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# *Collaboration between social entrepreneurs and local governments: A causation and effectuation view*

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**Abstract** Social entrepreneurship is a rising phenomenon, and social enterprises play an increasingly important role in providing public services. Local governments are an inevitable partner in their endeavours, but the collaboration between the two has frequently proven to be arduous. Where classical research tends to appoint differing goals (social goals/profit) and differing risk preferences as main causes for barriers in public-private partnerships, this study argues that differing strategic decision making logics might form a suitable alternative explanation for barriers. Based on interviews with both social entrepreneurs and local government representatives, we find that social entrepreneurs primarily apply effectual logic, while local governments primarily apply causal logic. We discuss three different barriers caused by the use of different decision making logic, which give insight in the collaboration dynamics between social entrepreneurs and local governments. Firstly, social entrepreneurs are means oriented, while local governments are goals oriented. Secondly, social entrepreneurs and local governments seem to have a different understanding of strategic alliances. Finally, social entrepreneurs tend to focus on flexibility and exploiting contingencies, while local governments prefer to use existing knowledge, and try to avoid uncertainty by using rule-based decision making.

**Keywords** Social Entrepreneurship, Local Governments, Public-Private, Collaboration, Barriers, Effectuation, Causation.

*In remembrance of prof. dr. Paul Benneworth, who made valuable contributions in the early phases of this thesis, but unexpectedly passed away in May 2020.*

# Contents

# 1. Introduction

Social entrepreneurs play an increasingly important role in the provision of public services (Grønbjerg, 2001). The contribution of social entrepreneurs in tackling unmet socio-economic needs has gained recognition, and is regarded a viable addition to the services of established public institutions (Leadbeater, 1997). Also, scientific research agrees that local governments can no longer solve all societal problems themselves, but need collaboration with public and private parties, among others social entrepreneurs (Sørensen & Torfing, 2007). The axis for successful use of social entrepreneurs is a good relation with local authorities, among others because social entrepreneurs frequently fulfil needs that are the responsibility of the these governments. Therefore, 70% of the social entrepreneurs in the Netherlands indicate local governments (municipalities) as an important stakeholder (Social Enterprise NL, 2020).

Despite the importance of good relations between social entrepreneurs and local authorities, their partnerships are not always perfect (Social Enterprise NL, 2020). A survey among social entrepreneurs in the Netherlands has shown that the collaboration with municipalities is viewed as the major obstacle in the growth trajectory of social enterprises, mentioned by 32% of the respondents (Social Enterprise NL, 2019). A recent report of PwC has shown 7 mechanisms that hinder collaboration between social entrepreneurs and local governments in the Netherlands, ranging from a lack of recognition and acknowledgement from local governments to social enterprises, to different financing logics and different logics in flexibility (PwC, 2018, p. 12). The Dutch Social Economic Council (Sociaal-Economische Raad) published a report in which they state that social entrepreneurs are often pioneering innovative business models. The result is that these social enterprises not always fit into the existing system of laws and regulation, which can hinder the growth of these enterprises (Sociaal-Economische Raad, 2015, p. 78).

The imperfection of relations between social entrepreneurs and local governments have also been identified in scientific sources. Chalmers (2013) found that the conservative and risk-averse culture within (local) governments tends to raise barriers in collaboration with social entrepreneurs that use innovative business models. Gazley (2010) performed a research among non-profit executive directors, and found numerous factors that inhibit them from partnering with local government agencies. In their examination of challenges that social entrepreneurs face, Zahra, Gedajlovic, Neubaum, and Shulman (2009) mention, among others, that the novel and untested organisational models that social entrepreneurs frequently use, raise concerns about the accountability of the involved actors. For local governments, on the other hand, accountability is a major factor in decision making, because they need to be able to explain their actions to 'the public' (Nutt, 2006).

Weerawardena and Mort (2006) construct a constrained model for social entrepreneurship, which implies that managers should focus on proactive and responsive environmental management strategies, requiring innovativeness, proactiveness and risk management. Risk management, however, is mentioned by Weerawardena and Mort (2006) merely because social entrepreneurs need to get external parties, such as governments, on board to get access to resources, and risk management is necessary for this purpose. These studies suggest that local governments and social entrepreneurs have different frameworks for decision making, where social entrepreneurs are proactive, embrace novelty and untested business models, and are willing to take risks, while local governments consider accountability heavily in their decision making, and are generally more risk averse.

Inspired by these studies, we argue that social entrepreneurs and local governments use different decision making strategies, which introduces barriers in their collaboration. The rule-based structure in the public domain, mentioned by the Social Economic Council, asks for a rule-based decision making strategy. The context of social entrepreneurship, with its innovative business models and uncertain futures, does not fit within rule-based decision making, as it contains too much uncertainty to make rule-based decisions on. The more flexible decision making by social entrepreneurs causes a misfit, and this might harm collaboration. To operationalize the different decision making strategies we use the theory of Sarasvathy (2001), who identifies two seemingly opposing strategies, called causation and effectuation, in the context of entrepreneurship. This theory captures differences in risk taking and differences in view on flexibility, and therefore seems suitable to use as operationalisation of decision making strategies for this study.

Sarasvathy (2001) argues that a decision making problem is about different means, which, when applied in different combinations, can create different effects, that may or may not lead to reaching the intended goal. Using this terminology the effectuation and the contrasting causation processes can be described as follows (Sarasvathy, 2001, p. 245):

> 'Causation processes take a particular effect as given and focus on selecting between means to create that effect. Effectuation processes take a set of means as given and focus on selecting between possible effects that can be created with that set of means.'

Using these definitions of causation and effectuation, causation is often viewed as a goals-driven approach. First an effect (or goal) is set, followed by a plan that specifies which means are needed to create this effect. Then, the specified means are gathered and the plan is executed. This approach has the advantage that it is generally efficient, and progress is easily measurable. In contrast, effectuation is better described as a means-driven approach (Dew, Read, Sarasvathy, & Wiltbank,

2008). The process starts with identifying the means at hand, followed by the decision what effect to create using these available means. This completely different approach enables entrepreneurs to exploit contingencies that arise in the entrepreneurial context.

We argue that this difference in decision making logic may be one of the causes that social entrepreneurs and local governments face difficulties in their collaboration. Our research aims to uncover whether the collaboration between social entrepreneurs and local governments is influenced by their decision making strategies, using the research question:

> *To what extent do differences in decision making strategies raise barriers in the partnerships between local governments and social entrepreneurs?*

Our research has two main contributions. The first, practical, contribution is to give insight in the collaboration dynamics between local governments and social entrepreneurs, which can be used to improve their relations. The second, theoretical, contribution is to the field of social entrepreneurship research, by applying the causal and effectual framework to understand the opportunity conditions for social entrepreneurship. It also (partly) fills the gap identified by Short, Moss, and Lumpkin (2009), who state that the field of social entrepreneurship currently lacks integration with theory from other research streams.

In the remainder of this thesis we start with the development of a conceptual model, using theory on public-private partnerships, and causation and effectuation. Then we discuss the methods used in this study for data gathering and analysing, and we discuss our main findings based on the collected data. Finally, we interpret the main findings, and discuss the implications for practice, the research limitations, and suggestions for further research in the discussion chapter, followed by the conclusion.

# 2. Conceptual Model

We build this research on scientific literature in the field of public-private partnerships, and the field of effectuation and causation. First we discuss explanations of barriers in public-private partnerships that are identified in the existing body of research, and apply it in the context of social entrepreneurship. Then we argue why the different strategic decision making logics of public and private organizations might give more insight in observed barriers, followed by an operationalization of decision making logics using theory on effectuation and causation. Finally we present our conceptual framework, linking the discussed concepts.

## 2.1 Barriers in public-private partnerships

Barriers in partnerships between the public and private sectors are widely discussed in literature. However, social entrepreneurs are a rather specific group within the private sector, with fundamentally different interests than other private organisations. In this section we argue how many barriers in public-private partnerships do not hold for collaborations with social entrepreneurs, and the main barrier that holds is a difference in risk preferences.

In general terms, many researchers have discussed barriers in collaboration between the public and private sectors (Cinar, Trott, & Simms, 2019). The main barriers that the authors find are several forms of misaligned interest. For example, the private sector aims to achieve returns on invested funds, while the public sector aims to realize a social goal. In a collaboration, both parties involved seek for personal benefits as a result from collaborating. If private parties seek profits, while public parties seek to provide social services at minimum costs, their interests are opposing, which hinders collaborative decision making that benefits both parties (Klijn & Teisman, 2003). A second form of misaligned interests is that the private sector dares to take business risks to seize opportunities, while the public sector tends to minimize risk (Rosenau, 1999). For public organisations accountability in their processes is important, which generally makes them risk-averse, while private organisations are only judged based on their results, and are therefore willing to take risk if this can positively influence their results (Nutt, 2006). These different interests when comparing public and private organizations can lead to unsatisfactory collaborations, that incur financial costs, and the loss of control, flexibility and recognition (Huxham, 1993). Gazley (2010) argues that these different interests in public-private partnerships introduce the potential for mission-drift, loss of institutional autonomy or public accountability, greater difficulty in evaluating results, and the expenditure considerable time and resources. These barriers can cause public-private partnerships to be inefficient, or to become impossible.

The literature discussed above describes barriers that are either a direct result of differing interests, or barriers that become problematic when conflicts of interest arise. This makes sense in the context of public-private partnerships in general, but in the context of collaboration between the public sector and social entrepreneurs, conflicts of interest are less obvious. Social entrepreneurship has been broadly conceptualized as consisting of two main elements: an overarching social mission, and entrepreneurial creativity (Corner & Ho, 2010). It is similar to commercial entrepreneurship in that opportunities are recognized to create or innovate, which is a fundamental part of entrepreneurship in general (Austin, Stevenson, & Wei-Skillern, 2006). However, the clearest conflict discussed, being that private organizations primarily aim to make profit, and that public organizations primarily aim to realize social goals, does not hold in the context where the private party is a social entrepreneur. They also have the primary aim to fulfil social needs, while profit-making is of secondary importance, or not important at all. Because the goals of the partners are aligned in collaborations between the public sector and social entrepreneurs, conflicts of interest should be less likely to develop (Hinnant, 1995; Lovrich Jr, 1999; Rosenau, 1999). The main barriers that seem to hold in this context are those of different risk preferences, and different needs in terms of accountability. These barriers are not about having different goals, but about having different strategies of getting there.

The barriers that are caused by different risk preferences between the public and private sector are identified frequently in literature (e.g.: Biesbroek, Termeer, Klostermann, & Kabat, 2014; Brown, 2010; Brown & Osborne, 2013; Chalmers, 2013; Klijn & Teisman, 2003; Rosenau, 1999). Social entrepreneurs generally use innovative business models to tackle social problems, and if innovation involves the development and adoption of something new, then risk is inherent and necessary in the implementation process (Borins, 2001; Brown, 2010). Social entrepreneurs by definition face uncertainty in their futures, and generally lack a track record to prove their good performance, which increases the perceived risk in their endeavours. On the other hand, the public organizations they are partnering with, tend to be risk averse for multiple reasons (Sadler, 2000). The key word in explaining the risk aversion of public organisations is 'accountability', referring to the principle that public organisations must be able to explain to 'the public' why they make certain decisions. Public bodies do not mind to spend money, but public opinion is increasingly important when there are expectations of costs and benefits that fail to be realized (Klijn & Teisman, 2003). And since governments assume that the public is risk averse, they generally take a technocratic stance as it comes to innovation, and they avoid risk as much as possible when getting things done (Biesbroek et al., 2014; Eeten, Noordegraaf-Eelens, Ferket, & Februari, 2012; Renn, 2008).

Therefore, the appetite for risk is different between the public and private sector, which causes barriers in the collaborative process (Brown & Osborne, 2013).

## 2.2 From risk preferences to risk management

The different risk preferences between the public and private sectors are mainly caused by the principle of accountability that the public sector has to deal with. Researchers take this barrier as a given, and simply state that to overcome this barrier, public organisations need to accept more risk as it comes to social innovation and entrepreneurship (Brown, 2010; Chalmers, 2013). This might be true to some extent, but we argue that the difference in risk preferences is only part of the problem, and that a difference in risk management-, or decision making strategies might describe the problem better. These differences in risk management and decision making approaches might make effective collaboration difficult, while the goals of social entrepreneurs and local governments are aligned, and their risk appetites not necessarily opposing.

Because the public sector is generally risk averse, their risk management mechanisms tend to be rigid. When public organizations partner with private organizations to deliver public services, they require mechanisms that make sure that the private partner takes over the accountability that a public organization needs (Rosenau, 1999). In democratic theory, a central principle is that leaders and governments be held accountable for their actions, and the same goes for the partnerships they engage in. The most used meta-mechanism to achieve this accountability take-over, is laws and regulation (Brown, 2010; Rosenau, 1999). The rationale is that giving the private partners (e.g. social entrepreneurs) a tight regulation framework, avoids that these partners develop activities that are undesirable, or can be seen as unaccountable. Rosenau (1999, p. 25) states that 'partnering success is more likely when (a) key decisions are made at the very beginning of a project, and set out in a concrete plan, (b) clear lines of responsibility are indicated, (c) achievable goals are set down …, (e) progress is monitored'. Brown (2010) suggests similar measures when discussing possibilities for the public sector in balancing risk and innovation, and Klijn and Teisman (2003) add that contractual arrangements can be suitable mechanisms to separate responsibilities and minimize financial risk for public organizations. Therefore, regulation is from the public perspective a suitable tool to enforce partnerships that are based on these pillars.

Social entrepreneurs, on the other hand, tend to use a more flexible approach (Vansandt, Sud, & Marme, 2009), which can be explained by multiple factors. First, social entrepreneurs are generally motivated to 'do something', while their exact goals are not yet clear when the enterprise is started. Also, the availability of resources is often limited for social entrepreneurs (Yusuf & Sloan, 2015).

