Hybrid Organising in Social Entrepreneurship

How Do Founders of Social Ventures Experience the Tensions in the Areas of Acquiring and Allocating Resources?

by

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Abstract

Purpose – This study attempts to advance our understanding of social ventures as organisational hybrids by seeking the founder’s experience of selected areas of tensions. We take extant literature on social entrepreneurship and hybrid organising as a point of departure to examine the experiences of practitioners. We aim to answer the question: ‘How do founders of social ventures experience the tensions in the areas of acquiring and allocating resources?’

Methodology – This study employs a qualitative research approach. Findings stem from ten semi-structured interviews with founders of social ventures in Sweden. The data was analysed by employing a combined approach, namely a direct content analysis followed by procedures of the Gioia methodology.

Findings – Results indicate that balancing activities of social value creation with activities of value capture together with challenges in measuring social impact comprise the main themes in the area of allocating resources. With regards to acquiring resources, founders experienced tensions with acquiring financial and human resources. Results indicate the influence of legitimacy, networks, the social venture’s social mission and its legal form on the ability to acquire resources.

Research limitations / implications – This study demonstrates the influence of the national context on the experiences of hybridity and its associated tensions. Further, it indicates the relevance of the customer-beneficiary relationship for the scholarly debate on a key challenge of social entrepreneurship, namely balancing value creation and value capture activities. This study is based on data gathered in ten semi-structured interviews at one point in time. The results may not be indicative of the entire population social ventures and are anchored in the national context of Sweden. The findings of this study should, therefore, be viewed within its limitation, namely its focus on the founder’s experiences, its snapshot character and its rather descriptive than explicatory perspective.

Practical implications – This study offers (prospective) founders of social ventures guidance in mastering tensions associated with acquiring and allocating resources. It, therefore, presents insights on topics such as understanding the risk of mission drift, considering the legal incorporation, measuring social impact and building legitimacy and networks.

Keywords – social entrepreneurship, social value creation, social ventures, hybrid organising, social enterprise, hybridity, social impact measurement
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I, Adrian, would like to express my gratitude to my love, Isabell. You unconditionally supported me during this work. May I return your energy and patience a year ahead from now. As a final remark, I dedicate this thesis to my mother – this is it.
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<tr>
<td>CIC</td>
<td>Community Interest Company</td>
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<tr>
<td>KPI</td>
<td>Key Performance Indicator</td>
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<td>SDG</td>
<td>United Nations Sustainable Development Goals</td>
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<td>SE</td>
<td>Social Entrepreneurship</td>
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<tr>
<td>SI</td>
<td>Supplemental Instructions</td>
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<td>WISE</td>
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1 Introduction

Social Entrepreneurship (SE) is an emerging area of interest for practitioners and scholars alike. SE has been attributed a prominent role in creating solutions to societal challenges (Brandstetter & Lehner, 2015; Zahra, Gedajlovic, Neubaum, & Shulman, 2009). Social ventures\(^1\) pursue a social mission, often by combining activities, practices and strategies from the for-profit and the non-profit sector and thereby blurring the boundaries between these previously designated domains (Dees, 1998, 2012). Organisations merging multiple organisational forms into one organisation are ‘organisational hybrids’ (Battilana & Lee, 2014; Doherty, Haugh, & Lyon, 2014). Hybridity affects several layers of the organisation and imposes challenges researchers refer to as areas of tension. While there has been much research dedicated to characterise these tensions (Smith, Gonin, & Besharov, 2013) and their triggers (Moizer & Tracey, 2010; Santos, Pache, & Birkholz, 2015), it remains room to explore how founders of social ventures experience these areas of tension.

Social ventures as organisational hybrids are confronted with tensions arising from the requirement to balance its social mission with its economic mission (Battilana & Lee, 2014; Ebrahim, Battilana, & Mair, 2014). The core of this balance consists of decisions to allocate resources\(^2\) to organisational activities that are contributing to this dual mission. As social ventures operate under resource constraints allocating resources involves trade-offs between the twofold mission (Austin, Stevenson, & Wei-Skillern, 2006). Imbalances entail the risk of mission drift (Cornforth, 2014). At one extreme, the social venture drives profits and thus totally neglects its social mission. At the other extreme, a disproportionate focus on the social mission threatens the economic viability of the social venture leading to bankruptcy or reliance on financial support. Crafting a balance represents a delicate challenge for social ventures (Battilana & Lee, 2014; Ebrahim & Rangan, 2014).

Even though allocating resources is determining this critical balance, resources need to be acquired before that. Acquiring resources is challenging as legitimacy\(^3\) and resources are granted to organisations that fit the extant expectations of the actors providing them (Battilana & Lee, 2014; Pache & Santos, 2013). Social ventures as organisational hybrids are caught in the middle of differing expectations of non-profit and for-profit actors. Hence, the acquisition

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\(^1\) Social venture describes the organisational entity of social entrepreneurship. The terms ‘social business’ and ‘social enterprise’ are treated as synonyms.

\(^2\) We refer to resources as all tangible and intangible assets an organisation can commit to serve its purpose.

\(^3\) Legitimacy represents “generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate, within some socially constructed system of norms, values, beliefs and definitions” (Suchman, 1995, p. 574, cited in Kraatz and Block, 2008).
of tangible resources such as financial capital becomes more difficult (Battilana & Lee, 2014; Miller & Wesley II, 2010). As a result, social ventures need to master these tensions to acquire resources.

For example, a team of three co-founders establish a new recruitment venture dedicated to integrating immigrants into the workforce. At the same time, they offer ‘standard’ recruitment services without the focus on immigrants. The ‘standard’ recruitment services turn out to be more profitable and substitute the mission-driven recruitments. In this situation, the venture is exposed to the risk of mission drift and may focus on ‘standard’ recruitments to drive profits and thus neglects its social mission (Ebrahim et al., 2014). Their social mission may discourage investors as they are unsure how the three co-founders would prioritise profit generating activities. How do the founders experience this trade-off situation?

Previous research recognises these two areas of tension but does not capture the founder’s perspective (Battilana & Lee, 2014; Smith et al., 2013). We argue that this study contributes to our understanding of SE and hybrid organising by exploring what constitutes these tensions in the area of acquiring and allocating resources from a founder’s perspective.

1.1 Research Purpose

The purpose of this thesis is to gain a deeper understanding of how founders of social ventures experience two areas of tensions, namely acquiring resources and allocating resources. We, therefore, pose the following research question:

‘How do founders of social ventures experience the tensions in the areas of acquiring and allocating resources?’

To pursue the aim and address the research question our main objectives are:

(1) To observe whether founders of social ventures are aware of tensions in the areas of acquiring resources and allocating resources.

(2) To examine how founders of social ventures perceive and experience the tensions in the area of acquiring resources and allocating resources.

Building upon existing research in the field of hybridity (Battilana & Lee, 2014; Ebrahim et al., 2014; Santos et al., 2015; Smith et al., 2013) this study contributes to advancing the understanding of SE and hybrid organising. Our findings may serve as a point of departure for following researchers in the field. Further, we hope the results of this study guide other founders of social venture that are facing similar challenges.
1.2 Outline of the Thesis

The remainder of this thesis is structured as follows: in chapter 2 we set out the theoretical framework for this thesis. We review the existing literature on SE thereby highlighting a key debate of the field, namely the trade-off between value creation and value capture and introduce hybrid organising as the concept with a focus on the tensions in the areas of acquiring and allocating resources. In chapter 3, we describe and argue for the methodology applied in this study and state its limitations. In the following chapter 4, we present our findings. Chapter 5 discusses our findings in relation to our theoretical framework and extant literature. The final chapter 6 presents conclusions and provides practical implications and suggestions for future research.
2 Theoretical Framework

The following chapter’s objective is to develop clarity in the theoretical concepts. The theoretical foundation is built upon three concepts: (1) SE and the trade-off between value creation and value capture as a central challenge, (2) measuring social value creation and (3) hybridity as a concept capturing the previously theorised trade-offs. We show why social ventures qualify as organisational hybrids and what internal and external tensions (conflicts of objectives) emerge. The point of interest for this thesis lies at the overlap of all three concepts. We focus on two areas of tension in this thesis, namely acquiring resources and allocating resources.

2.1 Social Entrepreneurship

Scholars controversially discuss Social Entrepreneurship (SE) as an emerging phenomenon (Austin et al., 2006; Choi & Majumdar, 2014; Dacin, Dacin, & Tracey, 2011; Zeyen et al., 2013). Dacin et al. (2011) argue SE as a scholarly domain is a melting pot of research foci and brings in concepts from economics, anthropology, political science, psychology and sociology. Due to its differing points of departure, there is a lack of consensus among scholars in the entrepreneurship theory as a reinforcing factor of divergent perspectives on SE (Mair, 2012).

SE is examined from the standpoint of (1) the individual entrepreneur, a change-maker, driven by a social mission (Hockerts, 2015; Koe Hwee Nga & Shamuganathan, 2010); (2) SE as an economic function to address societal challenges by deploying business skills and market-based approaches (Martin & Osberg, 2007; McMullen, 2011); and (3) SE as a process embedded in and shaped by economic, cultural and regulatory frameworks (Austin et al., 2006; Mair, Battilana, & Cardenas, 2012; Mair & Martí, 2006). For this thesis, the process-based perspective is considered to extract experiences of dealing with tensions in a social venture. This experience is likely to be shaped by the context. Therefore, we acknowledge the environment (e. g. country-specific legal framework, understanding of SE as an influential factor (Welter, 2011).

An ongoing debate is concerned with the relationships between a social venture’s social mission and its economic mission (Stevens, Moray, & Bruneel, 2015). Some researchers argue, SE recognises financial profits as means to social ends (Young, 2008; Zahra, Newey, & Li, 2014). Hence, a social entrepreneur’s objective leans more towards advancing the social mission compared to pursuing financial gains (Mair & Martí, 2006). SE blurs the boundaries between philanthropy and for-profit entrepreneurship about the utilised organisational forms, approaches to problem solution and cross-sector partnerships (Austin et al., 2006; Dees, 1998). Over a decade after Dees (1998) explored the meaning of SE hybrid organisations have further
emerged (Battilana & Lee, 2014; Stevens et al., 2015). Consequently, Austin et al. (2006) recognise SE as a continuum with several configurations along the seemingly opposing poles of philanthropy and for-profit entrepreneurship.

