than a normal count, a rating scheme was developed through the two coders in order to better catch the differences in the provided information content. That results in a numerical score, and is therefore no longer of qualitative but quantitative nature. It implies that the final scores can then be used for statistical analysis. The rating is on the level of latent content as it refers to "the underlying meaning of communications" (Babbie, 2013, p. 554). A rating scheme per coding criteria can be found in appendix 1.0. It summarizes the key decision rules in assigning points.

3.3.4 Statistical Analysis: Ordinal Logistic Regression

In this research the dependent variable has three different categories, which are rank-ordered. If the outcome variable has three or more ordered categories it can be investigated by using the statistical method of ordinal logistic regression. Ordinal logistic regression fits in this thesis, as the dependent variable of funding outcome is categorized into three groups that are rank-ordered from winners being the best, to finalists and participants. Further it is predicted that the outcome variable is influenced by multiple independent variables. Ordinal logistic regression can thereby help to identify which one of the independent variables has an

influence on the outcome and to what degree, in other words which of the explanatory variables has a significant effect on the response variable. Since the independent variables in this analysis are continuous, ordinal logistic regression can highlight how an increase of one in an independent variable affects the odds of the response variable (Kleinbaum & Klein, 2010; Lund Research Ltd, 2013). All things considered, ordinal logistic regression appears to be the most suitable choice due to the nature of the outcome variable.

However even if ordinal logistic regression appears to be the appropriate method of analysis because the dependent variable is ordinal, it is only allowable to use it when specific assumptions are met. It requires pretests before using the method because otherwise the results will not be valid (Kleinbaum & Klein, 2010; Lund Research Ltd, 2013). In order to test these assumptions and to conduct the quantitative analysis in this research the software SPSS is used. It is a standard program to use in order to execute ordinal logistic regression (O'Connell, 2006; Kleinbaum & Klein, 2010). The first instance when starting the analysis with SPSS is to check the following assumptions and tests:

1. Proportional odds assumption: The proportional odds assumption includes that the effect of the independent variables on the dependent variable are consistent across the different categories in the outcome variable, which is also referred to as that the effects are “proportional across different thresholds” (ReStore, 2011). That implies that the odds ratio that compares winners (3) with finalists (2) needs to be the same as when comparing finalists (2) with participants (1), if there are three categories (Kleinbaum & Klein, 2010). The proportional odds assumption is tested in SPSS by using the test of parallel lines (ReStore, 2011; Lund Research Ltd, 2013).

2. Model fit: In SPSS the model fitting information shows whether “the fitted model improves predictions over those presented by the null [...] model” (O'Connell, 2006, p. 35). This implies that the null model is a model with only the intercept. In turn that means that this test should be significant because that tells that the model including the predictors improves the ability to predict the outcome (O'Connell, 2006). The Chi-Square statistic in the model fit should be significant ($p<0.05$) because only then adding the explanatory variables to the model adds value. If it is not significant than the established model does not have more power than only looking at the intercept.

3. Goodness of Fit: In SPPS the Goodness of Fit test assesses whether the model fits the observed data well enough. The null hypothesis is that the model is a good fit and that the examined data actually is consistent with the fitted model. The null hypothesis states that the model is a good fit. Therefore ideally the Pearson's chi-square statistic is not significant ($p>0.05$) (O'Connell, 2006, ReStore, 2011).

Once the three assumptions are met, it is eligible to apply ordinal logistic regression. First of all the effect of each individual independent variable is tested. So for example it is investigated if there is an effect of information content related to solution on the funding outcome. This needs to be tested individually for all the explanatory variables. However the ultimate goal of the analysis is to establish a cumulative odds model that simultaneously recognizes the effects of a combination of independent variables on the diverse categories of the dependent variable (ReStore, 2011). Hereby it is necessary to check whether multicollinearity is existent. Multicollinearity is present when at least one but possibly more of the explanatory variables in the model are influenced by other independent variables. So it needs to be assured that the independent variables are not highly correlated to each other (Kleinbaum & Klein, 2010; ReStore, 2011).

4. Results

The following chapter presents the results of the conducted analysis. To begin with the descriptive statistics are discussed. Further ordinal logistic regression is applied and the hypotheses are tested.

4.1 Descriptive Statistics

Table 6.0 shows the descriptive statistics for the variables analyzing a sample of 126 social venture business plan applications. Considering the four independent variables, social impact has the highest mean value with 10.44 points assigned. This is followed by information content on solution (9.48). The smallest amount and depth of information content provided by the applications of all three categories is given to partnership (7.38). The decimals of the previous values are due to the averaging, although the rating scheme only allowed integers. But they still give a good indication on the central tendency of the variables. Putting the four variables in descending order of their means highlights that social impact scored the highest amount of points followed by solution, growth and partnerships. This underlines that qualitatively most content centers on the social impact in the applications. Looking at the control variables there are only two values for the variable prize (US \$10,000, US\$ 50,000) explaining the mean of US \$25,238. The venture legal form can either be non-profit, hybrid or for-profit. A mean of 1.56 indicates that most of the analyzed applications come from social ventures that are either non-profit or hybrid. The mean of venture age (2.38) shows that most social ventures are between one and five years old. Finally the dependent variable, the funding outcome, has a mean of 1.26, meaning that participants display the largest group in the observed data, followed by finalists and winners.

Table 6.0 also shows the correlations between all combinations of variables in this research. Investigating the correlations is important to ensure that no multicollinearity exists. The bivariate analysis tests whether any of the independent quantitative variables are highly correlated with each other because the regression coefficient of the ordinal logistic regression could be influenced. Values between $-/+1.0$ and $-/+0.7$ demonstrate a strong negative/positive correlation between two variables. Thereby the continuous variables are tested using the Pearson correlation, whereas for the nominal and ordinal variables, the Spearman's rank correlation is computed (Simon, 2009; De Veaux et al., 2012). In this study, there are no strong significant correlations, which allows for the application of ordinal logistic regression. Looking at row 8 of table 6.0, one can see that all four explanatory variables are positively correlated to the response variable and are statistically significant at the level of 0.01. The strongest correlation can be found between solution and the funding outcome with a correlation of 0.64. This is followed by growth (0.54), partnership (0.44) and social impact (0.37). The correlations between the independent variables and the dependent variable underline that information content provided on solution most strongly correlates with the outcome, when all four independent variables are observed separately.