Therefore, what a social entrepreneur can achieve is often largely determined by the resources he or she has available, because gathering additional resources is difficult. For example, social entrepreneurs cannot gather resources from commercial investors, as they cannot promise interesting financial returns. Moreover, the lack of financial funds frequently hinders social entrepreneurs in acquiring additional resources (Corner & Ho, 2010). Finally, making plans and setting targets is often difficult for the social entrepreneur, as it often unclear at the start what the final outcome will be, and how it is achieved. This is largely due to the highly uncertain contexts that social entrepreneurs generally operate in (Dacin, Dacin, & Tracey, 2011). Social entrepreneurs are therefore dispositioned to use flexible approaches, as opposed to the rule-based approaches used by local governments.

The different risk management approaches can be explained by the relation between prediction and control in specific contexts. Classical research, that suggests planning approaches to strategic decision making, rests in the logic that prediction and control have a co-extensive relationship (Wiltbank, Dew, Read, & Sarasvathy, 2006). To the extent that the future can be predicted, it can be controlled. However, in highly uncertain contexts, prediction and control become independent (Wiltbank et al., 2006). In these contexts prediction is rarely accurate, and planning and adaptive approaches are inadequate and even inappropriate (Dew et al., 2008). Control is achieved by acknowledging that in an entrepreneurial context the future is partly created (and therefore controlled) by the entrepreneur himself. Wiltbank, Read, Dew, and Sarasvathy (2009) found empirical evidence for the independence of prediction and control in the uncertain context of angel investing. They found that the uncertainty in angel investment undermines the effectiveness of predictive approaches, and that investors that use control approaches experience fewer failures, without experiencing fewer homeruns. In line with this reasoning, risk management mechanisms in uncertain contexts are ideally not based on planning and monitoring, which is the general practice in the public sector. Under uncertainty, risk is better managed by minimizing investment upfront, by making use of resources at hand, and by taking control using contingencies as they unfold along the way.

Although regulation, and the accompanied planning approaches, are a suitable tool for risk-averse public organizations to ensure that accountability is warranted in their partnerships, it generally does not suit the context of social entrepreneurship. Even more so, regulation generally stifles and works against (social) innovation (Brown, 2010; Klijn & Teisman, 2003), and Borins even states that tight regulations make 'the public sector a far less fertile ground for innovation than the private' (Borins, 2001, p. 9). We argue here that, in many cases, these barriers are not caused by differing goals between the public sector and social entrepreneurs, and they are neither necessarily caused

by different risk appetites, but by the different strategies they use to achieve their goals. Therefore, we approach the problem of barriers in collaboration using a strategy viewpoint, and more specifically, the theory on effectuation and causation introduced by Sarasvathy (2001).

## 2.3 Decision-making as a causal/ effectual process

Where social entrepreneurs tend to apply effectual reasoning (Corner & Ho, 2010; Yusuf & Sloan, 2015), Nieth et al. (2018) argue that public authorities have a tendency to apply causal reasoning. Since effectuation and causation are introduced by Sarasvathy (2001) as two opposing decision making strategies, it is reasonable to expect that partners using these opposing decision making strategies might face barriers in their collaboration. Both the effectuation and causation processes have the same goal, namely, developing a successful business venture, however, their strategy of getting there is clearly different. Sarasvathy distinguishes 4 principles on which effectuation and causation differ, that we discuss here:

- Means at hand as given vs. specific goals as given
- Affordable loss vs. expected returns
- Alliances vs. competitive analysis
- Exploitation of contingencies vs. use of pre-existing knowledge

**Means at hand as given vs. specific goals as given**

Effectual players use means at hand as starting point in their entrepreneurial endeavours. These means at hand consist basically of 3 parts; who I am, what I know, and whom I know (Sarasvathy, 2001). At a personal level, 'who I am' can refer to personal traits, habits and preferences, and at a firm level it can refer to actual physical resources available for an entrepreneurial effort. 'What I know' refers to available knowledge that can be used in the entrepreneurial effort, and 'Whom I know' refers to the social network of the entrepreneur, containing people or organizations that can play a role in the entrepreneurial effort. This collection of means can be used in several ways to create different effects, and the decision process basically consists of selecting the effect that will be created using the available means. Or, as Berends, Jelinek, Reymen, and Stultiëns (2014) put it, in effectual logic ideas often concern how to use resources creatively for new products or services, thus forming a bridge from resources to goals. In causal logic, opportunities are driven by exogeneous forces, and the task of entrepreneurs is to identify these opportunities, and to position themselves such that the opportunities can be capitalized (Chandler, DeTienne, McKelvie, & Mumford, 2011). The identified opportunity forms the goal of the entrepreneurial effort, and a

plan is constructed that specifies what is needed to reach this goal. The plan must specify what means are needed to execute the plan, and the task of the entrepreneur is to collect these means. The clear difference between effectual and causal logic is that effectual logic uses means at hand to decide on what goal to pursue, while causal logic uses a preselected goal to determine what means are needed to reach it.

**Affordable loss vs. expected returns**

Effectual players use the affordable loss principle in their decision making, focussed on the short term (Sarasvathy, 2001). By taking action based the affordable loss principle, the risk involved in any action will not jeopardize the entire entrepreneurial effort (Read, Dew, Sarasvathy, Song, & Wiltbank, 2009). Therefore, it is a way to control the future occurrence of failure, although only investing using what can be afforded to lose introduces the risk of underinvestment in certain opportunities. Causal logic makes use of expected returns in decision making, which fits to the habit for planning of causal players. Based on predictions for the future, expected returns can be calculated, and causal players seek for the path with the highest expected returns. A disadvantage is that this line of reasoning only holds if predictions for the future are accurate, and in an uncertain context the accuracy of predictions is at least questionable (Chandler et al., 2011).

**Alliances vs. competitive analysis**

Effectual players tend to use alliances, or partnerships, in their entrepreneurial efforts. Partnerships are an important source to expand the means they have at their disposal, and these expanding means are used to select small, incremental goals to pursue. An advantage of partnering is that part of the risk can be spread over the partners, which makes opportunities more attractive from an affordable loss perspective (Chandler et al., 2011; Read, Song, & Smit, 2009). Causal players tend to make more use of competitive analysis instead of partnerships. A competitive analysis can lead to the identification of opportunities, which is basically the first step in causal reasoning. The advantage of an approach that uses competitive analysis is that, in general, a greater part of the expected returns can be captured, and the identified opportunity can be protected (Nieth et al., 2018).

**Exploitation of contingencies vs. use of pre-existing knowledge**

Effectual players tend to embrace contingencies, as they can be leveraged into new opportunities, which in turn can lead to reconsideration of the effect to create with the means at hand (Sarasvathy, 2001). Therefore, contingencies are welcomed, and turned into the advantage of the entrepreneurial effort. This explains why effectuation is generally viewed as the more flexible approach. Causal

players, on the other hand, prefer to use pre-existing knowledge to construct solid plans for the future. They try to avoid contingencies, as they can jeopardize their constructed plans, and are therefore viewed as less flexible.

**Controlling an unpredictable future vs. predicting an uncertain future**

Although presented by Sarasvathy (2001) as the fifth principle, it might be better viewed as 'the one principle to rule them all' (Chandler et al., 2011; Reymen et al., 2015). All other effectuation principles are basically aiming to control an unpredictable future, while the causation principles aim to predict an uncertain future.

The last difference between the two approaches can be explained from the process viewpoint. Where causation is a relatively linear approach, effectuation is more of a recursive approach (Sarasvathy & Dew, 2005). In a causal process, first a goal is determined, then the plan to get there is executed, and only in the last stages there might be some market feedback that can change the details of the plan. The effectual process has constant feedback loops, based on partners that get involved in the process (see Figure 1). The result is that two cycles arise: an expanding cycle of means, in which an increasing amount of partners gets involved that bring an increasing amount of means to the table, and a narrowing cycle of goals, in which the goals of the process get increasingly clear, based on the preferences of the increasing number of involved partners (Dew et al., 2008). Examining both the causation and effectuation processes, it comes as no surprise that effectuation is viewed as a more flexible approach, because in every cycle there is an opportunity to change the goals or to change the means used to achieve a (new) goal. It explains why effectuation is generally better at handling contingencies, as they can add opportunities in every cycle of the process. The differences between the causation and effectuation process would also explain why social entrepreneurs, if they indeed have a tendency to apply effectuation, generally do not know at the start what the exact goal of their endeavours is, and under which conditions these goals will be fulfilled. The expansion of means, and the process of goals that get sharper, have the result that the direction of an effort can change over time. More important, this would explain why social entrepreneurs have difficulties fitting into the rule-based structure of the public sector, because their strategic decision making approach makes it impossible to realistically make commitments to plans that meet public sector demands.

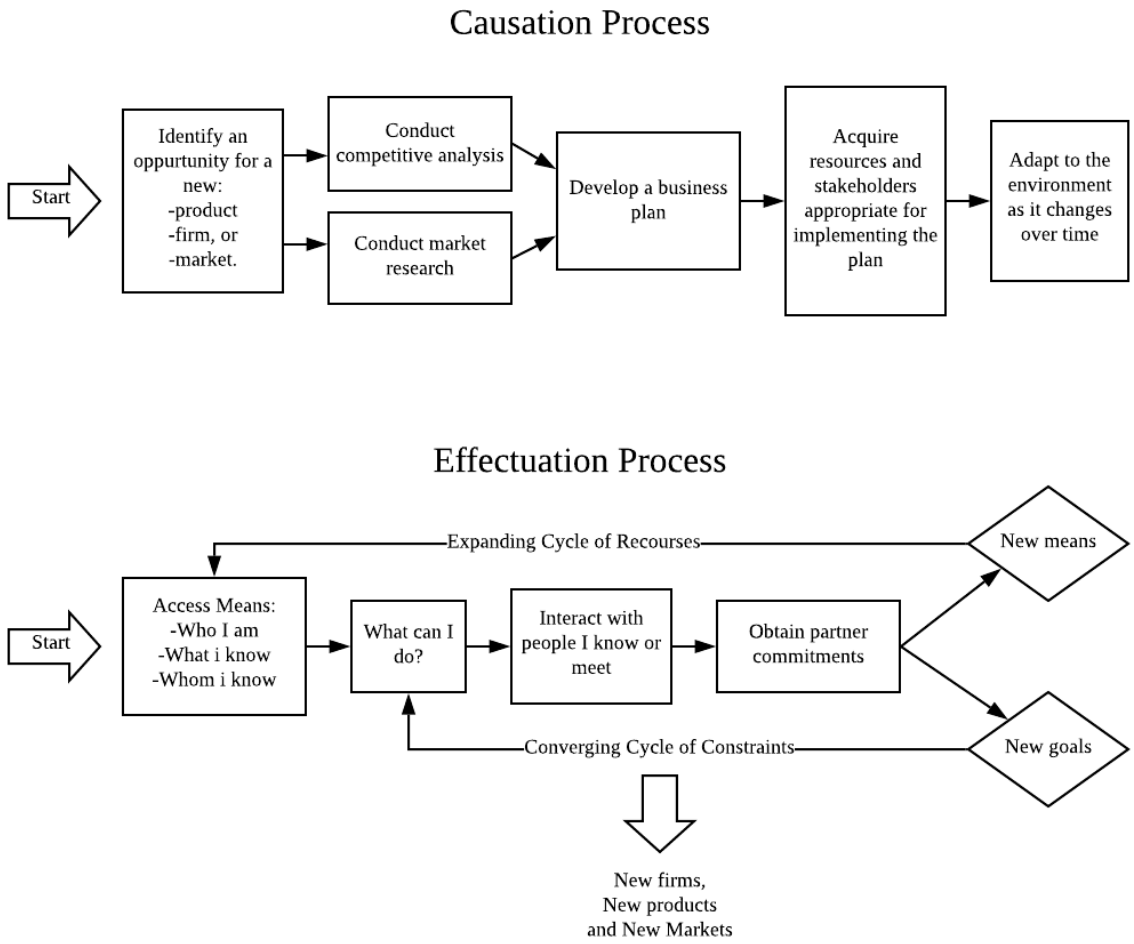


*Figure 1: Schematic of causation and effectuation processes. Adopted from: Read, Dew, et al. (2009)*

The last note to make on effectuation and causation is that although they are generally viewed as opposing decision making strategies, they are not necessarily exclusive. Sarasvathy (2001) discusses how effectuation and causation can be used simultaneously, each for different part of the processes. Especially in the early phases of an entrepreneurial endeavour, effectuation might be a more suitable approach, regarding the uncertainty in this phase of the process. Later, when goals are getting more specific, resources become more widely available, and efficiency becomes increasingly important in operations, causation processes might be more suitable. Therefore, when looking at developing businesses, one might expect that the use, or mix, of effectuation and causation changes over time (Chandler et al., 2011; Sarasvathy, 2001; Svensrud & Åsvoll, 2012). This phenomenon is backed empirically by findings of Berends et al. (2014), and Reymen, Berends, Oudehand, and Stultiëns (2017). Reymen et al. (2015) have argued how different environmental conditions ask for narrowing or widening venture scopes, where effectuation best suits widening venture scopes, and causation best suits narrowing venture scopes. Smolka, Verheul, Burmeister-Lamp, and Heugens

(2018) describe the synergistic effects of causal and effectual decision making, and find empirical evidence that ventures benefit from using the logics in tandem.

## 2.4 Conceptual framework

In the above literature discussion, we found that existing literature mainly points to different risk *preferences* when it comes to barriers in collaboration between local governments and social entrepreneurs. We made the argument that different ways of *managing* risk, and different ways of strategic decision making might be an alternative explanation for the arduous collaboration. This difference is conceptualized using the theory of effectuation and causation introduced by Sarasvathy (2001).