The definition of SE by Santos (2012) provides a fruitful composite of the philanthropy-business-continuum and the process-based perspective on SE that is shaped by the context. With our focus seeking perspectives on SE from the practitioner’s field, we do not aim to engage in the debate on what ought to be considered as ‘social’ in SE and neglect a definition of SE based on the legal form of the organisation. Both would limit our sample and stand in opposition to the continuum approach of SE. In his conceptual article, Santos’ (2012) theory is based on the following four propositions:


2. “Social entrepreneurs are more likely to operate in areas with localised positive externalities that benefit a powerless segment of the population” (Santos, 2012, p. 343).

3. “Social entrepreneurs are more likely to seek sustainable solutions than to seek sustainable advantages” (Santos, 2012, p. 346).

4. “Social entrepreneurs are more likely to develop a solution built on the logic of empowerment than on the logic of control” (Santos, 2012, p. 347).

Santos theorises the challenging relationship in SE between value creation and value capture (Santos, 2012). He defines value as the “increase in the utility of society’s members” (Santos, 2012, p. 337) and argues that organisations have to decide whether their goal is to create value or to capture value. This decision depicts a trade-off. Further, he argues organisations are prone to the risk of losing legitimacy when adjusting their position on the continuum due to the differing affiliation of their stakeholders to the objectives of value creation or value capture. He references the example of the Mexican Bank Compartamos. The bank started as a provider of microloans with the goal to create value for the poor. The bank did so by lending at lower interest rates and by keeping profits at a level to sustain its operations. A period of inflation forced the bank to raise its interest rates again. However, instead of reducing the interest rates after the inflation eased off, the bank kept the interest rate high and switched its goals from value creation to a value capture. This resulted in an Initial Public Offering (IPO) in 2007. Consequently, the Economist article cited by Santos (2012) illustrates the loss of credibility among industry experts such as Muhammad Yunus and the public opinion.

A second key point is the function of SE in the economic system and its focus on neglected positive externalities. Santos argues SE is a catalyst to the development of solutions, targeting marginalised segments of the population that are then adopted by markets, the government or the charity sector. Locally validated solutions can then be replicated on a regional, national or even international scope (Zahra et al., 2009). For example, the government may not have the means to support the work integration of newly arrived immigrants effectively, but an entrepreneur with specific knowledge about this segment may have developed a solution. The government could provide funding as this solution aligns with their suggested goal of creating...
an inclusive society. Thus, market- and government failures represent opportunities for SE (Austin et al., 2006; Santos, 2012).

The reason for serving these segments are positive externalities which are impacts or value spillovers (Santos et al., 2015) on third parties caused by economic activity. For example, consuming education provides an individual benefit to each student. However, the society benefits as well because students can use their knowledge for the benefit of others. Thus providing education to students comes with positive externalities for the society. An example for negative externalities to society is the action of dumping toxic waste. The individual action has adverse effects on others in society. In other words, economic activities may have positive and negative side effects on the target group and the society as well. The more positive effects there are, the more likely it is a domain for the engagement for SE.

The third and fourth proposition from Santos (2012) describe the nature of the outcomes. Santos argues the main objective of SE is to solve the root cause of a problem by using all means available beyond manifested sector boundaries and intervention options. For example, the vaccination of the majority of a population could potentially eliminate cases of infection compared to developing better treatments for the infected. A sustainable solution may result in the redundancy of the social venture implementing it. The fourth proposition touches upon the notion of co-creation presuming beneficiaries and involved stakeholders ought to become part of the solution. An example is the open-source development of platforms such as Wikipedia.

We build upon the propositions of Santos (2012) and acknowledge the following: (1) SE faces the challenge of the opposing objectives value creation and value capture that (2) require strategies to mitigate these tensions (Battilana & Lee, 2014; Ebrahim et al., 2014). Additionally, (3) SE is not bound to a predetermined legal form. To sum it up, Santos (2012, p. 335) defines SE as follows:

“Social Entrepreneurship is the process of pursuing sustainable solutions to neglected problems with positive externalities”.

2.2 Measuring Social Value Creation

SE is aiming to create differing value outputs by their dualistic mission. Scholars have discussed this duality of value creation under different synonyms such as blended value (Emerson, 2003); shared value (Porter & Kramer, 2011); and double bottom line (Clark, Rosenzweig, Long, & Olsen, 2004). The common ground resides with the argument that ventures are not only creating a financial benefit for its shareholders but also social value\(^4\).

\(^4\) This concept of social value corresponds with Santos’ (2012) concept of value creation. This thesis treats ‘value creation’ and ‘social value creation’ as synonyms. Social value describes the output of social value creation.
One reason for the debate about social value is the challenge of measuring it (Dees, 1998; Emerson, 2003; Nicholls, Nicholls, & Paton, 2015; Santos, 2012). Financial value is determined by economic indicators recognised by the economic actors. Vocabulary such as ‘Return on Investment’, ‘costs’, ‘profits’ or ‘revenues’ share a common understanding across country borders and are comparable. International financial reporting standards have been created and implemented to address the information need by the general public (Storey & Greene, 2010). In contrast, social value is subjective in nature, often intangible, determined by the affected stakeholders and subject to renegotiation by future generations (Austin et al., 2006; Young, 2008). Emerson (2003) notes the plurality of perceived value added cannot be condensed into one comparable metric. This complexity requires more profound measurement approaches.

Scholars and practitioners developed several measurement approaches for social value. The diversity of assessment frameworks and measurement methods makes social value measurement and consequently social impact measurement demanding for social ventures (Nicholls et al., 2015). Mair and Marti (2006) consider the quantification of the social performance as one of the toughest challenges. The endeavours to quantify social value are spurred by the debate on performance measures for social ventures (Carman, 2010; Nicholls et al., 2015). If engaging in social value creation is the primary purpose of social ventures, then it is reasonable to assume that their shareholders will (at some point) request evidence for success. While social impact measurement processes can support a social venture to align its activities with its social mission and control the risk of mission drift (Ebrahim et al., 2014), setting up measurement practices entails additional costs. The cost aspect is an often neglected aspect of the debates about measuring social value (Dembek, Singh, & Bhakoo, 2016; Porter & Kramer, 2011). This suggests that social ventures seek to deploy an efficient measurement framework that is suitable to track the progress of achieving their social mission.

The challenge of measuring social value can serve as an invitation to foster more in-depth dialogues with stakeholders about the nature of the social value (Jackson, 2013; Young, 2008). Young (2008) highlights the socially constructed nature of social value. She argues that the beneficiaries determine the social value and metrics could only serve as a basis for further discussions about the nature of that social value. It is, therefore, an infinite iterative process. Ormiston and Seymour (2011) emphasise the risk of mathematical reduction that leads to the underrepresentation of everything that cannot be numerically measured. Thus, this would suggest a reduction of the complex reality of social value into manageable numeric, but often deficient, models.

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5 This thesis uses the definition of social impact from Clark et al. (2004, p. 7): “the portion of the total outcome that happened as a result of the activity of the venture, above and beyond what would have happened anyway.” This definition is based on the authors impact value chain model (Input > Activities > Output > Outcome - What would have happened anyway > Impact). While output refers to the measurable results at the organisational level (e. g. number of people trained) outcome refers to the desired change on a system level (e. g. behavioural change of people as a result of the training). Social value measurement refers to the output level, social impact measurement to the outcome level and beyond.
The discussion suggests that social ventures need to master the trade-off between value creation and value capture and likely face challenges in quantifying their social value or even social impact. This challenge affects a social venture on the two areas of tension that we introduce in the following section.

2.3 Social Ventures as Organisational Hybrids

Hybrid organising as a research field recognises the inherent challenges social ventures face when combining business and philanthropic aspects at their organisational core (Battilana & Lee, 2014). Hybrid organising is defined as "the activities, structures, processes and meanings by which organizations make sense of and combine aspects of multiple organizational forms" (Battilana & Lee, 2014, p. 398). Social ventures qualify as hybrids as they merge the formerly separated goals, practices and activities of the business and philanthropic sector into one organisation (Battilana, Lee, Walker, & Dorsey, 2012). As a result, areas of tension emerge affecting a social venture on several layers that threaten its future viability.

Internally, areas of tension refer to the following themes: creating a common sense of hybridity among the workforce and allocating resources; while external areas of tension relate to building legitimacy and acquiring resources (Battilana et al., 2012; Battilana & Lee, 2014; Moizer & Tracey, 2010). The trade-off between value creation and value capture is reflected in all of those areas of tension. However, we argue that SE utilises resources to tackle societal challenges and therefore the acquisition of these resources and its allocation are in focus for this thesis. We provide a brief overview of the two areas of tension (1) acquiring resources and (2) allocating resources.

**Acquiring resources** is an external area of tension for social ventures. Access to financial capital is vital for social ventures to obtain resources, such as human resources, and to sustain their operations (Austin et al., 2006). Hybrids may qualify for financial support from both domains (philanthropy and business). However, they are likely to be neglected by funders compared to domain-specific ventures due to the embeddedness of the funders themselves in either of the domains (Lee, 2014). Sunley and Pinch (2012) found a high dependency on grants and public funding and a low demand for loans for social ventures. Their examination of 40 social ventures unveiled a high level of bricolage, low margin business models and absent business skills. The lack of standardised assessment frameworks for hybrids suggests challenges for social ventures in signalling their investment readiness. Further, Miller and Wesley II (2010) found that financiers attribute a higher risk to investments if the social venture struggles to quantify its social value creation.

Scholars emphasise the importance of people for social ventures (Austin et al., 2006; Ormiston & Seymour, 2011). While operating under resource constraints, social ventures provide non-monetary incentives to attract potential employees as they are often not able to pay salaries at market level (Austin et al., 2006). Thus, social ventures may focus on the socialisation of people in their hiring practices to find employees sharing similar values and an affinity to their social mission (Battilana & Dorado, 2010). Ormiston and Seymour (2011) for example argue that
people and the access to networks are the two most valuable resource for social ventures to access and mobilise resources.