Table 6.0: Descriptive Statistics and Correlations

	Mean	SD	1	2	3	4	5	6	7	8
1. Solution	9.48	5.50	1							
2. Partnership	7.38	5.90	0.38**	1						
3. Growth	8.40	4.62	0.60**	0.34**	1					
4. Social Impact	10.44	6.99	0.38**	0.31**	0.36**	1				
5. Prize	25,238	19,502	-0.06	0.33**	-0.15	-0.14	1			
6. Venture Legal Form ^a	1.56	0.89	0.04	-0.07	0.07	-0.07	-0.10	1		
7. Venture Age ^a	2.38	0.63	0.10	0.11	0.03	0.08	0.11	-0.50	1	
8. Funding Outcome ^a	1.26	1.17	0.64**	0.44**	0.54**	0.37**	-0.06	0.10	0.28	1

N = 126 * p < .05; ** p < .01; *** p < .001

^a Spearman's rank correlation co-efficient is calculated for ordinal variables

4.2 Ordinal Logistic Regression

When establishing the diverse regression models, in every case three assumptions need to be checked first, before the model can be interpreted. The model fit statistic needs to be significant at the level of 0.05 to ensure that the model including the predictors improves the ability to predict the outcome compared to only using the intercept (O'Connell, 2006). Secondly the goodness of fit tests needs to turn out to be insignificant at the 0.05 level. That guarantees the model to be a good fit, meaning that the examined data actually is consistent with the fitted model (O'Connell, 2006, ReStore, 2011). Lastly the in corporate needs to be insignificant to show that the effect of the independent variables on the dependent variable are consistent across the different categories in the outcome variable (ReStore, 2011). This last test of parallel lines is highly sensitive and often turns out not to be fulfilled, which then requires alternative methods. Since all regression models fulfill the outlined requirements, including the sensitive test of parallel lines, the powerfulness of the established models is underlined (O'Connell, 2006). However testing for interaction effects (appendix 2.0) reveals that the majority of interaction effects does not fulfill the three assumptions of ordinal logistic regression and can therefore not be interpreted reliably.

Building the regression models is a stepwise process (tables 7.0-9.0). Four models (1a-1d) were constructed first, each looking at one competition criterion. Six models were designed combining two of the decision criteria at a time (1e-1j). Further four models include three independent competition criteria simultaneously (1k-1n). Finally the last regression model combines all four criteria (1o). Looking at the tables 7.0 to 9.0, the first set of variables display the control variables. These are venture form, venture age and prize amount of the competition. Below the control variables, the independent variables that are observed in the particular model are presented. The first value indicates the regression coefficient. The second value displayed in parentheses displays the odds. In order to test the hypotheses established in the theory section, the regression coefficients should be transferred into odds coefficients for better interpretation. This is a standard procedure in ordinal logistic regression (Lund Research Ltd, 2013). Further below in the tables 7.0 to 9.0 the -2 log likelihood value shows whether the final model represents a significant improvement compared to the baseline intercept-only model (ReStore, 2011). All models show a significant chi-square statistic at the 0.001 level for the -2 log likelihood. Finally the last row displays the Pseudo R². In linear regression the R² stands for the proportion of variance in the dependent variable that can be explained by the independent variables. A larger R² means that the model can explain a higher

proportion of variation. However ordinal logistic regression does not provide the same statistic. Alternatively the approximation called Pseudo R² is displayed. In general there are three commonly used measures of the Pseudo R². They are referred to as Cox and Snell, Nagelkerke and McFadden. Tables 7.0-9.0 display the Pseudo R² Nagelkerke and McFadden. Pseudo R² Cox and Snell is less usable because the upper bound value is less than one, which makes interpretation more difficult. Pseudo R² Nagelkerke is the adjusted Pseudo R² Cox and Snell measure. It is a correction so that the upper bound could possibly become one. However it provides relatively high scores. Therefore researchers suggest relying on the more conservative Pseudo R² McFadden (ReStore, 2011; Allison, 2013). The values found in the models are discussed in order in the hypotheses testing section 4.2.1.

Table 7.0: Regression Models 1a-1d

Regression Models	1a	1b	1c	1d				
Control Variables								
Venture Legal Form								
Non-Profit-Hybrid	-0.670	(-1.954)	-0.818	(-2.266)	-1.060*	(-2.886*)	-1.028*	(-2.795*)
Hybrid-For-Profit	1.029	(2.798)	1.277	(3.586)	0.908	(11.929)	0.762	(2.142)
Venture Age								
<1 year - 1-5 years	-1.310	(-3.706)	-1.551	(-4.716)	-0.776	(-2.173)	0.818	(-2.266)
1-5 years - > 5 years	-0.692	(-1.998)	-0.867	(-2.380)	-1.072*	(-2.921*)	-0.919	(-2.507)
Prize Amount	-1.285E-5	(-1.013)	-4.519E-6	(-1.004)	-7.902E-6	(-1.008)	-3.983E-5**	(-1.041**)
Independent Variables								
Solution	0.262***	(1.299***)						
Growth		0.274***	(1.315***)					
Social Impact			0.115***	(1.122***)				
Partnerships				0.204***	(1.226***)			
-2 log likelihood	161.470***	166.463***	193.463***	175.125***				
Pseudo R²								
Nagelkerke	0.450	0.378	0.241	0.345				
McFadden	0.245	0.196	0.116	0.175				

N = 126

* p < .05; ** p < .01; *** p < .001

() The odds are calculated by the following formula: odds=e^(regression coefficient).