The three topics we discussed, being barriers in collaboration between social entrepreneurs and local governments, different risk management strategies, and the application of effectual and causal logic, are the building blocks of our conceptual model, and are related as shown in Figure 2. Different risk management strategies are deeply embedded in the theory on effectuation and causation. Effectual and causal players have different risk management styles, where causal players manage risk by careful planning upfront, and closely monitoring progress, and effectual players manage risk by making investment decisions using affordable loss considerations, and by remaining flexible, while exploiting contingencies and avoiding large upfront investments. The relation between risk management strategies and effectual and causal logic is derived directly from literature. The second relation, that effectual and causal logic are a source of barriers in collaboration between social entrepreneurs and local governments, is the relation that we aim to find empirical evidence for in this thesis.

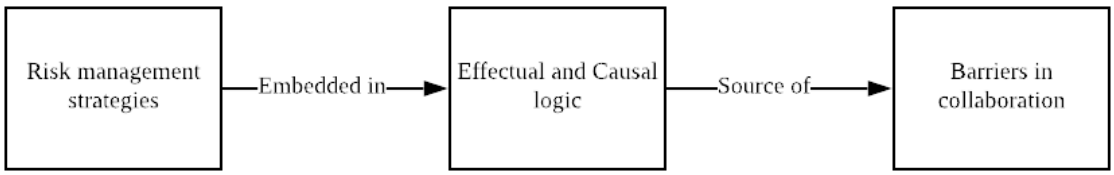


*Figure 2: Relations between the concepts in the conceptual model*

Throughout the first chapters of this thesis we made an argument why we expect social entrepreneurs to use effectual logic, and local governments to use causal logic, and why this might result in barriers in collaboration. To support this relation, we need empirical evidence that social entrepreneurs and local governments indeed apply different decision making logics. For this purpose, we develop indicators that would suggest the use of causal or effectual logic by both social

entrepreneurs and local governments, and the resulting conceptual framework is displayed in Table 1 and Table 2. We structure the framework using the four principles that distinguish effectuation and causation. The fifth principle, 'controlling an unpredictable future vs. predicting an uncertain future', is not incorporated in the framework, as it is basically represented by the other four principles. The indicators we developed are based on previous effectuation and causation studies (mainly: Chandler et al., 2011; Dew, Read, Sarasvathy, & Wiltbank, 2009; Jiang & Rüling, 2017; Read, Dew, et al., 2009; Reymen et al., 2015), and our own elaboration.

The framework also accounts for different creation phases of the social enterprises, similar to Reymen et al. (2015). Reymen et al. (2015) consider four different phases, being the idea phase, the pre-start-up phase, the start-up phase, and the post-start-up phase. In our study considering all four phases separately would be too much detail. The point of distinguishing phases in our study is to determine whether different strategic decision making approaches are used in the idea phase, when no actual business activities are performed yet, and in the start-up phase, when activities have begun. This distinction is relevant, as causal players probably have a more extended idea phase, as all plans for their endeavour are formed then, while effectual players probably are quicker in starting business activities, and seeing where it gets them later. Therefore, in our study we distinguish the 'idea origination phase', and the 'start-up phase'.

In literature there is a debate whether to measure causation and effectuation as formative or reflective constructs (e.g. Arend, Sarooghi, & Burkemper, 2015; Chandler et al., 2011; Sarasvathy, 2001). In formative models, a latent higher-order construct (in this case effectuation or causation) is 'formed' by the lower order variables (in this case the four principles), which implies that causality flows from the lower-order variables to the latent constructs. Reflective models suggest the opposite, meaning that lower-order indicators 'reflect' the higher-order construct, and causality flows from the higher-order construct to the lower-order variables (Coltman, Devinney, Midgley, & Venaik, 2008). Sarasvathy (2001) implies, by considering effectuation and causation as two different approaches to decision making, and the principles as their indicators, that both can be handled as reflective constructs. Chandler et al. (2011), on the other hand, argue that effectuation and causation should be handled as formative constructs, where the lower-order variables (the four principles) are independent, and removing one of them changes the meaning of the construct that the remaining variables form.

In this research we approach effectuation and causation as formative constructs, conform Chandler et al. (2011). It allows us to approach the four underlying principles (indicators) as independent, which in turn enables us to determine on which of the principles the decision making approaches

of social entrepreneurs and local governments differ the most. This can give more insight in the severity of resulting barriers. The independency of the indicators is important, which is best illustrated by an example. It can occur that a social entrepreneur is means-oriented, uses affordable loss considerations in investment decisions, and aims to exploit contingencies (effectual principles), but engages in little alliances and seeks more for competitive advantage (causal principle). When effectuation and causation are measured as formative constructs, this simply implies that the entrepreneur uses a mix of effectual and causal logic. When effectuation and causation are measured as reflective constructs, the interpretation of this observation is more difficult, because one would expect a correlation between the indicators (if the entrepreneur applies effectuation, this would be reflected by high scores on *all* effectual dimensions).

*Table 1: Conceptual framework: Indicators for decision making strategy at social entrepreneurs*

| MO = Means-Oriented | GO = Goals-Oriented | AL = Affordable Loss | ER = Expected Returns |
|---|---|---|---|
| SA = Strategic Alliances | CA = Competitive Analysis | EC = Exploit Contingencies | EK = Existing Knowledge |

| | **Effectuation** | | **Causation** | |
|---|---|---|---|---|
| **Idea origination phase** | MO | ▪ Building on own existing knowledge and other available resources.<br>▪ Only defining rough visions, while leaving the details open.<br>▪ Following personal preferences.<br>▪ Building on existing private network to assess/create opportunities. | GO | ▪ Having a clear, long-term goal in mind.<br>▪ Writing a detailed business plan that specifies how the goal are reached.<br>▪ Collecting means to enable execution of the constructed plan. |
| | AL | ▪ Being willing to make affordable personal losses, e.g. in terms of time or money.<br>▪ Invest without knowing exactly what future returns will be.<br>▪ Only considering means that one can afford to lose in opportunity assessment. | ER | ▪ Determining courses of action based on risk-adjusted expected return.<br>▪ Seeking to maximize social impact, by focussing on market segments with high expected impact.<br>▪ Gathering external funds to execute a plan with high expected returns. |
| | SA | ▪ Actively seeking partners that want to make pre-commitments, and share in the risk taken.<br>▪ Discuss opportunities with possible partners and customers to determine courses of action. | CA | ▪ Seeking opportunities by analysing the market, and gaps in the supply.<br>▪ Careful positioning of the enterprise in the market, to gain maximum competitive advantage.<br>▪ Keep detailed plans secret as much as possible, to avoid that competitors/others 'steal' plans. |

| | | | | |
|---|---|---|---|---|
| | EC | ▪ Not relying on predictions of the future to determine the course of action.<br>▪ Share information freely with environment to gather new insights on opportunities. | EK | ▪ Relying on predictions of the future to construct a plan.<br>▪ Avoiding unplanned interactions with the environment, and mainly focussing on internal processes.<br>▪ Avoiding uncertainty and unexpected events by detailed planning upfront. |
| **Start-up phase** | | **Effectuation** | | **Causation** |
| | MO | ▪ Adapting courses of action to means that become available along the way.<br>▪ Focussing at what can be achieved on the short-term, using readily available means.<br>▪ Follow personal preferences in developing the enterprise. | GO | ▪ Staying with the business plan, allowing only minor deviations.<br>▪ Constantly controlling and monitoring progress in reaching the intended goal.<br>▪ Basing further business development on long-term goals. |
| | AL | ▪ Experimenting with different products/business models, using small (affordable) investments.<br>▪ Limit stakeholders commitments to levels uncritical to them. | ER | ▪ Seeking external funding to expand in specific, pre-determined market segments.<br>▪ Taking on projects that maximize expected social value, and gather necessary means. |
| | SA | ▪ Actively involving strategic partners in the enterprise.<br>▪ Determining courses of action in consultation with partners.<br>▪ Actively involving customers in determining the future heading of the enterprise. | CA | ▪ Relying on internal knowledge to develop the enterprise.<br>▪ Avoiding partnerships with parties that offer comparable products/services, and protect activities of the enterprise. |
| | EC | ▪ Avoiding courses of action that restrict flexibility or adaptability.<br>▪ Being open to changes in course due to contingencies that come across.<br>▪ Try to control the future by exploiting opportunities that come across. | EK | ▪ Avoiding interactions with the environment that might jeopardize the business plan.<br>▪ Divesting projects in case of unforeseen developments.<br>▪ Internal focus, minimizing the impact of external events. |

*Table 2: Conceptual framework: Indicators for decision making strategy at local governments*

| MO = Means-Oriented | GO = Goals-Oriented | AL = Affordable Loss | ER = Expected Returns |
|---|---|---|---|
| SA = Strategic Alliances | CA = Competitive Analysis | EC = Exploit Contingencies | EK = Existing Knowledge |

| | **Effectuation** | | **Causation** | |
|---|---|---|---|---|
| **Idea origination phase** | MO | ▪ Allowing and supporting entrepreneurs to use the means they have available to develop the business in unknown direction.<br>▪ Supporting entrepreneurs that only have rough visions, and no detailed plans (yet).<br>▪ Using the means the local government has available to help develop a social initiative in any direction. | GO | ▪ Requiring detailed long-term goals and targets from social entrepreneurs before supporting them.<br>▪ Having strong rules and regulations defining what social initiatives to support. |
| | AL | ▪ Spending public funds and resources using the affordable loss principle.<br>▪ Supporting new social initiatives, without knowing exactly upfront what the 'social return' will be.<br>▪ Investing funds or resources in social initiatives based on a shared vision, instead of expected social return. | ER | ▪ Performing budgeting by considering risk-adjusted expected return of initiatives.<br>▪ Seeking to maximize social impact for the invested funds and resources.<br>▪ Demanding from social initiatives that they clearly show what their expected social return will be. |
| | SA | ▪ Lobbying in the local government network to supply social initiatives with relevant connections.<br>▪ Actively committing funds or resources to social initiatives to support them.<br>▪ Accepting to bear part of the risk of social initiatives in collaboration.<br>▪ Focus on partnerships and community building among social entrepreneurs. | CA | ▪ Viewing social initiatives as competitors of existing governmental services.<br>▪ Being reluctant to share knowledge with social initiatives to help them improve their services. |
| | EC | ▪ Not relying own predictions of the future to assess viability of initiatives.<br>▪ Discuss social initiatives within the governmental network to gain new insights, and actively think along with the founders.<br>▪ Supporting initiatives that are new, outside the box, and that not comply with the existing regulatory framework. | EK | ▪ Relying strongly on predictions of the future, and assess opportunities accordingly.<br>▪ Sticking with current practices, and being more open to proven concepts than innovative business models.<br>▪ Requiring detailed business plans to assess viability and risk of initiative before supporting it. |

| | Effectuation | | Causation | |
|---|---|---|---|---|
| **Start-up phase** | MO | ▪ Stimulate social entrepreneurs to develop their enterprise based on means that become available.<br>▪ Not coupling support of social initiatives to pre-set targets, but allowing flexible development. | GO | ▪ Strongly monitoring targets over time at social initiatives, and making support dependent on achieving the targets.<br>▪ Only allowing development of an initiative within the bounds of the original business plan or long-term goal. |
| | AL | ▪ Experimenting by supporting multiple social initiatives based on affordable loss, and see what is actually an improvement to the social system.<br>▪ Supporting social initiatives that develop in new directions up to an affordable level. | ER | ▪ Only allowing social initiatives to develop in directions with a high expected social return.<br>▪ Helping initiatives to raise funds to expand in specific, high-return directions. |
| | SA | ▪ Being actively involved in the supported initiative, as one of the stakeholders.<br>▪ Actively coupling social entrepreneurs to relevant connections that can help develop the business.<br>▪ Discussing with social entrepreneurs how (local) governmental policy can be improved to serve their initiatives. | CA | ▪ Only responding on requests of social initiatives, leaving the individual enterprises find their own ways.<br>▪ Supporting social enterprises to have individual successes, instead of collective success. |
| | EC | ▪ Allowing flexibility in supported social initiatives.<br>▪ Keeping procedures for governmental support simple, such that it can be used flexibly. | EK | ▪ Stop supporting social initiatives when unforeseen events happen.<br>▪ Focussing on the existing infrastructure of service organizations, minimizing impact of new initiatives. |

# 3. Methodology

The research question of this thesis is: 'To what extent do differences in decision making strategies raise barriers in the partnerships between local governments and social entrepreneurs?'. Chapter 2 explains why the application of effectuation and causation in decision making by social entrepreneurs and local governments might give insight in barriers they encounter in their collaboration. Our fieldwork aims to give more insight in the decision making approaches that social entrepreneurs and local governments use, and to check whether the hypothesis that they use *different* decision making approaches holds. To do so, we perform a qualitative analysis using a data sample containing both social entrepreneurs and local government representatives. The resulting interview transcripts are coded such that the results can be quantified. The remainder of this chapter discusses the data sampling, the data collection method, and the data analysis method.

## 3.1 Data sampling

The data sample used in this thesis contains 5 social entrepreneurs, and 6 representatives of 4 different local governments. Because the sample size is relatively small, purposeful sampling is applied to ensure that information rich cases are selected. For local governments no specific selection criteria are applied, but the sample is diversified by selecting local governments of differing sizes in terms of inhabitants. Social entrepreneurs are selected using the following criteria:

1. In literature there are many different definitions of what a social entrepreneur, or a social enterprise is. The consensus in all these definitions is that 'the underlying drive for social entrepreneurship is to create social value, rather than personal and shareholder wealth' (Austin et al., 2006, p. 2), and this broad definition is adopted in this study. Therefore, all selected social entrepreneurs clearly communicate on their websites that creating some sort of social value is their primary aim. This first criterium rules out commercial companies, even if they have a high social impact, or enterprises that are not very clear about their primary motives. The main reason for excluding these types of enterprises is the strong assumption in this study that social entrepreneurs and local governments have similar goals, and cases are needed for which this assumption holds.
2. The social entrepreneurs had to be the founders, and current leaders of their enterprises or initiatives. Because the study focuses on both the idea origination phase, and the actual start-up stage, the entrepreneurs have to be involved in both to be able to provide accurate information.