The social venture’s ability to acquire resources is intertwined with its perceived legitimacy. Resources tend to be granted to organisations that are perceived as legitimate (Lee, 2014). As such, tensions are likely to emerge as social ventures do not fit into one distinct category but engage with distinct actors of the philanthropy and the business domain (Battilana & Lee, 2014; Moizer & Tracey, 2010). Moizer and Tracey (2010) stress the requirement for a social venture to build legitimacy among stakeholders representing the value creation side as well as the value capture side.

**Allocating resources** in a hybrid organisation is an internal area of tension. The process of allocating resources is affected by the inherent trade-off between value creation and value capture within a social venture. This rests on the assumption that internal resources are limited and ventures need effectively utilise them to create a competitive advantage (Barney, 1991) or, in the context of SE, to deliver a sustainable solution (Santos, 2012). Besides this difference in purpose, social ventures need to distribute their resources to achieve their goals effectively. The relationship between customers and beneficiaries is likely to affect the process of allocating resources.

The relation between customers and beneficiaries exacerbates the trade-off while crafting a balance between social value creation and value capture (Santos et al., 2015). The main difference between customers and beneficiaries is their role in the transaction process. Customers are the payers of a product or service whereas beneficiaries benefit from a product or service but may not or may not be able to pay for it. If customers and beneficiaries are different groups, social ventures expose themselves to the risk of mission drift (Ebrahim & Rangan, 2014; Santos et al., 2015). One scenario of mission drift occurs if a social venture allocates more resources to activities capturing value from their customers as they generate revenue and therefore neglect their primary social mission (Cornforth, 2014).

Figure 2-1 summarises the classification of acquiring and allocating resources.

![Figure 2-1. Classification of tensions in the area of acquiring and allocating resources](image-url)
2.4 Chapter Summary

In this chapter, we presented the theoretical foundations to answer the posed research question: ‘How do founders of social ventures experience the tensions in the areas of acquiring and allocating resources?’

SE was theorised as a multi-dimensional concept influenced by many different scholarly disciplines (Dacin et al., 2011) that is still vigorously debated (Mair, 2012; Santos, 2012). We showed how the perspective on SE as a theoretical continuum along the opposing poles of business and philanthropy implies trade-offs between value creation and value capture in practice (Austin et al., 2006; Santos, 2012). In this thesis, we consider social ventures as the organisational entity of SE and SE itself as “the process of pursuing sustainable solutions to neglected problems with positive externalities” (Santos, 2012, p. 335). The broad definition allows us to source perspectives from a diverse sample of founders of social ventures. Their common ground is that they enact on opportunities to serve deprived segments of people while creating value for the individuals and the society as a whole. By linking SE to the process itself, we can focus on the experience of the conflict of objectives. From that perspective, the social venture’s legal form is rather an organisational feature than a selection criterion.

Social ventures merge formerly distinct sector logics and practices into the same organisation (Battilana & Lee, 2014; Dees, 1998). The focus of this thesis is on acquiring resources as an external area of tension and allocating resources as an internal area of tension. Both tensions were introduced and serve as a thematic framework to answer the posed research question.

The concept of social value creation is based on the notion that the objective of creating a social value is compatible or even a requirement for achieving financial returns (Emerson, 2003; Porter & Kramer, 2011). As yet, there is no consensus on how social value ought to be measured (Clark et al., 2004; Nicholls et al., 2015). Thus, it will be interesting to examine in the course of this thesis how the challenge of measuring social impact is reflected in the experience of the founders.
3 Methodology

The following chapter’s aim is to substantiate the selection of research methods to answer the posed research question. First, we acknowledge and describe the context for this study. Second, we motivate our choice for the research approach. Third, we provide details about the research design. Fourth, we present the sample selection criteria followed by a brief introduction to each social venture. Fifth, we delineate the data collection method. Sixth, the method of our data analysis is presented. Finally, we acknowledge the limitations of the chosen methodology.

3.1 Research Context

To be able to understand the tensions hybrid organisations are exposed to, we need to shed light on the context social ventures are operating in. Sweden’s national policy framework focuses on WISEs\(^6\) as the primary type of a social venture and thereby limits the concept of SE to a narrow exposition (European Commission, 2014). However, SE as a catalyst for societal change gains momentum and support structures tailored to SE are being built (Björk, Hansson, Lundborg, & Olofsson, 2014). Defourny and Nyssens (2008) point out that there is still no institutionalisation, besides WISEs, of SE in Sweden and thus social ventures may face challenges defining themselves. On the contrary, the authors argue that this challenge can also stimulate innovation.

In Sweden, the majority of social ventures are non-profits (European Commission, 2014). However, the European Commission report states that limited liability companies receive a growing share of newer social ventures. Swedish social ventures are funded by a mix of private and public money (Nordic Council of Ministers, 2015). The most common form of external finance for WISEs in Sweden is project funding in the form of public grants or subsidies (European Commission, 2014). The Swedish Agency for Economic and Regional Growth (Tillväxtverket) recognised a significant demand for funding (Nordic Council of Ministers, 2015). Tillväxtverket set up a 13 million SEK fund in 2012 to support social ventures and received 550 applications, but could only fund 89 of the initiatives mainly targeting unemployment. Leksell Social Ventures, a designated social venture capitalist, reports weak social impact measurement models as one of the key reasons for rejecting applicants (Leksell Social Ventures, 2017). The fund has not made any investments since its inception in 2014.

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\(^6\) The term ‘social enterprise’ used in the Swedish policy making is associated with the definition from the Social Business Initiative European Commission (2011). In this thesis, the term ‘social enterprise’ and ‘social venture’ are considered as synonyms.
Historically, the dominant organisational form of social enterprises in Sweden were cooperatives since they are close to the organisational tradition and built on the Swedish values of self-help, autonomy and democracy (Defourny & Nyssens, 2008). Defourny and Nyssens (2008) further argue that the term ‘social cooperative’ is a synonym to ‘WISE’ in the Swedish context.

3.2 Research Approach

The application of a specific research methodology is grounded in epistemological and ontological assumptions. Two opposing paradigms emerged arguing for (1) what should be considered as sufficient knowledge in a domain (epistemological question) and (2) what is the nature of the social entities studied (ontological question) (Bryman & Bell, 2011). For this thesis, these assumptions relate to the adopted perspective on constructs such as hybridity and social ventures as organisational entities.

Social ventures as organisational hybrids can be examined from different positions on the academic inquiry. They can be recognised as objective entities incorporating rules, regulation and procedures from previously separated entities (philanthropy and business). Conversely, these entities comprise humans creating, constructing and iterating the meaning of constructs such as social entrepreneurship and hybridity through their social interactions. We carefully examined the opposing paradigms ‘objective-positivist’ and ‘subjective-constructivistic’ (Bryman & Bell, 2011) and concluded that our research question suggests an interpretative approach as we seek to examine the subjective experiences of founders of social ventures.

Aligned with previous studies in the field of hybridity (Battilana & Dorado, 2010; Grossi & Thomasson, 2015; Pache & Santos, 2013) we have subscripted to a qualitative research approach. Qualitative research provides rich insights into the unique contexts the research subjects are embedded in (Bryman & Bell, 2011). This is aligned with our aim to explore hybridity as a theoretical construct through the eyes of the entrepreneurs engaged in the social ventures. Our selected approach seeks to contribute to the knowledge accumulation within the field of SE and hybrid organising and may reveal intriguing avenues for future research while trying to avoid the fallacy of composition (Flyvbjerg, 2006).

3.3 Research Design

Our study is based on semi-structured interviews as they allow a rich data collection (Bryman & Bell, 2011). We employed mainly open questions to avoid a priming of answers (Bryman & Bell, 2011). Further, we intentionally used open questions that allowed us to explore the areas of tension through the natural language used by the entrepreneurs. However, the interview guide was created based on the areas of tension discussed in the extant body of literature on hybridity. Hence, we deducted the areas of tension from extant theory as a point of departure for this study. By applying appropriate styles of probing, follow-up questions and interpretative
questions we could capture content rich data while trying to minimise the biasing of the interviewee’s responses (Bryman & Bell, 2011).

Two pilot interviews were conducted to test the applicability of our chosen research methodology. The pilots positively contributed to the validity of our study as follows: (1) complicated formulation of questions were identified and improved; (2) we could familiarise ourselves with the interview setting and were able to identify and control for common pitfalls of qualitative interviews (Bryman & Bell, 2011); and (3) we identified effective probing and follow-up questions to increase the depth of our data.

The final interview guide is informed by a thematic framing of relevant aspects of hybridity based on our literature review and pilots (Appendix A). The semi-structured interview design allowed us to touch upon the areas of tension compiled in previous research while leaving room for unexpected input (Edmondson & McManus, 2007).

3.4 Sample

To identify relevant interview partners, we consulted industry experts for recommendations of social ventures. As a first step, we have contacted the directors of the following support organisations: Social Innovation Skane, SoPact, Impact Invest Scandinavia, Center för Socialt Entreprenörskap Sverige and Social Entrepreneurship Forum. The criteria for our sample selection were the following:

(1) Aligned with our definition of a social venture

(2) Established legal entity and running operations

(3) Based and operating in Sweden

(4) Founder as interview partner

This resulted in a list of 15 social ventures. Additionally, we asked each interview partner for recommendations of other interviewees. This technique is referred to as ‘Snowballing’ (Bryman & Bell, 2011). We did not predefine any demographic criteria such as gender or age. Our final list included 25 social ventures. Potential interviewees were contacted by email and have been provided with an overview of the research topic, the purpose of this thesis and our personal backgrounds. We did not focus on a particular industry since we aimed at a diverse sample for exploring our research question. An overview of the participating social ventures is presented in Table 3-1.
Table 3-1. Overview of the social ventures in the sample

<table>
<thead>
<tr>
<th>Name</th>
<th>Legal Form</th>
<th>Year of Inception</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yalla Trappan</td>
<td>Non-Profit Association</td>
<td>2009</td>
<td>WISE</td>
</tr>
<tr>
<td>Elevledarna</td>
<td>Non-Profit Association</td>
<td>2014</td>
<td>Education</td>
</tr>
<tr>
<td>Matmissionen</td>
<td>Non-Profit Association</td>
<td>2015</td>
<td>Food retail</td>
</tr>
<tr>
<td>IT Guide</td>
<td>Non-Profit Association</td>
<td>2010</td>
<td>ICT(^7) Education for the Elderly</td>
</tr>
<tr>
<td>Basta(^8)</td>
<td>Hybrid(^9)</td>
<td>1994</td>
<td>Drug Rehabilitation</td>
</tr>
<tr>
<td>Just Arrived</td>
<td>Hybrid</td>
<td>2016</td>
<td>Recruitment</td>
</tr>
<tr>
<td>Handiscover</td>
<td>Limited Company</td>
<td>2015</td>
<td>Online Travel</td>
</tr>
<tr>
<td>Sibship</td>
<td>Limited Company</td>
<td>2016</td>
<td>Marketing Agency</td>
</tr>
<tr>
<td>Novo Spection</td>
<td>Limited Company</td>
<td>2017</td>
<td>Crowdfunding / Consulting</td>
</tr>
<tr>
<td>Incluso</td>
<td>Limited Company</td>
<td>2015</td>
<td>Recruitment</td>
</tr>
</tbody>
</table>

\(^{7}\) ICT refers to Information and Communication Technology and describes the infrastructure and components enabling modern communication. Compared to IT, ICT stresses the application of devices and includes a broader, more comprehensive list of communication devices related to the digital technology.

