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THE ROLE OF STAKEHOLDERS IN THE SOCIAL ENTERPRISE CREATION: AN EFFECTUAL APPROACH

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1 INTRODUCTION

1.1 Background

Even though social entrepreneurship is not a new phenomenon, it is a nascent field in academic research (Chalmers & Fraser 2012, 299). Recently, the attention towards the study of the phenomenon has been drawn in response to several changes in the context where social organizations operate (Perrini & Vurro 2010, 165). The social or third sector has experienced in recent years challenges due to an increased competition for funding raised by the proliferation of social organizations and the government and private sector organizations struggling to balance their budgets in addition to a public concern about the effectiveness and efficiency of third sector organizations, among other reasons that in line with the idea of the welfare system's inability to meet every demand that society places on it (Wei-Skillern, Austin, Leonard, & Stevenson 2007, 2; Thompson 2002, 412), and as a result, social entrepreneurship represent an alternative solution for the issues society faces (York, Sarasvathy, & Larson 2010, 141). These challenges have prompted organizations to create partnerships among actors in different sectors in society in order to increase both, economic growth and social impact (Wei-Skillern et al. 2007, 3). At the same time, these partnerships increase the level of complexity in the study of organizations being created, in terms of its modes of operation, agency, typology, served groups, legal establishment, etc.

The process of value creation conducted by a group of actors from different sectors in society raises the interest particularly on how to tackle the reconciliation of divergent interests and objectives. To discuss the presumed tension between economic and social value, Michael Porter introduced the concept of shared value, positioning in this concept both economic goals and social goals at the same level in the firms' value creation process. Contrary to the assumed conflicts that may rise due to the divergent logics underlying economic and social goals, he states that firms that adopt share value creation as part of their strategy, benefit from the complementarity provided by both logics. He supports this view claiming that "the opportunity to create economic value through creating societal value will be one of the most powerful forces driving growth in the global economy" (Porter & Kramer 2011, 4). Consequently, the mentioned trend creates opportunities for entrepreneurs to seek for new ways of delivering services and developing products, and in the same manner, for researchers to adapt and/or develop approaches to this emerging type of entrepreneurship in the academic field (Desa 2007, 7). As a consequence of these challenges and opportunities, it is also claimed that "social entrepreneurs will be one of the most important sources of innovation", in the sense that they

combine scarce resources in creative ways to solve social needs that have been unmet by the established welfare system (Shaw & Carter 2007, 422).

Accordingly, there is evidence of an increase number of publications related to social entrepreneurship (Short, Moss, & Lumpkin 2009, 164) as well as a growing number of organizations embracing social aims including the social value generation as an essential element of their business model (Shaw & Carter 2007, 420; Brooks 2009; Martin & Thompson 2010, 19). One of the few sources of data concerning global social entrepreneurship activity is the Social Entrepreneurship Report developed by the Global Entrepreneurship Monitor which on its latest publication provides detailed information on social entrepreneurship trends in 49 countries (Terjesen, Lepoutre, Justo, & Bosma 2009). A classification of entrepreneurial organizations in terms of their goal focus is provided in order to assess social entrepreneurial activity (SEA), and defines four types of organizations based on their activity: pure social entrepreneurial activity (social aims and none commercial aims), pure commercial entrepreneurial activity (commercial aims and none social aims), overlapping social and commercial entrepreneurial activity (the organization is both commercial and social in nature) and simultaneous social and commercial entrepreneurial activity (commercial and social separate entities running at the same time). The results show that pure commercial enterprises still dominate in every country, and that social entrepreneurial activity varies radically among regions in terms of their goal orientation and the type of industry social enterprises operate in.

Moreover, there are notable differences between the types of social entrepreneurial activity among regions, for instance the prominent case of the overlapping activities leading the social entrepreneurial activity in Latin America (more visible in Colombia, Peru and Venezuela) while in the United States there is an evident trend towards the pure social entrepreneurial activity type. The study offers some reasons for this behavior, and states that developing countries tend to show an increase in hybrid-purpose enterprises due to a lack of a welfare state in these countries and the scarcity of funding and grants which move them to look for alternative businesses that create social impact and at the same time provide a sustainable income source. However, it is also highlighted that the assessment of the differences in social entrepreneurial activity in cross-country studies become difficult mainly because the local perception of what the population understands by “social activity” varies depending on a combination of factors such as historical and institutional backgrounds (Terjesen et al. 2009, 5, 16).

This is probably the reason why the extant literature in this matter covers mainly discussions around the concept of social entrepreneurship, and more specifically, attempts to establish the boundaries which define its place in the entrepreneurship spectrum (Dacin, Dacin, & Tracey 2011, 1204). However, it is claimed that the conceptual consensus is far from possible because social entrepreneurship is such a complex, dynamic and context-dependent phenomenon (Dacin, Dacin, & Matear 2010, 38). In addition, the

attention of the media has broadly been drawn to the image of the social entrepreneur from an individual perspective, typically highlighting his/her personality traits and particular skills (Haugh 2012, 9), and often over-emphasizing them through impressive stories about his/her success. As a result, the study of social entrepreneurship tends to overlook the processes undertaken to achieve success (Dacin et al. 2011, 1206; Doyle Corner & Ho 2010, 636), the participants in those processes, and most importantly in the case of social enterprises, the mission underlying the venture creation (Barinaga 2012, 243).

In order to contribute to the research of the social entrepreneurial process with the social value creation as the main differentiator (Mair & Martí 2006, 39) this study is focused on the process of the venture creation and the influence of the stakeholders in that process, taking the social mission and the interactions between the founder and the stakeholders as the units of analysis. The next section will present the research questions and the structure of the study.

1.2 The purpose of the study

The dynamic model of new market creation is based on the idea that to the extent that the future can be controlled, there is no need to predict it. As a consequence, the process of market creation is principally a group of actions towards the construction of that future. The model emphasizes the ability of the entrepreneur to use the current resources at hand to foster the vision of what he/she identifies as an opportunity. In the intention of building “something” which is not defined yet, external actors contribute to the development and concretization of the idea. The logic behind this collaboration is that the actors bring new means and goals to the process and the idea becomes a central element in both cycles of expansion in resources and constraints in goals. According to an effectual entrepreneur this participation is an important source of insight to improve value generation. In addition, the effectual reasoning provides the entrepreneur with the ability to be open to surprises as to market segmentation or even market creation, and therefore, the interactions undertaken between the entrepreneur and the committed stakeholders continuously transform the original version of the idea, and the built network of partnerships determines at some extent the market in which the venture end up in (Sarasvathy 2001, 6) or in other words “it is who comes on board that determines the goals of the enterprise, not vice versa” (Sarasvathy 2006, 2).

The interactions suggest a succession of negotiations towards the attainment of an actual commitment from self-selected stakeholders, in exchange of a chance to shape the goals and influence the future of the project rather than appropriate future payoffs (Sarasvathy 2006, 2, 6; Sarasvathy et al. 2005, 547). The reasons behind the self-

selection of stakeholders into the venture creation process may be their own convictions, passions, fun, pre-existent preferences, among others (Sarasvathy et al. 2005, 554). The effectual approach establishes the following three principles used by stakeholders when deciding to make an actual commitment: means-driven, affordable loss and leveraging contingencies. Stakeholders aiming to take part in an effectual network are likely to base their decision on the possible courses of action enabled through their current means, investing in those actions only the resources they can afford to lose but also being aware of the opportunities that may raise from unexpected contingencies (Sarasvathy 2006, 7). Therefore, it can be suggested that the members of an effectual network are likely to be altruistic (at least in the early stages of the venture creation) (Sarasvathy et al. 2005, 558), and that this characteristic is preferred over others when assessing the inclusion of a new member. The point in which the addition of new members to the network is restricted, is defined by the idea that the closer to the market stage, the more constraints are put to the transformation of the idea (Sarasvathy & Dew 2005, 549-550). As a consequence, time period in the venture creation process seem to be relevant, therefore it is also suggested that the entrepreneur adopts an effectual reasoning in the early stages of the venture creation and a more causal or strategic reasoning when the new venture is shaped enough to enter the market (Sarasvathy 2001, 2). This idea is reinforced by the findings in Doyle Corner & Ho (2010, 645) in which the focus was on opportunity development. The results revealed mixed logics in the entrepreneurial process, opportunities were neither purely created (effectuation approach) nor purely discovered (causal approach).

The effectuation approach offers interesting research paths when evaluating the entrepreneurial process undertaken by social entrepreneurs. In addition, the promising opportunities for deepening the understanding of the links between the effectuation approach and social entrepreneurship has been acknowledged in York et al. (2010). This case study research discusses how inchoate demand (general demand for things that meet broadly defined types of needs) is transformed into articulated demand (demand for particular products or services), and explains the links of social entrepreneurs' actions with the effectual approach. The mentioned connection between the effectual approach and the social entrepreneurial process can be traced to the levels of uncertainty faced in the social entrepreneurship context and the scarce resources social entrepreneurs operate with (Dacin et al. 2011, 1210). In addition, two facts seem to complement the aforementioned view: social enterprises are adopting market-base approaches to create value (Chalmers & Fraser 2012, 294) and simultaneously re-defining the view of value creation into a social or shared value creation driven by the public awareness of social and environmental issues (Porter & Kramer 2011). Even though social entrepreneurship inherits overall the characteristics of commercial entrepreneurship, a group of scholars persists in the idea that it is a distinct type in entrepreneurship field, in the

sense that the social mission is the central element in the value creation (Dacin et al. 2011, 1205) and due to the distinctive organizational forms that support the achievement of that mission (Doyle Corner & Ho 2010, 637).

It is widely stated in social entrepreneurship literature that the social mission is central (Pirson 2012, 35), however the sustainability of the venture is also a key element, and the latter cannot be disconnected from the former (Mair & Martí 2006, 39). As a means to clarify these notions, the concept is portrayed in simple words by a social entrepreneur as "...we don't employ people to make brownies, we make brownies to employ people" (Wei-Skillern et al. 2007, 143). Consequently, one of the claimed challenges for social entrepreneurs is to achieve a balance between what market dictates and mission needs (Pache & Santos 2013, 972). In this sense, it is believed that social entrepreneurship is all about procuring the necessary resources (financial and human) to pursue opportunities in addition to leveraging their current assets such as capabilities, infrastructure and reputation (Wei-Skillern et al. 2007, 143). Moreover, building networks is a powerful strategy for social enterprises since their objective is to create social value, and it does not require to be captured within the organization's boundaries, this means that the social value might be created in collaboration with others (Wei-Skillern et al. 2007, 25) as a consequence of a "collective action" (Doyle Corner & Ho 2010, 651). The collaboration among the founder and stakeholders, brings new resources to the venture creation process and has an effect in social value creation, which might distort or adjust the mission (Chalmers & Fraser 2012, 295). Because the societal demand is significant, social entrepreneurs are tempted to tackle more social needs (Wei-Skillern et al. 2007, 24) when new resources are introduced in the process. At this point, the characteristics of the social entrepreneur play a significant role, since it is noted that these characteristics at the individual level shape both: the vision of the future and the acquisition of resources (Perrini & Vurro 2010, 169).

Among the suggestions on possible research opportunities concerning networks and social entrepreneurship, is the need for research aiming to understand how powerful actors work to shape the agenda of social entrepreneurs (Dacin et al. 2011, 1208). In addition, it is proposed that a promising approach is to examine the set of activities underlying the social entrepreneurship process and more importantly the interactions between the social entrepreneur and the context, in order to understand how the latter enables and constraints the appearance of social entrepreneurship and how social change occurs (Mair & Martí 2006, 38-40). The research questions for this study are drawn from the mentioned suggestions in addition to the recommendation on further in-depth investigation of this type of entrepreneurship as a potential way to inform and enhance the field (Mair & Martí 2006, 42), and to explore how existing theories apply to social mission-related phenomena (Dacin et al. 2010, 43). Additionally, the recommendation to study the links between qualitative data and constructs of theoretical interest in entre-

preneurship was considered, being the effectual logic one of these potential research paths (York et al. 2010, 159-160). Therefore, the purpose of this study is to investigate:

- **What is the role of stakeholders in the social enterprise creation process under the effectual approach?**

Considering the already mentioned distinction between the acknowledgment of an existing social need which enables a tangible solution for it, this study will draw the attention initially to the centrality of the mission as the mobilizing element in the creation of a social enterprise. Therefore, the first question for this study is:

- What constitutes the mission of a social enterprise?

Having discussed what is understood by the mission of a social enterprise for the purpose of this study, the role of the stakeholders is examined in relation with their influence in the venture creation process. Consequently, the main focus is put in the interactions between the stakeholders and the social entrepreneurs (founders) and how the former may influence the mission of the social enterprise. In order to address this, the second question is:

- How do interactions between stakeholders and the founders shape the mission of a social enterprise?

The answer to the research questions of this study will be provided by the evaluation of existing theoretical definitions in social entrepreneurship and comparing them with the empirical findings within a case study. Additionally, the effectual approach of entrepreneurial activity will guide the analysis of the venture creation process. The next section is concerned with the structure of the study.

1.3 The structure of the study

The aim of this section is to present a brief description of the chapters that make up this study. The introductory chapter is concerned with the justification for the selected topic in the light of its relevance for the field in addition to the presentation of the purpose of the study and the research interests.

Chapters two and three comprise the relevant body of literature which is the basis of this study. Chapter two introduces the concepts concerned with social enterprises as a different type of organizations. It also discusses social entrepreneurship as the broader

field upon which social enterprises emerge. Then, the main concept of this study is presented, the mission of the social enterprise, in conjunction with the stakeholders and their importance in the context of social value generation. As a result, a preliminary understanding of what constitutes the mission of the social enterprise is provided. In addition, chapter three introduces the dynamic model of new market creation and the effectual logic. The effectuation approach constitutes a key part of the theoretical framework for this study since it establishes the underpinnings for addressing the mission-driven venture creation process and the relevance of the interactions with stakeholders. The chapter concludes with the initial framework of this study. It consolidates the theoretical knowledge gathered from the literature review and illustrates the transformation of the mission of the social enterprise based on the interactions between the founders and the stakeholders.

Methodological choices for this study are portrayed in chapter four. It describes the selection criteria for the research approach and the research strategy. Moreover, the empirical part of the study is introduced in terms of the data collection and data analysis methods. Finally, to discuss the research quality of this study, the criteria against which the trustworthiness was evaluated is explained in the concluding section of this chapter.

Chapter five is dedicated to the empirical part of this study. Initially an introduction to the selected company is outlined. The main objective of the first section is to guide the reader through the operation of the company under the triple bottom line approach of social enterprises aims. Later, the venture creation process of the focal company is described and discussed in the light of the effectual entrepreneurial approach. Finally, the interactions undertaken during the process are portrayed emphasizing the role of the founders and the stakeholders.

Conclusions of this study are addressed in chapter six. First, it presents the theoretical discussion based on the findings contrasted with the theoretical knowledge to provide the final version of the framework suggested for this study. Finally, it concludes with recommendations of future research directions.

2 THE SOCIAL ENTERPRISE

2.1 The concept of social entrepreneurship

The concept of social entrepreneurship and the factors that differentiate it from other types of entrepreneurship constitute the core of the extant discussions in literature in this matter (Dacin et al., 2011, 1204), principally because similar to every nascent field of research the focus is on the complexity in setting boundaries (Barinaga 2012, 244). Before engaging into the understanding of conceptual discussions it is necessary to highlight the difference between the following terms: social entrepreneurship, which refers to the behaviors and processes; social enterprise, which is concerned with the tangible outcome, and social entrepreneur which refers to the person who undertakes the initiative (Mair & Martí 2006, 37). The two latter terms, that is, social enterprise and social entrepreneur evidently are derived from the first one, social entrepreneurship. Since this study is built upon the dynamic in the process of the social enterprise creation, social entrepreneurship constitutes the base for the analysis of the interactions that lead to the creation of the new venture from the entrepreneur's perspective.

Social entrepreneurship literature generally discusses the concept using four broad streams of research that aim to define the phenomenon using complementary approaches: the delimitation of the concept in the entrepreneurship spectrum, the acquisition of resources to serve the mission in constrained environments, external and internal actions that influence social entrepreneurship and measures for social entrepreneurship performance (Desa 2007, 7). For example, Figure 1 shows a representation of the forces influencing the initiation of the social entrepreneurship process. The model aims to adapt the existing theories on entrepreneurship to the social entrepreneurship phenomenon, and it suggests that social entrepreneurial activity is more likely to occur in places where the political and social conditions meet the notion of simultaneously generate social and economic impact in addition to particular characteristics of the individual or group that initiates the process (Brooks 2009, 6). Therefore, it is possible to claim that the processes by which economic goal driven and social goal driven ventures are created are fundamentally the same in addition to the similitude of personal traits of entrepreneurs working for profit aims and social entrepreneurs. However, the commitment of social entrepreneurs to achieve specific social objectives, challenges the concepts of authority and leadership of the founders of social enterprises because of the factors of opportunity discovery and the particular organizational structures that these ventures may adopt (Shaw & Carter 2007, 421).

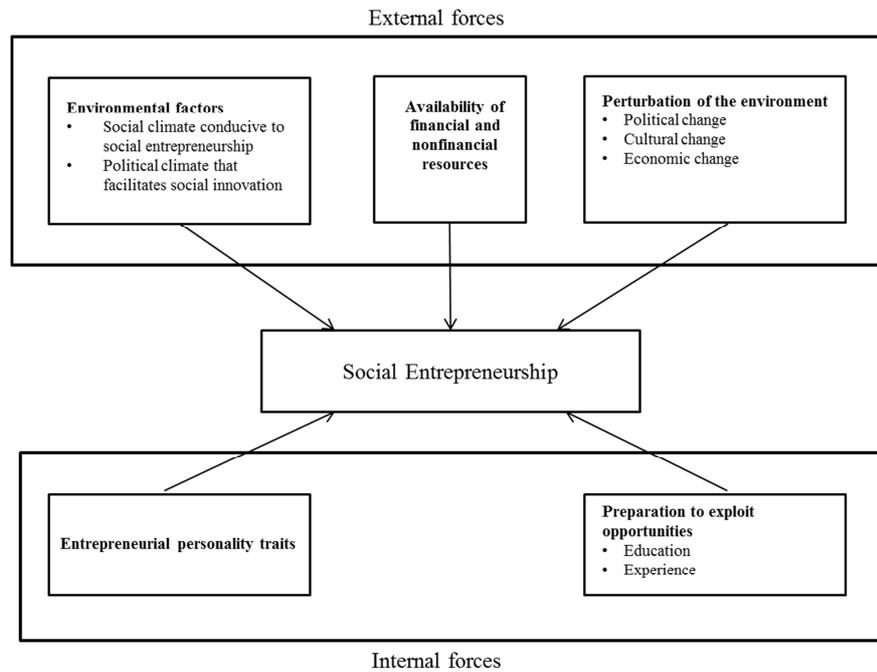


Figure 1 Forces on social entrepreneurship (Brooks 2009, 6)

Moreover, it is argued that there is no general consensus in the meanings, limitations and domains of social entrepreneurship (Dacin et al. 2010, 38; Short et al. 2009, 161), neither an agreement on the processes involved in achieving its goals (Roberts & Woods, 2005, 46). A number of researchers begin the exploration of the concept by separating the construct in its constituent parts, the social aspect and the entrepreneurial aspect (Chalmers & Fraser, 2012, 292-293). It seems pertinent to proceed using such approach since it is also claimed that in order to establish the boundaries of social entrepreneurship, it is required to place it in the entrepreneurship spectrum in the first place (Dacin et al. 2011, 1204). It is also suggested that social entrepreneurship construct inherits the lack of consensus in large debates attempting to define entrepreneurship (Chalmers & Fraser, 2012, 291). To construct a better understanding of entrepreneurship, it is common to notice the development of a conceptual framework including the entrepreneur, the environment, the organization and the process as the main perspectives for the evaluation (Frederick, Kuratko, & Hodgetts 2007, 39). Consequently, aspects such as the individual traits of entrepreneurial individuals, the process of venture creation, the role of innovation in entrepreneurship, among others, have been broadly assessed in extant entrepreneurship literature. This interest in the deep understanding of entrepreneurship has led researchers in the field of social entrepreneurship to extend the trend, and to limit the objectives of their work to the study of the entrepreneurial management element in the phenomenon, therefore ignoring the social dimension (Barinaga 2012, 243). It is not relevant for the purpose of this study to continue with a further discussion on the conceptual debates of entrepreneurship, for that reason the following definition has

been chosen as a reference and starting point to the description of the social dimension in social entrepreneurship phenomenon. This definition of entrepreneurship has been selected because it contains aspects that are appropriate for the aim of this study, and therefore supports its research development. The study focuses the attention essentially in the venture creation as a process and the mission mobilizing the activities and interactions in that process. With that said, the following definition of entrepreneurship is suggested:

Entrepreneurship is a dynamic process of vision, change, and creation. It requires an application of energy and passion towards the creation and implementation of new ideas and creative solutions. Essential ingredients include the willingness to take calculated risks – in terms of time, equity, or career; the ability to formulate an effective venture team; the creative skill to marshal needed resources; the fundamental skill of building a solid business plan; and, finally, the vision to recognize opportunity where others see chaos, contradiction, and confusion. (Frederick, Kuratko, & Hodgetts 2007, 29)

The social dimension of the social entrepreneurship construct is concerned, as the name suggests, with the impact of entrepreneurship in society in terms of welfare generation. Similar dimension-based approaches appear in literature discussing conceptual issues in social entrepreneurship. For instance, Barinaga (2012, 246-247) suggests a three-level of analysis approach drawn from literature studying social entrepreneurship: the social entrepreneur, the social enterprise and the interorganizational level. Likewise, another study proposes four key factors commonly included in social entrepreneurship definitions: the characteristics of individual social entrepreneurs, their sphere of operation, the processes and resources used by social entrepreneurs, and the mission of the social entrepreneur (Dacin et al. 2011, 1204).

Although differences of opinion still exist, there appears to be some agreement that the main differentiating factor in social entrepreneurship resides in the mission at the core of entrepreneurial activities (Dees 1998, 2; Dacin et al. 2011, 1206; Chalmers & Fraser 2012, 292) and applied to the organization, it guides the overall strategy (Weerawardena & Sullivan 2006, 22). In contrast with this view, researchers studying the impact of entrepreneurship in society claim that a company can make a social contribution only by being profitable (Drucker 2001, 20) and that every entrepreneur is part of a social phenomenon because market transactions influence society by, for instance, creating jobs or increasing the quality of life of customers, therefore creating social value (Auerswald 2009, 53). The difference between both stances is that in the first the emphasis is placed in the social mission as the *raison d'être* of entrepreneurial activities, contrary to suggestion of social impact as a result or side effect.