3. The social enterprises have to be founded after 2010. To get accurate information from the entrepreneurs about the idea origination phase, their memories have to be sharp, and retrospective bias has to be minimized (Eisenhardt & Graebner, 2007). By excluding enterprises that are founded too long ago, the risk of retrospective bias is minimized.
4. The social enterprises had to be local initiatives. This ensures that, if they collaborate with the government, that they collaborate mostly with local governments, such as municipalities. Enterprises that operate in a wider geographical region have to deal with regional authorities, which might change the context of collaboration. As our data sample for local governments consists only of representatives of municipalities, we can only assess collaboration on municipal level, and not on, for example, provincial level.

The resulting data sample is shown in Table 3 and Table 4. The social entrepreneurs have a broad range of different activities, and the municipalities have different size ranges. The resulting sample is purposefully selected, but diversified within the selection criteria.

| | *Founded* | *General activities* |
|---|---|---|
| ***Enterprise A*** | 2013 | Leisure, cultural inheritance |
| ***Enterprise B*** | 2014 | Care for those in need (elderly, disabled, ..) |
| ***Enterprise C*** | 2019 | Business analytics* |
| ***Enterprise D*** | 2015 | Participation of elderly |
| ***Enterprise E*** | 2017 | B2B rental and retail* |

* Employing people with a distance to the labour market

*Table 3: Social entrepreneurs in data sample*

| | *Urban/rural* | *Size range in inhabitants* | *Representatives spoken* |
|---|---|---|---|
| ***Local government A*** | Urban | 150.000 – 175.000 | 2 |
| ***Local government B*** | Urban | 75.000 – 100.000 | 2 |
| ***Local government C*** | Rural | 25.000 – 50.000 | 1 |
| ***Local government D*** | Urban | 50.000 – 75.000 | 1 |

*Table 4: Local governments in data sample*

## 3.2 Data collection method

Our data is collected using semi-structured interviews with the founders of the social enterprises, and representatives from the local governments in our data sample. Semi-structured interviews are a suitable data collection method for small-scale research, as they often result in information rich empirical data (Drever, 1995; Eisenhardt & Graebner, 2007). Although interviews generally deliver high-quality data, they also impose a relatively high risk of bias. To reduce bias in case study research, Eisenhardt and Graebner (2007) suggest to use numerous informants that have different perspectives on the researched phenomenon. The broadness and diversity of our data sample should reduce the risk of bias, as a consequence of the use of semi-structured interviews, to a minimum.

After selecting suitable cases, the social enterprises and local governments were contacted and asked to participate in the research. In total, 8 social entrepreneurs and 8 representatives of local governments were approached, and respectively 5 and 6 individuals agreed to participate. We constructed separate interview protocols for the social entrepreneurs and local governments (see Appendix I). The protocols show the basic structure of the interview, but since the interviews are semi-structured, there was room for deviation from the protocol. This enabled participants to share information that was not explicitly asked for if they deemed it relevant for the context of the study. Also, it enabled us to deepen the discussion on specific topics deemed interesting during the course of the interview. All interviews are conducted in June and July 2020, and despite our preference for face-to-face contact, the interviews are conducted virtually via Skype, Zoom or Teams (at the preference of the interviewee), due to the outbreak of COVID-19 and the resulting governmental restrictive measures.

Within one week after conducting the interview, the audio records of the interview were transcribed. The transcripts are fully anonymised, and sent back to the participant for verification purposes, and to reduce confirmation bias.

## 3.3 Data analysis

The data from the interviews is analysed using coding, a technique considered a significant step in making sense of qualitative data (Basit, 2003). In coding, two major approaches are generally distinguished, being deductive (concept-driven or a-priori) coding and inductive (data-driven) coding (Crabtree & Miller, 1992). Elliott (2018) explains how deductive coding best suits research that aims for theory testing on empirical data, while inductive coding is better applied in exploratory research. Since the aim of this study is to discover how effectuation and causation (existing theory)

are applied by social entrepreneurs and local governments (empirical data), the deductive approach is applied.

### 3.3.1 Codebook

Deductive coding generally starts with constructing a codebook based on relevant theory (Crabtree & Miller, 1992). This codebook defines how the gathered data is analysed, and how the researched constructs are measured in the data. The conceptual model discussed in Chapter 2 serves as our codebook, as it allows us to code decision-making approaches in the data as effectual, causal, or both. Before conducting the interviews, the codebook is discussed with an expert in the field of effectuation and causation, to ensure that the effectuation and causation constructs are properly measured from the interview transcripts. This discussion showed that two topics in the codebook need a more detailed clarification:

1. The codebook frequently refers to *means*. When the term 'means' is used in a business context, it frequently refers to financial means. As our theoretical framework shows, in this research 'means' refers to more than money only. Means can be money, but also personal preferences, time available, knowledge, environmental circumstances, partners, and anything else an entrepreneur can use to further develop business.
2. In analysing the interview transcripts, we can find different *perspectives*. An interviewee can discuss its own way of working and decision making approach, but also the way of working he/she observes at the other party. For example, a social entrepreneur can discuss how he/she aims at flexible business development, but that the local government demands plans that he/she cannot deliver. This would mean that the social entrepreneur refers to an effectual habit of him/herself, and to a causal habit of the local government. Similarly, public servants can discuss ways of working at their local government, and experiences they have with ways of working at social enterprises. In coding, we consider all perspectives, although we make an explicit distinction between the perspectives in reporting. Statements that an interviewee makes about an organisation he/she is not involved in, are prone to bias and misjudgement. Moreover, in assessing how to code certain statements, frequently some background information is vitally important for interpretation. For example, when an interviewee speaks about 'plans', it is vitally important for interpretation whether short-term plans are meant or long-term plans. When an interviewee makes statements about an organisations he/she is not involved in, we have limited information on the context. Therefore, we do consider this perspective, as it can contain valuable information, but we do explicitly mention it in reporting, such that the results can be interpreted accordingly.

### 3.3.2 Analysis procedure

The analysis of the interview transcripts is performed using the following steps:

1. Similar to existing field studies on effectuation and causation (i.e.: Berends et al., 2014; Reymen et al., 2017; Sarasathy & Kotha, 2001), an 'event-list' is built for each case based on the interview transcripts. This list contains decision-making events that the interviewee discussed that had a significant impact for the future of their enterprise (if the interviewee is a social entrepreneur), or for the future of collaboration with an enterprise (if the interviewee is a local government representative). An example of such a decision making event is that Enterprise B chose to 'start the initiative in my hometown, because I had many connections within the politics, and there was plenty of support'.
2. The indicators discussed in our conceptual framework are used to identify for each decision-event whether it showed effectual or causal behaviour, and to which dimension it could be coupled. For example, the above decision event is coded as an effectual decision (means orientation) in the idea phase. Indicators in the conceptual framework for this dimension are 'Building on own existing knowledge and other available resources' and 'Building on existing private network to assess/create opportunities'. The decision above, including its motivation by the entrepreneur, are conform these two indicators.
3. To ensure objectivity, the first two steps are performed independently by myself, and an academic expert in effectuation and causation theory. The differences between the independent analyses are discussed, such that a consensus could be reached in the final results.

The result of the analysis is a quantification of qualitative data, because the decision-events in each case, and in each category, can be counted. The results should be interpreted with caution. Although necessary measures are taken to guarantee objectivity, validity and reliability of results (discussed throughout this section), there was room for interpretation in the data.

# 4. Findings

This chapter discusses the main findings of this research. More detailed findings per enterprise can be found in Appendix II. Our research question is: *'To what extent do differences in decision making strategies raise barriers in the partnerships between local governments and social entrepreneurs?'*. In this chapter we make quantified statements on the use of effectual and causal logic by social entrepreneurs and local governments. This provides us with a basis for our conclusion whether social entrepreneurs and local governments indeed have different decision making strategies.

## 4.1 Social entrepreneurs

Table 5 shows the results from analysing the interviews with 5 social entrepreneurs. A total of 227 decision events is coded in the interviews. The table shows that the majority of decision events are coded as effectual (about 80%), indicating that the social entrepreneurs relied more on effectual than causal logic.

| | Effectuation | | | | | | Causation | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | MO | AL | SA | EC | Rest | *Total* | GO | ER | CA | EK | Rest | *Total* |
| **Idea phase** | 38 | 8 | 29 | 14 | 5 | *94* | 13 | 5 | 2 | 14 | 1 | *35* |
| **Start-up phase** | 18 | 10 | 26 | 31 | 2 | *87* | 6 | 1 | 0 | 4 | 0 | *11* |
| *Total* | *56* | *18* | *55* | *45* | *7* | **181** | *19* | *6* | *2* | *18* | *1* | **46** |

*Table 5: Coded dimensions for the sample of 5 social enterprises*

Comparing the idea phase and the start-up phase, we find that the entrepreneurs used relatively more causal reasoning in the idea phase (27% of decision events in the idea phase was causal, compared to 11% in the start-up phase). The main reason is that all entrepreneurs, except Enterprise E, spoke of long-term goals and business plans, indicating a *goals orientation* in the idea phase, and of market research and thorough planning upfront, indicating the use of *existing knowledge*, and avoiding contingencies in the idea phase. In the start-up phase, most entrepreneurs relied less on the plans they constructed upfront, resulting on less coded causal dimensions. Entrepreneur C literally stated: '*You can make plans when you start, but then you turn into an amoeba. Then you have to adapt to events in your environment, and events within the enterprise'*. This tendency can be seen at the other enterprises as well. An explanation for more frequent use of causal logic in the idea phase, is that the enterprises needed plans to get local governments and other partners on board, and to get access to finance sources (explicitly mentioned by entrepreneurs A, B and C). This would mean that the entrepreneurs have an extrinsic motivation to apply causal logic in the idea phase.

If we take a closer look at the effectual dimensions in Table 5, we see that *strategic alliances* is a dominant dimension, consistently observed in both the idea and start-up phases. The entrepreneurs sought partners for multiple purposes, one of which is financing. For example, Enterprise A stated that *'All financial means come from investors'*, and *'the investors made a risky investment, so it is reasonable that they get it back, including a small return'*. The fact that the investors invested without clear agreements, and without knowing whether there would be a return eventually, made this a typical pre-commitment. Entrepreneurs also partnered to get access to other means. For example, Enterprise C states: *'In the meanwhile we were looking for a telecom provider, who could sponsor us in terms of infrastructure'*. Other indicators for the use of strategic alliances are frequent discussions with partners and customers in the idea phase, to determine how the enterprises should operate (Enterprise B, C, and D), and working with volunteers to start the enterprises (Enterprise A, B, and D).

The most coded effectual dimension is *means orientation*, although this dimension mostly occurs in the idea phase. Entrepreneurs relied heavily on their own knowledge and background when determining in what direction to start their activities. Enterprise B, D and E all mentioned that they had work-related experience in the fields they started in. Also, the entrepreneurs frequently rely on their personal network in starting their enterprises. For example Entrepreneur A decided to *'start the initiative in his hometown, as I have many connections in politics there'*, and Enterprise C used similar arguments to start in the region they are working now. Finally, multiple entrepreneurs mentioned having a broad vision, without having detailed plans. For example Enterprise D states: *'Our vision is very broad, .., we want to boost the awareness that people are owners of their own problems, and that municipalities and professionals can be partners in solving them'*.

In the start-up phase, *exploiting contingencies* becomes a rather dominant dimension. All entrepreneurs discussed events that happened in their environment, which caused the course of their enterprises to change, and are used to the advantage of the enterprise. For example Entrepreneur A found an article on the internet that an old train locomotive would be torn down, while he might be able to use it for his enterprise. He immediately grabbed the opportunity and purchase it, and now it is a valuable addition to the offerings of the enterprise. Multiple similar events are coded for the other entrepreneurs, resulting in the high scores on the exploiting contingencies dimension in the start-up phase.

Based on our data, the overall trend seems to be that social entrepreneurs rely heavily on effectual logic, using different effectual dimensions in different stages. When starting their enterprises, social entrepreneurs seem to be focussed on using the means they have readily available. Once the enterprise is started, they continue by exploiting contingencies they come across, without making

too restricting plans for the future. During the entire process they try to involve partners that can help them to make incremental steps directed towards their broad visions.

Table 6 shows the cross case variation in our data sample. We see that all enterprises in our sample relied more on effectual logic than causal logic. Enterprise B used relatively much causal logic, which might be explained by the background of the entrepreneur as project developer, a profession in which plans and predictions for the future play an important role. Enterprise D and E almost exclusively applied effectual logic. For Enterprise D this is somewhat inherent to their activities, as they describe themselves as *'catalysts'*, which makes them inevitably dependent on partnerships with organisations or individuals that perform actual activities. Finally, Enterprise C shows a shift between the idea and start-up phases (not visible in table, see Appendix II). Almost all causal dimensions of Enterprise C are in the idea phase, while in the start-up phase a clear shift towards effectual logic can be observed.

| | *Effectual dimensions* | *Causal dimensions* |
|---|---|---|
| ***Enterprise A*** | 46 | 10 |
| ***Enterprise B*** | 25 | 14 |
| ***Enterprise C*** | 46 | 14 |
| ***Enterprise D*** | 46 | 6 |
| ***Enterprise E*** | 18 | 2 |

*Table 6: Cross case variation in coding*

## 4.2 Local governments

We use two data sources to base our findings regarding local governments on. The first source is interviews with local government representatives, which enabled us to perform an analysis similar to the analysis on social entrepreneurs. The second source is the interviews with the social entrepreneurs, who also talked about their collaboration with local governments. This data contained some useful information, and is therefore included in this section.