Table 8.0: Regression Models 1e-1j

Regression Models	1e	1f	1g	1h	1i	1j						
Control Variables												
Venture Legal Form												
Non-Profit-Hybrid	-0.732	(-2.079)	-0.819	(-2.268)	-0.887	(-2.428)	-0.996	(-2.707)	-1.013	(-2.754)	-1.152*	(-3.165*)
Hybrid-For-Profit	1.133	(3.105)	0.760	(2.138)	0.694	(2.002)	1.041	(2.832)	0.921	(2.512)	0.611	(1.842)
Venture Age												
<1 year - 1-5 years	-1.647	(-5.191)	-1.107	(-3.025)	-1.176	(-3.241)	-1.252	(-3.497)	-1.354	(-3.873)	-0.602	(-1.826)
1-5 years - > 5 years	-0.701	(-2.016)	-0.764	(-2.147)	-0.704	(-2.022)	-0.964*	(-2.622*)	-0.884	(-2.421)	-0.978*	(-2.659*)
Prize Amount	-8.342E-6	(-1.008)	-1.036E-5	(-1.010)	-2.989E-5*	(-1.030*)	-2.397E-6	(-1.002)	-2.571E-5*	(-1.026*)	-3.280E-5**	(-1.033**)
Independent Variables												
Solution	0.204***	(1.226***)	0.240***	(1.405***)	0.223***	(1.250***)						
Growth	0.155**	(1.168***)					0.242***	(1.273***)	0.223***	(1.250***)		
Social Impact			0.071*	(1.074*)			0.079**	(1.082**)			0.175***	(1.082***)
Partnerships					0.143***	(1.154***)			0.148***	(1.160***)	0.079**	(1.191**)
-2 log likelihood	182.138***		186.176***		177.364***		194.058***		184.958***		199.171***	
Pseudo R²												
Nagelkerke	0.498		0.481		0.522		0.421		0.468		0.391	
McFadden	0.279		0.266		0.298		0.225		0.257		0.205	

N = 126

* p < .05; ** p < .01; *** p < .001

() The odds are calculated by the following formula: odds=e^(regression coefficient).

Table 9.0: Regression Models 1k-1o

Regression Models	1k	1l	1m	1n	1o					
Control Variables										
Venture Legal Form										
Non-Profit-Hybrid	-0.880	(-2.411)	-0.930	(-2.535)	-0.978	(-2.659)	-1.116	(-3.053)	-1.018	(-2.767)
Hybrid-For-Profit	0.867	(2.380)	0.784	(2.190)	0.547	(1.728)	0.796	(2.217)	0.641	(1.898)
Venture Age										
<1 year - 1-5 years	-1.466	(-4.332)	-1.496	(-4.464)	-1.031	(-2.804)	-1.142	(-3.133)	-1.365	(-3.916)
1-5 years - > 5 years	-0.788	(-2.199)	-0.720	(-2.054)	-0.748	(-2.113)	-0.936	(-2.550)	-0.769	(-2.158)
Prize Amount	-6.451E-6	(-1.006)	-2.38E-5	(-1.024)	-2.652E-5*	(-1.027*)	-2.166E-5	(-1.022)	-2.101E-5	(-1.021)
Independent Variables										
Solution	0.192***	(1.213***)	0.181***	(1.198***)	0.211***	(1.235***)			0.175***	(1.191***)
Growth	0.144***	(1.155***)	0.132*	(1.141*)			0.205***	(1.228***)	0.126*	(1.134*)
Social Impact	0.062*	(1.051*)			0.050	(-1.051)	0.057	(1.059)	0.044	(1.045)
Partnerships			0.128**	(1.137**)	0.130**	(1.139**)	0.133**	(1.142**)	0.117**	(1.124**)
-2 log likelihood	178.878***		172.494***		175.619***		183.771***		170.608***	
Pseudo R²										
Nagelkerke	0.518		0.550		0.535		0.486		0.559	
McFadden	0.295		0.320		0.308		0.270		0.327	

N = 126

* p < .05; ** p < .01; *** p < .001

() The odds are calculated by the following formula: odds=e^(regression coefficient).

4.2.1 Hypotheses Testing

The research question asks to what extent the information content of a social venture's business plan application influences the cognitive legitimacy and therewith the outcome in a funding competition. To answer this question, the business applications of 126 social ventures were examined. Content analysis was applied to provide material to statistically test whether information content on solution, growth, social impact and partnerships have an influence on the funding outcome. Ordinal logistic regression was applied to compare different models step by step.

Models 1a to 1d (table 7.0) show how a single explanatory factor affects the funding outcome. Model 1a shows a model with only solution as an independent variable in it. Hypothesis 1 predicts that the higher the cognitive legitimacy of a social venture is, derived from its solution-related information content, the higher is the likelihood of a funding success. The analysis shows that an increase in the rates of the information content on solution is associated with an increase in the odds of the dependent variable (meaning to rise from a participant to become a finalist or from a finalist to become a winner) with an odds ratio of 1.299, Wald $\chi^2=37.583$ and $p<0.001$. The statistic indicates that if the solution related information content increases by one the odds of the dependent variable increase by 29.9% regardless of the values of the other independent variables. Therefore H1 is supported. In this first scenario the judges consider a particular application only looking at the content that deals with the solution that the particular venture provides to a social need. Following the statistical results, an application's chance to win the funding increases with an increase in quantitative and qualitative content that deals with the solution. The more information is delivered considering the new product/service offering, including specific actions and details to solve a social problem, the better the judges are able to understand the organization and the field of operation. That positively influences the level of the judges' cognitive legitimacy because doubts are minimized. Further the information helps to bridge the knowledge gaps, which external parties have about nascent social ventures. In turn an enhanced cognitive legitimacy perception increases the chance of funding. Especially unique ideas and the exemplification of working models add to the understanding of the external evaluator. It improves the likelihood to turn from a participant into a finalist or from a finalist into a winner. Conceptual and tangible solutions as well as quantitative facts related to the solution add up to an improved comprehension. The degree of innovation described to perform an activity in a new way or the provision of an improvement to the field in the application increases the qualitative rate for solution-related content and leads to better chances of funding. In this model, the control variables do not turn out to be significant. Overall including solution as the only explanatory variable results in a Pseudo R² McFadden of 24.5%. It means that 24.5% of the variation in the funding outcome can be explained by investigating only solution-related information content.

