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Social Entrepreneurship: Exploring the Decision-Making Processes of Social Entrepreneurs when Creating a Community Enterprise

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Abstract

As a response to the failure of existing international systems to address escalating environmental challenges and social inequalities, the need for innovative bottom-up approaches capable of driving transformative change is evident. This empirical study investigates the decision-making processes of social entrepreneurs (SEs) in the creation of community enterprises (CEs). Social entrepreneurs, characterised by their dual focus on social and economic goals, play a crucial role in addressing socioeconomic challenges at the community level. By conducting think-aloud verbal protocols (TAVPs) with founders of successful social enterprises, eight guiding principles were identified, such as *Soil and Seed, Fortress of Tomorrow, Community: the Expert's Compass, Umbrella of Confidence, Collective Prosperity Wave and Be Square,* and *Butterfly Effect*. These principles constitute the framework which highlights how SEs balance community needs, innovation, and long-term sustainability. This dissertation contributes to the field of social entrepreneurship by proposing a decision-making framework specific to the creation of CEs, providing insights for both practitioners and policymakers on fostering sustainable community development.

Keywords: social entrepreneurship, social change, community enterprise, decision-making, thinking framework, social innovation, sustainability

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Table of Contents

Abbreviations relevant to this study

- CBE **- Community-Based Enterprise**
- CE **- Community Enterprise**
- DMP **- Decision-Making Process**
- SE **- Social Entrepreneur**
- TAVP - **Think-Aloud Verbal Protocol**

List of Tables and Figures

Introduction

Prosperity for people and the planet lies at the heart of the United Nation's Sustainability Development Goals, a set of 17 global objectives established in 2015, aimed at addressing poverty, social inequality, and environmental issues (Leal Filho et al., 2019). However, despite numerous global initiatives addressing these issues, significant social challenges persist. While nearly 2 billion workers are trapped in precarious employment without social protection, 9.2% of the world population suffers from chronic hunger, and over 1 billion people live in slum-like conditions in urban areas (United Nations, 2024). These stark figures highlight the urgency of addressing social injustice and the failure of existing systems to tackle inequalities adequately (Ross, 2023). To secure a better future for people and the planet and given the inability of international political systems, the need for alternative approaches – such as bottom-up initiatives - is increasingly evident (Ross, 2023).

Figure 1 - *The 17 SDGs defined by the United Nations. Source : https://www.un.org/sustainabledevelopment/news/communications-material*

In light of this context, social entrepreneurs (SEs) – founders of social enterprises - emerge as pivotal actors for systemic change (Mair and Martí, 2006). Since various definitions of social enterprises exist, it is important to mention that this empirical

study uses a definition provided by Ebrahim, Battilana and Mair (2014): "social enterprises are neither typical charities nor typical businesses; rather they combine aspects of both. Their primary objective is to deliver social value to the beneficiaries of their social mission, and their primary revenue source is commercial, relying on markets instead of donations or grants to sustain themselves and to scale their operations". SEs can be distinguished from other entrepreneurs by prioritising social objectives over commercial ones within their social enterprises, and are described as "innovators advancing solutions that have the potential to transform life around the globe" (Bornstein, 2007, p. ix; Mair and Martí, 2006).

In the 2024 Global State of Social Enterprise report, the World Economic Forum emphasises "the transformative role that social enterprises play in addressing some of the most pressing global challenges" (Schwab, 2024). Ranging from large organisations to small community ventures, social enterprises have demonstrated effectiveness in addressing social injustice and promoting local empowerment as well as sustainable development (Cavite et al., 2023; Somerville and McElwee, 2011). As a subset of social enterprises, community enterprises (CEs) play a particularly important role since they operate within and for communities, which are frequently overlooked by larger economic systems (Somerville and McElwee, 2011). Furthermore, several studies argue that, through bottom-up initiatives, CEs have the potential to deliver the essential foundation for organisations to improve the quality of life for their citizens (Cavite and Kerdsriserm 2023; Laiprakobsup, 2018). Hence, fostering the development of CEs should be a top priority for policymakers and leaders. Given the importance of CEs in community development, it is essential to understand how SEs operate to support CE development (Buratti et al., 2022).