### 4.2.1 Interviews with local government representatives

We spoke to public servants in different functions, and their function might influence the application of effectual and causal logic (for example, a higher 'ranked' public servant, might get more freedom to behave effectual). Since we did not interview public servants in similar functions

for each local government, we cannot discuss each local government separately, or discuss the cross case variation. Instead, all data is combined to construct a single set of observations. Table 7 shows that a total of 100 decision events is coded in interviews with the local governments. The table shows the application of both causal and effectual logic, leaning slightly to the causal side, with 56% of codes being causal.

| | Effectuation | | | | | | Causation | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | MO | AL | SA | EC | Rest | *Total* | GO | ER | CA | EK | Rest | *Total* |
| **Idea phase** | | 6 | 18 | 2 | | *26* | 25 | 5 | 1 | 14 | 1 | *46* |
| **Start-up phase** | 2 | 3 | 11 | 2 | | *18* | 4 | 1 | 1 | 1 | 3 | *10* |
| *Total* | | *9* | *29* | *4* | | **44** | *29* | *6* | *2* | *15* | *4* | **56** |

*Table 7: Coded dimensions for local governments, based on interviews with local government representatives*

We immediately see that 29 of 44 effectual dimensions are *strategic alliances*. Most of them were collaborations they had with the social entrepreneurs, mainly in the form of financing, or by providing training programs. Also, the local governments had a strong focus on community building among social entrepreneurs. For example, Local government B funded an external party that would set up a community of social entrepreneurs, and Local government C stated: '*Our goal is to get some sort of alliance of social entrepreneurs'*.

A causal dimension coded frequently is the *goals orientation*. All local government representatives spoke of rather strict regulations as it comes to supporting social entrepreneurs. Local government A and B both mentioned that most 'support' of social entrepreneurs is in the form of tenders. They consist of clear contracts of what a social entrepreneur will deliver, and what remuneration will be received for this performance. Demanding these contracts points towards a goals orientation at local governments. Local government C indicated a specific fund they had, where social entrepreneurs could suggest an idea, and receive a grant of up to 30.000 euro's. When asked whether entrepreneurs had to meet strict rules before such a grant was received, the answer was: *'It's not so bad. You have to comply with certain constituents though … There are about six measures that you have to score on, and for each initiative we simply check whether the scores are there'*. Although Local government C indicated that there were not that many rules, we still assessed it as an indicator for a goals orientation, as the initiatives had to comply with six measures. A representative of Local government B indicated that regulation, and a goal oriented approach, were mainly necessary because they had to be transparent, and trustworthy.

The last frequently coded dimension is the use of *existing knowledge*. Local government B indicated that *'policy is policy'*, meaning that they could not divert from policy when specific cases ask for it. This creates a rather static, non-flexible environment that is an indicator for the use of existing knowledge, and avoiding contingencies. This non-flexibility is also mentioned by Local government C. Also, both Local government A and C had a tendency to look at social enterprises and initiatives through the glasses of existing regulation. When the activities of these enterprises did not fit within existing regulation, the local governments indicated that *'their hands were tied'*, and that these enterprises could not be supported.

Based on interviews with local government representatives, the local governments apply both effectuation and causation, with a stronger emphasis on causal logic. Strategic alliances are the strongest dimension for effectual logic, while causal logic is most observed through a goals orientation and the use of existing knowledge.

### 4.2.2 Interviews with social entrepreneurs

Although not specifically asked for in the interviews, all social entrepreneurs, except for Entrepreneur E, mentioned municipalities or other local authorities. This secondary data is used to complement the primary data on decision making practices at local governments. Also, at the recommendation of one of the local governments in our sample, we spoke with an additional social entrepreneur (from now on Enterprise F) that had a collaboration with a local government. In this interview we specifically asked for this collaboration with the local government, and therefore it was different from our general interviews with social entrepreneurs. However, since it is still the perspective of an entrepreneur speaking about a local government, we grouped the resulting data with the secondary data of our other interviews with social entrepreneurs. Note that the results in this section should be handled with caution, as it is based on second-line information.

Table 8 shows the result of analysing all interviews with social entrepreneurs on statements about a local government. A total of 49 dimensions is coded, of which 57% is categorized as causal. We see that, based on this data, local governments apply a mix of effectual and causal logic, but that the causal logic is slightly dominant. There is no significant difference in the application of causal and effectual logic between the idea phase and the start-up phase of social enterprises.

| | Effectuation | | | | | | Causation | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | MO | AL | SA | EC | Rest | *Total* | GO | ER | CA | EK | Rest | *Total* |
| **Idea phase** | 3 | 3 | 7 | 1 | | *14* | 6 | 2 | 2 | 7 | 1 | *18* |
| **Start-up phase** | 1 | | 6 | | | *7* | 2 | 1 | 5 | 2 | 0 | *10* |
| *Total* | *4* | *3* | *13* | *1* | | **21** | *8* | *3* | *7* | *9* | *1* | **28** |

*Table 8: Coded dimensions for local governments, based on interviews with social entrepreneurs*

Considering the most coded dimensions, we see that *strategic alliances* accounts for 62% of the effectual dimensions coded. Most entrepreneurs mentioned they collaborated with local governments, and that these local governments were willing to actively think along with their initiatives in the idea phase. Entrepreneurs A and B also mentioned explicit help from a municipality in the start-up phase. A municipality helped Enterprise A to purchase the train track their initiative is built around, and Enterprise B was assisted by a municipality in finding a suitable location for the initiative. Enterprise F mentioned that the municipality used its network to provide the enterprise with useful connections, although the support was perceived as minimal. Most indicators for the strategic alliance direction were about the local government investing time and effort to get in discussion with the entrepreneurs.

One of the causal dimensions observed relatively frequent, is the *goals orientation*. Multiple entrepreneurs mentioned that local governments use a very rule-based structure, for example to assess what initiatives to fund. Entrepreneur B mentioned that he got funding from the municipality, but that the municipality demanded firm agreements upfront how the money would be spent, indicating a strong goal orientation. However, Entrepreneur F had an opposing experience, in which the municipality provided funding, and Entrepreneur F had plenty of freedom to spend the budget. That points out that there might be strong differences between local governments in the application of causal and effectual logic.

Local governments also seemed to have a tendency to stick with current practices, and where not able to handle new, outside the box, initiatives, pointing at a use of *existing knowledge*. Enterprises A, B and E all mentioned that their initiatives received limited help from local governments, because they did not fit in existing laws and regulations. For example, Enterprise E has a very innovative care model, in which their target group actually gets a salary for their work (for a good reason). Because this is not regular practice, and the municipality is unable to adapt so far, the collaboration is still not smoothly.

The last causal dimension observed relatively frequently is *competitive analysis*. On this dimension the contrast with social entrepreneurs is large, as only 2 of 227 coded dimensions for social entrepreneurs were competitive analysis, while it is coded relatively frequently for local governments. Competitive analysis is mainly observed in two ways. The first is exemplified by Enterprise D, as their initiative was viewed as somewhat competing with existing healthcare providers. Local governments took a protective stance on existing organisations, which complicated the process of starting the initiative. The second way is by letting social initiatives figure things out themselves, without sharing valuable knowledge, network or other resources. Entrepreneur F states: '*The municipality did too little from the beginning. They thought we would do it ourselves, and pull this through ourselves'*.

Considering all, based on our secondary data, local governments seem to have a tendency to apply both causal and effectual logic, but leaning towards the causal stance. The primary dimensions observed are strategic alliances, a goals orientation, the use of existing knowledge, and competitive analysis. The data suggests that there might be strong differences in decision making strategies between different local governments, and even between different public servants.

## 4.3 Collaboration between social entrepreneurs and local governments

Section 4.1 and 4.2 showed to what extent social entrepreneurs and local governments showed effectual or causal behaviour. Another interesting source in information in the interview data, are the application of specific decision making strategies by social entrepreneurs, and the resulting view on the collaboration with local governments. Take the following observations:

- Entrepreneur A could be viewed as a typical effectual player, with 82% of the coded dimensions being categorized as effectual (see Appendix II). When the entrepreneur spoke of his 'collaboration' with the local governments it is mainly about cases that did not work. For example, an unwillingness of the local government to invest, the local government being insufficiently involved, and tensions because they had insufficient long term plans. A similar pattern can be observed at Enterprise E.
- Entrepreneur B seemed to apply the most causal logic, with 36% of the coded dimensions being categorized as causal (see Appendix II). This entrepreneur mentions many successes in his collaboration with local governments. For example, the local government actively searching with him for a location, and the willingness to give a subsidy ('we are grateful to the municipality that they were willing to stick out their neck'). Also the entrepreneur was

not bothered by the fact that he had to make detailed plans to work with the local government.

- Entrepreneur C applied a mix of causal and effectual behaviour. In the idea phase causal logic was used relatively frequently, while in the start-up phase a shift to effectual logic was observed (see Appendix II). At the same time, in the idea phase, the entrepreneur was relatively positive about the collaboration with the local government. The willingness of the local government to work with them, and to think along, is even mentioned as specific reason to start at the location they did. In the start-up phase, the enthusiasm about the local governments got less, and the entrepreneur faced some problems. The local government did not take a flexible stance, and did not allow him to deal with a changing environment. The laws and regulations they worked with, and the unwillingness to make exceptions, resulted in a more difficult collaboration.
- Finally, Entrepreneur D is a typical effectual player, with roughly 88% of coded dimensions in the effectual category (see Appendix II). The entrepreneur is rather positive about the collaboration with local governments: Public servants that actively think along, the development of projects in collaboration with local governments, and local governments that even stimulated them to further develop their initiative. However, Entrepreneur D is also one of the two entrepreneurs (with Enterprise F) that mainly mentioned effectual dimensions of the local governments they worked with.

Considering these four observations, we observe the trend that entrepreneurs that work with causal governments have a tendency to speak about the local government on a negative tone. Entrepreneur C, who switches his behaviour, also switches in tone about the collaboration with the local government. And the only effectual entrepreneur that mainly spoke on a positive tone about the collaboration with local governments, seems to have worked with relatively effectual local governments. So clearly, when a social entrepreneur and a local government with different strategic decision making styles collaborate, their collaboration tends to be troublesome.

## 4.4 Summary of findings

By analysing the interviews with social entrepreneurs, we found convincing evidence that social entrepreneurs have a tendency to apply more effectual logic than causal logic, both in the idea and start-up phase of their enterprises. The most found dimensions at social enterprises is a means orientation, a focus on strategic alliances, and a tendency to exploit contingencies. Causation is applied to some extent by social entrepreneurs, but mainly in the idea phase, and mainly with an external motivation, such as a bank, or possible partner requesting business plans or long-term

agreements. Local governments also apply a mix of effectual and causal logic, but rely more on causal logic over all. Strategic alliances form by far the most observed effectual dimension, and the most used causal dimensions are a means orientation and the use of existing knowledge. Both dimensions are coded relatively frequent, both in interviews with local governments themselves, and in interviews with social entrepreneurs. Figure 3 shows an overview of the most important observed dimensions. The arrows in the figure indicate were possible barriers or synergies might arise, because both parties use an outspoken strategy. For a discussion whether the arrows represent barriers or synergies, we refer to Chapter 5. Finally, an analysis of the sentiment of social entrepreneurs when discussing their collaboration with local governments, revealed evidence that the use of different decision making logics harms their collaboration.

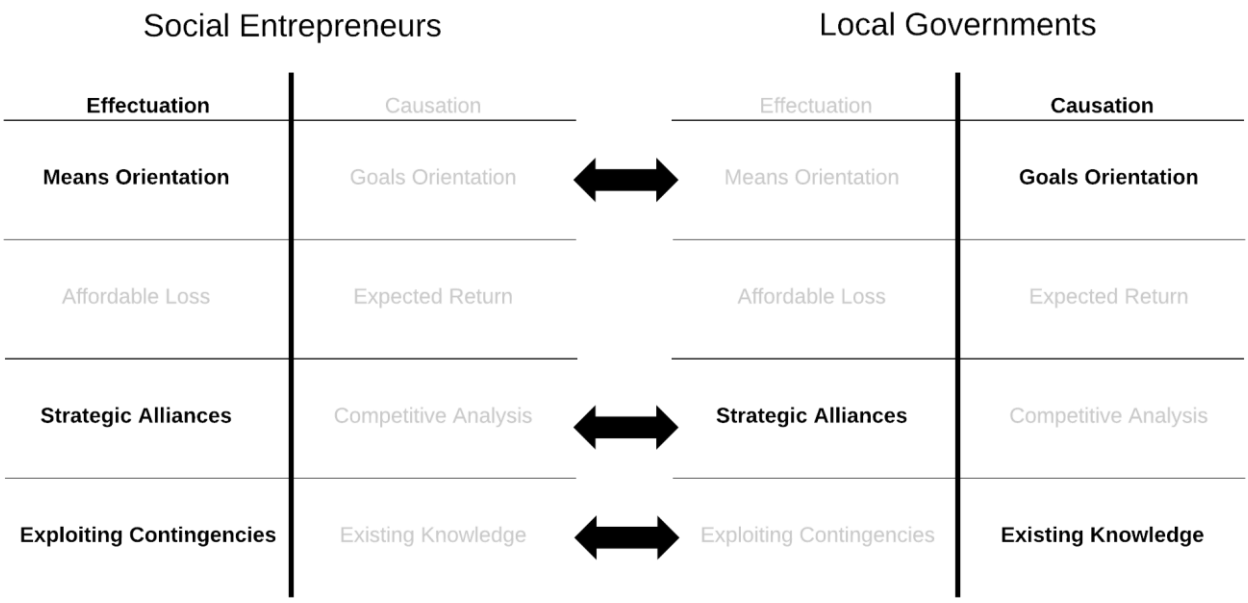


*Figure 3: Schematic of results, and dominant dimensions.*

# 5. Discussion

In this chapter we discuss the main findings. First we discuss what we can conclude about the decision making strategies used by social entrepreneurs and local governments, and give possible explanations for specific observations. Then we discuss the barriers that might arise in collaboration due to the use of effectual and causal logic by both parties. Finally, we discuss the implication for practice of our research, as well as the limitations and suggestions for further research.