\(^{8}\) We could not schedule an interview with the founder but with a C-Level employee with a 15 years’ work experience history in the organisation. The relationship of the interviewee to the founder and their partnership over this extended period lead to the decision to include this interview in the final sample.
The following section provides a brief introduction to each social venture of the sample. The objective of these short descriptions is to enable a better understanding for the reader of the specific contexts in which the interviewees’ experiences emerged (Bryman & Bell, 2011).

3.4.1 Yalla Trappan

Yalla Trappan is a WISE located in Malmö and has been established in 2010. The aim of the social venture is to provide work for immigrant women with limited or no access to the labour market due to their lack of education and language skills. Yalla Trappan is a women’s cooperative built on democratic values such as participation, co-determination and solidarity. They currently employ 34 women in three commercial branches: cleaning and conference services, café and catering and a sewing design studio. Yalla Trappan illustrates what challenges a social venture can go through when transitioning from an EU funded project into a social venture with earned income while providing opportunities for a marginalised group of immigrant women.

3.4.2 Elevledarna

Elevledarna (translates to “The Student Leaders”) is a student leadership programme for junior high schools. Students receive a coaching and develop the capabilities to provide support and education to their peers. Their approach builds upon the supplemental instruction (SI) methodology and recognises students as the central resource to foster peer learning. Elevledarna aims to deliver better school results, knowledge transfer and attitudes among students in primary schools. Their focus lies on socially challenged areas to prevent social exclusion. The non-profit organisation was established in 2014 and is now operating in conjunction with the local SI-platform of the Lund University. Elevledarna illustrates how differing visions of founders can become an obstacle in moving in the same direction and how a social entrepreneur can be driven by the impact but cannot find his tribe in an environment geared towards profit.

3.4.3 Matsmissionen

Matsmissionen is a social venture under the umbrella of the Stockholm City Mission. They run three social supermarkets in collaboration with one of Scandinavia’s largest food retailers Axfod. Economically disadvantaged groups can become members and as a result, receive 70% discounts on food products. However, the stores are open to everyone. The range of products varies and consists of donated surplus food. Matsmissionen is also a WISE. From a total of 14 employees, two-thirds of the workforce come from work integration placements. The first store

9 ‘Hybrid’ in this table refers to the organisation’s legal form. The parent organisation is a non-profit foundation. This foundation is the 100% owner of the limited liability companies created for carrying out services/selling products.
opened in 2015. Matsmissionen illustrates how cross-sector collaborations provide access to resources while combining mutual interests.

3.4.4 IT Guide

IT Guide provides holiday work opportunities to unaccompanied and newly arrived minors that are recruited to become IT guides. The guides educate seniors in using the internet and other digital services. Simultaneously, the youth learn Swedish, gain work experience and can develop leadership capabilities in their role as team leaders. IT Guide recently received funding from ‘Reach for Change’ as an innovative contribution to creating a more open and inclusive Sweden. Currently, the concept is operating in 12 municipalities, originating from Örebro. IT Guide illustrates how a social venture can operate under the umbrella of a municipality and contribute to a more inclusive society.

3.4.5 Basta

Basta is a social venture providing rehabilitation services to drug abusers. With only a few exceptions, 95% of all employees went through a rehabilitation process themselves. Basta stands on two legs: (1) they offer 1-year-rehabilitation placements to the social services and (2) they run several commercial ventures such as a carpentry, a construction company and a hotel. The social venture uses work as a tool for drug rehabilitation. After the rehabilitation, people may choose to stay and work with Basta for longer. Basta employs a hybrid legal structure. The parent organisation is set up as a non-profit foundation and is the only shareholder of the for-profit ventures. The inspiration for the rehabilitation concept originates from the largest drug rehabilitation centre in Europe, San Patrignano. The social venture was established in 1994 and operates from various headquarters in Nykvarn, Sanctuary and Noresund. Basta illustrates how a social venture can become 100% financially self-sustaining while operating at the intersection of the public social services sector and the business sector.

3.4.6 Just Arrived

Just Arrived offers a digital service that connects newly-arrived immigrants with Swedish companies. Their digital platform enables businesses to publish tasks and services they need and match them with newcomers looking for work. Just Arrived is built on a community approach and was able to acquire resources on a pro bono basis. The social venture is operating from Stockholm and was established in 2016 as a for-profit venture owned by a non-profit foundation. Just Arrived illustrates how a strong sense of community can become a core component for organisational cohesion while unlocking access to resources with a hybrid organisational structure.
3.4.7 Handiscover

Handiscover is a community-based holiday accommodation booking website dedicated to people with physical disabilities. The social venture allows users to select an accommodation based on their level of physical disability. Beside their integrated business model\textsuperscript{10}, Handiscover was not able to secure funding from designated social investors. They operate from Stockholm and were established in 2015 as a for-profit venture. Handiscover illustrates how a tech-enabled business model and a social mission can be aligned and yet finding investors can be a time-consuming challenge.

3.4.8 Sibship

Sibship is an advertising agency supporting social ventures and not-for-profit organisations with video content production and project implementation. Sibship operates from Norrköping. The social venture was established in 2016 as a for-profit venture. However, the limited liability company co-exists with a not-for-profit association (Excite Me Productions) that was founded in 2010. Sibship illustrates how both legal forms become necessary when a social venture is working with diverse customers such as municipalities, education providers and commercial ventures and seeks different financial sources.

3.4.9 Novo Spection

Novo Spection is a social venture with a two-fold business model. First, it is a crowdfunding platform (launch in June 2017) for social ventures. Their algorithm matches business industries with the United Nations Sustainable Development Goals (SDGs)\textsuperscript{11} and shows associated SDG goals, sub-goals and indicators for the projects on the platform. People can back projects based on their interest in the SDGs. For project owners, Novo Spection provides an overview of the countries currently prioritising the SDGs associated with their solution. Second, Novo Spection provides consultancy services. They match local entrepreneurs in developing countries with ventures in Sweden and facilitate the implementation of a product or service based on the need identified by locals. They are operating from Lund. The venture was established as a for-profit company in January 2017. Novo Spection illustrates how an early stage social venture balances financial interests with its social mission and how values and beliefs guide the inception process of the venture.

\textsuperscript{10} Social value creation activities and value capture activities are aligned. In addition, customers and beneficiaries are the same group.

\textsuperscript{11} The SDGs represent a set of goals (17), targets (169) and indicators (>300) governments agreed to use to frame their national agendas and policies till 2030. They are a framework for global action to work towards ending poverty, fighting inequality and tackling climate change (The United Nations, 2016).
3.4.10 Incluso

Incluso is a recruitment venture with expertise in the employment of international talents and immigrants. Incluso aims to increase the diversity of a venture’s workforce and provides their target group with a path into the Swedish labour market. The venture is operating from Stockholm and was established in 2015 as a for-profit venture. Incluso illustrates how a social venture can be built without external financing while trying to combine the social mission with the economic imperative.

3.5 Data Collection Method

Ten semi-structured interviews were carried out via Skype video calls with a length between 36-97 minutes each. A summary of all interview details is reflected in Appendix B. The interviewees were initially approached by email with information about the research topic, the purpose of this thesis and our personal backgrounds.

The interviews were based on our interview guide (Appendix A) reflecting areas of tension deduced from the extant body of literature. We began each interview with a brief recap of the purpose of the interview. Furthermore, the participants were asked for permission to record the interview. We guaranteed anonymity to all interviewees but all participants agreed to be disclosed. All interviews have been audio recorded. The initial framing of the interview was employed to (1) build a trusting relationship and (2) create a secure setting for sharing thoughts, beliefs and perspectives.

Immediately after each interview, notes were taken on the first impression of the interview including perceived responsiveness of the interviewee and our thoughts and reflections. These were part of the analytic memos taken throughout the data collection process and later during the data analysis (Saldaña, 2009). Follow-up interviews during the analysis process were conducted with some interviewees either via Skype or email. Each interview was transcribed for later analysis.

The interview data was supplemented by publicly available information about the social ventures such as the venture’s website and trade register extracts.

3.6 Data Analysis

We employed a thematic analysis method. Potential areas of tension were deduced from the extant literature. These themes informed the structure of our interview guide. The case of this thesis is hybridity and the experience of its associated areas of tension, namely acquiring and allocating resources. Thus, each social venture in our sample contributed to our understanding of this subject. All interviews have been audio recorded and transcribed for later analysis. We used the software NVivo to support our coding and analysis process. Specifically, the software
simplified the cross-interview analysis as we both could work with the same data container and easily compare coding results and comments on the interview data.