Model 1b (table 7.0) shows a model with only growth as an independent variable in it. Hypothesis 2 predicts that information content on growth also positively influences the funding outcome. The statistical analysis demonstrates that information content on growth is associated with an increase in the odds of the dependent variable with an odds ratio of 1.315, Wald $\chi^2=29.351$ and $p<0.001$. Accordingly H2 is supported. In this second scenario the judges would consider a particular application only looking at the content that deals with the organizational growth that the particular social venture is aiming for. Following the statistical results, an application's chance to win the funding increases with an increase in quantitative and qualitative content that deals with growth. The more information is delivered considering the future objectives of the social venture, the likelier is a positive funding outcome. Detailed descriptions of future activities and key milestones that lie in the future enhance the

understanding of the judges about how the organization plans to expand in the future and enable more impact. Additionally content that describes how the organization is measuring and evaluating growth adds to the level of understanding. If the perception of understanding rises, the level of cognitive legitimacy also increases, which advances the chances of proceeding from being a participant to a finalist or to a winner. In this model, the control variables do not turn out to be significant. Principally including growth as the only explanatory variable results in a Pseudo R² McFadden of 19.6%. It means that 19.6% of the variation in the funding outcome can be explained by investigating solely growth-related information content.

Model 1c (table 7.0) shows a model with only social impact as an independent variable in it. Hypothesis 3 investigates whether content on social impact in the business plan applications of social ventures has an impact on the judges' cognitive legitimacy and therewith the funding outcome. The results indicate that information content on social impact is associated with increasing odds in the dependent variable with an odds ratio of 1.122, Wald $\chi^2=16.908$ and $p<0.001$. Therefore H3 is supported. In this third model the applications are evaluated only from the angle of social impact that the venture has already achieved and is predicting to achieve in the future. Following the statistical results, an application's chance to win the funding increases with an increase in quantitative and qualitative content that deals with the social impact. The more information is delivered considering the conceptual impact or actual events that took place, the better the judges are able to envision what the organization can achieve. This is of high importance since a standardized understanding of the field of social entrepreneurship is not common yet. There are no norms an external party could rely on to judge one venture to be better than the other. Measures well known in commercial entrepreneurship like return on investments do not exist in the social sector. Therefore a detailed description of the successful outcome of specific actions and how they are measured contributes to the understanding. If the social venture's impact is comprehended well this increases the level of cognitive legitimacy and in turn delivers brighter prospects for funding. Especially nascent ventures should try to establish that level of comprehension by specifying the impact in the future and the measurement thereof. In this model, the control variables venture legal form and age are only slightly significant at the level of 0.05. Above all including social impact as the only explanatory variable results in a Pseudo R² McFadden of 11.6%. It means that 11.6% of the variation in the funding outcome can be explained by investigating solely social impact-related information content.

Model 1d (table 7.0) presents a model with only partnerships as an independent variable in it. Hypothesis 4 investigates whether information content on partnerships in the social ventures' business plans is associated with higher cognitive legitimacy and in turn with a positive funding outcome. The ordinal logistic regression results report that information content on partnerships is associated with increasing odds in the dependent variable with an odds ratio of 1.226, Wald $\chi^2=26.543$ and $p<0.001$. Thus H4 is supported. In this fourth model the applications are evaluated only by looking at the business plan applications' content that talks about the partnerships of the ventures. Following the statistical results, an application's chance to win the funding increases with an increase in quantitative and qualitative content that deals with the partnerships. The more information is delivered considering the partners, the better the judges are able to seize the importance and reliance on partnerships in the social venture's network. If the operations and relationships are clearer, the level of cognitive legitimacy rises. Subsequently this leads to improved chances of funding. In particular listing the partners, either by conceptual or brand names and establishing credibility for those partners positively increases the rate of information content on partnerships. Further well-established plans describe the contribution of the partner and establish a link between the

partner's work and the impact. Quantitative facts that underline the working relationship certainly upgrade the value of the application. In this model, the control variables venture legal form and prize are only slightly significant at the level of 0.05. Above all including social impact as the only explanatory variable results in a Pseudo R² McFadden of 17.5%. It means that 17.5% of the variation in the funding outcome can be explained by investigating solely partnerships-related information content.

Summarizing, when comparing all four explanatory variables with each other it is noticeable that as a single explanatory variable in a model, solution (1a) seems to explain most of the variance in the outcome with a statistically significant odds coefficient of 1.299 and the highest Pseudo R² (McFadden) ratio of 0.245. This is followed by growth (1b: odds=1.315; Pseudo R² (McFadden)=0.196), partnerships (1d: odds=1.226; Pseudo R² (McFadden)=0.175) and social impact (1d: odds=1.122; Pseudo R² (McFadden)=0.116).

As indicated earlier further models were built to see how the independent variables, the competition criteria, behave when they are put together into a model. Six models were designed combining two of the decision criteria at a time (table 8.0). Out of the six models, model 1g is most representative. It includes the explanatory variables solution and partnerships, which turn out to be significant at the level of 0.001. This model displays a Pseudo R² (McFadden) value of 0.298, meaning that the model can explain 29.8% of the variance in the funding outcome. The combinations of solution and growth (1e), solution and social impact (1f) and partnerships and growth (1i) all have a Pseudo R² (McFadden) ratio between 25% and 27%. The pairs of growth and social impact (1h) and partnerships and social impact (1j) only yield Pseudo R² (McFadden) ratios below 25%. Further four models include three independent competition criteria simultaneously (table 9.0). Model 11, which combines the explanatory variables solution with partnerships and growth, results in the highest Pseudo R² (McFadden) ratio of 32.0%. This means that model 11 has the highest explanatory power compared to the others as it can explain 32.0% of the variance in the funding outcome. Noticeable in these former models is that the control variables are not significant anymore. Finally the last regression model combines all four criteria (1o). The result shows that compared to the last described model (1l), adding social impact increases the Pseudo R² (McFadden) ratio by 0.7%, although the estimate for growth (0.044) turns out to be insignificant at the 0.05 level. Overall model 1o delivers the most significant result in terms of predicting the funding outcome with a Pseudo R² (McFadden) value of 32.7%. This model has the highest explanatory value out of all the constructed models.