## 5.1 Decision making strategies and the important dimensions

In this study we found convincing evidence that social entrepreneurs have a tendency to primarily apply effectual logic in starting and running their enterprises. Local governments apply a mix of causal and effectual logic, although with an emphasis on the causal side. But, there is no strong evidence that local governments are typical causal thinkers. However, when considering the effectual dimensions coded for local governments, a substantial part are strategic alliances. In literature, there is some debate whether strategic alliances can be exclusively appointed to effectual logic. Chandler et al. (2011) found in their study that the strategic alliances dimension had a statistically significant correlation with the causation construct. They conclude that the strategic alliances dimension is shared by the effectuation and causation constructs. Their argument is that effectual players use pre-commitments to reduce the faced uncertainty, but that the causal player can also use pre-commitments. The main difference is that the latter clearly specifies what partner is needed, what the nature of the relationship is, and what the product or service offerings look like. That would be the causal way of using pre-commitments. Taking into consideration that strategic alliances may not be an exclusively effectual dimension, the interpretation of the results slightly changes, and local governments might actually be more causal than the codes suggest. When local governments mentioned partnerships with social entrepreneurs, it leaned frequently towards a supplier-customer relationship, in the form of tenders (in line with the advice of Klijn and Teisman (2003), who suggest to use contractual arrangements in collaboration to separate responsibilities and to minimize risk). This is typically a 'causal strategic alliance', with clear boundaries of the relationship defined, and clear agreements on service offerings. Therefore we argue that based on our data, being aware that there is plenty of cross case variation, social entrepreneurs tend to apply more effectual logic, and local governments tend to apply more causal logic. These findings are in line with the findings of Corner and Ho (2010) and Yusuf and Sloan (2015), who argue that social entrepreneurs tend to apply effectual logic, and Nieth et al. (2018), who argue that local governments have a tendency to apply causal logic. It is important to mention

here, that we do not assess either effectuation or causation as a 'better' decision making logic. Dependent on the situation, one logic might suit better than the other, and social entrepreneurs and local governments have their reasons to apply the logic they do. We simply acknowledge here that they tend to use *different* logics, and that that might affect their collaboration.

We would expect that the affordable loss dimension would be observed more frequently at social entrepreneurs, as Weerawardena and Mort (2006) mentioned the importance of risk management for social entrepreneurs, and affordable loss is a typical way of managing risk for effectual players. Also, Yusuf and Sloan (2015) did observe affordable loss considerations in their case studies at social entrepreneurs. Our lack of affordable loss observations might be caused by the fact that most enterprises in our sample were not in very capital intensive businesses, meaning that it was easy to start without making large initial investments. The social enterprises frequently had little means to work with, and therefore also little means to lose. That might explain why affordable loss considerations are not frequently mentioned by the social entrepreneurs in our sample.

Although the local governments in our sample seem to rely on causal logic, the expected return dimension is not observed very frequently. Based on the studies of Nutt (2006) and Brown and Osborne (2013) we would expect more observations. Looking at the procedures we found at several local governments, the lack of expected return orientation might be explainable. The local governments have rules to which a social entrepreneur must comply to get, for example, financial support, but once the entrepreneur complies, no prioritization or the like is applied based on expected return. The check whether and entrepreneurs complies with rules is coded as goals orientation, and not as expected return. This practice might explain why there are relatively little observations of the expected return dimension. The competitive analysis dimension is observed (relatively) more frequent in the interviews with social entrepreneurs than in interviews with public servants. The social entrepreneurs felt like local governments let them compete with the existing system of (governmental) organisations. The local governments themselves felt differently, but simply would not give specific enterprises preferential treatment. This might explain why interviews with social entrepreneurs suggest that local governments use competitive analysis, while interviews with local governments do not. Since this might be somewhat biased, we do not consider competitive analysis as a dimension that is used frequently by local governments.

## 5.2 Barriers originating from differing decision making strategies

Given the observed dimensions in Figure 3, the arrows in the figure indicate three areas where either barriers, or synergies might arise due to used strategic decision making logics, because both

social entrepreneurs and local governments have an outspoken logic in these areas. We will discuss each area separately in this section.

**Barriers resulting from a means orientation vs. a goals orientation**

The goal orientation of local governments translates in strong rules and regulation, in which is defined to what ends the resources of a local government can be used. Social entrepreneurs, on the other hand, face high uncertainty in their environment, and their means orientation makes that they cannot know upfront what their ultimate, long-term goals are, and therefore have difficulty complying with the regulations. If, in their collaboration, a local government demands a goal orientation from a social entrepreneur, the entrepreneur has to make promises on his goals, that he might not be able to fulfil, which harms his trustworthiness. Also, the goal orientation obligates him to collect certain means to achieve these goals, while his access to means is very limited. This endangers the development of his enterprise. On the other hand, a means orientation is not an option for local governments, as they cannot explain to the public that governmental resources are spent supporting initiatives that work in an unknown direction, which endangers their trustworthiness and accountability. These are substantial barriers in the collaboration between social entrepreneurs and local governments, resulting from a means and a goals orientation.

**Barriers resulting from an effectual view vs. a causal view on strategic alliances**

The finding that both social entrepreneurs and local governments tend to work with strategic alliances seems positive, and might tempt us to look for resulting synergies in collaboration. However, as discussed, there is a major difference between the effectual view on strategic alliances, and the causal view on strategic alliances. An important motivation to seek strategic alliances for an effectual player, is the possibility to share risk with these partners. The way in which a causal player engages in partnerships, using clear agreements and contractual arrangements, is not about sharing risk. In fact, the agreements and contracts are measures to *reduce* the risk for themselves when engaging in partnerships (Klijn & Teisman, 2003). As a result, social entrepreneurs and local governments might have different expectations from a partnership, which leads to misunderstanding, and form a barrier in the collaboration.

**Barriers resulting from exploiting contingencies vs. existing knowledge**

Social do not have many means at hand, so they better use the opportunities that come across. They do not make detailed predictions of the future, and therefore prefer to remain flexible, which enables them to cease opportunities that come across. Local governments want to be flexible in supporting social entrepreneurs, but their rule-based structure makes that nearly impossible. They

make upfront agreements, to avoid that unforeseen events change the course of the initiatives they support. This might change the goals of these initiatives, and that is not justifiable towards the public. Also, the local governments prefer to stick with current practices, because they know what to expect. Investing resources in innovative initiatives is perceived risky, because the outcome is yet unknown, and intended goals might not be reached. If a local government would demand from social entrepreneurs to avoid contingencies, and to use existing knowledge, the development of the enterprises would be endangered, as the contingencies are an important source for their means, partnerships, and growth opportunities. If a social entrepreneur would demand from local governments to exploit contingencies, and to be flexible, the government would feel that the fulfilment of their goals would be jeopardized, and decisions are harder to justify towards the public. Also, many decisions are made upfront in politics, making flexibility less of an option. These are substantial barriers in the collaboration between social entrepreneurs and local governments, as a result from different stances towards contingencies and flexibility.

## 5.3 Implications for practice

This study has presented empirical evidence that social entrepreneurs tend to apply effectual logic, while local governments tend to apply causal logic. We also have shown that these differences in decision making logic might negatively affect the collaboration between both parties, and discussed how their collaboration may be affected in terms of resulting barriers. This study should provide handles for social entrepreneurs and local governments to improve their future collaborations. We do not provide solutions for the discussed barriers, and there might not even be obvious solutions to these barriers. This study does give insight in the motivation behind the application of decision making logics at social entrepreneurs and local governments. This enables both parties to understand each other, and to acknowledge that they both have good reasons to make decisions the way they do. The study gives handles to find the middle ground, on which the partnership between social entrepreneurs and local governments can flourish. It provides local governments with insights that can help them improving laws and regulations, such that they better fit the needs of social entrepreneurs. It also provides social entrepreneurs with insights of what local governments expect from them in partnerships, and how they can be more attractive partners to governments. Smolka et al. (2018) discuss the synergistic effects of applying both effectuation and causation on performance, so finding the middle ground might not only improve collaboration between social entrepreneurs and local governments, it might also improve the performance of each group individually.

## 5.4 Limitations and suggestions for further research

This study has a few limitations, which immediately form opportunities for future research. Firstly, although our data sample is sufficiently large and diversified for a master thesis, it is relatively small to enable generalizable results, partly caused by the outbreak of COVID-19, opportunities to gather a larger data sample. We found that there seem to be differences in decision making logic between and within local governments, and (to a lesser extent) between social entrepreneurs, and our data sample is too small to rule out a bias. Therefore, our first suggestion for further research is to perform a similar analysis on a broader data sample. Adding to this issue, our data sample focussed on the geographical region of Twente, which might also influence the results. Twente is known for what is called 'Noaberschap', a term referring to the practice of supporting each other (neighbours, or 'Noabers') with advice and assistance when necessary. This principle has its roots in the eastern part of the Netherlands, and the western part of Germany, and was mentioned by multiple participants in this study. 'Noaberschap' might affect social entrepreneurship, and the stance towards social entrepreneurship by local governments, which made the Twente region suitable for this initial study. However, further research should be extended to a broader geographical area, to assess whether 'noaberschap' might influence the results of our study.

A second limitation is that we faced difficulty in collecting high-quality data from local governments. The main reason is that local governments (or at least the local governments in our sample) do not have one central person responsible for contact with and support for social entrepreneurs. We interviewed several public servants, for example responsible for policy making, or granting subsidies, or for achieving a Social Return On Investment (SROI). All had different relations to social entrepreneurs, and we bundled them to get overall results for local governments. Because we did not interview the same 'types' of public servants at all local governments, analysis of cross case variation, or comparing results in general was not possible. A suggestion for further research is to develop an alternative method of collecting data regarding the decision making practices of local governments in their collaboration with social entrepreneurs. An example of a possible approach is providing a group of public servants with different functions with cases of social entrepreneurs, and asking them to respond, or how they would support these parties. Their responses can be analysed to draw conclusions. A similar method is applied in effectuation and causation research by Dew et al. (2009). This might improve the understanding of decision making logic at local governments.

The significance of our study is twofold. Firstly, it shows the dynamics of the collaboration between an effectual player, and a causal player. The current body of research in effectuation and causation

has mainly focussed on defining the constructs, and establishing empirical evidence for the existence of the constructs, and the different application by different groups (for example by novice or expert entrepreneurs, by angel investors, etc.). To the best of our knowledge our study is the first to research the collaboration between effectual and causal players. This deepens the understanding of the constructs, and shows a practical application of the effectuation and causation theory. Future research should increase the practical significance of effectuation and causation theory, by using the theory to explain observations in specific contexts. Secondly, our study extends the research field of social entrepreneurship, by introducing empirical evidence that social entrepreneurs are inclined to use effectual decision making. This can help future researchers to understand and explain the behaviour of social entrepreneurs in a specific contexts.

# 6. Conclusion

In this thesis we studied the collaboration between social entrepreneurs and local governments, using an effectuation and causation view. Classical research regards differences in goals (social return/profit) and different risk preferences as main barriers in public-private partnerships. We made the argument that these do not hold when the private party is a social entrepreneur, as their goals tend to align with the goals of local governments. Instead, a different approach in strategic decision making is suggested as an alternative explanation for arduous collaboration between social entrepreneurs and local governments. These different decision making strategies are conceptualized using theory on effectuation and causation. The research question to be answered is: 'To what extent do differences in decision making strategies raise barriers in the partnerships between local governments and social entrepreneurs?'

Based on semi-structured interviews with both social entrepreneurs and local governments, we found convincing evidence that social entrepreneurs primarily apply effectual logic, while local governments primarily apply causal logic. We also found evidence that a difference in decision making logic negatively influences the collaboration. Barriers arise on three different dimensions of the effectuation and causation constructs. The first barrier arises from the means orientation of social entrepreneurs and the goals orientation of local government. The second barrier arises because social entrepreneurs and local governments have a different understanding of strategic alliances, and the third barrier arises because social entrepreneurs tend to exploit contingencies and remain flexible, while local governments use existing knowledge and avoid contingencies.

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# Appendix I: Interview protocols

This appendix contains two interview protocols. One is used to interview social entrepreneurs, and the other is used to interview local government representatives. Because all interviews are conducted with native Dutch speakers, the protocols are written in Dutch.

## Interview protocol: social entrepreneurs

Deel 1: Introductie

**Introductie Onderzoek**

- Het onderzoek richt zich op de werkwijzen van sociaal ondernemers en lokale overheden, met name op het gebied van strategische besluitvorming, en hoe dat hun samenwerking beïnvloed. In ons data sample zijn beide groepen vertegenwoordigd, en aan de hand van interviews achterhalen we welke werkwijzen worden toegepast door beide groepen. We hopen met de resultaten handvatten te kunnen bieden aan beide partijen om hun samenwerking te verbeteren.
- Dit interview zal worden opgenomen, en na afloop getranscribeerd worden. De opname is alleen voor mijzelf toegankelijk, en zal niet zonder toestemming gedeeld worden. De transcripten worden volledig geanonimiseerd. Binnen enkele dagen zal ik het transcript per mail naar u opsturen, zodat u kunt controleren of de inhoud klopt.
- Alle verkregen informatie door middel van dit onderzoek zal als vertrouwelijk behandeld worden. Het interview transcript zal enkel door mij, en door mijn begeleiders ingezien worden.
- Na afloop van het onderzoek, aan het einde van de zomerperiode, zal ik de uitkomsten van onderzoek, indien gewenst, met u delen.
- Het interview zal ongeveer 45-60 minuten duren, al kan het soms voorkomen dat het iets langer of korter duurt. Het bestaat uit 2 delen, waarvan de eerste gaat over de idee-fase van de onderneming, en het tweede over de start-up fase. Het doel is om te achterhalen wat je werkwijze is geweest, en hoe besluiten tot stand zijn gekomen.