We subscribed to a mixed data analysis approach. First, we used a direct content analysis to analyse the interview data based on the deducted areas of tension (Hsieh & Shannon, 2005). An initial coding procedure was then used to assign interview data to the categories on a sentence level (Saldaña, 2009). The initial coding served as a point of departure to explore the perspectives of the founders on the areas of tension. This procedure was supported by writing analytic memos. Saldaña (2009) suggests this procedure writing down emerging ideas for codes, patterns or themes. This process supported our internal discussion based on written reflections. Second, we analysed each area of tension separately with the objective to identify overarching sub-categories. The second part of our analysis is inspired by procedures of the Gioia methodology. We followed the creation process of 1st-order and 2nd-order categories to structure the data, create meaning from it and compile the aggregated sub-categories within the areas of tension (Gioia, Corley, & Hamilton, 2013). While 1st-order categories “adhere faithfully to informant terms” the 2nd-order categories represent a “more abstract… theoretical level of themes, dimensions and the larger narrative – answering the important question ‘What’s going on here?’ theoretically” (Gioia et al., 2013, p. 20). We regularly met, discussed and revised our tentative categories during this process to develop more abstract themes. Internal discussions between the researchers solved disagreements.

We then related our findings back to the theory and discussed the experiences with the extant body of literature.

3.7 Limitations

The findings of this study ought to be viewed within the limitation of the chosen methodology. A number of limitations of this study are acknowledged.

First, qualitative studies are criticised for their subjective manner; lack of replicability; lack of transparency in applied data analysis methods; and their dependency on the researcher(s) as data collectors (Bryman & Bell, 2011). We followed several proposed measures to mitigate these concerns. Specifically, we (1) let the interviewees review the transcripts and clarified ambiguous statements; (2) test-coded two interviews and verified the inter-coder viability; (3) tried to provide a detailed presentation of the analysis method deployed.

Second, our study only incorporates perspectives on hybrid tensions from the founders of the social ventures. It is likely that employees experience tensions differently due to differing positions within the organisation; tasks and responsibilities; and contact with customers or beneficiaries. Further, our interviews present snapshots of the situation experienced at one point in time. Therefore, the interviewees might have overemphasised current events and challenges.

Third, our findings should not serve as a point of departure for generalisations. Our sample has been limited in size and diverse in industry affiliation to encompass a broad exploration of the experience of areas of tension. Therefore, these findings may not be indicative of the entire
population of social ventures in Sweden. Instead, we hope other researchers feel inspired to explore hybrid tensions in specific industry sectors and further contribute to theory development.

Fourth, this study focuses only on areas of tension social ventures face after their inception. There may be other factors constraining the venture formation process. Hence, other studies may look into the preliminary influence hybridity has in the venture creation process.
4 Empirical Findings

The following chapter’s aim is to present our findings and prepare the following discussion of our data. We present our findings for each area of tension, namely acquiring resources and allocating resources. Exemplar quotes are used to substantiate the first order categories that resulted from the data analysis.

4.1 Acquiring Resources

In this area of tension, we could organise the data two main themes: (1) Financial Resources; (2) Human Resources. Table 4-1 depicts the data structure of this tension.

Table 4-1. Data structure of the area of tension ‘Acquiring Resources’

<table>
<thead>
<tr>
<th>1st-Order Category</th>
<th>2nd-Order Theme</th>
<th>Aggregated Dimension</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social impact as investment criterion</td>
<td>Financial Resources</td>
<td>Acquiring Resources</td>
</tr>
<tr>
<td>Building legitimacy through networks</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Legal form as investment criterion</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value-driven hiring</td>
<td>Human Resources</td>
<td></td>
</tr>
<tr>
<td>Compensation plans</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Using networks and personal contacts</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The theme ‘Financial Resources’ comprises the venture’s experiences with obtaining funding from external capital providers. Our interviews showed mixed experiences in their endeavours to gain public and private investments. For example, the founder of Handiscover described the process of capital acquisition as the most time-consuming part in building the venture. Encouraged by their social mission of providing travel deals tailored to the needs of people with disabilities, they could not convince self-designated social investors to invest and concluded:
“We are disappointed by the social investors. We lost a lot of time trying to get funding from social investors. We thought social investors would have a higher risk profile meaning they can take more risks because of the benefits on the social site.” – Handiscover

Instead, the social venture raised capital from non-social investors (Almi Invest\textsuperscript{12} co-invested with a business angel). They have invested in Handiscover because they have seen an attractive start-up rather than an attractive social start-up. The social aspect was considered more as “the cherry on the cake”, while business arguments such as a professional team and a proven business model (commission based online travel booking) in a clear niche market have been convincing arguments. Even though each online purchase was considered a direct social value creation, social investors did not invest. Handiscover assumed the reason was that “they tried to find small projects with a quicker positive cash flow”. In a similar manner, Incluso recalled how integrating social goals into the agenda of investors has been hyped 5-6 years ago as the next ‘big thing’. He just briefly commented “but nothing has happened”. However, Just Arrived demonstrated how a tech-driven community project can attract capital and progress into a professionally structured venture addressing an urgent societal challenge.

“I don’t think this existed before as an impact investment where you realise a financial return alongside a social return. (…) Some of the investors came more from the capitalistic side and this was the first time that they set up a non-profit foundation to invest in something like this and they are definitely more focused on making money.” – Just Arrived

Moreover, Novo Spexion highlighted the favourable timing for social ventures addressing the SDGs as all public bodies are supposed to work towards them.

“I find that it makes it a lot easier to speak with people. It opens many doors in terms of booking meetings with somebody but also in terms of funding opportunities from at least public sources. We have received funding from Vinnova and these kinds of organisations because we are 100% aligned with the SDGs.” – Novo Spexion

We found another tension if social ventures are initially funded by a project-related development fund such as the European Social Fund. At the time when the fund expires the transition period into a follow-up funding can become challenging. Yalla Trappan was able to build strong relationships with the municipality of Malmö and Arbetsförmedlingen (employment service agency) and simultaneously diversified income streams by developing several small commercial branches such as restaurant and a cleaning service. Even though the social venture is financially self-sustaining, the municipality supported them during the transition period.

”Are you going to continue? Are you going to shut down a year ahead from now? Those were the things that the municipality was afraid of (…) There

\textsuperscript{12} Almi Invest is the venture capital arm of the Swedish state-owned investment firm.
were some risks for the municipality, but on the other hand, it was the first time that this target group could get work.” – Yalla Trappan

IT Guide experienced similar tensions in the transition with the difference that the municipalities are their exclusive customer.

Surprisingly, we found that most of the social ventures only employ a low level of social value measurement practices. One of our interviewees who is familiar with several reporting requirements of public funders disclosed he/she was also surprised about the immature reporting requirements on social value creation and respectively social impact.

Our interviewees also stated that they tone down the social mission depending on the type of external funding they are trying to obtain. From their experience, each investor or potential partner is receptive to different arguments of the same story.

“We have been seen as hippies, as ‘do-gooders’. They told us business is money. I’ve learned that I have to describe the economic benefits and I talk less about the social aspects to make it happen. You have to find out what is most valuable to the person you are talking to.” – Sibship

Furthermore, personal contacts, relationships and contracts with renowned organisations increased the social venture’s legitimacy. Several founders have experienced the benefits of the support from a legitimate person or organisation. They have described the importance of these connections and their influence on the public attention, access to funding and perceived credibility within industry circles.

"The two C-Level co-initiators put their personal brand and credibility behind this project. That was crucial to make it happen.” – Just Arrived

“The key point is to find somebody that supports your project and identifies with what you’re doing.” – IT Guide

“The trust is there and the municipality knows that because we have this business agreement with Ikea. No one else has done that. So they assume everything has to be in order and working otherwise we wouldn’t have gotten this agreement in the first place.” – Yalla Trappan

Moreover, some interviewees expressed that social ventures lack an unambiguous entity in the Swedish legal framework that is equally understood by the public and its institutions.

“In Sweden, there is a definition for a work integration social enterprise. If you’re in that business, people understand what you are, what you do and why. But, in other areas, it gets complicated.” – Basta

For newly established ventures the knowledge about legal entities and the possibilities to combine them was mostly imported from external advisors either from the support structure (business consultants, incubators, accelerators) or external stakeholders such as investors. The founders expressed a dyadic perception of the different entities that expressed the social venture’s purpose.
“You have this money making idea...it's called Aktiebolag and on the other side of the spectrum, you have the non-profit which is maybe very non-profit.” – Elevledarna

Novo Spection, as a very early stage venture, brought in another argument illustrating the black and white perspective and attributed better investment attractiveness to the limited liability company as a legal form compared to a non-profit set up. At the same time, we noted how the founder dissociates from the profit motive of the limited liability company.

“We are full-profit, but we don’t do profit maximising and maybe we want to have investors later on and then it would be hard to have a non-profit entity.”
– Novo Spection

Sibship illustrates a quite pragmatic approach to legal entities. The founder set up two separate entities – a limited liability company and a non-profit association. Her reasoning for this choice was based on the regulations she experienced for acquiring projects and funding. She uses the non-profit mainly to raise awareness for social issues and access funding that would not be available to a private venture.

“When you're a social entrepreneur in Sweden you need to have both entities. So it's like a puzzle. I cannot start with the Aktiebolag because no one will pay me before they see this [the discussion was about cyber hate in high schools] is a real issue. So, I have to show them that this is a real problem first. That's why I have the non-profit to apply for 'soft-money'.” – Sibship

The second theme ‘Human Resources’ comprises the venture’s experiences with obtaining qualified personnel. Just Arrived exemplifies the meaning of people to these social ventures and stated:

“People here at the core are the most important asset in this organisation. I like to experiment with how much culture can drive and how much money need to drive.” – Just Arrived

Our interviews illustrated the social venture’s need for experienced and qualified employees. Just Arrived used most of their external capital to attract talents by providing salaries at market level. From their perspective, working towards social impact should not imply short-term economic sacrifices for employees. The long-term gain for a more inclusive society may outperform the incentive of stock options senior employees could get in other commercial tech ventures. Elevledarna experienced the challenge to attract employees as pursuing the social venture’s mission without external investments meant limited leeway for salaries. However, the founder attributed this problem to the non-profit path Elevledarna was embarking on. The founder decided to franchise the peer learning methodology free of charge for high schools. The region of Skåne covered the costs. Further, our interviewees emphasised the importance of a shared vision among their workforce as well as among co-founders.

“We had money to at least survive. Of course, it was a lot of bootstrapping also. I wouldn't have lost people if I went full profit with this. We had some really good people who left because of that.” – Elevledarna
Our interviewees used their respective networks for the recruitment of the first new employees. Just Arrived had access to an abundant pool of people through the founders’ previous engagements in recruitment ventures and career networks. Likewise, Novo Spection and Incluso could source applicants from personal connections. Across our interviews the importance of networks and personal contacts to find new employees became apparent.