The brief overview of the approaches defining social entrepreneurship shows the overall direction towards establishing the boundaries that provide the field a potential place in the entrepreneurship spectrum (for a detailed literature review on social entrepreneurship definitions see Desa 2007 or Weerawardena & Sullivan 2006). In this regard, due to the continuous references to the definition of social entrepreneurship developed by Dees (1998) (Barinaga 2012, 244), it has been chosen to guide the research purpose of this study. Even though the definition is built upon the entrepreneur, it considers him/her as the agent undertaking the described behaviors:

Social entrepreneurs play the role of change agents in the social sector, by:

- *Adopting a mission to create and sustain social value (not just private value),*
- *Recognizing and relentlessly pursuing new opportunities to serve that mission,*
- *Engaging in a process of continuous innovation, adaptation, and learning,*
- *Acting boldly without being limited by resources currently in hand, and*
- *Exhibiting heightened accountability to the constituencies served and for the outcomes created. (Dees 1998, 4)*

Having defined what is understood as social entrepreneurship, the next section will move forward to the discussion of the concept of social enterprise. The reviewed approaches study the concept of social enterprise from different dimensions similar to the concept of social entrepreneurship presented in this section. The description of social enterprise developed in the following section aims to establish the concept that will guide the study, avoiding information overlap with the concept of social entrepreneurship and seeking to maintain the consistency. To do so, the concept of social enterprise is analyzed considering its characteristics as an organization, that is, as the tangible outcome of the entrepreneur's activity.

2.2 The concept of social enterprise

The emergence of social enterprise has its roots, among other factors, in the diminishing boundaries across sectors in society (Wei-Skillern, et al. 2007, 3). In order to obtain an understanding of social enterprise first is necessary to examine its place in the society. In literature concerning the social enterprise definition, the sectors in society are usually listed as: the public sector, the private sector and the third sector, also called the non-profit sector (Haugh 2007, 165). Researchers in this group state that social enterprises are located in the third sector which in turn also faces definitional challenges (Courtney 2013, 4; Martin & Thompson 2010, 6). Other researches differentiate the actors in welfare generation, and they identify another sector, the community, which include households and families. The third sector according to this approach, is the intersection between the State, the community and the market sectors, and claims the existence of hybrid organizations located in the overlapping areas of the mentioned sectors (Pestoff, 1998 & 2005, 3). Definitions based in this approach, locate social enterprises not just in the third sector, but also in areas corresponding to single sectors, assuming several rationale configurations as seen in Figure 2. An additional approach positions social enterprises in a sector between the market sector and the State, called the social economy (Chalmers & Fraser 2012, 290).

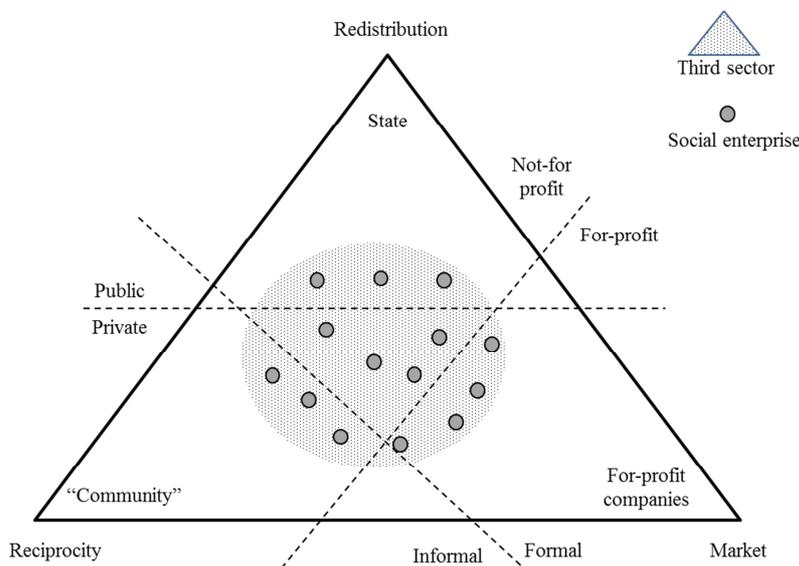


Figure 2 Social enterprise as a combination of various actors, logics of action and resources (Nyssens & Defourny 2012, 17)

So far it is evident that there is a lack of agreement in the social enterprise's place in societal structure, basically because social entrepreneurs operate within and across the sectors in society. Based on the assumption that not every activity in society is entrepreneurial, and defining social entrepreneurs as individuals that are run by a social idea or pursue profit next to citizen needs in society, Bjerke (2013) developed a model in which social entrepreneurs are mostly found in the public and third sector (or citizen sector as the author names it), and notably less found in the business or private sector. In Figure 3 the square, circle and triangle shapes inside the sectors represent the entrepreneurs, and the shaded areas represent social entrepreneurs.

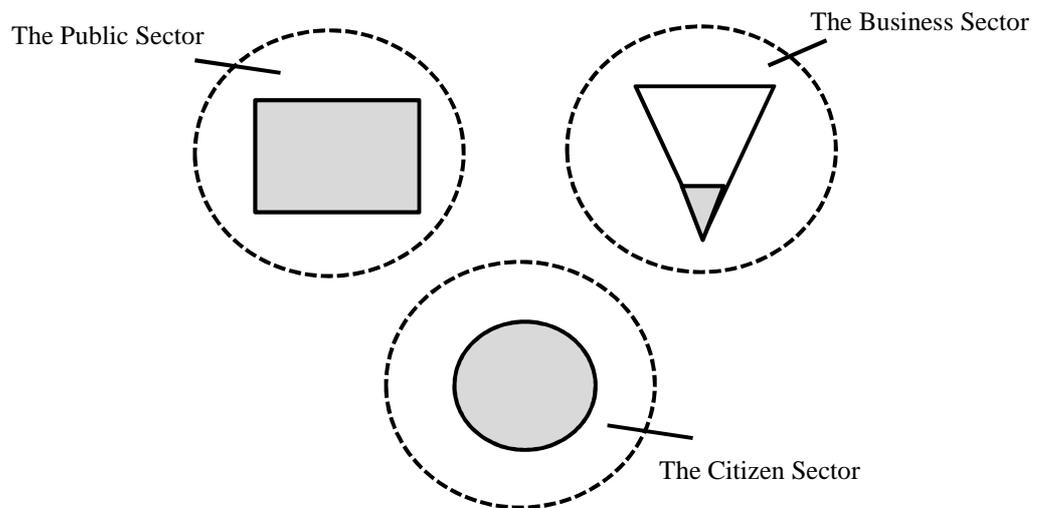


Figure 3 Entrepreneurs in different sectors of a society (Bjerke 2013, 62)

In addition, researchers aiming to define social enterprise take a different approach and portray the variety of social enterprises adopting adapted versions of the private enterprise continuum suggested by Dees & Backman (1994). According to the underlying notion in the continuum, a social enterprise is any enterprise which generates blended value formed of economic and social values, and is placed between the extremes; at one extreme of the continuum are the charitable or voluntary organizations while on the other are the commercial enterprises. The diagram in Figure 4 displays this view:

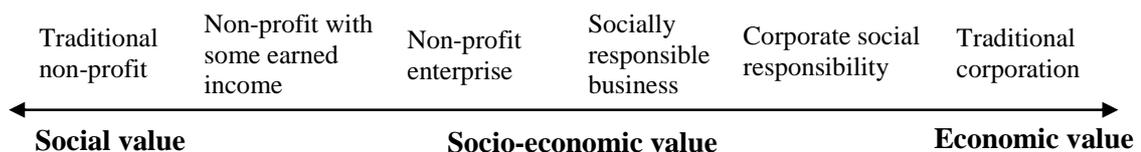


Figure 4 Value creation continuum (Frederick et al. 2007, 148)

Another stream of research tackles the social enterprise concept from a goal-centered perspective suggesting that instead of classifying social enterprises as for-profit or non-for-profit enterprises, the core of the discussion should be instead on the type of wealth they aim to generate, economic or social wealth (Mair & Martí 2006, 39). Additionally, a focus on the management processes are essential in approaches proposing the way in which profits are distributed as the factor that ultimately differentiates an entrepreneur from a social entrepreneur (Martin & Thompson 2010, 116).

It was already mentioned that the development of a common social enterprise definition is challenging due to its action across several contexts. In this regard, evidence shows that the concept of social enterprise also varies across nations, therefore providing divergent understandings of the phenomenon. To mention an example of this, Finland, a country that has made important progress to formalize social enterprises through legal regulations, establishes a definition in the Act of Social Enterprises, and in broad terms states that a social enterprise is any registered enterprise in which at least 30% of its employees are disadvantaged in the labor market or long-term unemployed (Heckl, Aalinen, & Stenholm 2007). This interpretation differs from the definition adopted in Cyprus where social enterprises are defined by the Ministry of Labour and Social Insurance, as organizations aiming to achieve “the fulfillment of social needs of the public at large or certain groups in particular and to deal specifically with voluntary social work and operate programs in order satisfy these needs” (Heckl et al. 2007).

Probably, the approaches based on lists of characteristics built upon dimensional frameworks, constitute the efforts generating the more significant advances towards the practical assessment of social enterprises, because as seen in the previous definitional discussions the hybrid nature of social enterprises bring complexity when aiming to understand the actors and the objectives interrelated in its operation. In this regard, a list of characteristics representing the hybrid nature of social enterprises may serve as a roadmap which will enlighten its definition. This is one of the reasons why the following definition of social enterprise has been chosen. The EMES (L’Emergence des entreprises sociales en Europe) approach of social enterprise, which is aligned with the multi-level approach of social entrepreneurship by Barinaga (2012) mentioned in the previous section, develops its approach on social enterprises upon three criteria: the economic and entrepreneurial dimension, the social dimension and the participatory governance of social enterprises (Nyssens & Defourny 2012, 12-15). Additionally, the definition is mostly aligned with Dees (1998) definition of social entrepreneurship chosen for this study. Finally, it includes the aspects considered relevant for this study, the mission and the processes by which social enterprises are managed. The following table shows both definitions in order to demonstrate the correspondence.

Table 1 Association between social entrepreneurship and social enterprise definitions

EMES Approach to social enterprises (Nyssens & Defourny, 2012)	Characterization of social entrepreneurial behavior (Dees, 1998)
A decision-making power not based on capital ownership	Adopting a mission to create and sustain social value (not just private value)
A limited profit distribution	
A continuous activity producing goods and/or selling services	Recognizing and relentlessly pursuing new opportunities to serve that mission
	Engaging in a process of continuous innovation, adaptation, and learning
A significant level of economic risk	Acting boldly without being limited by resources currently in hand
An explicit aim to benefit the community	Exhibiting heightened accountability to the constituencies served and for the outcomes created
A participatory nature, which involves various parties affected by the activity	
An initiative launched by a group of citizens or civil society organizations	
A high degree of autonomy	
A minimum amount of paid work	

As seen in the selected definitions, there is a particular emphasis on the level of social accountability and the participatory nature of the social enterprise's mode of operation. These aspects draw the attention to the mission of the social enterprise and its stakeholders. In this regard, the next section will introduce extant insights around these elements and their interplay in the social enterprise context.

2.3 The mission and stakeholders in the social enterprise context

Since the motivation embedded in the social enterprise creation is often assessed in terms of having either a vision or a mission, it is relevant to clarify the difference between both terms for the purpose of this study. In this regard, the vision is understood as the new world the entrepreneur wishes to create, while the mission is the articulation of that vision (Wickham 2006, 113). Therefore an example of a vision would have the form of "streets without beggars", while the mission would be "provide beggars with a sustainable source of income so they become self-sufficient in economic terms". It is important to note that the venture as a tangible outcome is not mentioned neither in the

vision nor mission, and the common factor between them is the aspirational character, this is, how the situation looks like after providing the solution and what constitutes that solution in terms of the value delivered.

Accordingly, most definitions of social entrepreneurship and social enterprise place a special emphasis on what these enterprises pursue, and generally include references to social value (Dacin et al. 2011; Auerswald 2009), social change (Mair & Martí 2006), social impact (Wei-Skillern et al. 2007), and social mission (Barinaga 2012; Dees 1998; Pache & Santos 2013), what seems to be the common aspect among these definitions is the mission as the discovery or creation followed by the exploitation of opportunities to create social value (Doyle Corner & Ho 2010, 636).

At this point is relevant to address what entails social value. There is a broad agreement that this is what makes social enterprises “social”, as they evidently want to contribute to the welfare or wellbeing of a given human community (Peredo & McLean 2006, 59). Auerswald (2009) draws the attention towards a different understanding of other types of value and he states that private value is explained not just in financial terms, but other non-financial values exist: reputational and ethical values for instance which social entrepreneurs might claim. In addition, it is argued that social value is based on the positive externalities generated by the social impact that extends beyond the enterprise’s activity. This view is aligned with the notion that the social mission is not separated from creation of economic value, since it is required for pursuing that mission. (Dacin et al. 2011, 1206; Mair & Martí 2006, 38.) In this regard economic value is a means to create social value.

Another interesting finding in the same line of research shows that in order to gain legitimacy, hybrid organizations couple logic-specific elements in their strategies (Pache & Santos 2013, 996). The following quote underlines the complexity present in the dynamic between the contradictory logics: “The biggest problem with hybrid companies is that they are inherently confused organizations, buffeted by all sorts of contradictory pressures. This means that their internal operations can be hard to understand and their behavior may be hard to predict” (The Economist, 2009). Contrary to this thinking, some researchers argue that implying a disproportionate difference between both types of enterprises (social and commercial) constitutes a mistake, and that the differences are not as deep as it is presumed in terms of modes of operation (Dees & Elias 1998, 174).

The variety of stakeholders associated to social enterprises is relevant when assessing the reconciliation of interests and the hybrid nature of these organizations. For the purpose of this study the term stakeholders will be used in its broadest sense to refer to “those groups or individuals with whom the organization interacts or has interdependencies” and “any individual or group who can affect or is affected by the actions, decisions, policies, practices or goals of the organization” (Carrol 1993, 8). Within the so-

cial enterprise context two general groups are identified. On one hand, the external stakeholders include the community, Government agencies, donors or private investors. On the other hand internal stakeholders include founding members, volunteers, support staff in the delivery of the service, among others (Rynning 1995, 287; Martin & Thompson 2010, 120-121). The broadly accepted notion that social enterprises are located in the intersection of different sectors in society supports the assumption that they face additional challenges in comparison with ventures operating in one particular sector, because they need to reconcile diverse viewpoints (Courtney 2013, 24; Martin & Thompson 2010, 119). To better understand what these viewpoints entail, it is necessary to draw the attention to the concept of stakeholder thinking. Näsi (1995, 19) explains the concept in terms of “a way to see the company and its activities through stakeholder concepts and propositions”. Stakeholder thinking is based on stakeholder theory, and its core idea is that there is a two-way interaction or exchange of influence between the firm and its stakeholders, as seen in Figure 5. When the interaction takes place, elements from both sides interact: from the stakeholder’s side, the stakes, the contributions and expected rewards, and from the firm’s side its goals. Also, it describes management as the responsible of the achievement of stakeholder balance, namely, its function is to interpret the stakeholders’ world in order to adjust the firm’s operation (because according to stakeholder theory a firm can only exist through the interaction, transaction and exchanges carried on with its stakeholders), and to conduct operational activities in order to preserve the balance between each stakeholder and the firm (because the more dissatisfied the main stakeholders are the more certain it is that the company’s activities will cease). (Näsi 1995, 24.)

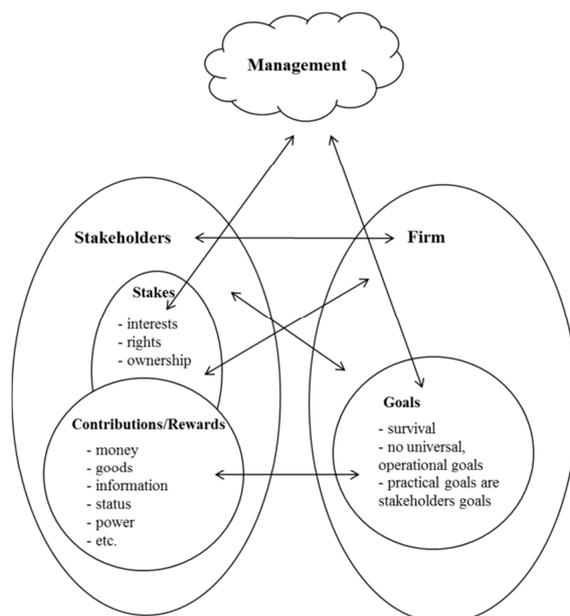


Figure 5 The functions of management in the stakeholder theory of the firm (Näsi 1995, 26)

The aforementioned role of management from the stakeholder thinking stance is also applicable for the social enterprise because the participation of different stakeholders might threaten to undermine the core mission of the organization (Dees & Elias 1998, 167), and as the social enterprise adopts a more business-focused type of administration to procure resources for its sustainability or due to emergent firm's growth for instance, key groups of stakeholders may be alienated from the decision-making processes (Chalmers & Fraser 2012, 295). Therefore, it is the social entrepreneur's responsibility to achieve an alignment between the components of the social entrepreneurship framework: the opportunity, the capital, the context and the people (Wei-Skillern et al. 2007, 23). Nevertheless, it is also claimed that the mission can provide a common point of reference around which to draw internal stakeholders together (Wickham 2006, 336). Because the attention in this study is directed to the role of stakeholders in the shaping of the mission, it is relevant to note what Wickham (2006, 336) states about the role of the mission for ventures, suggesting that the mission might be a common point of reference not only for internal stakeholders: "No study (to my knowledge) has examined the role of the mission in attracting start-up funding, something I suggest as the critical role for a mission in entrepreneurial ventures".

The different logics operating in hybrid firms (working for profit to serve a social need), place challenges in pursuing the sustainability of such ventures. In order to balance the tension between both logics it is suggested that an organizational identity must be constructed, and that the hiring process along with the socialization policies show particular importance (Battilana & Dorado 2010, 1435). Organizational identity has been described in simple words as the essence of "who we are as an organization". It comprises the set of features that are central to the organization's 'self-image', make it distinctive from other similar organizations, and are considered enduring attributes (Whetten 2006, 220). Some of these features include key values, practices, norms, services, labels, etc. The concept of organizational identity has an important place at this point in the literature review, because the organization's mission is included among these central features (Hannan 2005, 60). It is worth examining the following example taken from The Grameen Bank founded by Muhammad Yunus, which illustrates a way of communicating organizational identity in the case of a social enterprise. The organization is mostly known for its breakthrough banking methodology, base of what is known today as microcredit. The sixteen decisions of Grameen Bank's methodology suggest certain behaviors for its clients according to the company's core values: discipline, unity, courage and hard work (Figure 6). Since the illustration shows what is believed to be a group of clients or members in an attitude portraying consensus, it can be presumed that a level of commitment to the mentioned values, constituents of Grameen Bank's identity is expected.

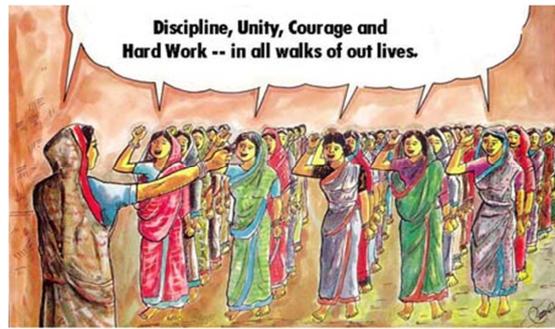


Figure 6 First decision in Grameen Bank's methodology (Grameen Bank)

Organizational identity is viewed as a point of reference for its members and for external actors as well, because it connects who they are as an organization and how outsiders perceive them. It is also claimed to be self-referential, a reflexive consideration of the existential question "who am I?" (Gioia, Patvardhan, Hamilton & Corley 2013, 127). This appreciation must be considered when evaluating the nature of social enterprises, basically due to the frequently promulgated image of the social entrepreneur as an individual with strong ethical standards "who is 'totally possessed' by his or her vision for change" (Bornstein 1998). Moreover, the virtuous nature (morally good values) of entrepreneurial behavior practiced by social entrepreneurs is presented as the essence of the social mission and a means for operationalizing it (Mort, Weerawardena, & Carnegie 2003, 76). In addition, during the process of organizational identity construction some authors state that in its early stages the guiding identity claims are provided by the founders, in our case the social entrepreneur initiating the social enterprise. These incipient claims constitute the new entity's broadly construed intentions about ideals and goals, and establish a preliminary delimitation of what the organizational identity will be by accepting or discarding categorical features of identity (Gioia et al. 2013, 158), for instance "we are a firm working for-profit, not a charity".

The mission as a core feature of an organization's identity constitutes a reference point to grasp a notion of the organization's nature. The fact is that organizations face changes during the ventures creation process, mainly due to interactions with the external context. Some authors favor the idea that organizational identity is socially constructed among the members of the organization, but at the same time recognize the role of external context features in this process, such as the role of institutional context (Gioia et al. 2013, 127). However, it is claimed that any attempt to change the core features of organizational identity is resisted, even with stronger constraints in the case of publicly stated organizational goals, because this "raises fundamental questions about the nature of the organization" (Hannan & Freeman 1984, 156; Hannan 2005, 60). This probably explains why according to some researchers the social mission of social enterprises constitutes a static constraint of social entrepreneurship (Weerawardena & Sullivan 2006, 32) as a result of its advocates' strong commitment to it. Additionally the

presumed resistance to change in organizational core features is in line with the principle that supports the “mission trajectory”, that is, the explicit commitment to the achievement of the mission which must be kept over competing external forces (Phipps & Burbach 2010, 147). Therefore under this analysis, the entrepreneur’s task is to find people able to commit with the mission at that level (Martin & Thompson 2010, 117; Phillips 2005, 15).