**Introductie sociale onderneming**

- Achtergrond van de sociale onderneming: hoofdzakelijke werkzaamheden, ‘sociale karakter’, werknemers?.
- Achtergrond van de ondernemer: expertise, eerdere ondernemingen?

Deel 2: Idee- en opzetfase van de onderneming

1. Kunt u iets vertellen over hoe u op het idee bent gekomen om deze onderneming op te zetten?
2. Waarom dacht u dat er kansen lagen om uw eigen onderneming te starten?
    - Zag u ook gevaren of risico's in uw plan om een eigen onderneming op te zetten?
3. Wat was het doel dat u voor ogen had toen u uw onderneming ging starten?
4. Heeft u uw idee met veel mensen besproken voordat u begon met het opzetten van de onderneming?
    - Wie waren deze mensen? (partners?)
5. Kunt u iets vertellen over de allereerste stappen die u nam in het opzetten van uw onderneming?
    - Hoe heeft u bepaald dat dit de eerste stappen moesten zijn?
6. Waar heeft u de middelen vandaan gehaald om uw onderneming op te zetten?
    - Heeft u externe financiering gebruikt?
    - Hoe heeft u bepaald hoeveel u zou investeren in de onderneming?

Deel 3: Tegenwoordige bedrijfsvoering

1. Kunt u vertellen welke ontwikkelen uw onderneming heeft door gemaakt sinds de oprichting?
    - Wat heeft er toe geleid dat deze ontwikkelingen hebben plaatsgevonden? Een plan? Kansen?
2. Heeft uw aanbod zich ontwikkeld sinds de oprichting van uw onderneming?
    - Hoe heeft u bepaald wat geschikte veranderingen in uw aanbod zouden zijn?
3. Kunt u iets vertellen over partners van uw onderneming, en hoe deze betrokken zijn?
4. Kunt u iets vertellen over welke rol planmatigheid en flexibiliteit hebben in uw besluitvorming voor de toekomst?
5. Hoe gaat u om met onverwachte ontwikkelingen rondom uw bedrijf? (denk aan: Er doet zich plotseling een kans voor om uw verleende service uit te bereiden, of, door een beleidswijziging valt plots een deel van uw subsidie weg)
    - Kunt u een voorbeeld noemen van een onverwachte wending die uw onderneming heeft meegemaakt, en hoe u daarop reageerde?
6. Werkt u met targets om de prestaties van uw onderneming meetbaar te maken?
    - Zo ja, wat zijn deze targets?

Deel 4: Afsluiting

- De deelnemer hartelijk bedanken voor het meewerken met het onderzoek.
- Aankondiging dat het transcript binnen enkele dagen opgestuurd wordt ter controle.
- Navragen of de deelnemer geïnteresseerd is om het eindresultaat van het onderzoek (digitaal) te ontvangen.

## Interview protocol: local government representatives

Deel 1: Introductie

**Introductie Onderzoek**

- Het onderzoek richt zich op de werkwijzen van sociaal ondernemers en lokale overheden, met name op het gebied van strategische besluitvorming, en hoe dat hun samenwerking beïnvloed. In ons data sample zijn beide groepen vertegenwoordigd, en aan de hand van interviews achterhalen we welke werkwijzen worden toegepast door beide groepen. We hopen met de resultaten handvatten te kunnen bieden aan beide partijen om hun samenwerking te verbeteren.
- Dit interview zal worden opgenomen, en na afloop getranscribeerd worden. De opname is alleen voor mijzelf toegankelijk, en zal niet zonder toestemming gedeeld worden. De transcripten worden volledig geanonimiseerd. Binnen enkele dagen zal ik het transcript per mail naar u opsturen, zodat u kunt controleren of de inhoud klopt.
- Alle verkregen informatie door middel van dit onderzoek zal als vertrouwelijk behandeld worden. Het interview transcript zal enkel door mij, en door mijn begeleiders ingezien worden.
- Na afloop van het onderzoek, aan het einde van de zomerperiode, zal ik de uitkomsten van onderzoek, indien gewenst, met u delen.
- Het interview zal ongeveer 45-60 minuten duren, al kan het soms voorkomen dat het iets langer of korter duurt. Het bestaat uit 2 delen, waarvan de eerste gaat over de idee-fase van de onderneming, en het tweede over de startup fase. Het doel is om te achterhalen wat je werkwijze is geweest, en hoe besluiten tot stand zijn gekomen.

**Introductie ambtenaar en gemeente**

- Welke rol heeft u binnen uw gemeente, en hoe heeft u contact met sociale ondernemingen vanuit die rol?
    - Bent u actief opzoek naar sociale ondernemers in uw gemeente, of ligt het initiatief bij sociale ondernemers om u te benaderen?

- Op welke manier ondersteunt uw gemeente sociale initiatieven? (financiering, andere resources, bekendheid?)

Deel 2: Idee- en opzetfase van de onderneming

1. Kunt u iets vertellen over hoe ondernemers achter een sociaal initiatief ondersteuning kunnen aanvragen bij uw gemeente?
2. Hanteert uw gemeente specifieke voorwaarden waaronder een specifiek initiatief ondersteund kan worden?
    - Welke voorwaarden zijn dit?
3. Hoe worden budgetten toegekend aan specifieke sociale initiatieven?
    - Worden er calculaties gemaakt van de verwachtte 'sociale' opbrengst om budgettering op te baseren?
4. Hoe wordt ermee omgegaan als er nieuwe initiatieven aankloppen bij de gemeente, die niet binnen de huidige wet en regelgeving passen?
    - Kunt u een voorbeeld geven dat u heeft meegemaakt?
5. Hoe wordt ernaar gekeken als sociale ondernemers met een idee komen dat bestaande diensten (van overheidsinstanties) kan vervangen/overnemen?

Deel 3: Lopende initiatieven/ondernemingen

1. Hoe bepalen jullie welke sociale ondernemingen doorlopend aanspraak kunnen blijven maken op (financiële) ondersteuning vanuit de gemeente?
    - Werken jullie met targets waar de ondernemingen aan moeten voldoen?
2. Kunt u iets vertellen over de mate waarin sociale ondernemingen vrijheid/flexibiliteit hebben in hoe zij zich ontwikkelen, als zij ondersteuning vanuit de gemeente willen behouden?
    - In hoeverre vindt u dat de gemeente zich flexibel opstelt?
    - Wat gebeurt er als een onderneming zich ontwikkeld in een richting wat in eerste instantie niet voorzien was bij het toekennen van ondersteuning? Kunt u een voorbeeld noemen waarin dat is gebeurd?
3. Kunt u iets vertellen over de mate van betrokkenheid van uw gemeente bij specifieke sociale initiatieven?
    - Alleen reageren op vragen vanuit de ondernemer, of actieve betrokkenheid?
    - Is uw gemeente bereid om deel te nemen in risico's die bepaalde initiatieven met zich meebrengen?

4. In hoeverre worden sociaal ondernemers betrokken bij het maken van beleid binnen uw gemeente?
5. Zou u de relatie tussen uw gemeente en sociale ondernemingen beschrijven als een 'samenwerking', of meer als ondersteuner/financier? Waarom?

Deel 4: Afsluiting

- De deelnemer hartelijk bedanken voor het meewerken met het onderzoek.
- Aankondiging dat het transcript binnen enkele dagen opgestuurd wordt ter controle.
- Navragen of de deelnemer geïnteresseerd is om het eindresultaat van het onderzoek (digitaal) te ontvangen.

## Appendix II: Detailed findings per enterprise

This appendix describes the detailed results of the analysis of each interview with a social enterprise. The results for social enterprises, discussed in Chapter 4, are a combination and summary from the results in this appendix.

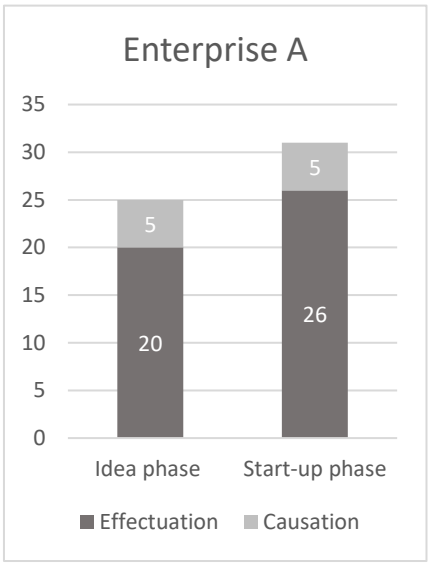
**Enterprise A**

Enterprise A is founded by an entrepreneur with a background in the public domain, and uses an old train track to organise leisure activities. Their social value is that they aim to use their business to conserve cultural heritage, and to employ people with a distance to the labour market. The enterprise started in 2013.

*Table 9: Coded dimensions from the interview with enterprise A*

| | *Idea phase* | *Start-up phase* |
|---|---|---|
| ***Effectuation*** | ***20*** | ***26*** |
| *Means Orientation* | 8 | 7 |
| *Affordable Loss* | 2 | 4 |
| *Strategic Alliances* | 5 | 7 |
| *Exploiting Contingencies* | 3 | 8 |
| *Rest* | 2 | |
| ***Causation*** | ***5*** | ***5*** |
| *Goals Orientation* | 2 | 1 |
| *Expected Return* | | |
| *Competitive Analysis* | | |
| *Existing Knowledge* | 3 | 4 |
| *Rest* | | |

*Figure 4: Coded dimensions Enterprise A*




Analysis of the interview shows that entrepreneur A mainly applies effectual logic, both in the idea phase and the start-up phase (See Table 9 and Figure 4). The entrepreneur has a strong *means orientation*, as he uses his personal network and preferences to further develop the business ('We decided to start in my hometown. I had many contacts in politics, and there was a lot of support.'). Also, the development of his enterprise is mainly focussed on short term, using readily available means, or means that have just become available ('We are working on a salt wagon, which is converted in a hikers hut. That increases revenues, which in turn gives room to, for example, …'). On the other hand, the entrepreneur also mentioned his long-term goals a few times, which are coded as *goals orientation*.

The entrepreneurs also has a strong tendency to use *strategic alliances*. Although this dimensions is coded frequently (see Table 9), it basically is caused by two recurring themes. First, the entrepreneur

frequently refers to a partner that he involved in the idea phase to finance the start of the enterprise, and to discuss opportunities for the future. Second, the entrepreneur tries to involve a team of volunteers in his enterprise, as he cannot afford paid forces, which is also coded as a tendency to use strategic alliances.

Lastly, the entrepreneur has a strong tendency to *exploit contingencies* that he comes across. For example, he stumbled on the internet on an article of an old train that would be scrapped, which he actually could use in his enterprise. The entrepreneur made arrangements, and eventually the train was restored and has become part of the preserved cultural heritage near his train track. At one point in the interview the entrepreneur literally states: 'That is how these things go. You set a direction, but upfront you're not sure how exactly it will go. You kind of create opportunities, and then look which opportunities you can realise'. On the other hand, Table 9 shows relatively many codes for *existing knowledge*. This is mainly caused by the fact that the entrepreneur frequently refers to a project plan he has made upfront, which is interpreted as avoiding contingencies and using existing knowledge when looking at the future. However, it is relevant to mention that the entrepreneur seems stimulated to make this project plan mainly by his environment, as he gets many questions about his plan and future headings from external parties.

**Enterprise B**

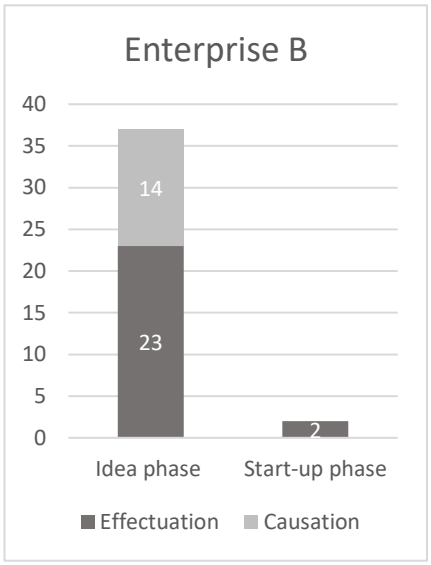
Enterprise B is founded by a former project developer, and aims to build a care facility for elderly, disabled, or other group that needs special care in a small town. The main reason is that, at this moment, people that need special care permanently, cannot stay in the town, which the entrepreneur finds undesirable. This 'enterprise' has not yet started, but the concepts for housing and care are fully developed. The development started in 2014, and currently the entrepreneur waits for a suitable location to be found, such that the concept can be started.

The first thing that stands out from coding (see Table 10 and Figure 5), is that we almost exclusively coded dimensions in the idea phase. The obvious reason is that the enterprise has not started yet, so the enterprise has not reached the start-up phase yet. The 2 codes in the start-up phase are things the entrepreneur said he would do if the enterprise was running. Also, this entrepreneur applied more causal logic than other entrepreneurs in our sample. This makes sense, given the fact that this entrepreneur started with the initiative in 2014, and is still working on the plans and defining the concepts that he will use. The background of Entrepreneur B in project development, and his tendency to approach his initiative as a formal project development process, might also be an explanation for the frequent application of causal logic.