This additional test of putting two, three and four explanatory variables into one model supports the findings of testing H1-H4. The results underline that information content on solution is associated with increasing odds in the dependent variable with an odds ratio of 1.191, Wald $\chi^2=12.977$ and $p<0.001$. Further the information content on partnerships is associated with increasing odds in the dependent variable with an odds ratio of 1.124, Wald $\chi^2=7.940$ and $p<0.01$. Moreover information content on growth is associated with increasing odds in the dependent variable with an odds ratio of 1.134, Wald $\chi^2=5.102$ and $p<0.05$. Lastly information content on social impact is also associated with increasing odds in the dependent variable with an odds ratio of 1.045 and Wald $\chi^2=1.881$. However this odds ratio is not statistically significant. Looking at a social venture's application to a business plan competition, this means that content that deals with solution most significantly influences the level of understanding and therewith the cognitive legitimacy of the judges. This is followed by information about growth plans and material on the partnerships and networking behavior. Lastly reporting about the social impact contributes positively to the final outcome, although in a combined model the contribution is not significant anymore.

5. Discussion

The discussion section first of all evaluates the findings. In addition it sums up the theoretical as well as practical implications of the study. Besides that it outlines the limitations of the research and highlights how future research could enhance the findings of this thesis.

5.1 Findings

The results show that the type of information content presented in a social venture's business plan application to a funding contest significantly influences the outcome of the competition. The operationalization of cognitive legitimacy by inquiring the information content on specific parts of the business plans that deal with solution, growth, social impact and partnership delivers significant results. The analysis reveals that explaining the solution, which a social venture can offer to serve unsatisfied needs, is most influential when business plans are evaluated in a competition. According to the theory of cognitive legitimacy a common basis of understanding is missing in the social entrepreneurship sector, as it is a field of lacking norms and measurements. Therefore judges cannot rely on institutionalized judgments to grant a funding but the perception of the degree of understanding is much more valuable. Prior to making a judgment about the social venture, it is fundamental to first understand the activities. Only when the business operations are comprehensible to the audience, the venture is perceived legitimate on a cognitive level, which in turn increases the chance of funding. For the applications of social ventures this implies a higher number and quality of statements about the new offer in terms of a product or a service, enhance the understanding about the venture and hence the venture is likelier to be perceived as cognitively legitimate. The descriptions of specific actions, which are required to carry out, positively contribute to this concept. Answers to the questions in the application format that talk about the solution including the venture's working model, have the highest explanatory value in analyzing how the judges classify the applications into the three different categories.

Since in a competition the published criteria already indicate that the judgment is a multi-attribute analysis procedure where a combination of criteria leads to more powerful results, the explanatory factors make more sense when considered simultaneously. When combining all four attributes together, a social venture's statements in the application for funding that deal with scaling of the organization and describe activities to grow are second most important for the judges to perceive the organization as cognitive legitimate. This is followed by content on the established partnerships. It is third most influential to write about the activities carried out through or together with partners. The result that information about partnerships is a decisive criterion is congruent to Meyskens's (2010) results, which indicate that there is a significant positive relationship between partnerships and competitive advantage in social ventures. Especially the demonstration of diversity in partnerships is found to be influential there.

Information content on social impact, consisting of demonstrated and predicted social impact, has the lowest explanatory value. It means that written material on the impact that a social venture accomplishes does not statistically contribute to whether a participant proceeds to become a finalist or for a finalist to become a winner, when it is considered simultaneously together with the three factors to be judged upon. This finding is striking because logically one would assume that in a competition that primarily deals with entrepreneurial ventures that aim to provide solutions to social problems, the impact is one of the factors that distinguish one venture from the other. The expectation here would be that the venture, which can provide evidence for the greatest impact, has better opportunities to receive a grant. However as a result of this study, it is argued that this discovery does not mean that written information on social impact has no positive value at all. Instead the descriptive statistics show that on

average most of the applicants' answers in the analyzed extracts from business plans deal with the social impact and talk about it in one way or the other (mean=10.44). But apparently that is the case in all three groups of applications, so for participants, finalists and winners. In the end it does not qualify as a differentiating factor, but forms a fundamental part of the content provided in a social venture's business plan.

Overall the research reveals that providing information on solution, growth and partnerships increases the understanding about what a social venture primarily does and wants to achieve. All three factors significantly increase the cognitive legitimacy of the judges. Most powerful effects on the funding outcome have information content on solution, followed by growth and partnerships. Consequently it is most essential to achieve a right balance of content provided in an application to lead to a positive funding outcome. Nagy et al. (2012) find support that impression management behaviors are positively related to obtaining cognitive legitimacy. They mean demonstrating competence and the ability to be successful can influence the cognitive legitimacy perception of external stakeholders. In turn the increased perception of cognitive understanding reduces uncertainty in external stakeholders. This finding is in line with the model constructed and tested in this thesis, where impression and therewith comprehension is trying to be managed within a business plan application. Considering the control variables, the final model shows, that the venture age, the legal form and the prize of the competition do not influence the funding decision. Meyskens (2010) cannot find support for the hypothesis that non-profit social ventures have greater competitive advantage than hybrid or for-profit organizations. This goes along with the findings in this thesis, as the control variable legal form is not significant in the final model. However Meyskens (2010) concludes from an analysis of business plans that hybrid social ventures have competitive advantage over the other two types. This thesis does not find support for that, which could be the case because the sample is not balanced in terms of legal form. This can be better controlled for when analyzing a sample that is equally spread over the three legal forms.