In contrast with the view of restricting the mission to changes inflicted by the environment, a different perspective views innovations emerging from the situations in which the organization adapts to external environment, even creating a new mission different from the original version (Courtney 2013, 172). Therefore, the social entrepreneurial venture is considered a vehicle for creating social value, either directly or facilitating it with and by others (Wei-Skillern et al. 2007, 25). Moreover, some researchers note that social enterprises may experience a “mission drift” over time which causes the loss of the distinctive mission due to changes in the environment (Courtney 2013, 172). One example of such changes are financial pressures, which may drive social enterprises to inadvertently shift their efforts to procure resources for delivering the social mission; as a result of this, social goals are overshadowed. This adaptation of the social enterprise to its environment is in line with organizational identity construction stances supporting its collective and dynamic nature, which define organizational identity as “a dynamic set of processes by which an organization’s self is continuously constructed from the interchange between internal and external definitions of the organization offered by all organizational stakeholders who join in the dance” (Hatch & Schultz, 2002, 1004). According to this view members of the organization initiate and embrace change as a form to eliminate any discrepancy with perceptions of “who we are” and “who we want to be”, to pursuit legitimacy, to improve financial performance, among other reasons (Gioia et al. 2013, 141-143).

2.4 The mission of the social enterprise

The objective of this chapter was to present the concepts related to social entrepreneurship and the type of organizations rising from this nascent field in entrepreneurship research. In addition, in the closing part of the chapter the nature of the social enterprise mission and the effect of the participation of stakeholders on its achievement were discussed. The suggested structure of the mission of the social enterprise was developed based on the leading social entrepreneurship literature emphasizing the mission as its main differentiator. As seen in Figure 7 the social/environmental and economic components of the mission are perforce associated, because the founder undertakes the venture creation in a structure that balances the desire to make a contribution to society (or the

environment) with a personal need to capture an economic return from doing so (Seelos & Mair 2005, 245). Additionally since the aim is to extend the social/environmental impact, the founder has to manage sustainability issues through a uniform provision of resources; therefore the social/environmental value proposition cannot operate independent from its economic counterpart.

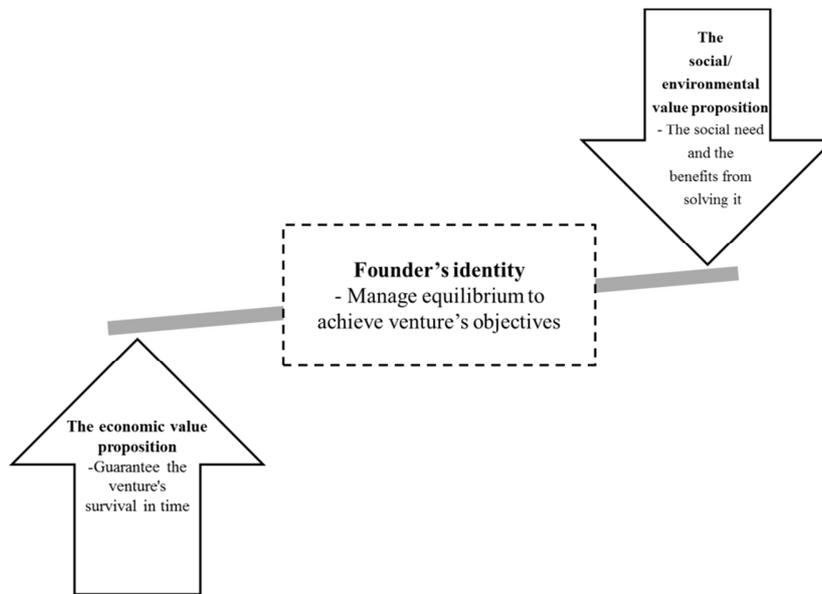


Figure 7 The mission of the social enterprise

The identity of the founder, the person who owns the idea, the inspiration or will to solve certain need is the balancing aspect in the mission. The trade-offs made to achieve the equilibrium between the pursuit of a solution for a social/environmental need and the procurement of resources (human and financial capital) are based on the values, beliefs, knowledge, experience, among other aspects of the founder's identity. The social/environmental value proposition which is developed based on the identified need comprises the returns or benefits from solving that need, and therefore contributes to the *raison d'être* of the mission. Finally, the economic value proposition deals with the mobilization of resources to enable the social/environmental value proposition and to sustain the enterprise in time. It also comprises the way the founder manages particular aspects related to the sustainability of the chosen business model. For instance risk management is important in this regard because the context in which social enterprises operate are characterized by uncertainty (i.e. there is no clear idea of how the market behaves because generally it is being created, the financial returns are difficult to forecast, etc.) Moreover, the economic value proposition includes the way the founder engages in proactive initiatives, in which he/she alone or in collaboration with other actors take the solution of a need by their own hands instead of waiting for the Government to

solve them, which has probably already failed to do so. Finally, the use of innovativeness by social entrepreneurs is widely emphasized as a core characteristic of social/environmental ventures, because they find ways to arrange resources in novel ways to offer solutions where other people just see problems.

This chapter has focused on the discussions of what is social entrepreneurship, what is considered a social enterprise and the importance of stakeholders' contribution to the creation and sustainability of these organizations. This is the first part of the theoretical exploration. Now the attention turns to the effectuation approach, the entrepreneurial process of venture creation selected for this study.

3 THE EFFECTUATION APPROACH

3.1 The effectual logic and the dynamic model of new market creation

Entrepreneurship study has progressively shifted from focusing in *who* are the entrepreneurs to *what* entrepreneurs do. This is due to the fact that extensive work has been conducted to tackle aspects such as the personality traits of entrepreneurs that make them entrepreneurial or non-entrepreneurial individuals. However, assessment using this perspective has not yield sufficient evidence in order to explain why individuals lacking those characteristics succeed in opportunity discovery and venture creation. The effectual logic of entrepreneurship is one attempt in this direction, based in the idea that since future cannot be predicted, efforts should not be directed towards this endeavor, and instead focus should be put in what the entrepreneur can control in the present time to build that future (Sarasvathy 2012, 137). The important aspect of this approach is that it gives scholars the opportunity to move forward in understanding entrepreneurship, apart from the individual characteristics and putting emphasis in the iterative nature of the venture creation process. According to the approach, the venture creation process might not even be a conscious decision of the entrepreneur and may be born casually due to a combination of present means at hand (what I am, what I know, whom I know) and in this sense, any individual is a potential entrepreneur since everyone has some level of knowledge and a number of acquaintances, therefore the analysis of personal traits is not relevant at this point.

According to Sarasvathy (2012, 138) the effectual logic (or effectuation) is based on five principles which are briefly described next:

- The bird-in-hand-principle: Refers to the entrepreneur's assessment of the means he/she has in terms of identity (who he/she is), contacts (who he/she knows) and knowledge (what he/she knows). This assessment is not strategic in nature, and is born from rather mundane reasons, even the entrepreneur's own reasons of why the idea is worth exploiting.
- The affordable loss principle: Refers to the calculations of how much the entrepreneur is willing to loose according to how much he/she can afford. By evaluating the potential loss of present resources, this principle allows the entrepreneur to start executing his/her idea without funding limitations and focus the attention in non-economic benefits.
- The crazy quilt principle: Refers to the participation of different stakeholders in the creation of the unknown market. It is claimed that depending on which stakeholders self-select into the venture building process, the venture will

adopt its own shape, since the entrepreneur co-creates the venture or the new market emerging from it through this partnership.

- The lemonade principle: It is based in the entrepreneur's capacity to turn negative contingencies or unexpected events into opportunities in the venture building process, considering that the way the entrepreneur responds to their manifestation is controllable. Therefore, it is claimed that with strong stakeholder relationships even failures can be transformed into achievements of some value.
- The pilot in the plane principle: Refers to the idea that human action is in the center of entrepreneurial activity, and in this view the entrepreneur is capable of co-creating the future participating in complex interactions with different stakeholders. These interactions base the reconfiguration process of orders by which the venture is evolving.

The principles described above are relevant to understand the venture creation process with the entrepreneur as the main actor in the initial part and more as a collaborator in the subsequent ones as it will be shown when the effectual process is presented. Based on this logic, effectual entrepreneurs are placed in a two-dimension diagram in the quadrant of low prediction control and high non-predictive control, as shown in Figure 8. Effectual entrepreneurs co-create the venture or market with present means they can control, therefore not concentrating their efforts in forecasting activities.

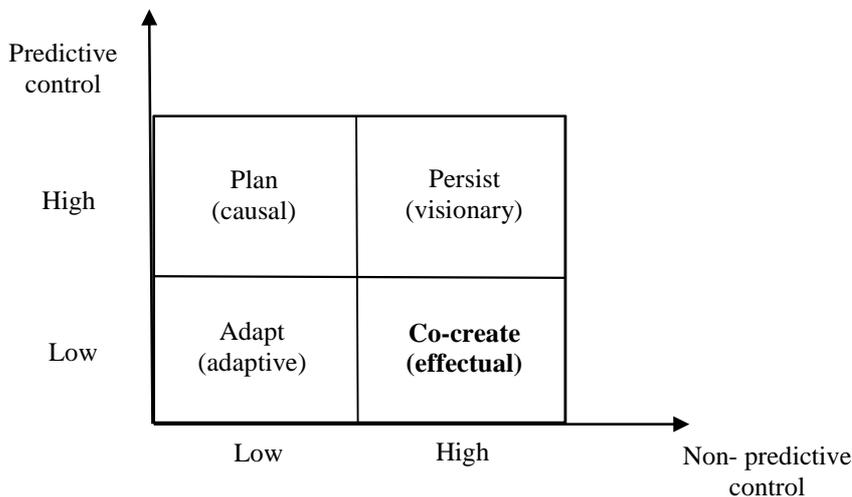


Figure 8 Prediction and control dimensions (Sarasvathy 2012, 145)

Since the co-creation process entails visions, knowledge, identities, interests, and different aspects concerning each individual participating in the partnership, the effectual entrepreneur adopts a proactive attitude over a defensive one, as might be expected from a visionary type of entrepreneur. This proactive attitude helps him/her to reshape the

opportunity that it is being created and synthesize it through a reconfiguration process. (Sarasvathy & Dew 2005, 542; Sarasvathy 2012, 145.) Therefore, stakeholder's feedback is seen by the effectual entrepreneur as a source for innovation and a better value definition.

The entrepreneur addresses the decision of which stakeholders to approach. Additionally, Sarasvathy explains stakeholders' self-selection as the process of consciously and formally committing to the venture building, in this sense it is often referred as "who comes on board" (Sarasvathy & Dew 2005, 544). In balancing both the founders' and the stakeholders' roles, it is concluded that the extent to which stakeholders influence the shaping of the emerging venture or market depends on the level and type of commitment perceived from the entrepreneur's perspective. It is important to note, that the actual supply of resources by stakeholders takes place after the commitment has been manifested. An illustration of the dynamic model of new market creation is shown in Figure 9.

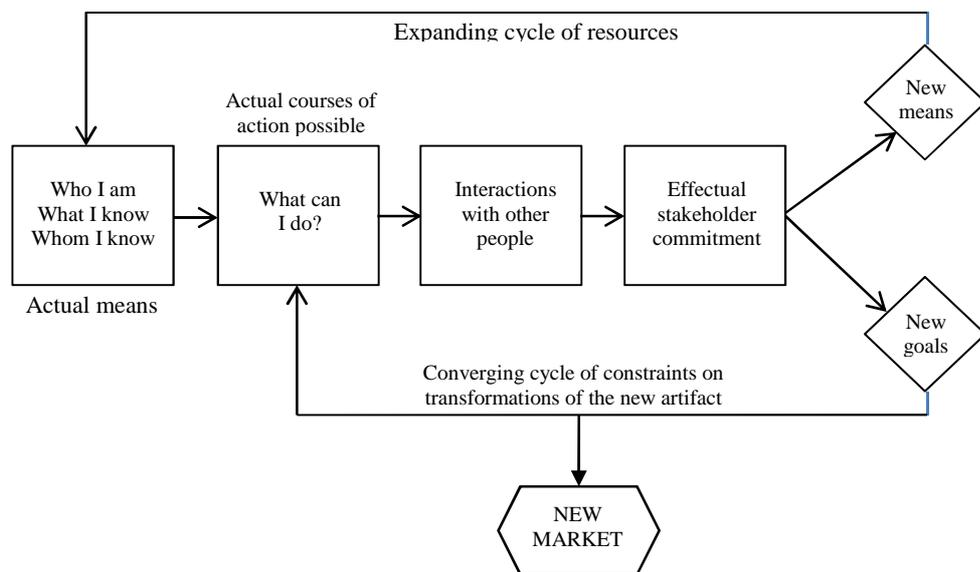


Figure 9 A dynamic model of the effectual network and the new market as an effectual artifact (Sarasvathy & Dew 2005, 543)

The model suggested by Sarasvathy & Dew (2005, 542) represents the process by which effectual entrepreneurs address the new market creation. The starting point is the entrepreneur's own means in terms of identity, knowledge and acquaintances. The group of means that the entrepreneur can control is what initiates the idea creation represented in the box with the question "what can I do?" Since the effectuator follows the logic that a successful market creation can only be achieved by collaborating in a co-creation process, it is necessary for him/her to interact with other people in order to increase the potential of the value being created. The people participating in these interac-

tions move from being external stakeholders to actual stakeholders of the effectual network. This happens when the establishment of a commitment is done between them and the entrepreneur. After the commitment is settled, they participate in the creation of the new market through actions, decisions, policies, practices or goals. The effectual network works with new means and new goals that transform the original idea, in what it is called the iterative cycles, until the idea is shaped enough to enter the market or in the case of new market creation, until the new concept is sufficiently defined.

The effectuation approach has had resonance in entrepreneurship research, leading to a deeper understanding of its application in different contexts. Such is the case of the Doyle Corner & Ho (2010) focused on the process of opportunity development and the identification of patterns in the creation of three social enterprises. One of these patterns was the method of opportunity identification through effectuation processes, rational/economic logic or a mix of both. As seen in Figure 10 the opportunity development starts with a spark or an idea about “something” that can be done, and it is claimed to be supported by the entrepreneur’s experiences, knowledge, preferences, etc. The opportunity creation phase is the attempt to implement the idea and simultaneously receive feedback from the environment to revise the value creation. Is in the manifest opportunity phase in which the tangible enterprise appears and operates, offering a concrete product or service. The enterprise is deeply defined in the elaboration/refinement phase; therefore constraints rise along with the identification of needed improvements (Doyle Corner & Ho 2010, 645-647).

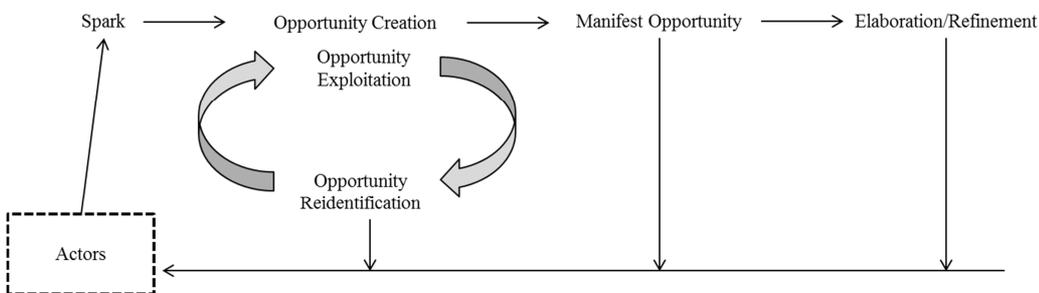


Figure 10 Opportunity development in which effectuation processes dominate (Doyle Corner & Ho 2010, 643)

The interesting aspect about this view of the effectuation approach is the stress put in the description of the intangible and tangible forms that the idea adopts along the process. It gives the name of spark to the most basic form of an emerging opportunity, while the manifestation of the opportunity calls for a specific “shape” that opportunity takes. The same approach is used in York et al. (2010), in which cases of social enterprises are used to define three components in the creation of an organization involved in social entrepreneurial activity. The transformation of the idea is divided into three con-

structs: the identification of an inchoate demand (general need that exists even in the absence of a product or service to satisfy it, for instance the need to have water during droughts). The second construct is the innovative new combination of inputs (for instance the combination of cultural beliefs and an efficient irrigation systems independent from government), and finally the dominant design (such as self-sufficient resource management networks).

Now that the entrepreneurial logic supporting the dynamic model of new market creation has been explained, the next section will tackle more in depth the characteristics of the stakeholders' commitment emerging from the interactions between the entrepreneur or founder and the incoming stakeholders.

3.2 The effectual stakeholder commitment

The concept of commitment has been researched and applied in a range of different fields, and since it is generally considered a multidimensional construct it is possible to define it in diverse ways. However, because the aim of this study is not concerned with a profound exploration of the commitment construct, the following definition is suggested for representative purposes: "the strength of one's intention to pursue a goal, or one's actual adherence to its pursuit". (Tasnim, Yahya, Mohd Nor, Said, & Nizam Zainuddin 2013, 48). In an attempt to define the components of commitment to an organization Allen and Meyer (1990) suggest it comprises affective attachment (strong identification with the organization leading to involvement and emotion of being a member), perceived costs (tendency to stay in an organization due to the costs of leaving it) and obligation, also called normative commitment (behavioral adherence to what is believed to be right or moral) (Allen & Meyer 1990, 2-3). Using a similar format Tang (2008, 113) suggests three bases of entrepreneurial commitment to venture creation: continuance (desire to remain in the new business despite unpredictability), behavioral (willingness to expend significant effort to the new business) and affective (emotional attachment to, identification with and involvement in the new venture).

The brief introduction on the psychological aspect of commitment in the organizational and entrepreneurial settings is used as a foreword for the assessment of the construct in terms of the effectual logic. It is claimed that goals of stakeholders, which might be in conflict with each other, will be built into goals of the focal organization (Rynning 1995, 287). According to the effectuation approach the interactions between the stakeholders and the entrepreneur might end (or not) into what is considered the core of the dynamic model of the effectual approach, the commitment of stakeholders (Sarasvathy & Dew 2005, 550), which consists in general terms in the agreement to participate in the transformation of the idea, that is, stakeholders commit resources in ex-

change for a chance to reshape the goals of the project, to influence what future will ultimately result (Sarasvathy 2006, 6). Stakeholders self-select into and commit to the effectual network using reasoning strategies which are based on either purely effectual or causal logics, or combinations of both including causal attributes (for instance strategic alliances) along with effectual principles (such as affordable loss principle) (Van Mumford 2013, 36-37). Moreover, the reasons for making commitments according to Sarasvathy et al. (2005, 554) might be based also on stakeholders' own convictions, passions, fun, pre-existent preferences, among others. However this set of reasons are left out of the analysis because there is "no need to make any precise assumptions on individual preferences and goal clarity" if "only those individual goals would be relevant to the analysis that any given member can *embody* in particular transformations on the extant artifact", that is, the outcome of the venture creation process and because "only the actual commitments the stakeholders make to particular transformations of X (the artifact) drive the transformation of the new market" (Sarasvathy et al. 2005, 554).

As mentioned before, in this approach the opportunity does not restrict the network building process, because is how the network is formed that eventually shape the opportunity contrary to the search and selection approach in which the commitment to the artifact or a vision of the new market exceeds the commitment to the network. (Sarasvathy & Dew 2005, 543, 552.)

The interactions not always end in commitments and Sarasvathy (2005, 549) differentiates this by stating that the interactions between the outer environment (current non-members of the effectual network) and the inner environment (current members of the effectual network) are influenced in the following way:

- Interactions that become embodied in actual commitments
- Interactions that do not become embodied in actual commitments
- Non-negotiable exogenous states of nature

The influence of the interactions that do not become embodied in actual commitments or the interactions that come from exogenous factors might guide the following courses of action according to the way the effectual network members respond to the actual state of the new market being created (Sarasvathy & Dew 2005, 549).

Once the chain of effectual commitments is built, new means and new goals are introduced to the process. Stakeholders not only provide resources but also set immediate agendas and generate new sub-goals for the venture (Sarasvathy, Drew, Read & Wiltbank 2008, 339); as a result two cycles initiate: the expanding cycle of resources and the converging cycle of constraints of transformations of the new artifact. The effect of the first cycle is the emergence of new paths for improving the original idea due to an increased pool of available resources. At the same time, the new goals brought by addi-

tional members in the network in the second cycle, establishes boundaries to the venture creation process which at some extent delimit the future course of action (Sarasvathy & Dew 2005, 543, 548).

3.3 Synthesis - The dimensions of the mission of the social enterprise and its transformation through stakeholders' commitment

The previous sections presented the theoretical background to develop the synthesis for this study portrayed in Figure 11. The synthesis summarizes the concepts discussed in the literature review, and constitutes the preliminary theoretical framework that will guide further empirical investigation.

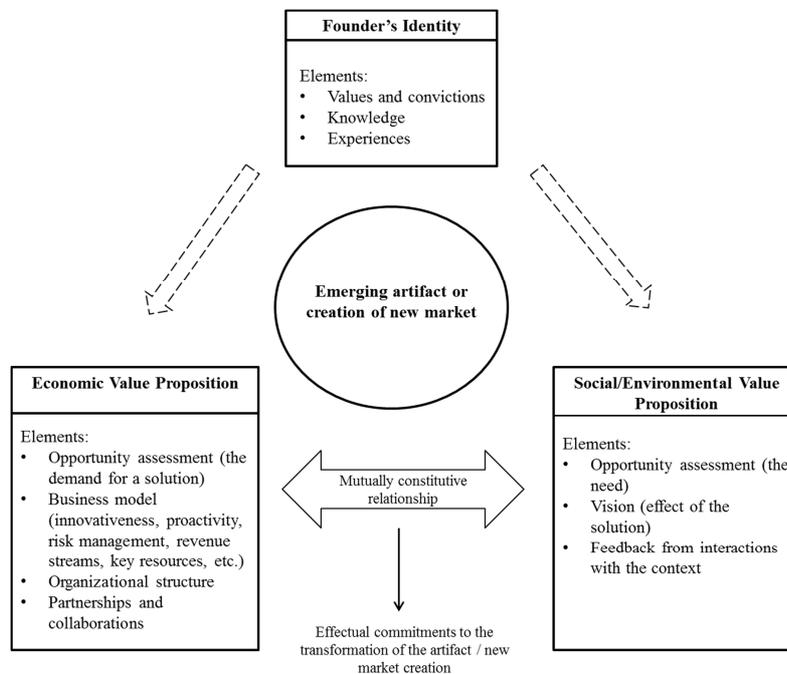


Figure 11 The mission of the social enterprise and the transformation process through stakeholders' commitment

The constituents of the mission of the social enterprise described in section 2.4 are represented as three blocks that purposely surround the artifact or new market in order to indicate that each constituent is present during the transformation of the idea. Each constituent includes a description of formative elements or sub-units. On top is the founder's identity which has a balancing and constraining function, represented by the dotted arrows, over the other components. Especially during the early stages of the venture creation, the founder's identity component plays an important role since it does not

only determines which need is worth solving (social, environmental, commercial, or hybrid combinations of all) but also because it acts as a constraint for the development of the opportunity for a solution through the social/environmental and economic value proposition. As it was explained before, the relationship between both value propositions is unavoidable and mutually constitutive, that is, the achievement of the economic value proposition provides the financial and human capital to achieve and improve the social/environmental value proposition. The latter at the same time enables the pursue of the former, because without an opportunity to deliver social/environmental value the venture will not deliver any commercial value considering the fact that the venture itself will probably not even come to exist in the first place. The suggested framework imply that the interactions leading to negotiations among actors from within or outside the effectual network boundaries take place at this level, namely, in the social enterprise the multiple transformations occur when trade-offs are discussed and commitments are done in relation with these two mission constituents: the social/environmental and economic value propositions.