*Table 10: Coded dimensions from interview with Enterprise B*

| | *Idea phase* | *Start-up phase* |
|---|---|---|
| ***Effectuation*** | ***23*** | ***2*** |
| *Means Orientation* | 8 | |
| *Affordable Loss* | 1 | |
| *Strategic Alliances* | 10 | 1 |
| *Exploiting Contingencies* | 2 | 1 |
| *Rest* | 2 | |
| ***Causation*** | ***14*** | ***0*** |
| *Goals Orientation* | 3 | |
| *Expected Return* | 3 | |
| *Competitive Analysis* | 1 | |
| *Existing Knowledge* | 6 | |
| *Rest* | 1 | |

*Figure 5: Coded dimensions Enterprise B*




The main reason that we still coded more effectual dimensions, is that the entrepreneur frequently spoke of *strategic alliances* in the interview. For his initiative to work, the active involvement of the municipality, care provider, and a housing corporation were crucial. Also, the inhabitants of his home town play an important role in the concept, as they will be actively involved in the initiative, and will be responsible for part of the care offered at Enterprise B. The frequent mentioning of these partners resulted in the frequent coding of the strategic alliances dimension.

The second effectuation dimension that is frequently mentioned is the *means orientation*. The entrepreneur has used his own knowledge and preferences to set up the initiative (for example, 'I have a background in project development, so I know how it is done.', or 'I knew the principle of a care broad, small-scale residential form, that was realised in the region.'). Also, he mentions that he started only with a rough vision, and that the details came later, and the use of his own, personal network ('But I wanted to know the details, so via my network I arranged that I was invited at the headquarters a few months later.').

The most heavily coded causal dimension is *existing knowledge*. The entrepreneur frequently mentions how he made forecasts of future demand and a changing care environment, which indicate that he uses predictions of the future to base his plans on. Also, he mentions how be built the business model, and discusses what the expected return of the initiative will be, and he speaks of specific target groups, all indicators for the *expected return* dimension. It is worthwhile to mention that his main motivation for these causal habits seems to be to persuade banks and local authorities to step into his initiative.

**Enterprise C**

Enterprise C employs highly intelligent people with a distance to the labour market, to perform complex business analytics projects commercially. Many of their employees fall within the autistic spectrum, and others have physical disabilities that prevent them to access the labour market. The enterprise is founded in 2019 by two brothers, one of them with a background as entrepreneur, and the other as manager.

*Table 11: Coded dimensions from interview with Enterprise C*

| | ***Idea phase*** | ***Start-up phase*** |
|---|---|---|
| ***Effectuation*** | ***15*** | ***31*** |
| *Means Orientation* | 7 | 7 |
| *Affordable Loss* | 3 | 3 |
| *Strategic Alliances* | 4 | 9 |
| *Exploiting Contingencies* | 1 | 10 |
| *Rest* | | *2* |
| ***Causation*** | ***11*** | ***2*** |
| *Goals Orientation* | 7 | 1 |
| *Expected Return* | 1 | 1 |
| *Competitive Analysis* | 1 | |
| *Existing Knowledge* | 3 | |
| *Rest* | | |

*Figure 6: Coded dimensions Enterprise C*

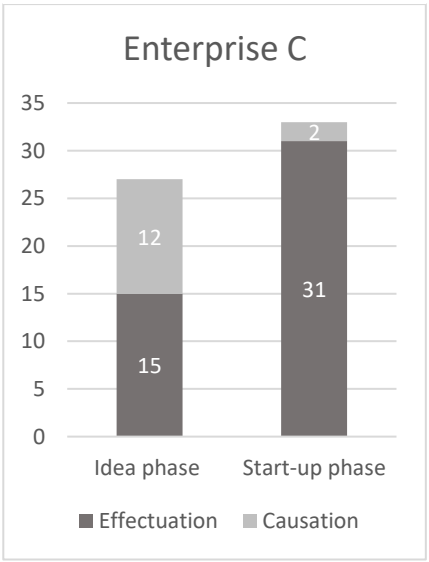



Table 11 and Figure 6 show the results of the analysis of the interview with Enterprise C. We see that, based on the interview, the entrepreneurs primarily apply effectual logic, although causal logic is applied as well. Comparing the idea phase and start-up phase, we see that in the idea phase a mix of effectual and causal logic is used, while in the start-up phase the logic shifts to almost exclusively effectual.

The main reason that causal logic is observed frequently in the idea phase, is the *goal orientation* of the entrepreneurs. Before starting the business, the entrepreneurs had very clear goals of what they wanted to reach, and wrote a business plan including these goals and how to get there. Also, they collected the means to execute their plan (e.g. the entrepreneur participated in a local program for social enterprises because he 'had no network on local, SME level'). Second, the dimension *existing knowledge* is coded frequently in the idea phase. The entrepreneurs had, especially in this early phase, a tendency to document their internal processes and agreements, indicating that they aimed to avoid contingencies when possible. However, the entrepreneurs seem to be mainly motivated to engage in this habit to persuade banks and other partners to collaborate. These applications of causal logic are counterbalanced by some effectual habits. For example, the entrepreneurs used

their own interests, skills, knowledge and network to set up their enterprise, indicating a strong *means orientation*, and made personal sacrifices in terms of both money and time to get their enterprise going, indicating an *affordable loss* attitude in the idea phase.

When zooming in on the start-up phase, the dominance of effectual logic is overwhelming. The entrepreneurs engaged in numerous *strategic alliances*, and discussed their concept with everyone willing to hear it, and everyone who might be able to contribute. Also, the enterprise suffered multiple changes in direction, resulting from events in their environment. The entrepreneur literally stated: 'You can make plans when you start, but then you turn into an amoeba. Then you have to adapt to events in your environment, and events within the enterprise.', a strong indication that the entrepreneurs aimed to *exploit contingencies* in the start-up phase. Finally, most developments of the enterprise are financed out of retained earnings, and the pace is development is strongly determined by the pace in which these funds become available, indicating a *means orientation* in the start-up phase.

### Enterprise D

Enterprise D is founded by a duo that was formerly employed in the healthcare industry. They help elderly to participate more in society, and to be more resilient. They do this by creating awareness that even elderly can influence their own situation, and have ownership over their own life, by organising specific programs. The entrepreneurs see themselves as catalysts of these ideas, and not necessarily as service providers. Their intention is to help starting these initiatives and programs, but eventually the citizens, or local organisations, should continue the effort by themselves.

*Table 12: Coded dimensions from interview with Enterprise D*

| | *Idea phase* | *Start-up phase* |
|---|---|---|
| ***Effectuation*** | ***22*** | ***24*** |
| *Means Orientation* | 6 | 3 |
| *Affordable Loss* | 1 | 2 |
| *Strategic Alliances* | 10 | 9 |
| *Exploiting Contingencies* | 4 | 10 |
| *Rest* | 1 | |
| ***Causation*** | ***3*** | ***3*** |
| *Goals Orientation* | 1 | 3 |
| *Expected Return* | | |
| *Competitive Analysis* | | |
| *Existing Knowledge* | 2 | |
| *Rest* | | |

*Figure 7: Coded dimensions Enterprise D*

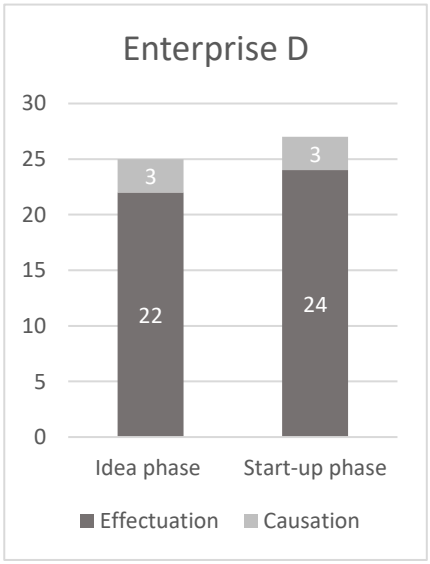


Table 12 and Figure 7 show the analysis results for Enterprise D. We immediately see that the entrepreneurs mainly relied on effectual logic in running their initiative, with little difference between behaviour in the idea phase and start-up phase. The main explanation is that the entrepreneurs have no real product or service, but are 'catalysts', using their words. The result is that practically every action they undertake is in collaboration with local parties in the municipalities, resulting in high scores on the *strategic alliances* dimension in both phases. These strategic alliances are with multiple parties, such as local authorities, regional authorities, professionals from the healthcare sector, welfare organisations, associations for senior citizens, and most importantly, the senior citizens themselves.

| | *Idea phase* | *Start-up phase* |
|---|---|---|
| ***Effectuation*** | ***22*** | ***24*** |
| *Means Orientation* | 6 | 3 |
| *Affordable Loss* | 1 | 2 |
| *Strategic Alliances* | 10 | 9 |
| *Exploiting Contingencies* | 4 | 10 |
| *Rest* | 1 | |
| ***Causation*** | ***3*** | ***3*** |
| *Goals Orientation* | 1 | 3 |
| *Expected Return* | | |
| *Competitive Analysis* | | |
| *Existing Knowledge* | 2 | |
| *Rest* | | |

The way in which Enterprise D operates might also explain why they have a strong tendency to *exploit contingencies*. They are strongly dependent on opportunities that come across, for example people that are enthusiastic for their ideas, and want to help to get started in their environment. Also, they intentionally keep their programs very flexible, and let the elderly participants themselves determine what they need. And the entrepreneurs indicate themselves: 'since we started, we are in continuous development, and we continuously monitor: What happens in our environment, and how can we act?'. As an example, the COVID period led to increased loneliness among elderly, and this formed an opportunity for Enterprise D to step in, and help them out.

We also frequently observed indicators for a *means orientation*. The entrepreneurs strongly relied on their own preferences in starting their initiative. For example, the trigger for starting the initiative was that their former employer implemented changes that they could not support, which made them start their own initiative, where they could do things differently at their own preference. Also, they strongly relied on their own expertise and knowledge in setting up the initiative. Finally, the interview shows that the entrepreneurs had a vision from the beginning, being to help elderly in getting involved in society, but the details were left open. The programs Enterprise D initiated did not have actual schedules or planning what topics to cover. They simply 'hit the road with seniors, but they determine themselves what they will do'.

The main indicators for causation we found was a *goal orientation*, as the entrepreneurs developed plans with municipalities and the province to get their initiative going, and had the desire to develop business cases. Besides, they aimed to monitor their performance, although this was mainly motivated by the desire to communicate their added value to others. The tendency of the entrepreneurs to use *existing knowledge* is mainly indicated by their thorough examination of the environment to determine what programs are most needed, and therefore relying on prediction of the future.

**Enterprise E**

Enterprise E sells custom LEGO products in the B2B market. It is founded by a couple, who saw in their environment that youth with 'a challenge' could not participate in society well. Enterprise E employs this youth, giving them a job, guidance, and a salary. In this way these youngsters can improve their social and work related skills, and use their salary to engage in social activities outside Enterprise E. Besides, it increases the opportunities that these youngsters are able to engage in the labour market at a later age. Enterprise E is founded 2017.

*Table 13: Coded dimensions from interview with Enterprise E*

| | ***Idea phase*** | ***Start-up phase*** |
|---|---|---|
| ***Effectuation*** | ***15*** | ***3*** |
| *Means Orientation* | 9 | 1 |
| *Affordable Loss* | 1 | 1 |
| *Strategic Alliances* | | |
| *Exploiting Contingencies* | 4 | 2 |
| *Rest* | | |
| ***Causation*** | ***1*** | ***1*** |
| *Goals Orientation* | | 1 |
| *Expected Return* | 1 | |
| *Competitive Analysis* | | |
| *Existing Knowledge* | | |
| *Rest* | | |

*Figure 8: Coded dimensions Enterprise E*

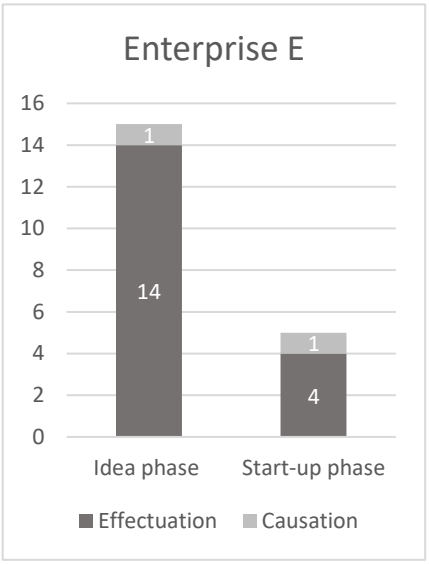



Table 13 and Figure 8 show the analysis results for Enterprise E. We see that the entrepreneurs mainly applied effectual logic, in particular a *means orientation*. The entrepreneurs started the enterprise because they 'saw in their own surroundings that youth with a challenge could not participate in society', indicating a personal preference. Also the entrepreneurs were using means readily available at the start of their enterprise. They used their own knowledge and personal network, and started from their homes, as they did not have any business premises yet. Also, they

had some previous experience in the market they are currently operating in, and this was mentioned as the sole reason for starting is this market.

Other effectual entrepreneurs in our sample tend to rely heavily on *strategic alliances*. It stands out that, although Enterprise E has average to high scores on other effectual dimensions, that they did not engage in any strategic partnerships. The development of the enterprise was, based on the interview, performed fully internally.

The only indicators found for causal logic are a comment on expected return, as the entrepreneur indicated that they needed a business model with some return to have some minor income as entrepreneurs. Secondly, the entrepreneur articulated the intention to keep the same course as they had until now, indicating a slight unwillingness to change course.