5.2 Theoretical Contribution

An increasing need for more and improved resources to support social ventures in their emergence and growth (Kickul & Lyons, 2015) underlines the fact that the field of social entrepreneurship is very relevant nowadays. The current ecosystem of funding for social ventures is very restricted (Austin, 2006; Meyskens, 2010). This study acts on the suggestion to further contribute to the field of social entrepreneurship by surveying the challenge of funding and a potential solution provided through business plan competitions. A question, which those business plan competitions leave unsettled in literature, is how those funding decisions are made. What are the criteria they are based on? The reasons why one social venture wins a competition compared to another one are still underexplored (Van Slyke & Newman, 2006). Ambiguity prevails about what are the criteria that are used for funding decisions (Grimes, 2010; Navis & Glynn, 2011) and which behaviors lead to which kind of financial support (Suddaby & Greenwood, 2005). The analysis of business plan applications to a funding competition is promising because the results address exactly that current gap in the literature.

Applying the theory of cognitive legitimacy adds value to the extant literature because so far social entrepreneurship is not characterized by a normative logic as compared to commercial entrepreneurship (Nicholls, 2010). Prior to making a judgment, the judging party first needs to understand the activities of the applying social venture. If an organization's existence, including its actions and structures, is perceived to be well understood, the less uncertainty will be attached by external observers to the organization itself (Shepherd & Zacharakis, 2003). In turn closing the knowledge gap decreases the level of ambivalence and has a

positive influence on decision-making. In the present study, this line of thinking is submitted to empirical verification. Hereby the thesis offers a new operationalization for cognitive legitimacy in the context of business plan competitions. This approach is followed by scrutinizing information content on four judgment criteria and how they affect the level of cognitive legitimacy and therefore the funding outcome. The thesis presents one of few empirical investigations of judging criteria in funding decision-making related to social ventures. The findings support the argument that the higher the perceived cognitive legitimacy of the judges is, the likelier is the chance of winning the competition. This empirically supports the theory of cognitive legitimacy, seeing it as the basic first form of legitimacy that a social venture needs to claim to be successful (Shepherd & Zacharakis, 2003; Bitktine, 2011). Focusing on the comprehensive source of legitimacy helps to understand how a venture can be more competitive. If a judge cannot comprehend the idea and actions of the social venture, the venture fails in legitimizing what it is doing. Focusing on cognitive legitimacy moves beyond the investigation of legitimization success and failures from an institutionalized perspective and places the agency on the side of the applying venture rather than the judging committee.

The results of this thesis aim to contribute to the body of literature that deals with the relationship between applicants' behavior in funding decisions and the effect on cognitive legitimacy. It advances the understanding on social ventures that try to attract funding from fellowship organizations. It can also contribute to the general understanding of funding decisions of other institutions than fellowship organizations. Until today many researchers only examine the phenomena of funding decisions from one perspective. For their analysis they apply the view of a winner, a venture which was able to secure funding in order to evaluate what they have done right. However what is underrepresented in the literature and intentionally addressed in this thesis is to draw a more accurate picture of successful and unsuccessful ventures, in terms of securing funding behavior (Zahra et al., 2009; Moss et al., 2010; Katre & Salipante, 2012). Meyskens et al. (2010) suggest enhancing the future research on social entrepreneurship funding by adding a control group. This research exactly makes use of the requested approach by contrasting three different groups in terms of successful and unsuccessful securing of funding. Additionally by investigating a comparatively large sample of applications to an internationally oriented organization, the research makes an attempt to overcome the drawbacks of research in which social venture funding decisions are taking place on a small scale national level only (Moss et al, 2010). Overall the results help researchers to gain additional insights into how the funding outcome can be influenced by the information provided in social ventures' business plans that affect the level of cognitive legitimacy.

5.3 Practical Contribution

This thesis on social ventures' business plan applications to funding competitions provides insights on how to overcome one of the major challenges identified in the survival and growth of social ventures. The findings are particularly aimed at those social entrepreneurs that face the difficulty of attracting funding. The results of this thesis identify the criteria that judges put most value on when scrutinizing social ventures' business plans in order to enable social entrepreneurs to formulate and optimize their business plans accordingly. It turns out that information content on the solution that the social venture provides is most determining when purposefully trying to increase the judges' cognitive legitimacy perception and therewith the funding decision. The solution should hold a description of the specific actions that a social venture is undertaking. Qualitative observations show that the content on solution also include the exemplification of a working business model and a summary of the primary activities. Further the solution cannot stand-alone but needs to be rationalized by elucidating the

problem to which the solution provides an innovative approach. As a second decisive factor, information content on growth is identified. It is highly important for a social venture that applies for funding to outline how the organization plans to operate in the future and demonstrate how the financial capital will be deployed. Information content on growth mostly broaches the issues of milestones and the realizations thereof. A third factor that social entrepreneurs should emphasize on is the partnerships they carry out. Statements that name the partner and how they cooperate together are higher valued than simply mentioning partners on a conceptual level. Social entrepreneurs should outline how partnerships are critical to their success. Even though social impact does not turn out to be significant in this study, the descriptive statistics highlight that on average each application comprises most content on the impact. Therefore it is essential to transmit the message to the judges how the solution provided will affect a certain circumstance or target group. The social footprint should not be underestimated. Instead it should rather be seen as a keynote that is a requirement for every application. In sum, a critical reflection on what type of information is provided in a business plan can help a social entrepreneur to ensure the optimal balance between the decisive criteria, where most attention should be given to the solution provided.

Providing the social ventures with useful tips on how to improve their business plan applications is advantageous for them to have better chances of winning a grant. Besides the four criteria, especially in the investigated competitions, completeness is an additional critical factor. Where no content is provided, logically no positive influence can be reached. Supplemental, especially in competitions where public voting is at stake, the translation into any other language than English can gain additional votes as the target group increases. Once financial capital is ensured, that will most likely enable social entrepreneurs to attract further resources, such as human capital or material.