However, the DMPs of SEs in the context of CE creation remain underexplored and require further attention (Buratti et al., 2022). Therefore, this study aims to address this gap by identifying the thinking framework used by SEs in the creation of CEs. In the context of social enterprise, studies have investigated the DMPs of SEs, and their majority is closely intertwined with the role of the effectuation framework in the social entrepreneurial context (Akemu et al., 2016; Johannisson, 2018; Rod and Rod, 2020).The

effectuation framework is based on the DMPs of expert entrepreneurs (EEs) – using Foley and Hart's (1992, p.19) definition of "expert" as "someone who has attained a high level of performance in the domain as a result of years of experience" - when creating a venture (Masilamani et al., 2024; Sarasvathy, 2022a p12, 2011). Studies prove the framework to be teachable and learnable and show that it has the potential to positively impact the performance of new ventures when applied (Cai et al., 2017; Read et al., 2009; Yusuf and Sloan, 2015). To some researchers such as Watson and McGowan (2019) universities should incorporate effectuation in their entrepreneurship classes, as effectuation efficiently promotes entrepreneurship, increases the number of entrepreneurs and attracts students by motivating them.

These findings highlight the importance of exploring the DMPs of successful SEs in the creation of CEs and establishing a framework, as doing so could potentially enhance the sustainability of CEs by improving their performance and increasing their number (Masilamani et al., 2024). However, while some research addressed SEs' DMPs, there remains a significant gap in understanding how these processes apply to the context of CE creation (Buratti et al., 2022). Therefore, the present empirical study addresses the following Research Question: *What are the key principles shaping the decision-making processes of social entrepreneurs when creating a community enterprise?*

To ensure the relevance of this empirical study's results, the primary data is collected from SEs having established "successful" social ventures. As the primary goal of a social enterprise is to create social impact rather than financial gain and given the absence of a globally accepted impact measurement system, this empirical study defines a "successful" social enterprise as one that has operated for a minimum of seven years. This criterion is based on statistics showing a net decrease in the business failure rate after 7 years of existence (U.S. Bureau of Labor Statistics, 2023).

By identifying patterns in SEs' DMPs, this research aims to uncover a thinking framework that offers practical insights for SEs and policymakers. If effective, this framework could contribute to global prosperity by improving the performances of CEs. Additionally, by providing valuable insights about the thinking framework of successful SEs, this dissertation paves the way for

further academic studies about the topic. For instance, future research could explore the teachability and learnability of this framework, assess its applicability and investigate its potential to drive sustainable socioeconomic development. Additionally, understanding the distinctions between social and conventional entrepreneurial decision-making could benefit both groups by opening new opportunities.

This dissertation is organised as follows: the first chapter - the literature review - addresses the concepts of social entrepreneurship and CE as well as the importance of understanding social entrepreneurial DMP. Additionally, this chapter identifies gaps in the current research and sets the theoretical foundation for this research. The second chapter introduces the research methodology used in this empirical study, including justifications for purposive sampling, and a detailed explanation of the think-aloud verbal protocol (TAVP). It also outlines how data from the TAVPs were analysed. The third chapter elaborates on the findings of the research, presenting the main themes revealed by the analysis, and detailing the key decision-making principles identified by this study. In the fourth chapter, these findings are discussed regarding the Research Question and the literature review, and it offers suggestions for future research. Finally, the dissertation concludes with the fifth chapter acknowledging its limitations and summarising the key contributions of the research.

Chapter 1: Literature Review

This chapter provides an in-depth exploration of the existing literature about the key concepts related to the Research Question: "What are the Key Principles Shaping the Decision-Making Processes of Social Entrepreneurs when Creating a Community Enterprise?". By getting a deeper insight into the topics, the literature review aims to clarify the concepts of social entrepreneurship and community enterprise, and it also illustrates how SEs contribute to the creation of successful sustainable CEs. Moreover, through an investigation of relevant literature, this chapter shows the importance of understanding the factors driving the decisions of SEs and identifies a gap in the existing literature.