Partially in contrast with Sarasvathy and Dew's (2005) idea of isolating individual preferences or goal clarity from the venture creation process because the effectual network's goals are always particular transformations of the artifact (Sarasvathy & Dew 2005, 554), the theoretical framework of this study introduces the concept of purpose of the social enterprise which has its roots in the founder's identity. Social enterprises are considered mission-driven organizations and as such the purpose seems to be a key element in the venture creation process. According to the effectual logic transformations of the artifact are possible due to the commitment of self-selected stakeholders. The suggested framework for social enterprises implies that in addition to this principle, other constructs might exert an important influence that prevail the willingness of potential stakeholders to participate in the transformation of the artifact, and that these constructs are fundamental for the establishment of purpose, reasons for creating "something", etc. Moreover, because this "something" is still vague and shapeless in the early stages of the venture, Sarasvathy and Dew (2005, 555) state that "the effectual network, especially in the initial stages, does not have any global criteria with which evaluate the worthiness or otherwise of any particular prospective member", but the framework suggests that the purpose might constitute a global criteria to assess the inclusion of members in the effectual network even in early stages of the development, therefore it is a preliminary constraint to the transformation of the artifact that takes place in a lower level (value propositions). The lack of global criteria for selecting stakeholders mentioned by Sarasvathy and Dew (2005, 555) is one of the key features of the effectual logic. Under this approach, constraints are raised only after the actual commitments are established. These constraints in terms of means and goals are directly linked to particular transformations of the artifact. However, it is suggested in the framework of this

study that even before that step, a number of constraints such as purpose and reasons are already operating during the interactions with people (one stage before the actual commitments occur). Even though these constraints might not be directly related to particular transformations of the artifact, they constitute relevant criteria used by the social entrepreneur to indicate whether a potential stakeholder can become or not part of the effectual network. The aforementioned statement might hold similarities with the search and select process of stakeholders under the causal approach mentioned by Sarasvathy and Dew (2005, 552), however it is not entirely such because as it was already specified, these constraints or global criteria are not based on any particular vision of a final version of the artifact or the market to be created.

Chapters 2 and 3 provided the theoretical frameworks which are the basis of the empirical part of this study. The following section will describe how this study was designed and the methodological approaches selected for conducting the empirical part.

4 RESEARCH DESIGN

The research design is the plan of the research project, and its main purpose is to define a clear roadmap that includes which methods and procedures are used to conduct the study (Myers 2013, 19). However, in qualitative research it is claimed that it is an iterative process in nature since it consists in moving back and forth between the different components in the design (Maxwell 1996, 4; Fisher 2010, 4). Therefore, an appropriate research design is characterized by its consistency with the research purposes, the available resources (time, money) and the researcher's knowledge and skills for conducting the study in the best possible way (Birkstedt 2012, 109; Marshall & Rossman 1999, 9). In this regard, the research design is drawn from the main purpose of this study which is to understand how stakeholders influence the social enterprise creation process under the effectual approach. The research questions presented in section 1.2 guide the development of the research design suggested for this study and portrayed in Figure 12.

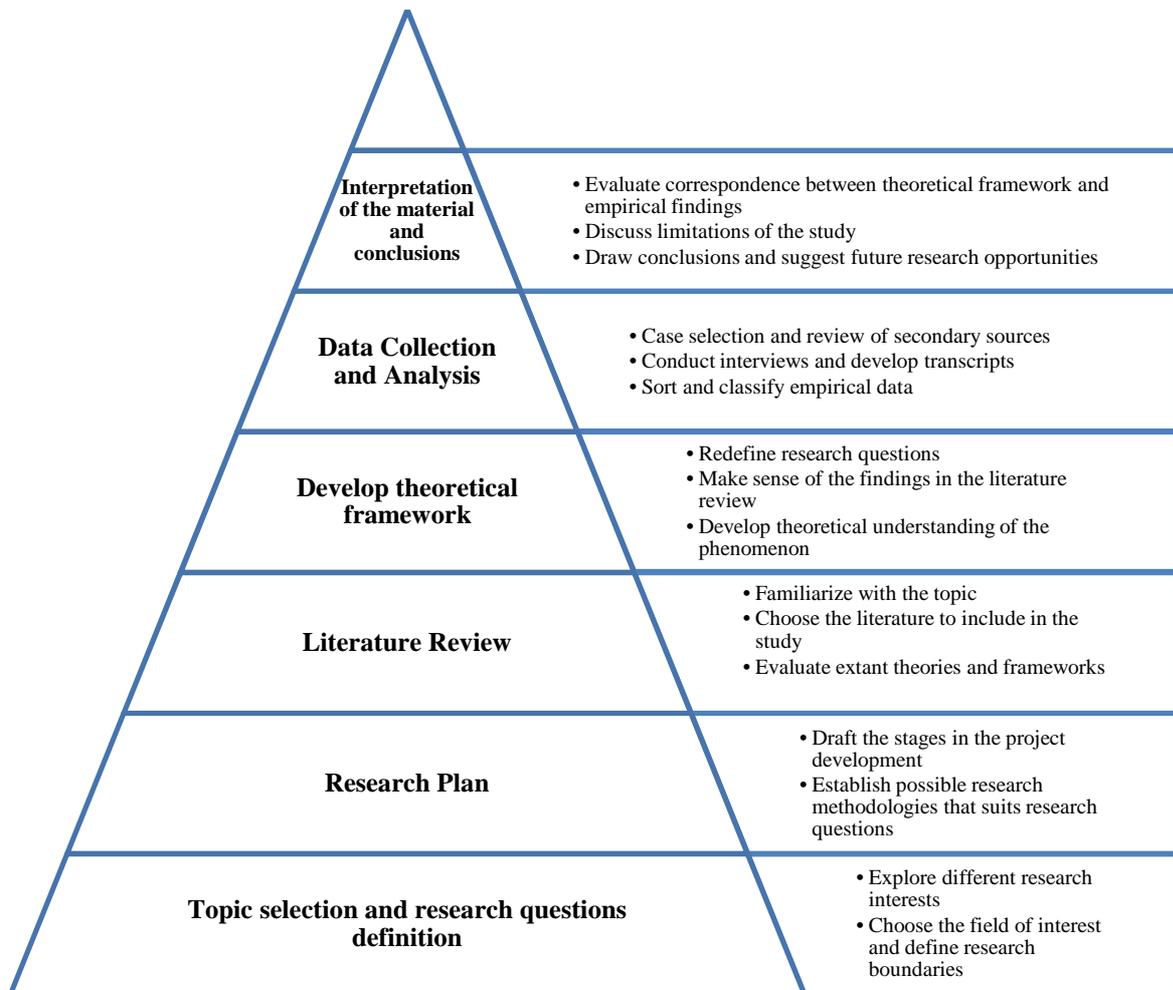


Figure 12 Research design

4.1 Research approach

The selection of the research approach has a direct relation with the research questions and purposes (Maxwell 1996, 17; Eriksson & Kovalainen 2008, 27), and it implies assumptions on how the researcher views the world which influences the way research is conducted (Saunders & Lewis 2012, 104). These assumptions are drawn mainly from two stances: the nature of knowledge or ideas about the existence of and relationship between people, society and the world in general (ontology) and the way knowledge is produced, what are its sources and limits (epistemology) (Eriksson & Kovalainen 2008, 13-14). In this sense, the phenomenon is studied from an interpretive perspective, therefore the aim is to seek knowledge of the processes by which people in groups and societies make sense of their world, emphasizing plurality, relativism and complexity (Fisher 2010, 23). In this view, reality is not defined by individual acts, but by complex and organized patterns of ongoing actions (Eriksson & Kovalainen 2008, 20). Moreover, it gives importance to the context in which meanings and interpretations are developed, because it defines the situations that constitute the phenomenon of interest (Myers 2013, 39). The interpretive perspective suits the aims of this study because it is concerned with the assessment of the phenomenon's complexity in two ways: first, how people's sense of their world influences and is influenced by others through meanings and interpretations forming structures (for example what constitutes the mission of a social enterprise), and second, how meaning is developed through human interaction from a processual perspective (for example how the mission is influenced by the action of stakeholders in the social enterprise context) (Fisher, 2010, 58-60).

Based on the aforementioned philosophical assumptions, a qualitative approach has been chosen for this study. Qualitative approach has its focus in text instead of numbers as it is in quantitative approach. It was developed in the social science in order to study social and cultural phenomena. (Myers 2013, 8) The use of qualitative approach in research is appropriate when aiming to study a particular subject in depth or when a topic is new or there is not much published research on that topic (Myers 2013, 9). Moreover, qualitative approach best suits research purposes focused in understanding certain contexts (Eriksson & Kovalainen 2008, 5) and the influence that context has on the actions of the participants in addition to the process by which events and actions take place (Maxwell 1996, 19). The following table summarizes the general characteristics of qualitative research, regarding the type of research and the researcher:

Table 2 Characteristics of qualitative research. (Rossman & Rallis 1998, 9)

Qualitative research
* Takes place in the natural world
* Uses multiple methods that are interactive and humanistic
* Is emergent rather than tightly prefigured
* Is fundamentally interpretive
The qualitative researcher
* Views social phenomenon holistically
* Systematically reflects on who she is in the inquiry
* Is sensitive to her personal biography and how it shapes the study
* Uses complex reasoning that is multifaceted and iterative

In addition, it is claimed that research questions in qualitative studies often start with how or what (Wilson 2014, 16) and concerning the entrepreneurial studies context, the “how” questions in particular are related with describing and explaining the unfolding of events in the creation of ventures (Van de Ven & Engleman 2004, 355). Moreover, one claimed strength of qualitative research is the emphasis put in getting the processes that led to certain outcomes (Maxwell 1996, 19-20). For this reason, the process approach is considered an accurate theoretical approach to address the phenomenon from the research stance selected for this study because it supports the development and test of entrepreneurship dynamics (Van de Ven & Engleman 2004, 355). This dynamism is present in the creation of the venture, main focus of this study, taking the social enterprise mission as the starting point, and how the participation of different actors might influence this process. As Pentland (1999, 717) argues “explanation requires a story and stories can be understood as process theories”, it is thought that the use of thick descriptions is consistent with the process approach and with the purpose of this study since it explains the process as a narrative of how things develop and change, in the case of this study the venture, and how this change emerges from a sequence of events that lead to a particular outcome (Van de Ven & Engleman 2004, 347). Moreover, because events are defined under this approach as what main participants in the narrative do or what happens to them, the focus is primarily in human agency in change and development (Van de Ven & Engleman 2004, 356), in this study this is translated in corresponding actions undertaken by the founders or stakeholders during interactions. Finally it is important to indicate that, as stated before, the process approach is concerned with the sequence of events, but also with the meaning each actor or groups of actors give to them, how they make sense of them based on their idiosyncrasies and how their understanding influence their behavior. In addition, the process approach refers to the physical and social context in which the events and actions take place and the unique circumstances in which these occur, in other words, the process of structuring. (Maxwell 1996, 59; Pettigrew 1990, 269.)

4.2 Research strategy

4.2.1 *The case study approach*

The case study approach has been chosen for this study. Case study as a research strategy allows the investigation to retain the holistic and meaningful characteristics of real life events, such as organizational processes (Yin 1989, 14). This is one of the reasons why the strategy is popular in business research, since it has the ability to present complex and hard-to-grasp business issues in an accessible, vivid, personal and down-to-earth format (Eriksson & Kovalainen 2008, 116-117; Saunders & Lewis 2012, 117). The case study approach is an empirical inquiry that investigates a contemporary phenomenon within its real-life context, when the boundaries between the phenomenon and the context is not clear and in which multiple sources of evidence are used (Yin 1989, 23) to confront theory with the empirical world (Welch, Piekkari, & Paavilainen-Mäntymäki 2011, 743) through an iterative research process (Easton 2010, 119). The theory-building process in case study research might have several iterative phases in which the emerging theory is refined to develop solutions for practical problems (Kerssens-van Drongelen 2001, 507), therefore during this process, the research questions might change in the light of what the case reveals specially when making the transition from an explorative to an explanatory research phase. As a consequence, the goal is to connect the complexity of ordinary practices in natural contexts with the interests of the academic disciplines (Stake 2005, 448). Since case studies enable rich contextual description, the strategy is well suited when the purpose is to understand how the social context imbues human experiences and actions with meaning (Dyer & Wilkins 1991, 616; Stake 2005, 444, 450; Welch et al. 2011, 747). Yin (1989, 16-20) describes three main conditions to assess the selection of this research strategy: first the type of research questions. In the current study two types of questions are posed, the first one is a “what” type of question portraying its exploratory nature, and the second one a “how” type of question with an emphasis in explanatory aims. For both types of questions Yin (1989) claims that case study is a viable research strategy. Second, the extent of control over behavioral events and the degree of focus on contemporary events are also conditions for selecting case study research strategy. In the current study the relevant behaviors (the actions of the founders and stakeholders during the creation of the venture) cannot be controlled or influenced directly by the researcher, since it is based on past events either told by the actors involved or taken from secondary sources provided by the informants or selected by the researcher according to her own criteria; this issues will be explained in detail later in this chapter.

The nature of the case-study design is relevant when deciding the way to perform the research, and aspects such as research design, disciplinary background, and purpose of the study should be considered (Eriksson & Kovalainen 2008, 117). Doing case studies does not require examination of diverse issues and contexts, but that is the way that most qualitative researchers do them (Stake 2005, 449). However, for this study an intensive or single-case study approach has been selected given the constraints in terms of time and resources, the aim of the study which is to obtain a better understanding of an emerging phenomenon in the academic arena which might lead to see new theoretical relationships and question old ones (Dyer & Wilkins 1991, 614, 617), and finally because the interest of the study is on the case itself as an instrument to explore a particular business phenomenon, and under these circumstances, theory serves as a template with which empirical data is contrasted (Yin 1989, 38).

According to Yin (1989, 47-50), single case studies are justifiable where the case represents a critical test of well-formulated theory, namely the set of propositions in the theory is clearly stated as the circumstance in which they are true. Single case studies are also possible when the case is a rare or unique event or revelatory by nature. The latter condition has particular significance for this study since the accessibility to comprehensive description is considered revelatory itself (Birkstedt 2012, 116). Even though these are the main reasons for selecting this case-study design there are additional situations in which single-case studies are justified, such as when the case is used as an exploratory device (Yin 1989, 49). In this sense, case studies are of value in refining theory, suggesting complexities for further investigation as well as helping to establish the limits of generalizability (Stake 2005, 460). In fact, the latter is one of the largest criticisms of case studies. Since generalizability in its commonly known nature which Yin (1989, 38) calls “statistical generalizability” of case study findings is low, its theory-building potential is regarded as inferior in comparison with hypothesis-testing research (Welch et al 2011, 742). However, case studies can generate the theoretical propositions upon which large-scale quantitative testing is based (Welch et al 2011, 746). Moreover, damage occurs when the commitment to generalize or to theorize exceeds the researcher’s intention and capability to understand important features of the case itself (Stake 2005, 448). Consequently, the case-study design chosen for this research is pertinent because the aim is not to produce knowledge that could be generalized but to present empirical data that resonate experientially with the reader, leading to theorizing and seeking understanding (Eriksson & Kovalainen 2008, 122). Even though the investigation has preliminary research questions, the rich and contextualized description of the case is expected to illuminate its uniqueness based on the empirical data gathered during the data collection and analysis stages, along with the corresponding theoretical background, therefore, theory generation and confirmation are inseparable (Eriksson & Kovalainen 2008, 120, 127).

4.2.2 *Case selection*

When the researcher faces the case selection stage the first issue to evaluate is the decision on the different interests in the phenomenon, and selects a case which offers the opportunity to learn, based on its characteristics and how they match the research purpose, but also considering the level of accessibility in terms of sources of information and the time available for the learning process (Stake 2005, 451). The cases or as it is the situation for this study the single case, must be selected either to serve as a source of replication of previous cases or to extend emergent theory (Eisenhardt 1989, 537). A single case study must be able to stand on its own. The key opportunity it has to offer is to understand a phenomenon in depth and comprehensively (Easton 2010, 119). Moreover, the choice is made even considering openness, because “perhaps too little can be learned from inhospitable parents” (Stake 2005, 452).

In addition to the methodological and practical reasons why this case was selected, there are also fundamental conceptual motives. The first one is concerned with the type of company chosen, namely, at what extent the organization meets the definition of social enterprise suggested for the development of this study. This feature was of particular interest due to the extant conceptual differences in what is understood as a social enterprise, which was already portrayed in previous chapters. Initially, the focal geographic context was intended to be Finland, however after a brief review of what the Finnish regulation recognizes as a social enterprise (see Heckl, Aaltinen, & Stenholm 2007), the researcher noticed important differences with the working definition used in this study, therefore abandoned this possibility. Subsequently, the second preferred option was Latin America, mainly because of the researcher’s proximity with this region in terms of cultural knowledge and language, aspects that were expected to facilitate the research process (Dyer & Wilkins 1991, 616).

Moreover, in order to choose a suitable social enterprise within the region, the search was conducted among the companies certified by the B-Lab organization. B-Lab is a tax-exempt non-profit organization founded in the United States in 2006 by three entrepreneurs with previous experience in the private sector. The objective of B-Lab is to “serve a global movement of entrepreneurs using the power of business to solve social and environmental problems” (B-Lab) through three initiatives, from which the certified B Corporations initiative was considered for this study. The initiative consists in a certification program for private businesses in which they are assessed through rigorous standards of social and environmental performance, accountability and transparency. At the moment there are approximately 1000 certified companies from 30 countries (B-Lab). The preliminary assessment of the companies includes questions regarding governance, workers, community and environment, which simultaneously covers the issues

contained in the definition of social enterprise for this study. The selected case company obtained the certification in the beginning of year 2012.

An additional conceptual consideration for the case selection was the entrepreneurial approach adopted in the venture's creation. Since the focus of this study is framed under the effectual entrepreneurial approach the objective was to find a company in which its founders follow the logic used in this model at some extent. However, it is worth noting that the cases using mixed logics are not rare, and this depends, among other factors, to the venture creation stage under evaluation (Doyle Corner & Ho 2010, 645; Sarasvathy 2001, 245). The case company has been operating for five years and has presence in four countries; therefore the case is considered a rather young company which is transitioning from the incipient stages of venture creation process. Also the selected case shows evidence of effectual logic adoption in the early stages of the venture creation as it will be described later, therefore the researcher considered it as an acceptable case for this study.

Finally, it is thought that the case company offers a favorable opportunity to gain an extended understanding of the dynamics in this type of companies because it operates under a model of triple drivers: environmental, social and economic. There is no common terminology for this group of companies, but the entrepreneurs undertaking its creation are also considered as social entrepreneurs, even though a number of researchers attribute them particular names such as "social ecopreneurs" (Clifford & Dixon 2006, 215).

4.3 Data collection

The particular data collection technique will depend upon earlier choices of the research method, research topic and the availability of data (Myers 2013, 119). For this study interviews were the selected method to collect empirical data. Qualitative interviews may resemble everyday conversations, in which the key idea is to get the interviewee to recall events and provide information freely, using his or her own words (Eriksson & Kovalainen 2008, 78; Myers 2013, 119, 122). The interview questions must be treated as *what* the researcher asks people to obtain material that will help him or her to answer the research questions (Eriksson & Kovalainen 2008, 79). However, the researcher should be cautious in order not to use the data collection method as a mean to logically or mechanically transform research questions into interview questions (Maxwell 1996, 74).

Three main sources of information were used in this research to gain knowledge about the company and the context in which it operates: interviews with the founders,

the corporate material and publications by third parties. Table 3 shows the type of data, the description of the source and its objective in the data collection.

Table 3 Sources of research data

Source of data	Type of data	Description	Objective
Interviews	Four interviews with the founders of the company (two unstructured and two semi-structured interviews). Approximate duration of each interview 1 hour. Transcripts totaling 41 pages.	Interviews were conducted on the following dates: <ul style="list-style-type: none"> • Gonzalo Muñoz: 12.03.2014 / 28.04.2014 • Manuel Díaz: 05.05.2014 / 12.05.2014 	Gather information about the founders' personal characteristics and their roles in the venture creation process.
Corporate material	<ul style="list-style-type: none"> • Company's memoir • Power point presentations • Webpages • E-mail responses 	The material was provided either by the Commercial Manager or the founders of the company. It comprises official information about the critical events in the development of the company and its business model.	Gather information about key actors in the creation of the company and map the venture creation process. Moreover to understand the value proposition and the original aims of the venture's creation.
Publications by third parties	<ul style="list-style-type: none"> • Video interviews to the founders • Newspaper and magazine reports 	Some sources were suggested by the Commercial Manager of the company while others were selected by the researcher.	Verify and contrast the information from primary sources and obtain additional insights from the founders that serve the purpose of this study.