5.4 Limitations and Future Research

One limitation in this study is the subjectivity of the researchers. First of all the purposive homogeneous sampling of the participants is based on the researchers' judgment whether a certain application fits the published criteria. Introducing the rule that at least two criteria must be a fit softens the subjectivity here. However convenience sampling of social ventures has limitations in that it might not be representative of a certain phenomena or it could contain biases (Krippendorf, 2004). The process could be enhanced by adding more criteria to check when selecting applications or by adding more researchers who independently need to follow the same funneling process. The same subjectivity can be a limitation when it comes to coding and rating. Subjectivity is an essential part of content analysis but this thesis tries to establish transparent coding and rating schemes that enhance the coders' objectivity. However in order to increase the powerfulness of the study, the coding and rating schemes could be first validated from more than two independent coders, for example from experts in the field. Additionally a simultaneous coding and rating of more than two independent coders would enhance the complete coding and rating process. Demonstrating an intercoder reliability calculation could serve as a proof for a more reliable study, which can easily be replicated and yield the same results (Neuendorf, 2002).

Further to increase the generalizability of the study, a cross-cultural comparative study could deliver new insights about whether the same factors affect the funding decisions in different regions. Hereby the judgment procedure in a funding competition for social ventures is always understood as a multi-attribute analysis procedure. Four criteria have been elaborately investigated in this research. However there are potentially more criteria in the business plan applications that could have an effect on the funding outcome. First of all, when reading the business plans it was noticeable that the description of competition varied a lot. There were

plans that completely ignored the competition or others which listed the direct competitors in detail. More elaborate plans even explained the competitive advantage that the particular organization has over the competitors. Applying content analysis to the information content that deals with the competition gives an insight about how judges perceive the applicant's awareness of the external environment. Knowing well what is happening in the surrounding, can give the judges a more accurate picture about the opportunities and threats that a venture is facing. Secondly, comparing whether the number of people affected by the venture has an influence on the funding outcome can extend the research on the criteria of social impact. This variable was not possible to include in this study because the information was not fully provided. But future research could investigate whether this addition leads to a significant effect of social impact on the funding outcome. As a third explanatory variable to build on, the prize amount should be investigated more in-depth. This thesis only compares two different prize amounts with each other and does not find a significant effect. But the research could be repeated with applications to competitions with higher prize amounts. This could be done to see whether the control variables become significant, like for example if it is the case that only older ventures, in terms of age and stage, receive high prize amounts. In this study the age does not turn out to have significant effect but that could be due to the sample size.

As the social entrepreneurship sector displays a nascent field, gaining funding is a major challenge. It would be helpful if one could figure out if business plan competitions are rather beneficial for younger or more established ventures. Different groups of ventures at diverse ages need to be investigated to see whether the level of cognitive legitimacy is related to the factor of age. Does recently established mean a lower level of cognitive legitimacy versus longer existing ones? Here the question whether predicted social impact has the same influence as actually realized impact is also interesting to consider. This knowledge could be helpful for social ventures at different stages to know whether they should consider business plan applications as an alternative method of funding or not. At this point a question arises that is not treated in this study. Unknown so far is whether business plan competitions really function as an alternative method of funding for social ventures. After all a social venture that manages to win one of the offered prizes, is only supported one-time. It would be interesting to see how those winning ventures develop in the long-term as compared to social ventures, which secure funding through corporate or venture philanthropy or even crowdfunding.

From a content analytical perspective besides considering the provided information in terms of what is presented, an additional insightful activity is to observe how that information content is presented. This is referred to as discursive analysis, which is deemed to give information about what is perceived legitimate as opposed to illegitimate (Vaara et al., 2006). Discursive analysis is a method to analyze what role language plays in legitimization (Vaara et al., 2006). For example it is differentiated between statements that are built on the underlying basis of rationalizations, authorizations or narrativizations that claim to enhance legitimacy (Van Leeuwen & Wodak, 1999; Vaara et al., 2006). The idea of discourses goes along with the strategic perspective of legitimization because both represent the social venture as having power of construction (Ahl, 2004, Phillips et al., 2004). Particularly in entrepreneurship (Parkinson & Howorth, 2008) and more specifically social entrepreneurship discursive strategies are not commonly used in research yet and therefore an extension of this research in terms of discourse analysis could enhance the understanding of funding decisions in social entrepreneurship.

5.5 Conclusion

The main research question is to what extent the information content of a social venture's business plan application influences the cognitive legitimacy and therewith the outcome of its

application to a funding competition. The problem arises from one of the major challenges that social ventures face nowadays. The ecosystem of funding for social ventures is very limited. The attraction of funding in order to emerge or grow is a major difficulty. One of the primary reasons for that is a lack of legitimacy. The theory of legitimization leads to the insight that from a strategic legitimacy perspective, social ventures apply best to be evaluated from a cognitive legitimacy angle, as they lack understanding of the field and activities in general. In order to answer the research question a sample of 126 business plan applications is derived. Four criteria are identified in the literature to be influential when judges build their funding decisions. These four criteria are solution, growth, social impact and partnerships. Content analysis is applied to qualitatively and quantitatively assess how those four criteria are approached in order to be influential in the social venture's business plan applications. The business plan applications were studied thoroughly in order to develop a coding scheme to enhance reliability. To enable statistical analysis the coded segments are assigned with weights based on a rating scheme derived from the observations. That allows for quantitative analysis. Ordinal logistic regression is applied to investigate how every individual criterion influences the funding outcome and how they behave in combination. The results clearly indicate that information content related to the solution offered by the social venture has most significant influence on the cognitive legitimacy perception of the judges and therewith the funding outcome. The more, in terms of quantity, but also in depth, in terms of quality, information is provided to the judges about the new product or service offered including the working business model and primary activities, the better the judges are able to comprehend the organization's functioning. This leads to an increase in the level of cognitive legitimacy, which in turn enhances the chances of winning the competition's prize. But also content on growth and partnership is essential to complement the information. The applying venture needs to outline where it sees itself in the future and how exactly that can be achieved. Giving a realistic insight into how the organization is placed in a network of partners further contributes to the judging committee's level of comprehension. The three components should be balanced well in any application that aims to win the funding. The fourth independent variable investigated in this thesis, is social impact. The results underline that the factor is seen as a keynote that is a requirement for every application, but that statistically speaking does not differentiate a participant from a finalist, or a finalist from a winner. Overall the findings should help social entrepreneurs to focus their funding application's writing and sensitize them to how decisions are finally made. This thesis aims to contribute to the so far under-researched body of literature that deals with the criteria and judgment procedures in funding decisions of social ventures. It advances the understanding on social ventures that try to attract funding from fellowship organizations. Until today many researchers only examine the phenomena of funding decisions from the perspective of a winning organization. This thesis overcomes this shortfall by scrutinizing three different levels of applications to a funding competition, which leads to significant findings.