1. Social Entrepreneurship

While the practice of addressing social issues through commercial activities has existed for centuries, social entrepreneurship is an emerging phenomenon which continuously evolves (Dacin et al., 2011). Building a bridge between entrepreneurial and social action, social entrepreneurship has witnessed increasing academic interest over the last three decades, leading to an important number of published research (Saebi et al., 2019; Robert and Woods, 2015). Hence, Dr Bonnici, Head of Social Innovation at the World Economic Forum and Director of the Schwab Foundation for Social Entrepreneurship, demonstrates in a 2022 report, that social entrepreneurship "is one of the largest movements of our time" (Bonnici n.d., cited in British Council, 2022). Despite this growing interest, there is no universally accepted definition of a social enterprise (Zahra et al., 2008). For instance, whereas Austin et al. (2006) conceptualise them as explicitly not-for-profit activities and Ebrahim et al. as for-profit enterprises prioritising social missions over profit. This research chose the latter definition, as a venture needs to be financially autonomous to ensure sustainability (Defourny et al., 2021; Zahra et al., 2008).

The heterogeneity of definition of the concept divides the opinion of academics. Saebi, Foss and Linder (2019) claim that the heterogeneity of interpretations of social entrepreneurship leads to the undervaluing of the outcome of studies in this field. To them, the absence of consensus on this definition represents a challenge,

as research on the subject may only be relevant to social enterprises that align with the specific definition employed in the study (Saebi et al., 2019). Nevertheless, for Mair and Martí (2006), this confusion is an opportunity to question and rethink core ideas and assumptions about social entrepreneurship to provide a unified definition of the concept based on existing literature and cases. They conclude that social entrepreneurship prioritises social over financial value and catalysing social change rather than capturing value. Furthermore, they identify social performance assessment – also referred to as social impact measurement - as the main challenge for SEs. Last, they argue that social entrepreneurship – often researched through existing entrepreneurship literature - should be an independent field of research (Mair and Martí, 2006).

Although various ways of defining a social enterprise exist, one undeniable fact remains: a social enterprise's core objective is to catalyse social change within society, with social value creation prioritised over profit generation (Austin et al., 2006; Dacin et al., 2010; Mair and Martí, 2006; Saebi et al., 2019; Seelos et al., 2011; Zahra et al., 2008). Social change, social value creation and social impact can be defined as the value received by beneficiaries and other stakeholders through the undertaken initiative (Kolodinsky et al., 2006).

2. Social Entrepreneurship throughout the Years

The establishment of microfinance institutions in the 1970s became a meaningful milestone for social entrepreneurship (Martin and Osberg, 2015, p.51-55). By providing financial services to underserved populations, microfinance institutions allow people to exit the cycle of poverty perpetuated by exploitative middlemen. Typically, small loans are provided to people in communities where traditional aid programs have failed to make a sustainable impact. Muhammad Yunus, Nobel laureate and pioneer of microfinance, created the first microfinance bank - Grameen Bank - in response to the poverty he observed in Bangladesh. As a result, people living in precarious conditions could afford to invest in animals and assets, enabling them to start a commercial activity and generate income. This innovative microfinance model has since spread globally, marking a transformative shift in how financial services

are provided to the poor, and showing the world that a social enterprise can be profitable (Martin and Osberg, 2015, p.51-55).

Subsequently, global awareness of social and environmental responsibility has steadily increased, accompanied by a rise in the number of social enterprises (Agrawal and Hockerts, 2019). Parallel with the growing emphasis on social responsibility among consumers and investors creating a more favourable environment for social enterprises to thrive, technological innovation also represents an opportunity for social entrepreneurship to spread. Thus, the fast-evolving world of digital technologies and social media enables social entrepreneurs to reach broader audiences and enhance engagement (Martin and Osberg, 2015, pp. 64-65). As the notoriety of social entrepreneurship increases, it gains the interest of a wider number of individuals.

Witnessing the growing popularity of social entrepreneurship and its potential to generate profit, "impact investors" emerge. Introduced in 2007, the term "impact investing" implies investing in enterprises having as an objective the generation of social and environmental benefits, while usually receiving a return on the principal investment (Agrawal and Hockerts, 2019). However, despite the growing number of social enterprises, global social inequality persists and the need for social policy becomes increasingly urgent.