Primary sources are those data which are unpublished and which the researcher has gathered directly from the people or organization (Myers 2013, 119). Qualitative researchers believe they can get closer to the actors' perspective through detailed interviewing and observation (Wilson 2014, 16), and at the same time, they need to manage

the complexity in the process of obtaining an understanding of the actor's reality, as a result, the process involves cycles of expanding complexity and simplification (Pettigrew 1990, 282). For this reason, this research adopted two types of interview designs: unstructured and semi-structured interviews. Unstructured interviews are generally conducted to explore certain topic broadly from the participants' point of view (Eriksson & Kovalainen 2008, 82; Yin 1989, 89), and the format is more like conversations than formal events with predetermined response categories (Marshall & Rossman 1999, 108; Fisher 2010, 175). In this sense, characteristics of narrative interviews were considered also since the aim was to encourage the participants to tell their story without any structured interview agenda (Eriksson & Kovalainen 2008, 216). On the other hand, when using an unstructured interview design the researcher prepares outlined topics, themes or issues of interest but develops a questionnaire that is flexible enough to conduct the interview in a conversational and informal manner and to allow changes such as the order of the questions in each interview (Eriksson & Kovalainen 2008, 82).

Secondary sources refer to existing empirical data containing relevant information for the study but which is not necessarily produced for the same purposes. When secondary data are used is required to consider the original purpose for which they were produced to be able to evaluate their value (Eriksson & Kovalainen 2008, 126). For this study several types of secondary data were used, such as webpages, corporate presentations, newspaper articles, organization's memoir and multimedia material like reports and interviews. Some of the secondary material was provided by the selected company and was checked before conducting the interviews. The evaluation and countercheck of the information gathered from each source is the basis of what is called triangulation. Triangulation has been generally considered a process of using multiple perceptions to clarify meaning, verifying the repeatability of an observation or interpretation (Stake 2005, 454). This process is thought to help the researcher to corroborate any insight by the respondents and to search for contrary evidence as carefully as possible (Yin 1989, 89).

The aim in the interviewee selection was to collect the perspectives of highly knowledgeable actors in the focal phenomenon. The selection process followed the principle supporting *purposeful sampling*, in which particular settings, persons, or events are selected deliberately in order to provide important information that can't be gotten from other choices (Maxwell 1996, 70). Since the main attention of this study is on the mission and its development during the venture creation process, the founders were considered the most accurate group of actors to fulfill the research objectives. The founders in this context are the actors who initiate the consolidation of the entrepreneurial idea, and the ones who are acquainted with the essence of the mission that supports the developing venture. Moreover, the study aims to assess the role of the stakeholders in shaping the mission, therefore it is suggested that the founders reasonably provide insights about

the dynamism in the interactions between them and the different groups of stakeholders, and more importantly at what extent the mission might be a result of these interactions.

The first contact with the company was through their Facebook page, and the following conversations were held through mail with the Commercial Manager and the founders. The company has originally three founders, from which two were included in this study (Manuel Díaz and Gonzalo Muñoz), the third one (Joaquín Arnolds) unfortunately passed away in year 2010. In the first meeting with the founders, the research purpose in general terms was explained and the dates for the interviews were settled. In addition a confidentiality consent form was sent in which the interviewees selected the conditions for their participation (Saunders & Lewis 2012, 155). Among other issues, all of them accepted to have the interviews recorded and to publish the name of the company in this study.

The interviews were conducted in Spanish and both participants were asked the same questions. English translations made by the researcher to report the results of the study might suggest the presence of misinterpretations; however since both the researcher and the interviewees are Spanish native speakers and have a good level of English proficiency, it was agreed with the interviewees that they will be able to review the preliminary version of the study before submitting the findings. Moreover, they were offered to see the questions in advance, however only one of them requested it just for the first interview. Interviews often take place face to face, but they can also take place over telephone, or on-line using computer-mediated technologies (Eriksson & Kovalainen 2008, 78, 104). The interviews were conducted using Skype, since the interviewees live in Chile. The interview environments were the offices of the interviewees and the private residence of the interviewer. In one case the interview had to be rearranged due to technical problems which hindered the communication, however overall, the environments were quiet and the interviews were rarely interrupted due to either technical issues or phone calls that the participant decided to ignore.

Two interviews were conducted to each founder, totaling four interviews; each of them lasted between 40 and 60 minutes. The length of the interviews varied due to the different answering styles of the participants. For instance, one founder gave more structured and concise answers while the other extended the answers to illustrate his viewpoints with examples. Also each participant showed different levels of expertise and interests concerning the corporate environment, therefore the emphasis and length of the answers varied according to the topic tackled in the question.

The first interview had an unstructured format and two questions were used as a guideline, however as a result of the discussion and the preliminary review of secondary data, additional questions were raised concerning the topics of interest. The objective of this phase was to gather general information about the participants and their own view of the venture's creation process. For the second interviews a semi-structured approach

was selected. Three general themes were used to guide the conversation: *the concept of the mission, entrepreneurial approach, and the role of stakeholders*. The themes were established based on the theoretical interest of this study in addition to the information gathered during the unstructured interviews. The objective was to capture the participants' perceptions about the mission development and assess its relevance during interactions with their stakeholders. To see the interview guides used see Appendix 1.

All the interviews were transcribed and contrasted with the secondary material in the data analysis phase, which is described in the following section.

4.4 Data analysis

Once the general research strategy and data collection method are defined, the researcher should decide how the collected data will be managed, classified and analyzed and illustrate this process in the most explicit and organized way possible. Data analysis consists of examining, categorizing, tabulating empirical data (Yin 1989, 105), or in other words "it is a process of resolving data into its constituent components, to reveal its characteristic elements and structure" (Dey 1993, 31). Even though most of the research design literature separates the data collection and data analysis phases as individual ones, it is claimed that both phases regularly overlap and they inform each other during the overall research process (Maxwell 1996, 77; Eriksson & Kovalainen 2008, 127).

Miles & Huberman (1994) describe the data analysis process through three flows of activities: data reduction, data display and conclusion drawing/verification. Data reduction refers to the process of selecting and simplifying the data collected in written form, such is the case of interview transcripts. In reducing the material the researcher have begun to analyze, interpret, and make meaning of it (Seidman 2006, 118). It is claimed that researchers who transcribe their own audio files come to know their interviews better, and even though it is possible to choose and transcribe only certain sections, it is not desirable because it imposes the researcher's frame of reference on the interview data one step too early in the segregation process (Seidman 2006, 115). Listening to the interview audio files before the transcription is also an opportunity for analysis, as is the actual process of transcribing interviews (Maxwell 1996, 78). Because the total amount of interview hours in this study was not significantly extensive, the researcher transcribed all interviews word by word; this process yielded a transcript of 41 pages.

The second flow of activities according to Miles & Huberman (1994) is data display. It consists in the assembly of organized information into an accessible and compact form in order to facilitate the analysis and conclusions drawing. Finally, the third stream of analysis according to Miles & Huberman (1994) is conclusions drawing and verifica-

tion. This set of activities refers to the elaboration of final conclusions drawn from the theoretical and empirical data collected throughout the research process. Miles & Huberman (1994) claim that conclusions are present with lower levels of formality even before the data analysis phase starts, and that this occurs due to the researcher's own interpretation of what things mean. In fact, it is stated that there is the implicit risk when working with themes in that the researcher may force the evidence into pre-established categories, and limit the possibility for new categories to emerge from the participant's experience therefore for instance some categories that seemed promising early in the process will die out, new ones may appear, and some that seemed separate and distinct may merge (Seidman 2006, 126). Although inevitably the researcher's consciousness will play a major role in the interpretation of interview data, that consciousness must interact with the words of the participant recorded as fully and as accurately as possible (Seidman 2006, 114, 117).

The role of the general strategy is to help the researcher to choose among different techniques and to complete the analytic phase of the research successfully (Yin 1989, 106). Thematic analysis was chosen as the data analysis method for this study. Themes are identified by "bringing together components or fragments of ideas or experiences, which often are meaningless when viewed alone". How these ideas fit together is subject to the researcher's analysis prior to the construction of a comprehensive picture of the informants' collective experience. (Leininger 1985, 60.) In addition, thematic networks were developed to facilitate the organization and interpretation of interview data. Thematic networks aim to facilitate the structuring and depiction of themes emerging from qualitative data. The technique includes the use of web-based diagrams to break up text and portray themes in three different levels illustrating the relationship between them. (Attride-Stirling 2001, 386-388.) The three classes of themes are shown in Figure 13.

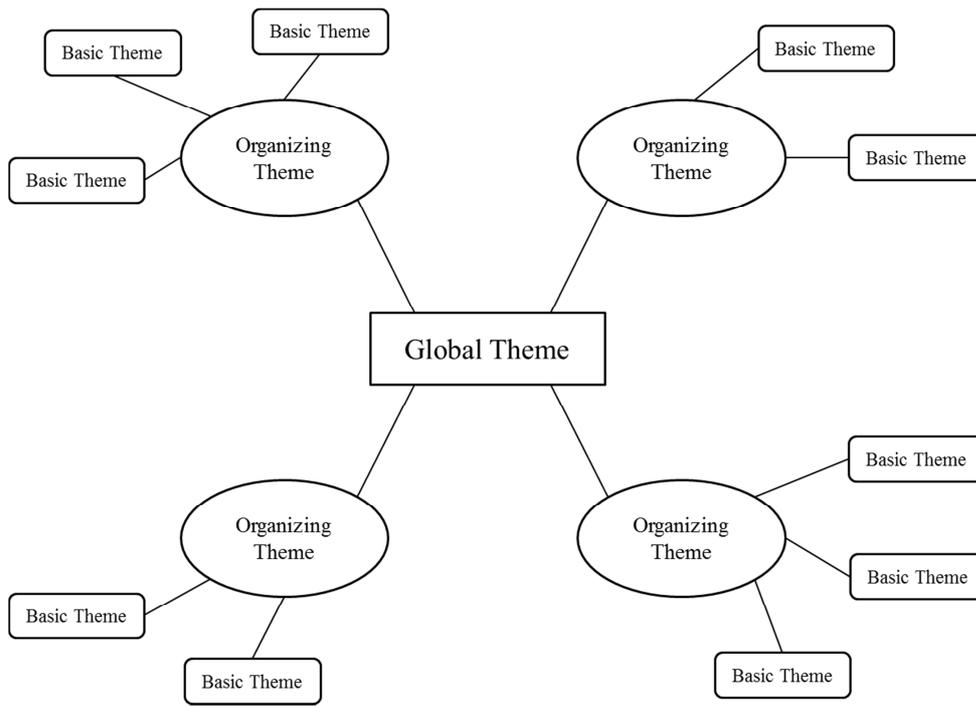


Figure 13 Structure of a thematic network (Attride-Stirling 2001, 388)

A basic theme is a simple premise characteristic of the data and constitutes the lowest-order theme. An organizing theme is a middle-order theme that organizes basic themes into clusters of similar issues, while a global theme is a macro theme that comprises organizing themes to construct a final claim about a given issue. Thematic networks are built following a bottom-up logic: first identifying basic themes, then grouping them in similar theme clusters and finally relating them to a global theme to illustrate a single argument. As mentioned before, the diagrams representing the networks are used as mere tools aimed to ease the exploration and interpretation of the main findings for the researcher and reader. Data analysis actually initiates when the networks are described in order to identify underlying patterns that will later be interpreted in the light of original research questions and theoretical assumptions. (Attride-Stirling 2001, 388-390, 393-394.)

The discussions during the data collection phase were guided using three themes described in section 4.3, which were based on the purpose of this study. Even though these themes were expected to constitute the global themes of the thematic networks, the analysis of interview data yielded three additional themes, that although they are related to the original ones, they are still conceptually different. The new themes found are: *the founder's identity*, *the value proposition*, and *the venture creation process*. The latter is similar to the original theme *entrepreneurial approach*, while the *concept of the mission* and *the role of stakeholders* merged in every global theme emerging from the data analysis. The thematic networks developed for this study are presented in Appendix 2.

Data analysis was carried in a similar way as portrayed in Attride-Stirling (2001). After a detailed scrutiny of the transcripts, data was structured first in terms of codes and later according to the emerging basic themes. Making sense of higher level categories emerging from the analysis included avoiding conceptual overlapping and reducing potential redundancy in order to improve conclusions drawing. References to the transcripts were used during this process in order to record important quotes to be included as supporting aids for the discussion. The final framework comprises the insights obtained during the analysis of empirical findings as well as the theoretical background of this study. The methods described so far are the basis for the following section, which is concerned with the trustworthiness of this study.

4.5 Evaluation of the study

Research quality is associated with the evaluation of its trustworthiness. The adoption of explicit evaluation criteria is considered a way to increase the transparency of the research. The selected criteria in addition need to be compatible with the nature of the study, the inquiry and the methods included. Consequently, the evaluation of the study is not meant to be carried out until the research process is concluded, but it is a continuous assessment of the integrity between all the components of the research in question. (Eriksson & Kovalainen 2008, 290.)

There are particular criteria for evaluating different research types. Under the interpretivist/constructivist approach, knowledge is socially constructed, and in this sense, the case study researcher assists readers in the construction of knowledge. Researchers in the interpretive tradition embrace context, narratives and personal engagement on the part of the researcher (Welch et al. 2011, 8). As a result, it must be expected that the researcher's construction of realities will inevitably be reconstructions, interpretations, and because the selection of what is necessary for an understanding of the case will be decided by the researcher. (Stake 2005, 454, 456, 460; Cho & Trent 2006, 323.) However, case study researchers argue that a good case study should provide complete information about the case's context and all relevant evidence to support the investigation, including evidence that might contradict the researcher's original claims, in order to leave enough space so the reader can reach independent judgment regarding the research analysis and conclusions. (Eriksson & Kovalainen 2008, 133.) It is believed that the study at hand meets those conditions. Full descriptions of the venture creation process as well as the stakeholders involved were provided in order to guide the understanding of the context dynamics in which the focal company was created. In addition, the logic used to reach conclusions was explained in detail so the reader is able to trace them to other components of the study. However, it is thought that in actual research

practice, authors not necessarily adhere to a consistent philosophical position, methodological approach or even research design (Welch et al. 2011, 5). For this reason, careful attention was given to transparency during the recording of the research process. Discrimination of what information to include was assessed in terms of its relevance to achieve the objectives of the study rather than its accordance with the researcher's claims. Changes to the suggested framework, emerging categories during data analysis and the limitations of the investigation were explicitly described in the data analysis and theoretical discussion sections of this study.

The classic criteria for the evaluation of research are reliability, validity and generalizability. It is claimed that damage occurs when the commitment to generalize shadows the researcher's attention to the case's important features (Stake 2005, 448), therefore in response to the purpose of this study, the focus was on "particularization" as the understanding of the uniqueness of the case in its entirety (Welch et al. 2011, 8). Additionally, reliability deals with the evaluation of the extent to which a measure, procedure or instrument yields the same result on repeated trials, while validity refers to the extent to which conclusions drawn in research represent the focal phenomenon and that they are supported by evidence, in other words, that the findings are true. The three concepts provide a framework for the assessment of research trustworthiness which stems from quantitative research approach. (Eriksson & Kovalainen 2008, 291-292.) Some researchers argue that qualitative research has its own procedures for attaining validity that are simply different from those of quantitative approaches (Maxwell 1992, 280) and that alternative notions of validity should be considered to achieve social justice, deeper understandings, broader visions and other legitimate aims of qualitative research (Cho & Trent 2006, 324).

Therefore the trustworthiness of the current study is evaluated using the framework suggested in Lincoln & Guba (1985) to assess qualitative research consisting of the following criteria: dependability, transferability, credibility, and conformability. The first criterion is dependability which is concerned with informing the reader about the research process so it is traceable and well-documented (Eriksson & Kovalainen 2008, 294). It also refers to the presentation of changing conditions in the phenomenon under study and refining of the research design, which is different from the logic behind reliability in which an unchanged universe is assumed (Marshall & Rossman 1999, 194). During the theoretical discussion of this study, such changes were portrayed in a way that the reader is able to compare theoretical assumptions with empirical findings. In addition the methods used were justified in the research design chapter. In order to avoid threats to valid description of the interview data, all interviews were fully recorded and transcribed which reduces the risk of inaccuracy or incompleteness of data (Maxwell 1996, 89). The second criterion is transferability which is related to the research similarity with other previous research, either partially or fully. The main con-

cern is whether some sort of similarity could be found in other research contexts (Eriksson & Kovalainen 2008, 294) so the findings will be useful to others in similar situations, with similar research questions. Transferability is associated with generalizability. Since it is claimed that the evaluation of qualitative research based on this criterion is difficult concerning its applicability in other settings, the researcher can refer to the original theoretical framework to show how data collection and analysis will be guided by concepts and models (Marshall & Rossman 1999, 193). In the current study careful consideration was given to the description of conceptual boundaries and efforts were made to seek consistency with the chosen models and techniques for data collection and data analysis processes. Moreover, claims in this study were contrasted with field-related studies from other researchers suggesting different approaches or criticism. The third construct is credibility which is concerned with the accuracy in the identification and description of the subject of the study. There is the claim that “accuracy is construed, and researchers do not want to be inaccurate, caught without confirmation.” (Stake 2005, 453). In order to do this, the qualitative researcher should adequately state the parameters of the settings, thereby placing boundaries around the study. (Marshall & Rossman 1999, 192-193.) In this sense, the parameters used for the selection of the case in this study are based on the research interests and the conceptual delineations concerned with social enterprises and the effectual entrepreneurial process. The established parameters are fully described in the introduction and case selection sections of this study. Finally the last criterion is conformability which refers to the linking of findings and interpretations to the data in ways that can be easily understood by others (Eriksson & Kovalainen 2008, 294). Some researchers claim that validity of qualitative research should be separated from descriptions, interpretations, theories, generalizations and evaluative judgments (Stake 2005, 453) while others embrace the role of voluntaristic and subjective interpretations of events because, for example, there are reasons why some events within the narrative are more critical than others according to the entrepreneur subject of the study (Cope & Watts 1995, 112). Evidently, it is important to note that interpretation is subject to the threat of imposing one’s own framework or meaning rather than understanding the perspective of the people studied and the meanings they attach to their own words and actions (Maxwell 1996, 91). This is the reason why a previous revision of this study before the submission of the final version was advised to the respondents by the researcher. In addition, the objective of the participants’ revision is to reduce the threat of misinterpretations due to loss of meaning during translations.

Finally, triangulation was also used to minimize the likelihood of misinterpretations due to biases or chance associations. However, some researchers argue that triangulation per se does not automatically increase validity (Maxwell 1996, 94), but that “triangulation, then, if used with due caution, can enhance the credibility of a research account by providing an additional way of generating evidence in support of key claims”

(Seale 1999, 61). Thus, triangulation in this study was mainly used for verifying the repeatability of the respondents approaches expressed during the data collection phase. Other sources of information such as third party interviews and articles about the company were used to evaluate primary data.

5 RESULTS OF THE STUDY

5.1 A company committed to sustainability: A triple bottom line approach

“A system based on the notion of infinite growth operating in a finite context is a major tragedy that we ought to help solve.” (Muñoz, video interview 19.08.2012)

Sustainable development is defined by the United Nations as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (UN, 1987). In this context, environmental issues such as climate change, renewable energy, water degradation among others are not new to the sustainable development agenda. The international community awareness about these issues led to the creation of the United Nations Environment Program (UNEP) in 1972 which acts as “the voice for the environment within the United Nations” and its mission is precisely to encourage partnership in caring for the environment and to be the authority that sets the global environmental agenda (UNEP, About UNEP). Based on the principle that social and environmental systems and problems are inseparable because they form a single complex system (UNESCO 2013, 4), the UNEP developed a working definition of the green economy which describes an economy “that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities” (UNEP, About Green Economy Initiative (GEI)). In order to “green” the waste sector, responsible consumption habits, recycling culture and waste segregation and transformation are viewed as opportunities to deal with existing challenges in the sector. Each opportunity can be placed accordingly in the waste management hierarchy showed in Figure 14. The hierarchy illustrates the different strategies to manage all sources of waste being the waste avoidance and reduction the most preferred one. Therefore, when waste cannot be avoided the second best option is the recovery of materials along with the remanufacturing and recycling waste into usable products (UNEP 2011, 292).

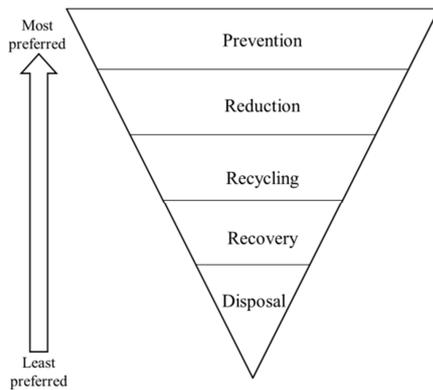


Figure 14 The waste management hierarchy (UNEP 2011, 294)

It is claimed that in part due to the opportunities given by the growth of the market waste, increasing resource scarcity and the availability of new technology, recycling is likely to grow as an important component in the development of a greener waste sector, and at the same time will provide decent employment considering that most of the collection and redistribution of recyclables is done informally by people working in conditions that threatens their safety and health (UNEP 2011, 292).

Despite the attention given to these topics recycling rates show dramatic differences among regions and even among countries within a single region. That is the case of Europe in which only five countries recycle more than 50% of the waste (Municipal Solid Waste, which refers to the disposal of everyday items in urban areas) and the European Union average recycling rate is 39% (European Environment Agency, Recycling rates in Europe), a very different scenario from the one seen in Latin America. Even though there are no precise figures or evidence of cross-country studies in this region, estimates indicate that every Latin American country recycling rate is below 17-15% (El Dínamo 2013).

An evident problem is the disproportion between the amount of waste produced and the waste management measures established in Latin American countries. That is the case of Chile, the country with the highest waste production rate in Latin America with a total of 16,9 million tons a year and a recycling rate of 10%. Some reasons given are the lack of awareness about the environmental effects of consumption habits aggravated by population growth, in addition to the increase of industrial waste and low rates for recyclables (AFP 2013). On the other side, the low recycling rate is in part due to failures related to efficiency and integration of the whole waste management system. There are not enough places to dispose segregated material, and if they exist, people are not well informed about them or the few available locations are far from urban areas which difficult access (Yañez 2013). In addition, the initiatives and new developments in this subject are not integrated or aligned, neither in terms of design nor in terms of objectives. The complexity raised by these issues, lead to the question of whether the materi-

als are correctly segregated, collected and processed in a way that the cycle is efficient and effective. A critical piece in this cycle is the role of the waste pickers. As it was mentioned, the waste sector is confronted with important and urgent challenges in this matter since the working conditions in which this group operates are in some cases far from being a safe, healthy and dignified environment.