4.2 Allocating Resources

In this area of tension, we could condense the data into three themes: (1) Social Value Creation; (2) Value Capture; and (3) Measuring Social Impact. Table 4-2 depicts the data structure of this area of tension. These tensions refer to the venture’s decision to commit resources such as money and workforce to activities contributing to the social value creation or the value capture objective of the venture.

Table 4-2. Data structure of the area of tension ‘Allocating Resources’

<table>
<thead>
<tr>
<th>1st-Order Category</th>
<th>2nd-Order Theme</th>
<th>Aggregated Dimension</th>
</tr>
</thead>
<tbody>
<tr>
<td>Influence of the business model</td>
<td>Social Value Creation</td>
<td>Allocating Resources</td>
</tr>
<tr>
<td>Resource constraints</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Governance processes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Venture survival</td>
<td>Value Capture</td>
<td></td>
</tr>
<tr>
<td>Divergence of intent and reality</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Responsibility for employees</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indicator for progress</td>
<td>Measuring Social Impact</td>
<td></td>
</tr>
<tr>
<td>Challenge of quantifying social value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Little demand to provide evidence</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The first theme 'Social Value Creation’ comprises activities carried out to create social value for their target beneficiaries. We found that if value creation activities are aligned with value capture activities, the interviewees experienced less conflict in resource allocation decisions. For example, Handiscover targeted a niche segment of people in a niche market. Jeopardising their social mission by moving into broader customer segments would have also threatened the
viability of the venture due to the fierce competition in the mainstream market. Thus, social value creation objectives and value capture interests kept each other in check as more sales meant more social value creation.

“At this early stage, it's important to have the business KPIs [Key Performance Indicators] in place and secure the long-term viability of the company. Everybody knows, as soon as the company is successful, the social part comes with it.” – Handiscover

The amount of resources the social ventures could dedicate to social value creation activities was constrained by their ability to capture value. For example, Basta’s capability to provide more people with the opportunity to work and live with Basta is constrained by the number of jobs they can provide in their commercial branches. In a similar manner, IT Guide described their capital constraint to provide more immigrants with part-time work opportunities. The difference between both is that the municipality entirely finances IT Guide and no additional revenue streams were available.

“If you want to stay with Basta you will be able to do so but (...) we might not be able to offer employment until we have the required economic room for that.” – Basta

“We need to raise more money, so all the young people [immigrants] can get a salary from us and we can employ them. Right now, we have a lot of young people on the list.” – IT Guide

As mediation processes to encounter trade-offs between value creation and value capture activities, the social ventures utilised different mechanisms. For example, Novo Spection established a vetting process to assess the eligibility of their customers. Yalla Trappan, Basta and Just Arrived have regular board meetings with participants from different stakeholder groups. At Yalla Trappan, the needs of the beneficiaries are also represented in the regular board meetings. Basta has a member of the parent non-profit foundation in each board of their commercial ventures.

“Everybody who’s working at Yalla Trappan is in those big meetings. First, we have a board meeting with all employees collecting their needs. In the other board, we have people from the private sector, entrepreneurs, and others from the civil sector.” – Yalla Trappan

The second theme ‘Value Capture’ comprises activities carried out to capture monetary value at the organisation that can then be distributed to shareholders or reinvested into the social venture. Most social ventures had the position that making a profit was essential to secure the venture’s survival. Depending on the financial situation, the pressure to work towards financial sustainability was pronounced. For example, Incluso has chosen to build the venture without taking in external capital and described the initial obstacles of getting the first paying clients as a struggle similar to most new ventures of any kind.

"Any start-up in any industry will struggle at the beginning with winning new deals, getting new customers, spreading the word (...) so it's fairly standard
I think that things go a little slower than you would had expected and had hoped for.” – Incluso

In contrast, Matsmissionen had more leeway testing “different models and different strategies within the model” to make it sustainable due to the financial resources of their parent organisation City Mission Stockholm. Further, their first social supermarket was profitable within the first year, so they did not experience many conflicts about the value capture aspect of their operations. For the WISEs in our sample, making a profit had a high priority as the venture’s survival was linked to the well-being of their employees that are their target beneficiaries. If the economic viability of the social venture is threatened, they cannot fulfil their social mission without additional concessionary capital, grants or subsidies.

“We have to generate income to be able to pay salaries. There’re so many people knocking on our doors to get employed but you have to see what’s possible. It’s always about whether we have enough money.” – Yalla Trappan

“Our goal is to provide good rehabilitation, integration and empowerment for the people that come to Basta but we also have economic goals. We have to make a profit each year. Otherwise, we have to close down and 130 people would lose their jobs and their homes because people also live with Basta.”

– Basta

Incluso decided to take on more standard recruitments after they have realised that a majority of the ventures are not paying extra for the value of a cultural diverse candidate selection. The founder of Incluso assumed that they could have only focused on immigrants if an investor would have provided them with some leeway to become profitable.

“We thought it would be easier to convey the value of having a culturally diverse workforce. We thought that this in itself is worth some extra cash and would provide a sufficient reason to hire us compared to the other larger recruitment firms such as Manpower. It turned out it wasn't that easy.”

– Incluso

The theme ’Measuring Social Impact’ comprises activities carried out to provide evidence for the effectiveness of the social ventures’ work in creating social value. For the tech-enabled ventures (Just Arrived, Handiscover) the business key performance indicators (KPIs) were aligned with their social KPIs. This relation was also the argument to allocate resources to measurement activities. For example, Just Arrived tracked the number of newcomers employed through their platform while Handiscover tracked the number of bookings as their offers are tailored towards the specific needs of their target beneficiaries. In contrast, the quantification of the social value was considered complicated and resource intensive. Hence, anecdotal stories were predominantly used to provide evidence. Non-tech social ventures that involved more direct social interactions showed challenges in measuring their social impact and quantifying the benefits.

“We should be better in presenting the social impact we have on society. Eleven years ago, we did a cost-benefit analysis. We calculated what the society gains if drug abusers convert into taxpayers running a profitable business. An economist did it. It cost a lot of money to put that together. The
method was complicated. It was nothing that we could have done ourselves. We just haven’t invested the money to do it again.” – Basta

“We know the stories of the women but no one has investigated what has been the effect on their families, their children. We have to do many things every day. So those studies have to come from the University or from somewhere else.” – Yalla Trappan

We recognised that some of the interviewees described a scientific approach to the measurement of social impact (Elevledarna, Matsmissionen) and used the data to make informed decisions on how to improve their social value creation activities. Besides Matsmissionen and Elevledarna the founders of the other social ventures did not experience the requirement to demonstrate the social impact to external stakeholders, in particular to public bodies. However, reports on the economic situation were common.

After we have presented the first order categories and the second order themes of the overall aggregated dimensions of acquiring resources and allocating resources, we will compare these findings with the extant literature from the framework and discuss them in the following chapter.
5 Discussion

The following chapter’s aim is to elaborate on how founders of social ventures experience the two areas of tension (1) Acquiring Resources and (2) Allocating Resources. We relate our findings back to previous research and discuss them.

5.1 Acquiring Resources

All founders in our sample are aware of the tension ‘Acquiring Resources’ and experienced challenges in several areas. One central aspect that emerged from our data is the access to financial resources. Their experiences varied depending on the type of investor involved. Our findings indicate that social ventures with a clearly articulated social mission tackling a current societal challenge increase their likelihood of receiving investments from public bodies. Most social ventures receive the major share of their investments from public institutions (Gardin, 2006; Nordic Council of Ministers, 2015). At this point, the influence of the country context comes into play. The Swedish concept of SE is closely connected with WISEs (European Commission, 2014). This category affiliation may serve as a proxy for public bodies to assess the validity of a venture’s social mission. Thus, if founders belong to one of the well-understood categories (e.g. WISEs) they might not need to provide detailed social impact reports. However, overselling the social mission to raise capital entails the risk of economic failure. The case of the Belgian WISE Metalcon demonstrates how unbalanced social imprinting can lead to venture failure (Bruneel, Moray, Stevens, & Fassin, 2016). The founder’s focus on social value creation had no economic counterbalance in the governance structure of the venture resulting in neglected economic warning signals and eventually led to bankruptcy. The Belgian case suggests that the acquisition of financial resources increases the demands on management structures to master the balance between social objectives and commercial market logics. The ability to acquire resources alone seems insufficient to secure the long-term viability of a social venture.

Furthermore, the significant share of public funders imposes risks to social ventures in transition periods between financing contracts. Besides the challenges of receiving initial funding, our findings have illustrated the challenges of securing a follow-up financing if the social venture is not self-sustaining after an initial public source of financing (e.g. European Integration Fund). It requires new efforts to convince public or private bodies to support the social venture financially. As such, project-related investments spark projects but also impose uncertainty and the risk of closing down if the social venture could not diversify income streams during the funding period and follow-up agreements are not assured. Hence, social ventures are searching for alternative sources of financing (Sunley & Pinch, 2012; Weerawardena & Mort, 2006). To attract future public funding, founders of social ventures need to convey their business model
and also how their solution creates positive externalities for the society (Santos, 2012). Therefore, the challenge of measuring social value creation in practice is important. However, our findings indicate that a social venture is more likely to be evaluated on the value gains it provides at the individual level rather than by the total value contribution (value gain at the individual level plus value gain at the societal level).

Our findings further indicate that public bodies are often also a major customer of the venture’s products or services. This customer relationship is affected by public tendering processes. Public bodies in Sweden need to follow tender procedures for services contracts above a certain threshold. Yalla Trappan stressed that contract volumes prevented their participation in public tenders as those would exceed their capacities and smaller shares of a contract are usually not available. They further criticised the lowest price as a selection criterion. Sweden is not enforcing social clauses in their public tenders (Defourny & Nyssens, 2008). However, individual agreements allowed Yalla Trappan to compete and obtain a share of a public tender related to catering services. It is beyond the scope of this thesis to evaluate public procurement policies and suggest adjustments. The experiences surfaced in our study open up interesting avenues to examine the design of public procurement processes and its effect on the resource acquisition strategies of social ventures (Defourny & Nyssens, 2008).