In 2015, all United Nations Member States adopted the Sustainable Development Goals (SDGs) representing the first globally endorsed actionable agenda for all citizens (Del-Aguila-Arcentales et al., 2022). The SGDs' establishment significantly helped social entrepreneurs position themselves and legitimise their venture's social status. Consisting of a comprehensive set of objectives aimed at achieving worldwide sustainable development by 2030 including eradicating poverty, protecting the planet, and ensuring peace and prosperity for all, the SDGs are often closely linked with the objectives of social enterprises (Purcell et al., 2019). This alignment has been explored by Oliński and Mioduszewski (2022), who highlight the critical role played by social enterprises in achieving those SDGs, particularly through creating employment for marginalised groups and addressing local community needs, notably through CEs.

3. A Catalyst for Social Impact

Based on a 2024 World Economic Forum (WEF) report, the number of social enterprises globally in 2021 was estimated at 10 million, representing 3% of all existing businesses, with a value worth 2% of global GDP (Schwab, 2024). In 2023, social enterprises are estimated to have employed 200 million individuals. Beyond job creation, they also contribute to SGD 5 – focusing on gender equality- simply by existing, as every second social enterprise is founded and led by a woman (Schwab, 2024). By creating employment and building the necessary infrastructure and institutions for development, social enterprises have the potential to drive socioeconomic development across the globe (Zahra et al., 2008, p. 118).

Nevertheless, the lack of consensus over the definition of social entrepreneurship emerges again. Indeed, due to the confusion surrounding the subject, and despite several private initiatives – such as B Lab - there are no standardised metrics or framework for measuring social and environmental impact (Schwab, 2024). Furthermore, certain existing social enterprises may be remote, and their data may not be available. Therefore, it is hard to assess the exact global impact of social entrepreneurship.

4. Challenges faced by Social Entrepreneurs

While the growing awareness of social responsibility presents significant opportunities for social entrepreneurship, it is also confronted with challenges (Ebrahim et al., 2014; Perrini et al., 2021; Zahra et al., 2009). Among others, a prominent challenge SEs face is managing the complex balance between financial and social objectives (Ebrahim et al., 2014). It requires strict regulations and strong governance to prevent the risk of drifting away from the venture's core social mission (Bloom and Chatterji, 2009, p. 120; Ebrahim et al., 2014). This risk, known as *mission drift,* refers to the risk that a social enterprise, pursuing both social and commercial goals, may lose sight of its social mission in favour of profit (Ebrahim et al., 2014). Mission drift can have several causes, including internal shifts from a leadership team or conflicting interests of investors and other stakeholders, necessitating strong governance to mitigate this risk (Ebrahim et

al., 2014). Consequently, social enterprises may lose credibility in the eyes of their stakeholders and fail to accomplish their mission of creating social value for beneficiaries (Ebrahim et al., 2014).

Moreover, while mission drift is often attributed to weak governance, it is frequently the result of poor performance assessment (Ebrahim et al., 2014). Hence, social and financial aspects of social enterprises can have distinct - and contradictory - success factors, which can be confusing and lead to putting the core mission at risk. Hence, in addition to the fact that there is a lack of agreement on the definition of social entrepreneurship, no standardised method for measuring social impact – the outcomes of actions undertaken by SEs – exists (Perrini et al., 2021). Consequently, a significant number of studies have been published on how social impact and value should be measured leading to a chaotic heterogeneity of measurement indicators. This diversity hinders the development of a unified measurement system and challenges the ability of SEs to select appropriate measurement methods and implement them correctly (Perrini et al., 2021).

Furthermore, social entrepreneurial activities naturally tend to have a *local* focus (Seda and Ismail, 2020). Innovations frequently arise within a specific geographic context or community and are based on issues encountered locally, and often, these initiatives do not cross the borders of their place of creation (Seda and Ismail, 2020). Therefore, certain researchers insist on the locally embedded characteristics of social entrepreneurship, and some even mention that social enterprises are bound to their geographical situation (Seelos et al., 2011; Shaw and Carter, 2007). Nevertheless, Seelos et al. (2011) highlight that SEs' initiatives within local communities can be viewed as culturally and cognitively embedded within different global communities facing similar challenges or undertaking similar initiatives by using common frameworks. This excludes some exceptions traveling outside their local communities, such as the example of Muhammad Yunnus and microfinances (Moodie, 2013).