In face of this reality, the selected company for this study, Triciclos, decided as many social enterprises do, to develop opportunities from problems. Triciclos is a Chilean social enterprise founded in 2009 by three entrepreneurs with an extensive professional experience in the private sector, having served as managers for different big local and international companies from the region. Triciclos operates from the private sector, is established as a for-profit company and to date is economically self-sustained. The company is headquartered in Chile and employs 120 people, in addition to representatives in Colombia, Argentina and Brazil. Triciclos' turnover for year 2013 was 1298 million Chilean pesos (approximately 1.7 million euros) (Rivera, e-mail response 16.06.2014). The board of the company consists of six shareholders who have not received dividends to date according to the company's Director (Díaz, e-mail response 11.06.2014).

Triciclos operation is based on what it is called in sustainability the triple bottom line, a performance measurement tool for the corporate world that incorporates not only traditional measures such as profit and shareholder value but also social and environmental dimensions (Slaper & Hall 2011). With this as their framework, the company is defined as a change management agent hidden behind a waste management agent, in the sense that the main focus is to promote, facilitate and coordinate actions towards cultural change related to waste management. As seen in Figure 15, Triciclos is concerned with the entire recycling cycle, from what people consumes, where people dispose waste, how people segregate disposed materials and how these materials are handled before its transportation to processing factories.

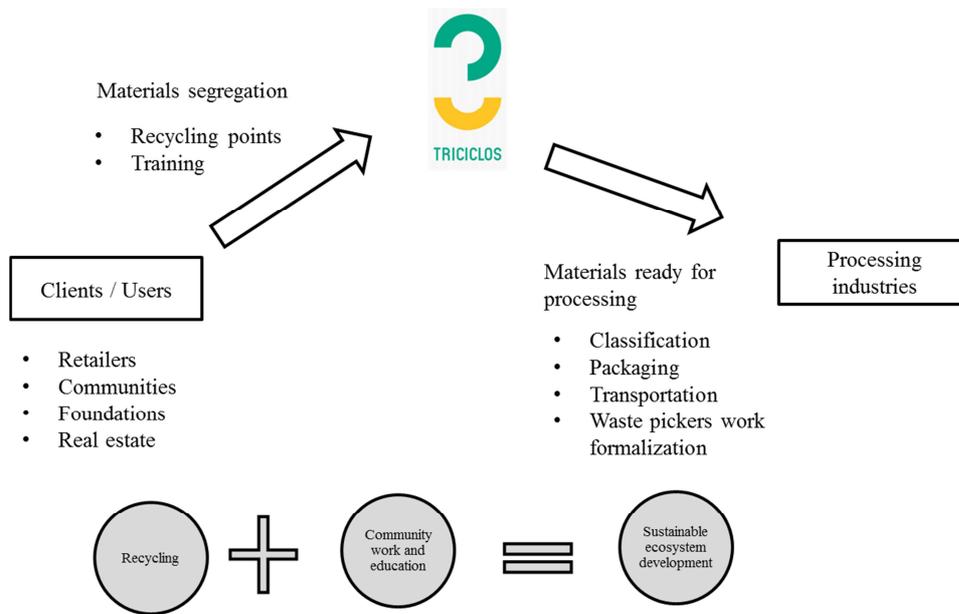


Figure 15 Triciclos recycling operation

Their objective in this sense is to be a catalyzer of sustainable consumption through the use of tools such as recycling and environmental consultancies aimed to assist companies in sustainable packaging design, in addition to permanent collaboration with the Chilean Government for the development of public policies around entrepreneurship and sustainability issues. The business emphasis however is on recycling, and particularly through the installation of their Puntos Limpios (recycling points), an in-house developed system of 12 waste containers which allow the recovery and transformation of approximately 90% of the average domestic waste. This is in conjunction with permanent on-site training, aims to address domestic waste management, empower communities to be active participants in the recycling cycle and contribute with the improvement of work conditions for waste pickers including them as permanent workers of the company.

Since Triciclos inception, the model has been subject to changes in design, as a way to respond to new demands of the different interest groups. For instance, the original recycling center was designed to manage approximately 20 tons of waste a month (Muñoz, discussion 12.03.2014). According to recent published figures, the top recycling center in the capital city manages more than double of that capacity and receives a monthly average total visits of 5600 (Brierley 2014). The total amount of waste collected in June 2014 by more than 60 recycling centers already operating in Chile, was 203,48 tons., and the estimated amount for year 2017 reaches the challenging amount of 15000 tons, due in part to a recent deal signed with the Brazilian investment firm MOV Invermentos who acquired Triciclos operations this year (Tirado 2014).

The company's current situation briefly described in this section portrays a rapid growing company. The successful adoption of their recycling model is translated in sev-

eral special recognitions and prizes awarded to Gonzalo Muñoz, one of the original founders, by organizations from both the third and public sectors (Triciclos, Reconocimientos), different mentions in well-known broadcast media such as CNN (CNN 2013), and in what the founders consider the most relevant indicators: the economic, environmental and social impact measures. Evidently, the scenario was very different in the early stages of the development of what was at that time just an idea. The next section is concerned with the description of the venture creation process that led the founders to work on the materialization of an initial idea to what constitutes Triciclos today.

5.2 The development of an innovative solution

The core idea behind Triciclos started as a common aspiration from three friends: Gonzalo Muñoz, Joaquín Arnolds and Manuel Díaz, who came to know each other due to the premature departure after a fatal accident of a fourth friend they had in common. This dramatic incident heightened the questioning they had about their roles in the firms they were working for and how those roles fit in what they considered relevant and transcendental. The initial conversations were based on the need to dedicate their effort and capabilities to activities that deliver meaning to their lives and to the people surrounding them in an integral way. In addition, the three of them had previous entrepreneurial experience and were working in large corporations in important executive positions. On one side, Gonzalo Muñoz became CEO for the first time in his professional life before he turned 30 years old and had occupied the same position in several firms in the food industry, maritime transportation and agroindustry in Chile and Argentina. He has always been interested in sustainability, especially environmental issues. Manuel Díaz was once Gonzalo's boss in one of the firms in which he occupied the CEO position, and as Gonzalo, he initiated his professional career as an executive at a young age. His first contact with recycling and social enterprises took place in USA during a sabbatical year he decided to take after his resignation from a firm in the food industry in which he worked for 15 years. Joaquín Arnolds' entrepreneurial spirit led him to create his first venture immediately after he graduated from college. Later, he became partner and CEO of a leader company in the creation of steam with biomass. Due to the success of this company he obtained great achievements and a good economic position.

Despite the differences between the fields in which the three entrepreneurs had accumulated relative professional success, the common point in their conversations made reference to the conflicts and obstacles they encountered in their respective firms. The confrontations occur especially when they tried to introduce changes that aimed to benefit the staff or questioned the way these businesses were managed, and after a number of

attempts and rejections from the boards in these firms they decided to resign and start something new based on what they believed it was relevant.

The natural entrepreneurial path was linked to their corresponding fields of expertise as well as the people within their professional and personal networks (Muñoz, discussion 12.03.2014; Díaz, discussion 05.05.2014). Due to their experience in the food and energy industries, the fields they first considered working in were renewable energy sources, sustainable nutrition and organic food products, sustainable agriculture, among others. The common interests led to a series of prototypes and business model designs which were tested mainly among their acquaintances and families. This series of creative exercises had only one clear goal: to create a company that will promote cultural change towards sustainability and that will serve as a profitable business with a social and environmental motivation (Triciclos memoir, 2014). The company, as a tangible system, was not set and designed at the beginning; it was more a result of a process of discovery and immersion into the focal context. Even though Gonzalo Muñoz and Joaquín Arnolds had some knowledge in environmental topics, the projects they tested at the beginning were also related to social issues, such as housing conditions for the poor, the recovery of traditional games, etc. At the same time Manuel Díaz, who was in USA, coincidentally got to know about recycling by his landlord, because it was required for residents of the building he was living in, and after learning more about it by himself he recognized the level of impact it can generate on the environment. The apparent lack of connection between these projects was questioned later when during the prototyping they realized that recycling offered a suitable approach to develop something that will merge their social and environmental concerns (Muñoz, discussion 12.03.2014). The reasoning used by the entrepreneurs to focus on recycling has the following general points:

- The recycling system in Chile is inefficient
- This is due mainly because recycling is generally understood as a limited segregation of waste
- And trying to solve the waste problem in such an inefficient way by using means coming from a bigger problem like poverty, generates a vicious circle
- Therefore, recycling in Chile offers an interesting scenario in which the generation of a single solution has the potential to solve both problems.

The decision towards the development of a social enterprise is born from the social and environmental awareness and convictions of the entrepreneurs. It is important to note in addition the interviewees' awareness about risk and the need for economic survival of the company as a means to deliver a solution.

“We have clear values and principles, what we want to do, let’s see how we make this a business, because that is another thing, that this will not be lose and lose money.” (Díaz, discussion 05.05.2014)

Social enterprises see opportunities where others see problems, but it is precisely this approach that puts them in complex situations. In the focal case, a solution like the one they designed did not exist in Chile, people did not feel they needed a solution and there is still a general perception that solutions of this type should be provided by the Government or foundations (Muñoz, discussion 12.03.2014), therefore it was difficult to identify or measure the potential market for a socio-environmental solution. In addition they were facing a global economic crisis (Triciclos memoir, 2014) which challenged even more the idea of creating a business based on a market externality like pollution.

“The generation of value propositions and initiatives that are different from what is conventional entails therefore a risky activity.” (Muñoz, discussion 28.04.2014)

It is important to note that even though there was conscience about risk, when asked about this issue during the early development stages, one of the interviewees viewed risk as something positive and a means for profit generation and growth (Díaz, discussion 12.05.2014), while the other participant associated risk with technical and economic viability (Muñoz, discussion 28.04.2014). Consequently, the entrepreneurs initiated what they call a diagnosis process which lasted approximately 6-7 months (Muñoz, discussion 12.03.2014; Díaz, discussion 05.05.2014). The process resembled market research with the difference that the fundamental aim of the diagnosis was to improve the model so it would result in an efficient solution that tackled all the deficiencies of existing systems that allegedly solved the waste management issues (Muñoz, discussion 12.03.2014). Thus, it consisted in a mechanism of discovery more than a mechanism to forecast any economic return. During this process the entrepreneurs expanded their network and met different key actors in the recycling industry. The diagnosis stage is the one that yielded the most important knowledge base for subsequent modifications of their design (Muñoz, discussion 12.03.2014). In addition, this stage was relevant to decide what features not to include in the model, based on the notion that if there were already companies solving certain problem efficiently there was no reason they should focus on the same (Díaz, discussion 05.05.2014).

The acquired knowledge allowed the conceptualization of a new combination of resources to deliver an innovative solution to a problem which according to the participants’ viewpoint had not been correctly defined and managed by the actors already in charge. Both founders associated innovation with creativity and novel paths, but also

with a social judgment that ultimately defines business success (Muñoz, discussion 28.04.2014; Díaz, discussion 12.05.2014), thus innovation constitutes a core feature of the value proposition. Triciclos value proposition deals with innovation in two senses: firstly because it is a social enterprise which was a new concept in Chile and secondly because the solution they developed did not exist in this context.

One of the participants further stated that innovation is not a systematic process (Díaz, discussion 12.05.2014), while the other participant recognized a stage-based venture creation process while describing Triciclos development. His approach consists of three stages: project, entrepreneurship and company (Muñoz, discussion 28.04.2014).

“When organizations are born, they are born as projects, then they go through an entrepreneurship stage and later the entrepreneurship tends to consolidate in the logic of a company.” (Muñoz, discussion 28.04.2014)

The aforementioned quote is important because portrays the entrepreneurial logic used in the development of the idea and introduces the distinction between different levels of formalization which is similar to the effectual process. According to Muñoz (discussion 28.04.2014), the project stage involves the inception of a vague aspiration, is in this stage in which the spark that initiates the will to develop something with meaning, with a purpose, takes place. The entrepreneurship stage is associated with a higher level of concretization; therefore it includes the development of a business model, hiring staff, acquiring a legal figure, etc. It is also associated with change because the organization obtains information from the ecosystem which is used to improve the model. Moreover, while the venture in the entrepreneurship stage tends to have small scale impact, the venture in the company stage is characterized by its growth capacity and higher levels of professionalization in terms of routines and processes. Figure 16 shows the analogies found between to the logic followed during the creation of Triciclos and the effectual process of new market creation.

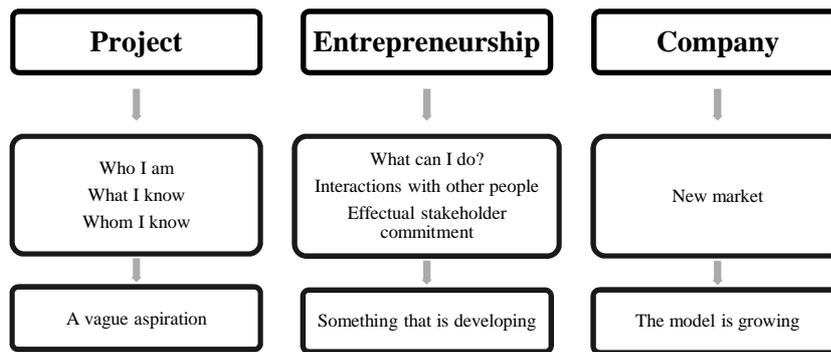


Figure 16 Triciclos entrepreneurial process and the effectual process of new market creation

One of the participants stated that Triciclos is a project that belongs to every person who is related to it, and further claimed that he is not fond of the founder's image as the only person leading the company and making decisions (Díaz, 05.05.2014). In a similar way, the other participant mentioned that in order to measure the impact of the company's activities they inevitably need feedback from their stakeholders (Muñoz, discussion 28.04.2014). As the purpose of this study is centered in the interactions with the stakeholders, a detailed description of the findings concerned with this matter is presented in the next section.

5.3 The importance of stakeholders' participation

“The fantasy of entrepreneurship is that you do whatever you want when you are an entrepreneur, when you create a business, but in reality is not that... Entrepreneurship is when you build the reality that you and the people working with you are willing to build.” (Díaz, video interview 19.08.2012)

Businesses of any type inevitably respond to needs of society which in turn allows businesses to deliver products and services through transactions. Businesses that are constituted as social enterprises need to overcome the challenge to find a suitable fit between investors' value and society/environmental needs. In addition, social enterprises ought to reconcile their stakeholders' interpretations and the ethics and vision of an enterprise (Martin & Thompson 2010, 118) in terms of the values and aspirations of the aimed future. The participation of stakeholders in the development of the venture creates opportunities for mobilizing resources and extending the social/environmental impact through the value proposition.

However, the establishment of these cooperation mechanisms between the stakeholders and the founders certainly require the investment of additional resources until a partnership is materialized. Triciclos' founders experienced this situation themselves during a contract negotiation with a large airline company for an environmental project. The negotiator from the airline's side required several meetings after which no commitment was reached, until the representatives from Triciclos' side decided not to continue with the process because they realized the value of their own time and know-how capabilities; as a result they developed a consultancy service after this incident, service that eventually became a part of Triciclos portfolio until now (Muñoz, discussion 12.03.2014). In addition, founders seek to be as close as possible to their stakeholder's action context, because knowledge obtained through these interactions is directly associated to the creation of potential synergies and also to the contribution that different stakeholders groups can make to improve the value proposition.

The attention is now drawn to the description of the different stakeholders groups in order to complement the understanding of the interactions between these groups and the founders. The first group consists of shareholders, which at same time constitute Triciclos board. This group of six persons (which includes both respondents in this study) has similar functions of a board in a purely commercial firm since it is considered the governing figure of the company. Shareholders are not only associated with decision making power, but they constitute also the body that ensures there is a fit between the way the company is managed and the interests of the stakeholders so the firm will remain true to its purpose.

"[The function of shareholders] is basically to preserve the mission and ensure that Triciclos actions are carried out in a balanced manner. That Triciclos maintains the principles that gave rise to its creation, the mission and the values upon which it is based and all that through economic sustainability." (Muñoz, discussion 28.04.2014)

"Shareholders must show and provide the staff a vision of what are their values and where they want to go, and with them shape this organization. Therefore they should be serving more than being served by the staff in pursue of the mission." (Díaz, discussion 12.05.2014)

Since both participants are shareholders, an evident overlap was found when asked about their own function in the development of the company, as it seen in the following quote.

"...who is at the head of the company must ensure that people in the organization is aligned with the mission, therefore maximize the performance of activities and actions"

related to the mission, and on the other side must be able to identify when is necessary to modify the mission itself.” (Muñoz, discussion 28.04.2014)

The conceptual overlapping yields common points about the function of shareholders in the development and achievement of the mission: the persons in the board must be able to transmit the values and principles that constitute the purpose of the company, promote collective actions and possess sound knowledge about the company’s action context and business skills. Regardless the emphasis given to the convictions about the purpose based on values and principles, even within this group the balance between the economic and socio-environmental aims of the company was challenged due to the different accents given by the members of the board to issues during discussions. An example of this was portrayed by one participant when he mentioned an incident that occurred during the early stages in the creation of Triciclos when they explained the logic behind the business to new members of the board.

“The board laughed at first because there is one shareholder who is standard-business likeminded and said: ‘No! Competition must be eliminated and destroyed’... are you crazy? If competitors are doing a better job than us the waste issues are going to be solved and we achieve our objective...” (Díaz, discussion 05.05.2014)

An additional group of stakeholders consists of clients and users. It is necessary to make a distinction between both categories; while the first group includes the contracting actors (retailers, foundations, real estate, education centers, etc.), the second one includes the actors who adopts the system (communities, contractors, students, etc.). This group in particular is considered by both participants as the most important because it is both, fundamental for the economic sustainability as well as the main beneficiary of the social impact that the company aims to generate.

During the diagnosis process, in order to gain knowledge on how the solutions were conceived and managed, the founders contacted organizations like schools and retailers that claimed to be environmental aware and had implemented certain waste management solution. The findings showed that failures of those solutions were rooted in a mismatch between the system’s design and the alleged purpose of the system. The knowledge that resulted from this evaluation was key to the subsequent prototypes they developed. In addition, users are important because they might initiate the interactions between Triciclos and potential clients (Muñoz, discussion 12.03.2014). Users and clients are also relevant actors for the social, environmental, and economic impact measurement. Because users are considered direct beneficiaries of the service, the number of visits to the recycling centers in addition to the amount of waste collected represents the level of success achieved by the company, in terms of social (cultural change) and envi-

ronmental (recycled material) impact (Muñoz, discussion 28.04.2014). The latter is even translated to environmental equivalencies (number of trees saved from deforestation, how much oil was not extracted, how much water was not consumed, etc.) and this information is in addition published in the recycling points to reinforce the behavior towards sustainable consumption. On the other hand, clients are the actors who finance the operation of the recycling centers, and even though profit is an economic measure, it is also related to the purpose of the company because profit can be traced to the level at which the emerging market accepts the socio-environmental value proposition. In fact, this is considered as the rationale that justifies the establishment of Triciclos as a company working for profit (Díaz, discussion 12.05.2014).

Moreover, the feedback from internal stakeholders such as the staff is also considered relevant and necessary. Human capital in social enterprises, as it is for other types of businesses, is important because is the team built around the founders that contribute to the accomplishment of the ventures' objectives. The organization is defined as a group of individuals who associate themselves in order to create something together (Díaz, discussion 12.05.2014); therefore the staff is a crucial piece in the development of the organization. In addition, the staff is important because it can directly impact the success of the organization and the achievement of its objectives through their actions. Therefore, there is also a need to ensure that day-to-day operations in the organization are in line with those objectives. The following quote refers to a seminar about searching for meaning at the workplace in which Triciclos' staff participated:

"...and the objective of this seminar is that what is sometimes written on a paper or left hanging on the wall as the mission of the company, is worked person to person..." (Muñoz, discussion 28.04.2014)

The high level of alignment expected from the founders is evident in the company's belief about volunteers. Volunteers, unlike what is often claimed in social entrepreneurship literature (i.e. Martin & Thompson 2010, 38), are avoided instead of preferred based on the logic that volunteers respond to an emotional contract and generally feel already paid with the sole fact of working for free, hindering the impact of their actions within the company (Muñoz, discussion 28.04.2014) due to lower commitment and performance excellence. A distinction was made however, when asked about the exceptions, that is, what are the criteria used to accept volunteers in the organization, and it was revealed that free labor was welcomed in the early stages of the venture creation, *"when we (the company) were nonexistent, when we were nobody"* (Muñoz, discussion 28.04.2014).

With respect to the importance of internal stakeholders in the development of Triciclos, the founders mentioned that critical changes to the model have been triggered

by suggestions from the staff that is closer to the day-to-day operation of the model, to the extent that almost 90% of the total changes were promoted by operators of different recycling points, which are generally former waste pickers (Muñoz, discussion 12.03.2014). Moreover they realize that the robustness of the model is boosted by knowledge coming from people working at the recycling points, because they hold that the best ideas can be born from the operating staff within the organization, and not only from the founders or the board (Muñoz, video interview 15.09.2012)

The last two groups of stakeholders are the foundations or NGOs related to social environmental issues and the Government. During the first discussions held by the founders about creating a different type of company they thought they came up with a radically new business concept, but shortly after they acknowledged the existence of well-established models operating under the same hybrid logic, such as the ones promoted by organizations like Ashoka - Innovators for the public and B-Lab (Muñoz, discussion 12.03.2014). This group of stakeholders represented not only an opportunity for gaining knowledge and a means to connect to the global socio-entrepreneurial network, but also a source for mentoring during the materialization of the purpose through a business model. In addition, the NGOs helped Triciclos to raise the level of credibility due to the certification of the company's operations. The result was a sound value proposition validated by a third party who confirmed that what Triciclos claimed it was doing was what they were really doing (Muñoz, discussion 12.03.2014). Finally the Government was considered a secondary stakeholder according to one participant, whereas for the other represented a very important actor. The first participant chose a more proactive view to describe the relationship between Triciclos and the Government and referred to the company as some sort of "a free laboratory for the Government" in the sense that he expects Triciclos' actions become public policies (Muñoz, discussion 28.04.2014). On the other side, the second participant stated that public policies make a difference when there is an institutionalized aim to promote entrepreneurship in addition to an efficient waste management because this accelerates the solution of social and environmental issues (Díaz, discussion 12.05.2014; Díaz video interview 19.08.2012).