6. References

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Appendix

Appendix 1.0: Rating Schemes

Appendix 1.1: Rating Scheme for Solution

Code	Rating scheme
Solution	<ul style="list-style-type: none">- Unique ideas, solutions, working model presented (1 point)- Compound sentences with conceptual or tangible solutions (up to 2 ideas = 1 point, 3 ideas = 2 points, ≥ 4 ideas = 3 points). Here the quantitative facts will increase the number of points for the tangible outputs.- Meaningful quantitative fact (1 point)

Appendix 1.2: Rating Scheme for Growth

Code	Rating scheme
Growth	<ul style="list-style-type: none">- Specific activity that lies in the future with the intention to grow the organization and/or the impact (1 idea = 1 point)- Compound sentences with conceptual or tangible future milestones and steps (up to 2 ideas = 1 point, 3 ideas = 2 points, ≥ 4 ideas = 3 points). Here the quantitative facts will increase the number of points for the tangible outputs.- Meaningful quantitative fact (1 point)

Appendix 1.3: Rating Scheme for Social Impact

Code	Rating scheme
Social Impact	<ul style="list-style-type: none">- 'We did A and B' which resulted in C' (1 idea = 1 point). Here only the outcome/impact gets points not just any action.- Compound sentences with conceptual or tangible output (up to 2 ideas = 1 point, 3 ideas = 2 points, ≥ 4 ideas = 3 points). Here the quantitative facts will increase the number of points for the tangible outputs.- Testimonies, quotes, voice of customer or beneficiary (e.g. survey) (1 point)- Impact measurements (up to 2 ideas = 1 point, 3 ideas = 2 points, ≥ 4 ideas = 3 points)- Meaningful quantitative fact (1 point)

Code	Rating scheme
Projected Social Impact	<ul style="list-style-type: none">- Compound sentences with conceptual or tangible future output (up to 2 ideas = 1 point, 3 ideas = 2 points, ≥ 4 ideas = 3 points). Here the quantitative facts will increase the number of points for the tangible outputs.- Future impact measurements (up to 2 ideas = 1 point, 3 ideas = 2 points, ≥ 4 ideas = 3 points)- Meaningful quantitative fact (1 point)

Appendix 1.4: Rating Scheme for Partnership

Code	Rating scheme
Partnership	<ul style="list-style-type: none">- Brand name, Brand name with provided credibility, no-name (up to 2 = 1 point, 3 = 2 points, ≥ 4 = 3 points)- Idea about what the partner provides to the organization; idea what the organization provides to the partner; idea what they do together in partnership (1 point)- Meaningful quantitative fact (1 point)- Lists about conceptual features of partnership (up to 2 = 1 point, 3 = 2 points, ≥ 4 = 3 points)- Content about future partnerships (only 1 point plus quantitative facts)

Appendix 2.0: Interaction Effects

Ordinal Logistic Regression	Independent Variable	Estimate	Significance	McFadden	Assumptions
2.1	Solution	0.341***	0.000		Fulfilled
	Partnership	0.246**	0.001		
	Solution_x_Partnership	-0.011	0.063		
				0.310	
2.2	Solution	0.468***	0.000		Goodness-of-
	Growth	0.487***	0.000		Fit not
	Solution_x_Growth	-0.026**	0.004		fulfilled
				0.311	
2.3	Solution	0.503***	0.000		Test of
	Social Impact	0.315***	0.000		parallel lines:
	Solution_x_Social Impact	-0.020**	0.001		missing chi-
				0.319	square and
					significance
					value
2.4	Partnership	0.206*	0.010		Goodness-of-
	Growth	0.292**	0.002		Fit not
	Partnership_x_Growth	-0.007	0.381		fulfilled
				0.260	
2.5	Partnership	0.239**	0.002		Goodness-of-
	Social Impact	0.128*	0.026		Fit not
	Partnership_x_Social Impact	-0.005	0.314		fulfilled
				0.209	
2.6	Social Impact	0.225**	0.003		Goodness-of-
	Growth	0.429***	0.000		Fit not
	Social Impact_x_Growth	-0.015*	0.032		fulfilled
				0.244	
2.7	Solution	0.243***	0.000		Goodness-of-
	Partnership	0.171***	0.000		Fit not
	Growth	0.204**	0.002		fulfilled
	Solution_x_Partnership_x_Growth	-0.001*	0.025		
				0.336	
2.8	Solution	0.294***	0.000		Fulfilled
	Partnership	0.184***	0.000		
	Social Impact	0.111**	0.007		
	Solution_x_Partnership_x_Social Impact	-0.001	0.019		
				0.327	
2.9	Solution	0.321***	0.000		- Goodness-
	Growth	0.291***	0.000		of-Fit not
	Social Impact	0.179***	0.000		fulfilled
	Solution_x_Partnership_x_Social Impact	-0.001***	0.000		- Test of
				0.349	parallel lines:
					missing chi-
					square and
					significance
					value
2.10	Partnership	0.186**	0.001		Goodness-of-
	Growth	0.275***	0.000		Fit not
	Social Impact	0.103*	0.014		fulfilled
	Partnership_x_Growth_x_Social Impact	0.000	0.100		- Test of
				0.280	parallel lines:
					missing chi-
					square and
					significance
					value

N = 126 * p < .05; ** p < .01; *** p < .001