5. Community Enterprises

Usually closely connected to their geographical location, community enterprises (CEs) are a subcategory of social

enterprises (Kleinhans, 2017; Somerville and McElwee, 2011). Despite no widespread acknowledgement regarding CEs' conceptualisation, this research defines CEs as "organisations that engage in commercial activity and operate for the development of a local community by bringing economic, social, and environmental benefits" which can be "initiated by local and external actors" (Buratti et al., 2022, p. 376, 2022, p. 389). Provided in a recent systematic literature review by Buratti et al. (2022, p. 376), this definition is based on the review of three decades of empirical studies and theorisations about CEs. Whilst CEs can take various forms including community-based enterprises (CBEs) – in which all community members must be involved, cooperatives, and self-managed CEs, this empirical study uses the term *CE* to refer to all existing types of CE, given that they answer to the above-mentioned definition (Buratti et al., 2022; Peredo and Chrisman, 2006). In the context of community entrepreneurship, Seelos et al. (2011) argue that SEs use conventional business models as a base for their venture. Then, they identify that CEs can adopt three types of strategic orientation, depending on what they want to achieve: *collective action orientation* – seeing the community as a key collaborator of the enterprise, *market-based orientation* – in which market opportunities are identified and serve as a base for the CE and *social-giving orientation* – which relies on external financial and human resources.

Having mainly started to gain popularity in the 1970s, parallel to social enterprises, CEs are bottom-up initiatives that prioritise social impact over profit (Buratti et al., 2022; Somerville and McElwee, 2011). Their identity and activities are generally shaped by the local context and relationships of the place they operate in, and CEs are typically managed by community members (Buratti et al., 2022). According to Fortunato and Alter (2015), CE serves as a bridge between entrepreneurship and community development, aiming primarily to improve the socioeconomic - and sometimes environmental - conditions of the community they serve through commercial activities. Renowned for revitalising and preserving communities by leveraging local resources and knowledge, CEs also have the potential to create a virtuous cycle between action and culture, with local culture promoting community involvement, and CEs supporting and strengthening local culture (Buratti et al., 2022; Peredo and Chrisman, 2006). As a result, CEs are not only

founded on social capital but also generate social capital for their communities (Peredo and Chrisman, 2006).

By adopting a holistic approach that considers all needs and risks to achieve community development within a specific geographical space, CEs often evolve into multi-functional ventures that concurrently pursue economic, environmental and social objectives (Peredo and Chrisman, 2006; Varady et al., 2015).

Whereas community entrepreneurship is frequently based on collective action, various scholars emphasise the importance of having a leader within a CE, among others to guide the CE's members and cultivate relationships with external stakeholders (Kawharu et al., 2017; Lobo et al., 2016).

6. Community Enterprises as a Bottom-Up Approach to Social Issues

Norlha is a Tibetan CBE that produces and sells high-end yak wool textiles (Arjalies and Yu, 2019). It was established in 2007 by Dechen Yeshi in response to emerging social, environmental and economic challenges faced by a nomadic community on the Tibetan Plateau in a village called Ritoma. Historically reliant on yak breeding, this community has encountered emerging challenges in recent decades, such as rural depopulation and financial difficulties regarding their reliance on yak breeding.

To prevent the community from migrating to urban areas, Yeshi and her mother realised the traditionally undervalued potential of yak wool. By transforming this material into high-quality textiles, Norlha created stable employment for the community's members, while preserving their cultural heritage through the promotion of traditional weaving techniques. By selling high-range textiles to well-established luxury brands, the CBE has gained international recognition for its quality products, bringing global attention to the importance of sustainable community-based initiatives (Arjalies and Yu, 2019).

By fostering economic resilience, preserving cultural heritage, and promoting sustainable development within communities, enterprises like Norlha illustrate how community enterprises can drive social change (Buratti et al., 2022). Seventeen years after its

founding, Norhla continues to flourish, being B Corp certified and having received the *Best for the World* B Corp award in 2021 and 2022 (B Corporation, 2024). Recently, accepting the request of the Bureau of Commerce of the Gannan Tibetan Autonomous Prefecture, Yeshi scaled Norlha and its impact by establishing a workshop in a neighbouring community (Yu and Arjaliès, 2019). Once a mere idea, Norlha has grown into a thriving social enterprise, employing 130 individuals and improving the well-being of hundreds of families, while also contributing to systemic change by serving as a model for CEs and sustainable development (Yu and Arjaliès, 2019; Norlha, 2024).