The importance of stakeholders seems to entangle two main issues: capacity development and survival in time. The first includes the activities directed towards the formation of a committed competent group to create the venture. And on the other side, the need to extend revenue streams to secure the company's sustainability. As stated in the quote at the beginning of this section, is the group of people committed to the venture's aims that eventually defines what it is built, therefore during the development of the venture both concerns tend to combine. The next section will tackle the issue of coherence as a way of perceiving commitment and how the founders evaluate this relationship when interacting with this broad group of stakeholders.

5.4 The founders as custodians of balance

“Putting the person in the center of the organization, and being truly accountable for the organization's social and environmental impacts, four years ago I would have told you 'yes, it can be done', two years ago 'that is already happening', currently I tell you, the organization that does not do this will tend to disappear.” (Muñoz, video interview 15.09.2012)

Since the early stages of Triciclos creation, the basic principles and values supporting the idea were fundamental to evaluate the subsequent courses of action. Even before the venture creation process started, the founders themselves faced the conflict raised by the differences between their own convictions and their working environments, which eventually triggered the desire to start something which was not yet defined, but it was constantly referred as something *different* from what they considered was the reality of *conventional/traditional/standard* type of businesses. Also mentions about the freedom of not being constrained on third parties' agendas were frequent. The conflicts made them to engage in a crusade to proactively trigger change within the organizations they were working in. The resistance they encountered mixed with the frustration of not being able to overcome a number of institutional obstacles, even though they owned a high level of decision power due to their executive positions, drove the entrepreneurs to question the current system and think about novel ways to manage business and simultaneously be accountable of their own convictions and aspirations.

In this sense, conceptual convictions play a key role. The conflicts they faced within these organizations are closely related to the principles underlying the role of business in society. The problem is precisely that conventional type of businesses, according to the founders, are not questioning those principles and the whole system is based on the notion that the ultimate purpose of business is to maximize shareholders' value. Consequently the tendency is to place the emphasis on activities towards the economic development of the firm only and overlook the negative externalities caused by the organization. Not only businesses are part of this scenario but consumers also intensify the effects due to the lack of awareness about the environmental impact generated by their consumption habits which in consequence does not force businesses to adopt sustainable approaches to management. Therefore, the base of the conflict was rooted in strong conceptual convictions about how society works, the roles of different actors involved and the systemic view of society's welfare development. In addition there is a conviction about the importance of self-fulfillment in every aspect of a person's life including his/her job which caused the resignation of all the founders from their workplaces in order to start the creation of Triciclos.

“We (Gonzalo Muñoz and Manuel Díaz) resigned because we realized that it was not viable to develop human capital and people’s capacities, and a team beyond what the law requires and what the business allowed.” (Muñoz, discussion 12.03.2014)

“...and we started to think with Gonzalo [Muñoz], let’s do something that has meaning, let’s not stay in firms in which all that matters is money, that does not satisfy us.” (Díaz, discussion 05.05.2014)

Evidence of the founder’s social and environmental awareness was found through every discussion, but also the emphasis on coherence had an important place. It is true that being social and environmental aware is not sufficient to create a social enterprise, but it is probably necessary. In addition to being aware of the problems involved in recycling, the founders seek to be coherent and “walk the talk” as one founder expressed (Díaz, discussion 05.05.2014). One of the founders for instance lives close to where the company operates, bikes to work and recycles using Triciclos’ recycling system. Coherence is expected and encouraged in every level within the organization starting from the shareholders. For instance it was mentioned as something negative that one member of the board does not recycle yet (Díaz, discussion 12.05.2014). The alignment of purpose based on values and principles in addition to the actions undertaken to achieve that purpose is seen as a fundamental characteristic of the founders’ leadership skills and as an opportunity for generating credibility and consistency that eventually translates in the commitment of internal and external stakeholders (Díaz, discussion 05.05.2014).

Regarding internal stakeholders, the purpose has been central in the evaluation of which people become part of the organization. The first recruitment processes were rather informal and based on a mix of the recruiter’s intuition of the candidate’s social and environmental convictions and his/her work experience (Muñoz, discussion 12.03.2014). Moreover it is mentioned that some of the founders’ acquaintances became part of Triciclos, either because they have faced similar conceptual conflicts at their workplaces or because they identified themselves with Triciclos’ purpose (Triciclos memoir, 2014). However, because the recruitment process is critical to the achievement of the organization’s objectives, the founders opted to formalize it through a partnership with another social enterprise called Pegas con sentido (Jobs with meaning) which is a specialized head-hunting firm for enterprises committed to sustainability. The objective is to find people willing to join the company due to a combination of social/environmental interests and income. It was stated that Triciclos’ salaries are slightly lower than the average in the labor market, which is treated as something valuable because it preserves the company from bringing on board people motivated only by the salary (Díaz, discussion 05.05.2014). In a similar way, the secondary importance given to economic returns was considered a common characteristic of Triciclos’ shareholders,

since they have not received dividends and the profit is reinvested in the company's operation. Despite this, it was mentioned that unlike traditional shareholders would evaluate the situation, Triciclos' shareholders are satisfied with the company's performance (Díaz, discussion 12.05.2014).

In the case of external stakeholders conflicts usually arose during the interactions due to the differences between particular interests of the stakeholders and the intention of the founders to achieve Triciclos' triple bottom line aims. During the presentation of their solution to the first potential clients, changes to the model were suggested which not only seemed illogical according to the founders' viewpoint but directly and clearly threatened the achievement of either the economic, social or environmental aims of the company. For example, a client suggested reducing some percentage of the electricity bill for each kilogram of material recycled, in consequence, the idea served the client's interests (recover overdue bills), but damaged the vision of the expected behavior because the idea promoted waste generation (Muñoz, discussion 12.03.2014). In fact, not even during the early stages of the venture creation process, when the model was still unstable in terms of design, and when the general tendency is to be open to accept suggestions from a potential client in order to raise capital, not even in this stage the founders established commitments that eventually will prevent the venture to accomplish its aims (Díaz, discussion 05.05.2014; Muñoz, discussion 12.03.2014). Another example related to the interactions during consultancies illustrates the extent to which the founders preserve Triciclos' purposes, because the priority for the majority of clients is cost reduction sometimes at the expense of the social and environmental impact resulting from the model's implementation.

"...there are some cases in which we rejected a business proposal that looked extremely attractive from the economic point of view, but conceptually, environmentally and socially did not make sense to us and we have refused it, to surprise of who is expecting to hire us." (Muñoz, discussion 12.03.2014)

"A client could be a great prospect from the business point of view, but if it is not aligned or if what the client wants to do is not related to what we believe must be achieved, or with our mission, we do not take it, as simple as that." (Díaz, discussion 12.05.2014)

Consequently, suggestions for modifications that improved the model, and were considered to extend the triple bottom line impact were taken into account. That was the case when the founders added wood as a new material to be collected in the recycling centers. The suggestion came from one of Triciclos' largest clients, and the founders decided to make actual modifications to the model based on this remark because it was

believed that the logic behind the idea went in the same direction as the model's aim (Díaz, discussion 05.05.2014).

Having discussed the general aspects of the venture creation process and the importance of both the founders and the stakeholders in the process, the final chapter addresses the final framework for the transformation of the mission of the social enterprise during the venture creation process through interactions with stakeholders. Additionally, concluding theoretical discussion of this study and further research opportunities are presented.

6 CONCLUSIONS

6.1 Theoretical discussion

“I believe we are very open and very close (towards change). Very open in the sense that this is a new organization (...) what exists is an open mind and huge flexibility but we are very inflexible if our values and the purpose of why we did what we did are at stake.” (Díaz, discussion 12.05.2014)

The first interest of this study was on the mission of a social enterprise. The mission of the focal social enterprise was mostly associated to the social/environmental impact (*“make sustainability contagious”*), and conceptually separated from the ways to achieve the mission which were related to the elements of the business model (value proposition, revenue streams, key resources, etc.). Moreover, even though the mission was explained in social/environmental terms, the mechanisms to measure the achievement of the mission were expressed in social, environmental and economic terms. This suggests the mission is associated with the long-term objective of the venture, which is articulated through short-term triple bottom line goals. In fact this is a frequent approach used in literature to analyze the multidimensional nature of the mission of social enterprises (Moray & Stevens 2010, 229). In contrast with the model suggested in the closing section in chapter 2, the results show that founders, as it happens also in purely commercial firms, conceptually separate the aspirational and strategic aspects in the development of the firm. However, the separation became less clear when describing the events in the early stages of the venture’s creation, and particularly during the interactions with stakeholders in which the mission seemed to be the main element informing the process. The mission was often referred as the purpose of the enterprise in the form of a mission statement, and it was present in almost every discussion with the participants. For that reason, the words mission and purpose are used indistinctively in this chapter. It is a point of reference for every action during the venture creation because it represents the business scope and ethical standards transmitted to the emerging firm. In addition, the purpose constitutes a fundamental element of the emerging firm’s identity because it produces and solidifies trust, contacts, solidarity, rituals, meaning systems, and options of members embedded in their social networks (Morris 2000, 447; Stevens, Moray, & Bruneel 2014, 8).

Three types of convictions were frequently mentioned during the discussions about the mission of the firm: first, convictions about an ideal future vision of reality in addition to a sense of accountability with generations to come. These convictions are translated in the focal case as the *“the world you received must be better than the world you*

leave behind". This statement was mentioned by both founders using almost the same words. Statements containing these convictions appeal to a proactive behavior based on awareness and the urge to act. Proactiveness is usually associated to the response of social enterprises towards the competitive environments in which they operate and as a way to guarantee survival and growth in the market (Weerawardena & Sullivan 2006, 28) however, proactiveness was used by the founders in addition to refer to the "evangelizing" task or gaining adepts to these convictions, which proved to be a powerful constituent of the firm's purpose. The word "evangelizing" was actually used literally by one of the founders during the discussions about his own role in the development of the mission and the interactions between the firm and its clients. Secondly, the purpose additionally comprises convictions about the natural need of human beings to achieve personal self-fulfillment at work through a combination of economic progress and "doing good". These were truly influential convictions rooted in the founders' own experiences at their former workplaces, in addition to their previous entrepreneurial experiences that lead them to develop the will of economic and entrepreneurial independence as a vehicle to undertake organizational changes. This is closely related to the claim that although social entrepreneurship is often based on ethical motives and moral responsibility, they can also include less altruistic reasons such as personal fulfillment (Mair & Martí 2006, 38). Finally, the evaluation of the goals of business and business structures results in convictions about the role of business in society. Literature studying social enterprise cases commonly emphasizes the tension between divergent logics existing in social entrepreneurial aims (e.g., Battilana & Dorado, 2010); the tension can be traced to the nature of this type of enterprises and particularly to their debated place in the welfare system. In the focal case the tension of alleged competing logics was not portrayed as a prominent feature of the venture creation, not at least in the early stages of the process. However, the statements containing references to this tension were frequent while discussing events in which the founders interacted with external stakeholders. It was common to find allusions to the resistance of the system as well as the questioning of the generally accepted paradigms over which businesses are built. In this sense, it can be inferred that the purpose of the firm embeds the conviction about the potential of innovative business models as challengers of the status quo in the industry.

These convictions constitute the building blocks of the venture's purpose, the answer to the question "why we do this?" The purpose activates the belief system supporting the mission; therefore it operates the ideological dimension of the social/environmental venture. This is in line with the claim that the degree of purpose is even more pronounced in the social entrepreneurship context (Mair & Noboa 2006, 125) because the purposive entrepreneurial behavior displayed in the social venture creation is directed towards the development of the new firm or product and to the scrutiny of the extent at

which its existence is relevant to the stakeholders within the context in which it is being created.

One criticism of much of the literature on social entrepreneurship is that the question of “who the entrepreneur is” is not the right question to ask (Mair & Martí 2006, 38) and that the idealistic assumption about social entrepreneurs, as agents endowed with the capabilities to change the world, is misleading because it confounds issues of ability with issues of motivation and interest which difficult distinguishing social entrepreneurs (Dacin et al. 2011, 1205). However, since the focus of this study is the evaluation of the social venture creation process, the importance of the purpose as a function of issues such as motivation and interest is assessed in terms of what is its role in the way the firm is constructed rather than a distinguishing characteristic of the entrepreneurs. In this sense, the purpose was explained by the founders as a combination of the aforementioned convictions, that is, the notion that in order to have a better world, people must be satisfied with the way they deploy their efforts at work, and that those efforts should be focused in maximizing positive externalities to society and the environment while reducing negative ones. The purpose therefore is fundamental for subsequent courses of action during the creation of the firm because, for example, it will define the establishment of a social venture instead of a purely commercial one. In addition, the constituents of the mission found in the focal case support studies that emphasize the importance of motivation in the study of entrepreneurship as it is the case of Shane, Locke & Collins (2003), and the relevance of motivational factors as reliable predictors of social entrepreneurial behavior, in addition to the role of perceptions of desirability (empathy and moral judgment) and feasibility (self-efficacy and social support) in the development of social entrepreneurial intentions (Mair & Noboa 2006, 126).

The mission is the cornerstone for the development of the social venture, because it provides the ideological stances (meaning) that will guide the creation of structures (shape), therefore the social venture creation process is responsive to and constrained by the mission (Weerawardena & Sullivan 2006, 31). In contrast with the commonly cited purpose of business as to maximize value for shareholders, in social enterprises economic returns are considered means to achieve and extend the social/environmental impact (Mair & Martí 2006, 39; Dacin et al. 2011, 1205). In this context, the development of the business model and its specific constituents are considered articulations of this ideological dimension of the emerging firm. These articulations are associated directly to the performance of the venture and the strategy used to achieve the social/environmental mission, that is, achieving the social/environmental and economic goals such as maximizing profitability, maximizing social value, maximizing sales growth, etc. (Moray & Stevens 2010, 230) or as it is in the case of Triciclos maximize the number of visits to the recycling centers and reduce CO₂ emissions, among others. Success in the achievement of the mission implies the attainment of widely shared

goals, but the goals of most social movements as it is the case of social enterprises are contested by the participants and observers, therefore goals change over the course of a movement (Mair & Martí 2006, 41).

The second interest of this study was directed to the evaluation of how stakeholders shape the mission of the social enterprise during the venture creation process. In order to deep the understanding of how the course of the social enterprise unfolds in the early stages, and how do stakeholders influence its development, the effectual approach was chosen as the reference framework. It is suggested that cognitive approaches, in particular the effectuation theory, offer considerable promise for building stronger theoretical basis for social entrepreneurship research (Dacin et al. 2011, 1206). Evidence of effectual logic used during Triciclos creation process was explained in chapter 5. Since Sarasvathy & Dew (2005, 554) indicate that the effectual network's goals are always actual transformations of the artifact (firm or market) it is important to take a closer look at the main points of interest in the emergence of the artifact being transformed in order to evaluate at what extent the mission, as an organizational element, is also subject to multiple transformations. The effectuation literature refers to firms, organizations or markets as *artifacts* which are created through the operationalization or the effect of a human aspiration or a generalized goal that remains the same in causation and effectuation (Sarasvathy 2001, 245). In addition, the operationalization of an aspiration occurs, under this approach, thanks to the interactions and further commitments of self-selected stakeholders that define the resulting artifact (Sarasvathy & Dew 2005, 543). What differentiates effectuation from causation is precisely the notion of multiple effects (operationalization modes) possible with a given set of means in the case of effectuation (one-to-many mapping), in contrast with causation which assumes the existence of one effect for which multiple sets of means are needed (many-to-one mapping) (Sarasvathy 2001, 245). Because the effectuation approach argues that firms and markets are created without any specific vision of the future artifact, it constituted an interesting approach for this study because social enterprises are created as a vehicle to achieve the mission comprising a human aspiration (or purpose), which at some extent is a vision of the future.

As mentioned before, the effectuation literature associates the term *artifact* to the new firm or new market emerging. At this point, it seems important to include additional distinctions to this concept to contribute to a better understanding of the emerging artifact as the outcome of the social enterprise creation process. The distinctions made by York et al. (2010) inform the framework of this study, because they introduce the notion of different shapes that the idea adopts during the creation of the venture: the inchoate demand, the innovative combination of resources and the dominant design. These distinctions were already introduced in section 3.1, but Figure 17 presents a summary of the three constructs now linked to the case under study.

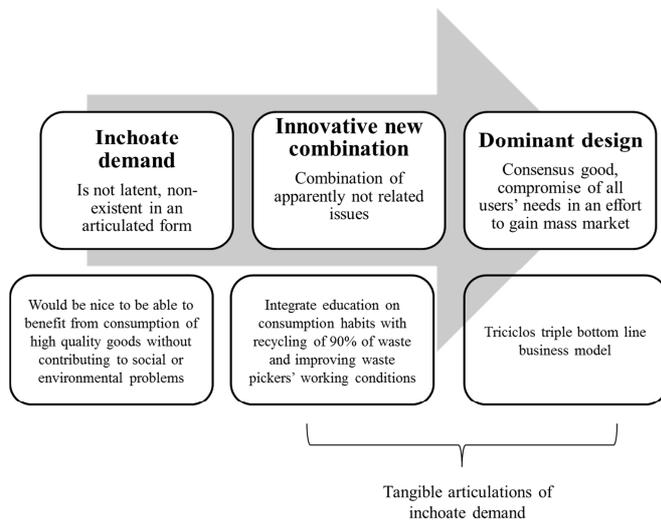


Figure 17 Transformation of inchoate demand to dominant design. (Based on York et al.2010, 143-148).

An important point of interest regarding this approach is that early entrants in the new market are non-random; they are driven by a set of beliefs about the nature of inchoate demand in their industry, and generally, are close to the industry (York et al. 2010, 145). This is also true for the case used in this study. The inchoate demand is recognized initially by the founders, principally because of their convictions towards the nature of that demand and their proximity to the actors in the sustainability networks. As one of the founders stated, Triciclos' services and products are demanded by a niche and what defines the niche is precisely the awareness about the need to solve social and environmental issues. Therefore, the efforts in the development of the venture are focused in increasing the demand for the solution of social and environmental problems. In this sense, the concept of inchoate demand facilitates the understanding of the purpose of the venture because the existence of an inchoate demand encourages the achievement of the established purpose. It is claimed that an inchoate demand for something exists whenever consumers respond affirmatively to the question: "*wouldn't it be nice (or useful) if this sort of thing were available?*" (York et al. 2010, 144). In the absence of any specific vision of the artifact being created, the inchoate demand constitutes an important driver of social entrepreneurial activity. This is inferred from the discussions with the founders in which they asserted that there is an ever growing number of consumers concerned about social/environmental issues and that this in turn will require firms to implement sustainability-related activities in their value chains.

Having convictions about the purpose's resonance within the context in which the venture is being created is just the earliest step towards the transformation of the idea. From the social movement perspective, social enterprises can be defined as an agency-laden institution because "they are developed by potential challenging groups that house

cultural and organizational resources that can be mobilized to launch collective action” (Morris 2000, 447). The mission in this context is considered a mobilizing structure of the social enterprise, since it constitutes a collective vehicle through which people mobilize and engage in collective action (Morris 2000, 446). Collective action is inherent to social enterprises because they are concerned with social and environmental issues from which they create value. Collective action was seen as a positive and necessary characteristic of the venture creation process since it constitutes a source of knowledge and innovation which later translates into improvements of Triciclos model. Additionally, the founders expressed their openness to the transformations of the model in terms of perfectibility search. Collective action is a concurrent feature mentioned in literature studying social enterprises because of their participatory nature; they call for the involvement of various parties affected by the focal activity, initiatives are launched generally by a group of citizens or civil society organizations and they have an explicit aim to benefit the community (Nyssens & Defourny, 2012). A generally accepted idea was that the venture does not belong only to the founders or shareholders, and even one founder was emphatic in stating that this was a major source of conflict in his previous job. The notion that the venture should be developed for and with stakeholders was relevant for both founders.

Interestingly, while the openness to multiple transformations of the model, as a mechanism to stay relevant within the social/environmental and commercial context was highlighted and encouraged, the purpose represented a powerful constraint to the interactions with stakeholders. In the effectual venture creation process a key feature is that each stakeholder comes on board to the network by actually committing to and investing in particular local shapes and features of the emerging new market (Sarasvathy & Dew 2005, 555). The shaping of the innovative new combination and the dominant design shown in Figure 17 proved to be restricted to the achievement of the purpose. The effect of this constraint was dimmed due to the fact that the founders initiated the mobilization of resources among the members of their close network; they faced the question “who I know?” based on a prior evaluation of questions appealing to the entrepreneur’s means at hand directly related to his/her identity: “who am I” and “what I know”. In fact, the majority of stakeholders involved in the early stages of the venture creation were socially/environmentally aware individuals (or so they claimed) or/and knowledgeable professionals in sustainability issues. This suggests that even though there was not a single effect of the artifact at the beginning of the venture creation process, the purpose was used as a guideline to determine stakeholders’ commitment, constituting a preliminary constraint to the transformation. Additionally, there is the claim that all human beings, leader and member alike, are (to varying degrees) persuadable (Sarasvathy & Dew 2005, 555). In order for this to happen, two types of enablers were

identified in the case subject to study. Figure 18 illustrates the operation of the enablers and their relation with the non-articulated and articulated forms of the idea.