Consistent with the literature (Battilana et al., 2012; Battilana & Lee, 2014; Santos, 2012), the legal incorporation of a social venture played a significant role on what kind of funding resources were accessible for the social venture. These findings suggest that the continuum concept of SE is not reflected in practice. Therefore, some social ventures create two separate legal entities while others create hybrid structures to circumvent the restrictions of a legal form preferences among financiers. While the United Kingdom has introduced additional legal entities such as the Community Interest Company (CIC) to create a designated entity for social ventures, Sweden did not. However, social ventures could employ cooperative structures for this purpose. Yalla Trappan and Basta are examples in our sample. The promise of a dedicated legal entity embedded in a regulatory framework could offer social ventures a legal form that signals their social mission. Further, this legal form could provide additional benefits such as tax breaks to both, founders and investors. However, our findings indicated only limited knowledge about these aspects from the founder’s perspective. These findings provoke further questions to the field of policy making.

Looking at the funding criteria of private investors, the example of Handiscover indicates that private social investors could be more risk-averse. The social venture failed to raise capital from designated social investors. Handiscover as a tech-enabled social venture requires larger initial capital investments so they can scale up and potentially become profitable. This group of approached social investors seemed to search for different risk/return ratios. Further, for-profit investors may be reluctant to invest in social ventures as they may have difficulties determining how the social venture will ensure the pursuit of the value capture aspect alongside with the social value creation (Brandstetter & Lehner, 2015).

Additionally, social ventures with an indirect relationship between their product or service and their social impact may decrease their attractiveness for investments as their social impact requires the collaboration of multiple actors (Santos et al., 2015). Hence this investment would be considered as more risky (Brandstetter & Lehner, 2015). From the perspective of the founders, this imposes the demand to demonstrate how they combine social and commercial
objectives into their venture. A direct relationship between product consumption and social impact is less complex and therefore more likely to attract external capital of more risk-averse social investors. However, our findings from Handiscover suggest that more factors are influencing investment decisions. A study by Miller and Wesley II (2010) suggests that the perceived efficacy of achieving the social mission or the social network of a founder are additional evaluation criteria for social investors.

Aligned with Miller and Wesley’s suggestions, the examples of Just Arrived, Elevledarna and Yalla Trappan illustrate how a social venture can benefit from personal relationships and network effects to increase its attractiveness to investors. The interrelations with credible and renowned individuals or organisations function as a reference point to external stakeholders and provide a legitimacy booster to the venture. Elevledarna, for example, could easier convince other high schools of their methodology after the project was integrated into the Lund University as they benefitted from the legitimacy of the university. In a similar manner, Yalla Trappan benefitted from the agreement with Ikea as they gained the reputation of a social venture that managed to secure a deal with a renowned venture.

These partnerships improve the venture’s capability to capture value (Yalla Trappan) or increase their ability to create more social value due to higher reach (Elevledarna). However, an increased network of stakeholders also comes with challenges. Lee (2014, p. 10) pointedly notes: “Hybrid ventures that meet the initial challenge of capturing evaluator attention thus face the secondary challenge of conforming to the expectations of one set of evaluators, without violating the boundaries of others on which they might also depend”. Lee addresses a dyadic challenge. First, a social venture needs to capture the attention of an evaluator (e. g. a financier, strategic partner, public institution). Second, compliance with the expectations of one type of actor may limit future collaboration with other actors or abort the support from existing partners. The second point refers to cross-sector relationships (e. g. business and philanthropy) in which different expectations need to be balanced. Our findings indicate the importance for social ventures to find strategic partners that increase their legitimacy and thus benefit their social value creation or value capture capabilities. On the contrary, we did not find evidence for the adverse effects cross-sector relationships entail as stressed by Lee (2014) and Moizer and Tracey (2010).

The following paragraph focuses on the tensions regarding the acquisition of human resources. Recruiting talents for social ventures has been another tension experienced by the founders in our sample. Our findings are aligned with previous research suggestions in that people are considered as an invaluable asset of social venture even though their financial situation often limits salaries at market rate (Austin et al., 2006; Ormiston & Seymour, 2011). Just Arrived, as an exception, channelled the majority of their obtained external capital into the compensation of new personnel that enabled them to recruit senior managers with the required capabilities to grow the venture. Salaries are an important criterion for employees but not the most important motivator (Rynes, Gerhart, & Minette, 2004). However, a prescriptive advice on how to achieve a cohesive workforce composition in a hybrid organisation is not available (Battilana & Lee, 2014). For example, a case study by Battilana and Dorado (2010) examined different hiring approaches employed by two microfinance banks. One bank was hiring experienced staff from the banking and development sector. Their operations developed fast but they later faced internal tensions emerging from the incompatible work experiences brought into the
organisation. The other bank experienced the opposite by hiring inexperienced workers who were in alignment with the overall business model. They forged their skill sets and capabilities that made them less successful in the short-term compared to the first bank but avoided performance declines due to emerging tensions in the long-term. The authors found that a common organisational identity is vital to reduce the risk of tensions and interpersonal conflicts. Our findings provided a vivid example with Elevledarna. The co-founders had different visions on how the social venture should spread their teaching methodology. One way was to commercialise the methodology and approach financially strong private schools. The other option was to spread the methodology to as many schools as possible to maximise the impact. As a result of this discussion, one founder left Elevledarna. The remaining founder stated in our interview: ‘‘How do we measure our success? Is it by profit or is it by impact?’ (…) It was the greed that split us apart’. Therefore, hiring practices can affect the performance and the long-term viability of a social venture starting with the selection of the co-founder (Battilana & Dorado, 2010).

5.2 Allocating Resources

All founders in our sample are aware of the tension ‘Allocating Resources’. Social ventures operate with limited resources as much as other ventures and need to allocate them accordingly to their purpose (Barney, 1991; Santos, 2012). As the viability of the social ventures is depended on their economic sustainability while serving a social purpose, trade-offs in the process of resource allocation emerge (Santos, 2012).

Our findings indicate that an alignment of beneficiaries and customers leads to fewer constraints combining value capture activities with social value creation activities. Handiscover was the only venture in our sample incorporating this alignment. The more trips Handiscover sells, the more social value they create to their customers who are also their beneficiaries. Santos et al. (2015, p. 45) describe those ventures as ‘market hybrids’ stating that “such hybrids are close to pure commercial models with the difference being that the organization adopts a social mission”. In this case, Santos’ (2012) logic of empowerment becomes apparent. Handiscover’s service enables and encourages people with disability to travel more. There is a direct correlation between the consumption of the product or service and the social value creation and the one paying is the one benefitting.

On the contrary, social ventures with a disconnected relationship between customers and beneficiaries (e.g. Incluso, Basta, Yalla Trappan) needed to balance their resource allocation between social value creation and value capture activities as their beneficiaries do not contribute to their financial sustainability. Santos et al. (2015) categorise these ventures as ‘bridging hybrids’. For example, ventures pay Incluso for their recruitment services. These ventures represent Incluso’s customers. However, their target beneficiaries are immigrants. Their beneficiaries do not pay for the recruitment service. Incluso’s response to economic pressure was to take on more standard recruitments to capture more value, cut back on the social value creation aspects for immigrants and secure the venture’s survival. These decisions become delicate when the employees of a social venture are simultaneously their beneficiaries – a case
that is not covered in the hybrid array of Santos et al. (2015). Basta and Yalla Trapp are examples. These founders expressed a sense of responsibility to their beneficiaries. As a result, the decision to employ another person is moderated by the perceived risk of laying off employees later. For example, Basta employs former drug abusers in their commercial branches. They weight the opportunity to hire a new beneficiary against the risk of layoffs that may have more adverse effects on the mental toughness of their target beneficiaries. Our findings are aligned with the study of Weerawardena and Mort (2006) that suggested that social ventures employ risk management strategies due to their resource constraints.

Previous research suggests that governance processes can foster the balance between social mission and financial performance (Battilana & Lee, 2014; Ebrahim et al., 2014). Supporting that, the experiences of the founders in our study suggest different strategies for governance processes in practice. Just Arrived and Basta utilised a hybridised organisational structure and manifested their social mission at the core of the parent organisation. Further, Yalla Trappan and Just Arrived employed a board composed of different stakeholders of the organisation to oversee their activities. Furthermore, Yalla Trappan emphasised the importance of internal participatory structures to build a strong organisational culture and sense of community among their beneficiaries. These structures also serve as a governance mechanism and ensured that Yalla Trappan stays connected to the needs of their beneficiaries. However, it remains unexplained to what extent these organisational structures influenced the resource allocation processes in our sample and how they have helped to mitigate the risk of mission drift. Battilana, Sengul, Pache, and Model (2015) found that French WISEs utilise ‘spaces for negotiations’ as a mediation process to balance value creation and value capture activities. Employees working towards different objectives within the same organisation are given space to discuss the daily trade-offs they face and find solutions. As such, different governance strategies exist but their specific influence on daily decision-making processes could not be assessed.

A particular unexpected finding was the founder’s experience with measuring social impact. Our findings support the argument of scholars that measurement practices are complex and require additional resource input that is often not prioritised in social ventures (Ebrahim & Rangan, 2014; Nicholls et al., 2015). The literature further emphasises that social impact measurement serves an internal and an external purpose. Externally, it serves as a justification for a social venture’s existence to their external stakeholders. Internally, it acts as a mechanism for constant improvement in the execution of the social mission (Ebrahim & Rangan, 2014; Emerson, 2003). However, our findings indicate two aspects: although the founders acknowledge the importance of measurement practices, (1) measurement practices do only exist on a basic level for some social ventures and (2) the majority of social ventures do not prioritise measurement practices.