7. Decision-Making Processes of Social Entrepreneurs

Norla's success story is just one example among many prosperous CEs (WEF, 2023). However, statistics reveal that 20.4% of businesses fail within their first year and nearly 50% do not survive beyond five years (U.S. Bureau of Labor Statistics, 2024). How, then, did Yeshi succeed in establishing a thriving venture? While the decisions behind a venture's success can often be identified and analysed through facts and numbers, the principles guiding these choices are personal and unique to the individual making them (Sarasvathy, 2011). Individuals can sometimes even be unconscious of the reasons shaping their decisions. In fact, people can be subconsciously influenced by factors they are not fully aware of when making decisions (Sarasvathy, 2022). Consequently, by investigating the principles shaping the decision-making processes of SEs when creating a CE, this research aims to uncover a thinking framework, revealing the principles guiding the decisions of SEs having established successful social enterprises that operated for a minimum of seven years (as statistics show a net decrease in the business failure rate after 7 years of operations, [U.S. Bureau of Labor Statistics, 2023]).

"Decision-making is the process whereby an individual, group or organisation reaches conclusions about what future actions to pursue given a set of objectives and limits on available resources. This process will be often iterative, involving issue-framing, intelligence-gathering, coming to conclusions and learning from experience" (Augier and Teece, 2018, p. 1).

Understanding the DMP of SEs is essential because these processes directly influence the effectiveness and sustainability of SE's ventures (Buratti et al., 2022). Social entrepreneurs operate under unique constraints, such as limited resources and the need to balance social missions with financial sustainability (Ebrahim et al., 2014). Although DMPs are unconsciously influenced by a wide number of factors such as emotions and human capital (skills, background, education, experience, and more) understanding which principles are most influential for SEs can lead to better decision quality, which in turn enhances their likelihood of success. (Serna-Zuluaga et al., 2024; Shepherd et al., 2015). By investigating the main principles shaping SEs' decision-making processes, this research aims to provide insights into the strategies that enable social entrepreneurs to navigate these challenges successfully. This knowledge can inform both practitioners and policymakers, helping to create supportive environments that foster the growth and impact of social enterprises (Fisher, 2012; Sarasvathy, 2001).

8. A Call for Further Research

Despite the empirical attention received by the study of SE's DMP, the lack of an established definition of social entrepreneurship makes several findings obsolete regarding this research. For instance, according to Austin et al. (2006), the DMPs from SEs differ from conventional entrepreneurs' DMPs. However, in their paper, social entrepreneurship refers to a non-profit activity, which makes it impossible to apply their findings to the present study (Austin et al., 2006). Despite significant studies and recognition of social entrepreneurship over the past three decades, numerous researchers state that in the realm of social venture creation, the DMP of social entrepreneurs has been under-investigated and overlooked (Akemu et al., 2016). They call for further research into how the social dimension influences the entrepreneurial thinking process (Akemu et al., 2016; Dorado, 2006; Johannisson, 2018).

According to Arend, Sarooghi and Burkemper (2015), external individuals, part of the SE's environment, can strongly impact the DMP of SEs during the emergence of a social enterprise. Through their study, they suggest that distributed agency enables effectuation and that in the context of social entrepreneurship,

effectuation is not necessarily possible or wanted (Akemu et al., 2016). However, since they investigated only one company, which evolved in the context of one specific industry "in an economically advanced part of the world", they suggest that future studies could explore the evolution of entrepreneurial decision-making strategies in the context of social enterprise emergence. (Akemu et al., 2016).

Thus, the DMPs of SEs seem to be a mostly under-researched topic, apart from one specific context: effectuation.

9. Social Entrepreneurs and the Effectuation Framework

When launching a new business, SEs navigate uncertainty similarly to different types of entrepreneurs, as they merge means to create novel services, organizations or products aimed at addressing social needs or catalysing social change (Mair and Martí, 2006; McMullen and Shepherd, 2006). In this context of uncertainty, a widely recognised thinking framework is frequently researched in regards with SEs' DMPs: effectuation (Akemu, 2015).