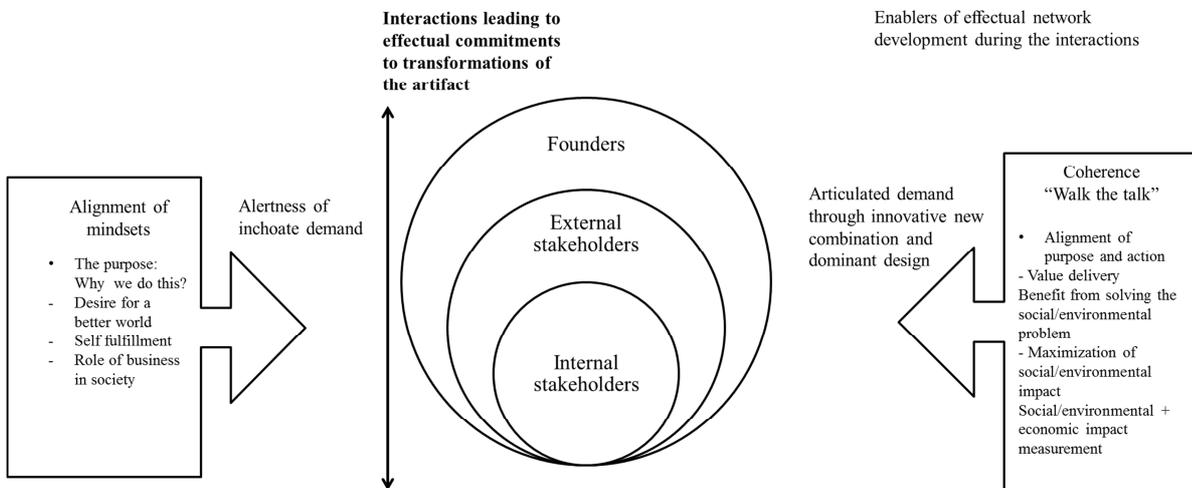


Figure 18 Enablers and constraints of the interactions during the development of a mission-driven enterprise

On the one hand there is an alignment of mindsets needed to subsequent interactions with stakeholders. The founders consider that this facilitates the development of ideas that are relevant for the community and the environment, and further preserves the firm of losing focus. When discussing the recruitment process they emphasized that members of the organization must believe that their own role in the organization is necessary to achieve the purpose, and that Triciclos' mission is somewhat closely related to their personal mission. There is also the conviction that the alignment of mindsets enhances collective action in face of a resistant well-established system. The belief system behind the alignment of mindsets is the purpose as explained before. It constitutes a first order enabler for the interactions prior to actual commitments. On the other hand there is coherence or to use the colloquial expression "walk the talk". This enabler was particularly strong during the interactions with stakeholders, because it is a demonstration of thought and action integration. It increases its effect during the negotiations of actual commitments to transformations because to the extent that the new means and new goals brought to the process are aligned to the achievement of the purpose (appeal to the alignment of mindsets), the commitment is viable. For social enterprises especially, coherence is a fundamental element during its development because they are subject to profound scrutiny among different publics. In response to this, partnerships with recognized social entrepreneurial organizations are a source of credibility and a way to gain legitimacy. For instance it was mentioned that NGOs working in the field were key to

shape the value proposition of Triciclos, while more conflicts in this regard were cited when discussing the interactions with potential clients, in which transformations of the value propositions were based on their own interests. This generates a disruption in which the problem and the need are threatened to be replaced. In reference to the example used in section 5.4 about the electricity provider willing to reduce a percentage of electricity bills per kilogram recycled, the problem is not a mix of wrong consumption habits and a deficient recycling system anymore, but overdue electricity bills, and the need is not to promote sustainable consumption and recycling, but to recover overdue bills.

The resulting framework of this study sustains that the purpose exerts a key role during the creation of a social enterprise. Also that in line with social entrepreneurship literature and the effectual logic, the action of stakeholders is a vehicle for the development innovative new solutions to long-standing social and environmental problems (Martin & Thompson 2010, 67). Moreover, it claims that the potential transformations of the purpose due to stakeholders' action are low, because actual commitments take place during the shaping of the articulations of the purpose, such as value propositions, product specification, etc. Finally it suggests two main enablers to embrace interactions and commitments of means and goals, which define *who can* embody them into particular transformations in real artifacts (Sarasvathy & Dew 2005, 555, 559).

6.2 Managerial implications

The results of this study claim that the purpose of a social enterprise established by its founders in the early stages of the venture creation is fundamental when identifying a demand for the solution a social/environmental problem. The convictions that support the aims of the emerging venture exert an important influence during the venture creation process, and as it was the interest of this study, during the interactions with the stakeholders participating in the transformation of the idea. Moreover, this study found that conflicts arise when a disruption occurs between the new goals and means brought by the potential new members of the effectual network and the purpose of the venture. Therefore, in the early stages of the venture, the role of the founders proved to be essential to safeguard the company's social/environmental focus.

The initial construction of the purpose of the social venture is based on the belief system established by the founders associated with the social/environmental need they want to solve. As it was the case used in this study, social entrepreneurs often initiate entrepreneurial actions without a clear outcome, or articulations of that purpose. Therefore, they engage in a kind of test-and-error process. Social entrepreneurs need to be aware that even though this process might yield important information for subsequent

actions in the venture creation process, it can also represent a threat in terms of loss of energy, money and time. Moreover, frustration might arise for example when institutional barriers of the focal context are not correctly understood or when the cost-benefit relation of partnerships is unknown. Consequently, during the commitment of means and goals from stakeholders is necessary to take the purpose as a point of reference to avoid or mitigate the emergence of these threats. The purpose of the social enterprise has the risk to remain as part of the mission statement or be treated as a “marketing hook” for clients or investors, therefore at this point a key action required from the social entrepreneurs is to make the answer to the question: “What is the purpose of our social enterprise” as clear, unambiguous and tangible as possible, so it becomes truly a source of differentiation among other organizations with similar aims and relevance for the interest groups. A way of doing this is the development of a blended measurement system based on social/environmental and financial returns that reflects the company’s aims towards the solution of certain social/environmental problem. It is also important that the results are shared transparently among the relevant interest groups to enhance the levels of commitment and encourage the continuous validation of the solution.

Additionally, depending on the reasons supporting the establishment of partnerships, either resource seeking reasons or strategic reasons, some entrepreneurs prefer to develop intra- or inter-sector networks. It was found that in the early stages of the venture creation, the strategic reasons had more weight in the case used for this study. Moreover, the personal and professional contacts of the founders are means to develop a relevant purpose network, regardless the position of these actors in the welfare system. This is because the members of this network are usually related to the founders’ previous work and life experiences and bringing together this group of people into the venture creation process activates the alignment of mindsets enabler, which might among others, reduce the time to launch pilots, decrease the number of tests needed to reach the market stage, reduce turnover rates or reach additional interests groups and include them in the network. In addition, the association with clusters within the local and regional social entrepreneurial community can be a source for learning and a way to make growth of social ventures viable.

In order to guarantee the sustainability of the venture in the light of its purpose, the social entrepreneurs need to develop structures that promote practices aimed to embrace the purpose in every action and decision within the organization. A potential challenge in this endeavor is related to the sense giving of the purpose by members in and outside the organization. Even though there is a formal aim claimed by the founders or the member of the board, often the other members of the organization give their own interpretation of the company’s objectives. On the other hand, it is important to note that the concept of social/environmental value creation as a result of collective action shows special emphasis for social enterprises, so the value propositions are socially construct-

ed. For this is necessary that social entrepreneurs reduce the gap between the claimed purpose and the members' understanding of it. By doing this, the organization will effectively balance the control of the alignment with the purpose and at the same time promote innovation in the right direction, that is, keep practices that are relevant and value-adding for the focal context.

Finally, it was found that the image of the founders is particularly strong during the early stages of the venture creation mainly because is when the organizational identity is being established. When the venture starts the growing stage, the challenge is to foster new leaders within the organization that will continue and transmit the social/environmental spirit.

6.3 Future research opportunities

As mentioned in the introduction of this study, social entrepreneurship is a highly context- dependent phenomenon, therefore the main limitation of this study is that its generalizability is limited to a particular country and an environmental triple bottom line type of business. In addition, when qualitative researchers rely on small number of purposefully selected informants, as it is the case of this study, there is the risk that the informants' views are not typical (Maxwell 1996, 73). The addition of the main stakeholders' insights to the understanding of the interactions leading to transformations of the venture seems also a valuable asset which is not included in this study. Since the intention of this study was not to generalize, but to gather particular knowledge about the mission's evolution during the venture creation process of the chosen company, the research design is adequate. It is claimed however that "theory development concerning the generalizability of findings from individual case studies of social enterprises to larger populations of organizations and different country contexts is a valuable contribution to knowledge" (Haugh 2012, 9). In this sense, it is also advised that when adopting an event-driven process research in entrepreneurship, longitudinal studies are scarce as a result of the methodological difficulties in conducting such studies, the lack of knowledge in the management research community about these methods and because students or early career faculty are often advised not to do longitudinal studies (Van de Ven & Engleman 2004, 346). In line with this view, longitudinal studies represent a promising opportunity for theory development in social entrepreneurship, especially for research based on real-time data rather than retrospective data from founders telling the story of how events unfolded. Real-data gathering can be useful to investigate if the mission also constitutes a balance element reconciling the mixed entrepreneurial logics used by the founders during the creation of the venture and when different logics manifest. It was found in this study that while one founder adopted a more causal approach

in general, the other preferred an effectual one, but instead of triggering conflicts, the complementarity of both logics contributed to efficient decision-making processes to mention an example. Another interesting research issue is what determines that the venture has already reached the market stage. Sarasvathy & Dew (2005, 555) mention the introduction of non-reversible investments into the transformation of the artifact and that this lowers the ability to blend contributions from additional stakeholders into the current constraint pool. It is stated that in social enterprises once the commitment of resources is made is difficult to revoke that commitment, for instance stop providing housing for the disabled due to the withdrawal of government support (Weerawardena & Sullivan 2006, 29). While the affordable loss principle in the effectual approach tends to be associated with the estimates made by the entrepreneur on the maximum amount of resources he/she is willing to sacrifice if the idea does not reach the market stage, in the case of social entrepreneurs in addition to this, they need to assess the risk of losing their credibility and reputation among the served community and their own personal network (Shaw & Carter 2007, 428). Therefore further investigation should be undertaken to ascertain the different types of non-reversible investments in social enterprise creation and at what extent they constitute drivers for the professionalization of the social enterprise turning it into “a stable local structure that forms a non-negotiable part of the new artifact” (Sarasvathy & Dew 2005, 555) and how this process might initiate a mission drift in face of risky environments. To continue in the same line of research as Moray & Stevens (2010), resource-based view and value co-creation process can provide new insights on the way social enterprises develop either radical or incremental innovations. These innovations respond to several interests because the number of stakeholders with which they interact is usually extensive. In addition most of them operate under a service-dominant logic of value creation in which value is always co-created in interactions among providers and beneficiaries through the integration of resources and application of competences (Vargo, Maglio, & Archpru Akaka 2008, 146). The aforementioned approaches might serve as the theoretical basis to study how social enterprises differ from purely commercial firms in the sharing ideas during value co-creation process, since it is assumed that the process is easier within the third sector due to less commercial sensitivity and great incentive to respond to social welfare (Martin & Thompson 2010, 138) and as stated by one of the founders in this study, even suggesting a redefinition of the relationship with competitors for instance. On the other side, there is the question of when the firm ceases to exist. This is an important issue for future studies since there is a conflict between survival through growth and self-destruction of the social venture. Since social enterprises' *raison d'être* is a social problem or need, it is worth studying what happens when the problem or need is solved according to the stakeholders? As one founder in this study mentioned, every social enterprise should work for a world in which the service they provide is no longer needed.

Therefore in future investigations it might be possible to study what determines a successful social enterprise, because most of this type of organizations are not necessarily intent on restricting their future growth but nor are they intent in growing outside their community of stakeholders (Martin & Thompson 2010, 52).

7 SUMMARY

The aim of this study was to investigate the role of stakeholders in the creation of a social enterprise using the dynamic model of new market creation, or also known as the effectuation approach of entrepreneurship. In order to address the main purpose, this study investigated the mission of the social enterprise and its centrality on the interactions among different groups of stakeholders participating in the venture creation process.

This study has found that the mission of the social enterprise exerts a powerful effect in the early stages of the venture creation process, and that it constitutes a point of reference for subsequent courses of action in which the social entrepreneurs (the founders) interact with a broad group of stakeholders to create value. The research questions of this study aimed to determine what constitutes the mission of the social enterprise and how stakeholders might shape the mission during an effectual entrepreneurial process of venture creation. This study initiated with the development of a preliminary theoretical framework portraying the interactions between the dimensions of the mission of a social enterprise and the transformations of the venture through stakeholders' commitment. The suggested framework emphasized the centrality of the founders' identities in balancing the value creation process, and further claimed that the effectual commitments were made to shape the value propositions introducing new means and goals to the process, and therefore they constituted the dimensions of the mission that stakeholders actually contribute to shape.

The preliminary theoretical framework was the starting point for the empirical part of this study. In total four interviews were conducted to the two founders of the selected company, Triciclos, a triple bottom line Chilean social enterprise working in the recycling local industry. Themes taken from the theoretical framework were used to develop the guide to conduct the interviews. Thematic analysis was used to organize and make meaning of the data. Thematic networks were the data analysis tools used to support the interpretation and conclusions drawing.

The results showed that the mission represents the purpose of the emerging social venture comprising the founders' belief system based on convictions about the role of business in society and the social/environmental impact they want to generate. In addition the results suggest that even though the purpose is conceptually different from the ways of achieving it, the former rules the interactions with stakeholders in the form of two general enablers: the alignment of mindsets and coherence. In this sense, although the current study is based on a small sample of participants, the findings suggest that during the early stages of the social venture creation founders are sensitized by an existing inchoate demand, and in the absence of any particular view of the artifact, the purpose based on that demand constitutes a preliminary constraint to the interactions with

stakeholders, conditioning the actual commitments to transformations of the artifact. These transformations are represented in the form of an innovative new combination of resources and a dominant design of the solution, therefore the shaping takes place in the development of the more tangible features of the venture, which are articulations of the inchoate demand constituting the core of the purpose.

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APPENDIX 1 INTERVIEW GUIDES

Unstructured interview guide

- Tell me about <name of the participant> before TRICICLOS was created. With this I want you to reconstruct what you consider relevant experiences in your family, in your school years, at work, with friends, free time activities, etc.
- Tell me the story of how TRICICLOS was created, from the moment you had this idea until what it is now.

Semi-structured interview guide

Theme 1: The concept of the mission

- How do you understand the mission of an organization and who are responsible for developing this mission?
- What is Triciclos mission?
- What are Triciclos values and what is their role in developing Triciclos mission?
- What do you understand by sustainability?
- What is the role of sustainability in developing Triciclos mission?
- How would you describe the role of the mission in everyday operations at Triciclos?
- How would you describe your own role in developing Triciclos mission?
- What is value for you?
- What do you understand by value proposition?
- What does Triciclos value proposition stand for?
- What is the role of the value proposition developing Triciclos mission?

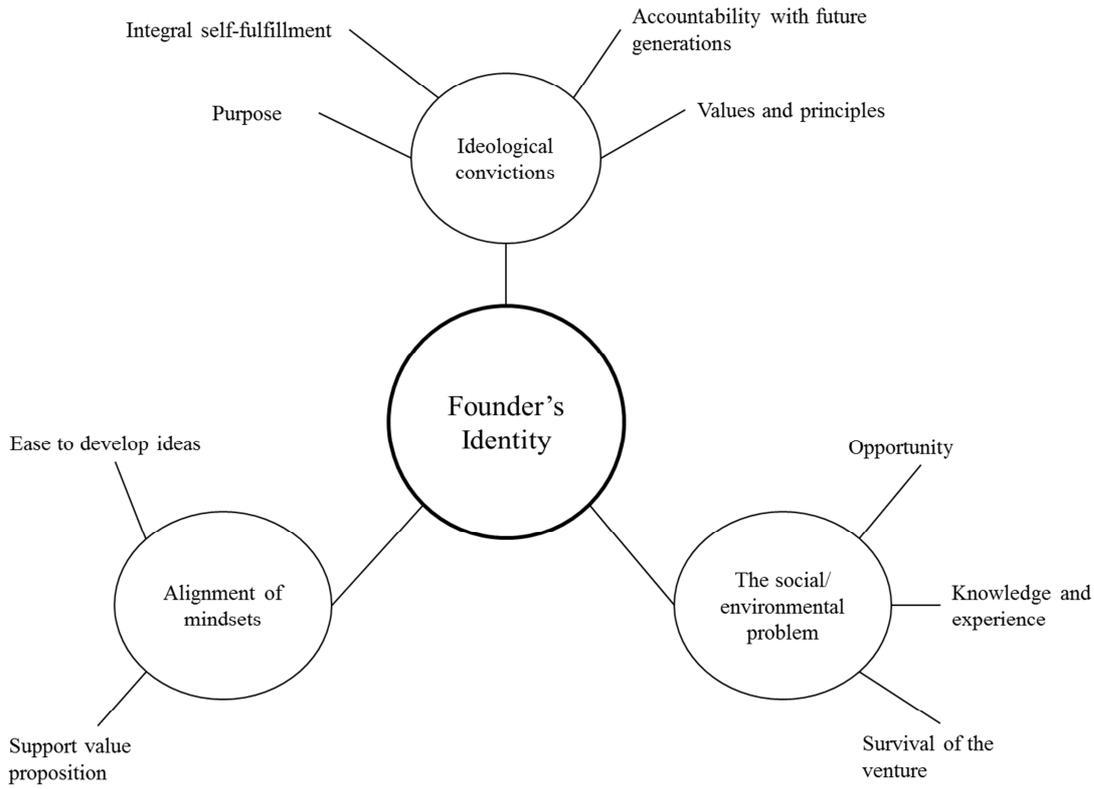
Theme 2: Entrepreneurial approach

- How would you describe Triciclos general attitude towards change?
- Do you consider the opportunity seized by Triciclos was created or discovered? Why?
- How would you describe Triciclos general attitude towards risk?
- Has the original concept of Triciclos changed over time? In what ways has this change manifested?
- What do you understand by innovation?
- What has been the role of innovation for the development of Triciclos?

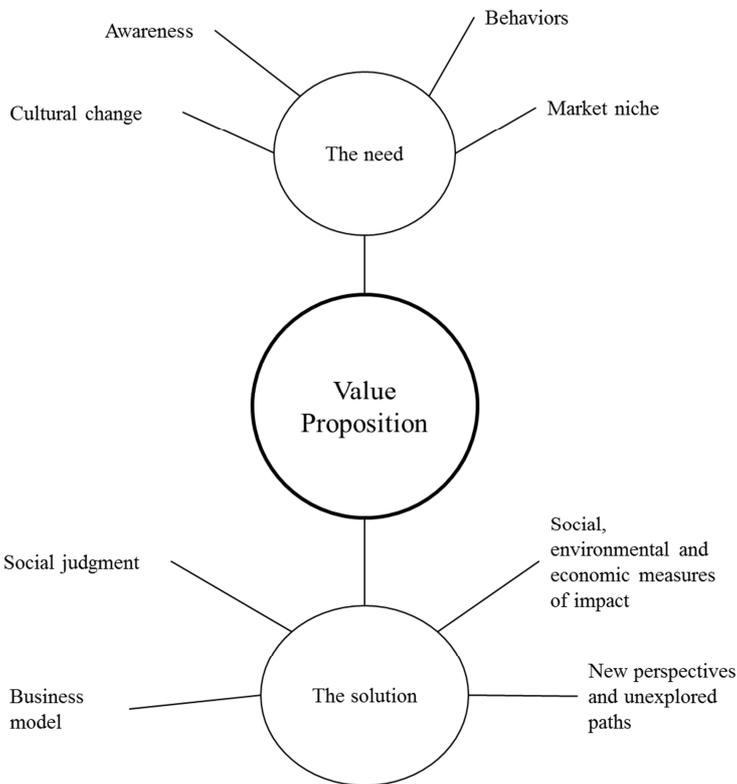
Theme 3: The role of stakeholders

- What are your main stakeholders and why?
- What is the role of the stakeholders in what Triciclos does?
- How do you think your external stakeholders perceive Triciclos? (clients (end-user and customer), Government, suppliers, community)
- How do you think your internal stakeholders perceive Triciclos? (staff, volunteers, partners)
- In what ways is the mission visible to your stakeholders (internal and external)?
- How do you evaluate the level of commitment from stakeholders to Triciclos mission?
- Are there any mechanisms you have established to process stakeholders' feedback about Triciclos mission? If so, give some examples.

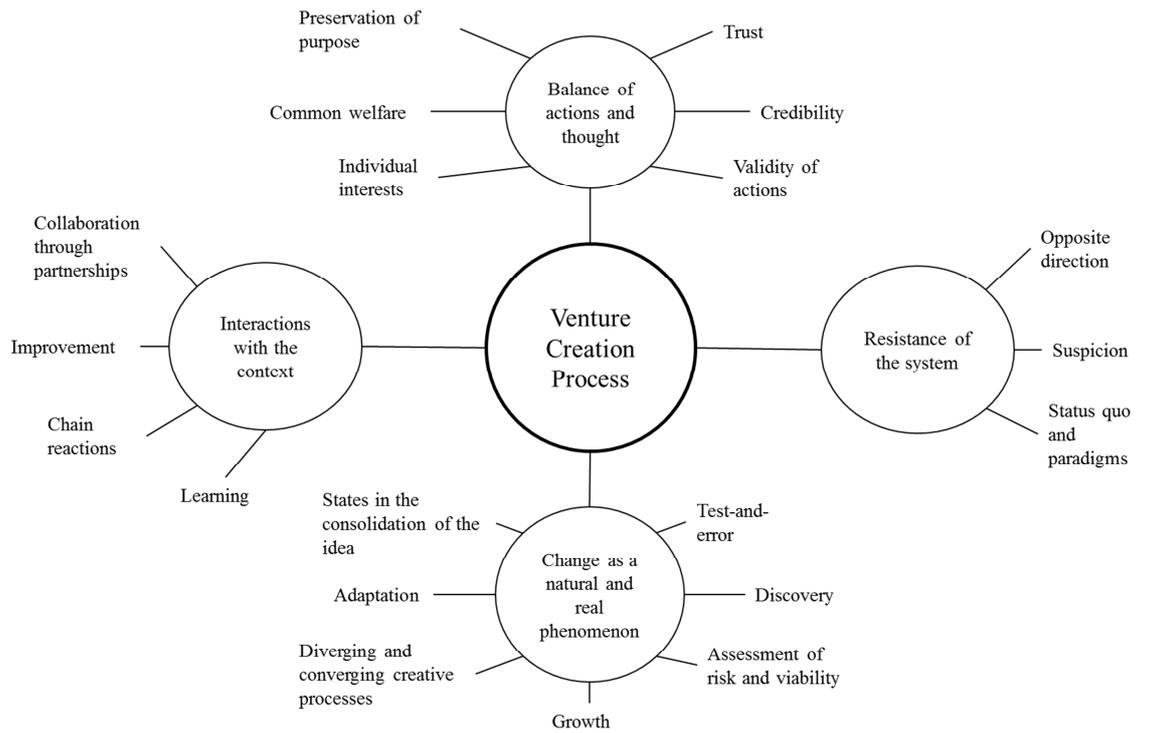
APPENDIX 2 THEMATIC NETWORKS



Thematic network Founder's identity



Thematic network Value proposition



Thematic network

Venture creation process