One explanation for these findings can be found in the minimal external demand to provide detailed social impact reports in our profiled social ventures. Instead, economic indicators serve as a proxy for mission success. If the causal relationship between the social venture’s outputs (e. g. amount of drug abusers that complete a work-based rehabilitation programme) and the desired outcome (e. g. rehabilitate drug abusers and reintegrate them into the society) is established and supported by preceding evidence, fewer reportings on the progress of the social KPIs might be requested. On the contrary, social ventures that present a novel solution to an existing problem may have to provide evidence to external stakeholders (e. g. to acquire
resources) and thus have to allocate more resources to measurement activities. For WISEs, economic performance reports may be given preference as the economic argument for public bodies to support WISEs is cost savings for the society. They realise these benefits through the economically viable operation of the social ventures. Stryjan (2004, pp. 27–28) concludes his analysis of the WISEs in Sweden as follows:

“The direct economic contribution of WISEs ought to therefore be measured against the baseline of the costs of custodial/curatorial care for the same group. Formal economic (balance sheet-) performance of any specific WISE depends, to some extent, on local government and public sector actors’ willingness to acknowledge this contribution and remunerate the enterprise accordingly.”

We do not suggest to delegate the responsibility to either the public bodies or the social ventures but to make it a shared priority. By embarking on measurement practices, social ventures could improve the execution of their social mission and optimise their resource allocation while funders can optimise their impact per dollar spend (Santos, 2012). In addition, public bodies can build a better understanding of a problem (e.g. work integration) and the contribution SE can make to its solution.
6 Conclusion

In this study, we aimed to answer the posed research question: ‘How do founders of social ventures experience the tensions in the areas of acquiring and allocating resources?’ To facilitate our study, we have conducted ten semi-structured interviews with founders of social ventures in Sweden. We have analysed our data with a combined approach, namely a direct content analysis followed by procedures of the Gioia methodology (Gioia et al., 2013; Hsieh & Shannon, 2005). With the completion of this study we were able to answer our research question and achieve the following objectives:

(1) observed whether founders of social ventures are aware of tensions in the areas of acquiring resources and allocating resources and

(2) examined how founders of social ventures perceive experience the tensions in the area of acquiring resources and allocating resources

Tensions in the area of ‘Acquiring Resources’

All founders have been aware of the tensions related to the area of acquiring resources.

Access to capital

Our study indicates that a clear articulation of the social mission and a focus on a societal challenge of current public attention increases the likelihood to attract public funding. Further, the dependency on public sources of financing can become a constraint; in particular at the end of a funding period as founders experienced challenges to transition into follow-up financing from the public sector. For the majority of publicly funded social ventures, the public bodies are also their main customer. Our study reveals that founders of these social ventures experience public procurement tenders as a barrier to secure contracts with public bodies.

Private investments remain ambiguous. Our study captured two examples of social ventures seeking private capital with different experiences indicating that there is a plurality of investment criteria among private investors for investments in social ventures (Brandstetter & Lehner, 2015; Miller & Wesley II, 2010).

We found that building legitimacy among both stakeholder groups (commercial and social) increased the likelihood to attract funding. Unexpectedly, we have not found adverse effects one stakeholder group can have on the other stakeholder group as Moizer and Tracey (2010) theorised. This indicates that there are conditions under which adverse effects can be avoided.
Human resources

Consistent with previous research, this study showed that acquiring human resources was realised by using personal contacts and networks to recruit employees with a hiring focus on value alignment (Austin et al., 2006; Ormiston & Seymour, 2011). However, if the financial means are available, competitive salaries were used to attract employees.

Legal incorporation

Our study reveals that the tempting theoretical continuum conceptualisation of SE (Austin et al., 2006; Dees, 1998) faces constraints in its realisation in practice. Our findings show that the legal incorporation of a social venture affects the type of financial resources accessible to their founders (Battilana & Lee, 2014). Beside cooperative models being available in Sweden, we found that founders experienced the need for a designated legal entity tailored to the needs of social ventures. The quest for an SE-entity, we argue, indicates the need for a common language mediating cross-sector collaborations to embark on the path of creating solutions for pressing societal challenges.

The tensions in the area of ‘Allocating Resources’

All founders acknowledged the tensions related to the area of allocating resources as well.

Social value creation and value capture

Our study supports the argument of Santos et al. (2015) that the relationship between customers and beneficiaries is likely to affect the experiences of tensions in the process of allocating resources. The case of the customers not being equal with the beneficiaries can exacerbate trade-off decisions as the beneficiaries do not contribute to the financial sustainability of the social venture. We found an additional case that was not addressed in Santos et al.’s (2015) matrix: the case of the beneficiaries being the employees of a social venture at the same time. Founders expressed a sense of responsibility that led to reluctant decision making in engaging new personnel (Sunley & Pinch, 2012; Weerawardena & Mort, 2006). This case applied, in particular, to WISEs that represent the majority of social ventures in Sweden.

The majority of founders in our study employ governance mechanisms to mitigate the risk of mission drift. For example, boards and intra-organisational structures promoting employee participation are used to account for the risk of mission drift (Cornforth, 2014; Ebrahim et al., 2014).

Social impact measurement

We found that social impact measurement practices are applied if an external stakeholder demanded them. We identified two arguments for not doing it: (1) too complex and (2) too expensive. This finding was unexpected as the literature suggests a self-reinforcing relationship between measurement practices and (1) an improved mission delivery and (2) as a consequence an improved access to resources (Carman, 2010; Ebrahim & Rangan, 2014; Emerson, 2003). Reports on the economic situation dominated the reporting requirements to external stakeholders.
Our study results ought to be seen in the presence of its limitation. We would like to highlight two important aspects. First, our data stem from interviews at one point in time. Participants might have overemphasised recent challenges and gave more weight to latest events affecting their process of acquiring and allocating resources. Second, this study captures the perspectives of founders and thus does not provide a holistic organisational view on the process of acquiring and allocating resources.

As a final remark, we acknowledge that founders of social ventures recognise the tensions. However, their responses to these tensions are context specific. In particular, the national context and the role of beneficiaries in the business model affect the corridor of possible responses to the tensions.

6.1 Practical Implications

Our results are of practical use for prospective founders of and decision makers in existing social ventures.

Understanding the relationship between customers and beneficiaries enables founders of social ventures to visualise the risk of mission drift. A board consisting of stakeholders from the commercial and the social sector as well as representatives of the beneficiaries provides one approach to mitigate this risk.

The legal incorporation of a social venture remains a challenging decision. Considerations on who is envisioned to be the main stakeholders of the social venture and who are target investors can guide the decision for the choice of the legal form.

Measuring the social impact can support the articulation of a social venture’s social mission. In particular, new social ventures can benefit from an early implementation (Social Impact Investment Taskforce, 2014). Alignment with frameworks as the SDGs or similar supports efforts in acquiring financial resources.

Building a strong network helps founders to get access to valuable resources such as funding, employees, partners and customers. Therefore, founders should build personal contacts and networks early on.

6.2 Future Research

Our study surfaced promising areas of academic inquiry future researchers could embark on. First and foremost, our study could be replicated covering different points in time. Future researchers could also look into different development stages of social ventures that could surface stage-specific challenges in the areas of acquiring and allocating resources.
The relationship between customers and beneficiaries in social ventures opens interesting research avenues. Researchers could examine, how different types of investors (public and private) consider this relationship in their investment decision. On the organisational level, future research could examine what kind of management structures or are suitable to master the challenges of each type of customer-beneficiary relationship.

Our study has surfaced challenges for social ventures with competing in public procurement tenders. A promising research direction could be to look into the advantages and disadvantages of social clauses in public tenders.

The influence of the legal incorporation on a social venture’s access to funding provokes further questions. For example, researchers could look into the reservations public and private investors have of a social venture’s legal incorporation and how to overcome those. Further, researchers could examine why cooperative structures are not more often considered among founders of social ventures to demonstrate their social purpose.

The prevailing complexity and resource demand of social impact measurement provoke several further research questions. For example, researchers could examine how measurement practices can be made more accessible to social ventures and their funders by identifying industry-specific needs. Further, researchers could examine under what conditions social impact measurement is considered a joint responsibility among various actors such as social ventures, funders and public bodies.

Finally, previous research suggested that collaboration with actors affiliated with the commercial sector could limit future collaborations with actors affiliated with the social sector and vice versa (Lee, 2014). However, our study did not find adverse effects. Future research could specifically sample social ventures that have experienced adverse effects and compare them with social ventures that did not. These academic inquiries could examine the conditions under what cross-sector collaborations can work.
References


# Appendix A

*Appendix A. Interview guide*

<table>
<thead>
<tr>
<th><strong>Interview Guide Questions</strong></th>
<th><strong>Area of interest</strong></th>
</tr>
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<tbody>
<tr>
<td>Can you please introduce yourself – age, entrepreneurial journey, professional background and current roles?</td>
<td>Characteristics</td>
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<tr>
<td>What were your motives of starting the organisation?</td>
<td>Organisational emergence</td>
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<tr>
<td>What is your business model?</td>
<td>Value capture</td>
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<td>Describe your experience with building this social venture</td>
<td>Identify challenges related to being a social venture and areas of tension</td>
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<tr>
<td>Who are your customers and beneficiaries and how would you describe the relationship to them?</td>
<td>Relationship customers / beneficiaries</td>
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<tr>
<td>Can you describe what value you are creating for your stakeholders?</td>
<td>Value creation</td>
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<td>How do your employees balance activities related to your social mission and financial concerns?</td>
<td>Relationship value creation/ value capture</td>
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<td>What decision-making processes to you follow to balance social mission &amp; financial concerns?</td>
<td>Organisational response to balance value creation and value capture activities</td>
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<tr>
<td>How does being social affect the venture?</td>
<td>Legitimacy</td>
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<tr>
<td>As a founder, how do you ensure all employees share a common organisational identity?</td>
<td>Manager’s response to balance competing logics</td>
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<td>How do you hire new employees? What are you looking for in candidates?</td>
<td>Human resources</td>
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<td>How would you describe your organisational culture?</td>
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<tr>
<td>What legal entity did you choose for the venture? What was your rationale behind your choice?</td>
<td>Institutional logics / Legal form</td>
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<td>How would you describe the reputation of your organisation in the community?</td>
<td>Legitimacy</td>
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<td>What are the venture's current funding sources?</td>
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<td>Can you describe the relationship between your venture and its funders?</td>
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<td>What strategy do you have for future financing?</td>
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<td>How do you track your social impact?</td>
<td>Reporting on social impact</td>
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<tr>
<td>How do you use your reporting on social impact in your venture?</td>
<td>Relationship Reporting / Organisational Activities</td>
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### Appendix B

#### Appendix B. Interview details

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