In 2001, Sarasvathy (2001) developed the effectuation framework; a teachable and learnable thinking framework used when launching a new enterprise by expert entrepreneurs (EEs), who are defined as "[…] a person who, either individually or as part of a team, had founded one or more companies, remained a full-time founder/entrepreneur for ten years or more, and participated in taking at least one company public" (Sarasvathy, 2022). To her, logic is "an internally consistent set of ideas that forms a clear basis for action upon the world" (Sarasvathy, 2022, p. 56). Effectuation is based on five principles driving the DMP of EEs, namely:

o Bird-in-hand: EEs operate with available means
o Affordable loss (also called downside focus): EEs operate by thinking about affordable loss, instead of profit maximization
o Patchwork quilt (also called the self-selection principle): EEs self-selected their stakeholders and leverage partnerships to minimize uncertainty and maximize stakeholder commitment

- Lemonade (also called leverage contingencies): turn unforeseen factors and surprises into indications and opportunities to set up potential new markets
- Pilot in the plane (also called the co-creation principle): make the future instead of predicting it, by focusing on tasks which can be controlled rather than attempting to forecast potential outcomes (Foss et al., 2023; Sarasvathy, 2022).

The term effectuation comes from "effectual" as opposed to "causal", meaning that when using effectual reasoning, EEs focus on what is within their control in the present as opposed to causal reasoning, where one focuses on trying to predict the future (Sarasvathy, 2006). "Causation processes take a particular effect as given and focus on selecting between means to create that effect. Effectuation processes take a set of means as given and focus on selecting between possible effects that can be created with that set of means" (Sarasvathy, 2001). This distinction is illustrated in the following figure, which compares causal, creative causal, and effectual reasoning:

Managerial Thinking -- Causal Reasoning
Distinguishing Characteristic:
Selecting between given means to achieve a pre-determined goal

M_1
M_2
M_3 → Given Goal
M_4
M_5
Given Means

Strategic Thinking -- Creative Causal Reasoning
Distinguishing Characteristic:
Generating new means to achieve pre-determined goals

M_1
M_2
M_3 → Given Goals
M_4
M_5 New means are generated

Entrepreneurial Thinking -- Effectual Reasoning
Distinguishing Characteristic:
Imagining possible new ends using a given set of means

Imagined Ends

Given Means
M_1 M_2
M_3 M_5
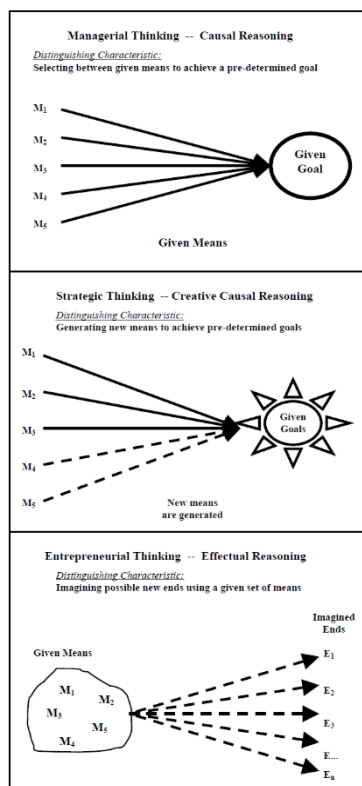M_4

E_1
E_2
E_3
$E_...$
E_n

Figure 2 - Comparing casual, creative casual and effectual reasoning (Sarasvathy, 2006)

Numerous academics including Masilamani et al. (2024) and Yusuf and Sloan (2015) found that effectuation is relevant for SEs and the non-profit sectors. Nevertheless, the effectuation framework is based on observations of EEs' thinking logic, raising questions about its applicability to SEs (Johannisson, 2018; Sarasvathy, 2001). Dorado (2006) calls for prudence when applying findings from non-social entrepreneurship research to social entrepreneurship. Moreover, Mair and Martí (2006) argue that social entrepreneurship should be an independent field of research, suggesting that effectuation in a social entrepreneurial context also warrants separate examination. Additionally, Yusuf and Sloan (2015) contend that the DMPs of SEs establishing non-profit ventures differ from Sarasvathy's (2001) effectuation principles.

Johannisson (2018) further argues that the thinking logic shaping decision-making in a social entrepreneurial context differs from Sarasvathy's (2001) effectuation. In this context, he introduces "necessity effectuation", stating that entrepreneurs involved in creating a social venture aim at creating a better society, possess a sense of responsibility, and are committed to the creation of social value. To him, Sarasvathy (2001) grounds her discussion in economic theories and argues that entrepreneurship fundamentally arises from human agency – the deliberate and purposeful enactment – with little consideration for the potential impact of desire and emotions over an individual's thinking logic, namely, conative and affective mental states (Johannisson, 2018).

To conclude, whereas some researchers explored SE's DMPs, the study of the principles driving SEs' DMP when creating a CE is underemphasised and has received limited empirical attention (Buratti et al., 2022). Consequently, this research aims to establish a framework based on SEs' DMPs within the community entrepreneurial context to serve as a base for future SEs and further research.

Chapter 2: Methodology

This chapter introduces the research design used to explore the key principles guiding SEs' DMP when creating CEs (see Figure 3). This empirical study employs a qualitative approach, in which participants were selected using purposive sampling and think-aloud verbal protocols (TAVPs) were used to capture the participants' DMP during decision-making tasks, followed by exit interviews for data triangulation. The data was analysed on NVivo through thematic protocol analysis to identify decision-making patterns.

Figure 3 - Research Design

1. Defining Conditions for Purpusive Sampling
1.2 Identifying and Contacting Potential Participants

2. Designing the Research Instrument

3. Conducting Think-Aloud Verbal Protocols
3.1 Finishing with Exit Interviews

4. Thematic Analysis Using NVivo
4.1 Coding
4.2 Identifying and Analysing Themes

5. Interpreting the Results

Source: Made by Author

1. Purposive Sampling

For this empirical study, participants are deliberately selected through purposive sampling, which allows the researcher to gather detailed information on a desired topic (Knott et al., 2022). All participants must respond to this study's definition of a social entrepreneur and must be the founders of at least one successful social enterprise (see definition below).

They are selected upon fulfilment of the following conditions. The social entrepreneur must have (individually or as part of a group):

- founded at least 1 successful social enterprise,
- founded a successful social enterprise (a social enterprise which has operated for a minimum of 7 years, since according to the US Bureau of Labour Statistics [2023] most businesses fail between the 1st and the 6th year of existence),
- worked in a social enterprise she/he founded for at least 7 years (same reason as above).

Qualitative research has found that approximately 90% of all concepts can be identified within 6 to 18 interviews by reaching data saturation and that with think-aloud methodologies, meaningful insights can be obtained with as few as 5 participants (Francis et al., 2010; Morgan et al., p.77, 2001; Namey et al., 2016; Virzi, 1992). Consequently, this study gathered data from 8 participants who were identified through various channels including public lists from B Corporation and the World Economic Forum and were contacted via email and LinkedIn.

According to the World Economic Forum (2024), every second social enterprise is founded by a woman, thus for the data to be representative the sample contains 4 men and 4 women. Furthermore, as social entrepreneurship is a global movement, the sample contains SEs active on the African, European, Asian, American and South American Continents (Stecker, 2014). No participant is active in Oceania.

2. Think-Aloud Verbal Protocol

For this research, primary data has been collected via think-aloud verbal protocols (TAVP), which consist in asking participants to think aloud (Ericsson and Simon, 1993). Once having accepted to take part in a decision-making activity without knowing its content before execution, the participants were asked to continuously think aloud while making decisions when undertaking a set of tasks. Each think-aloud protocol has been recorded and transcribed.

Widely utilised in research over the past 30 years and proven to be highly effective, the TAVP method has contributed to the development of new models depicting heuristic approaches and cognitive processes employed in decision-making and problem-solving, in contexts such as chess, medical diagnosis and accounting (Ericsson and Simon, 1993; Gobet and Charness, 2006; Kuusela and Paul, 2000; Sarasvathy, 2022). TAVPs allow researchers to capture a real-time sequence of thoughts involved in the decision-making process and reasoning strategies, avoiding the retrospective bias that can affect other methods (Ericsson and Simon, 1993; Someren et al., 1994).

To obtain results through TAVPs, participants must complete a (set of) task(s) without being aware of its content in forehand, to be able to think aloud spontaneously (Charters, 2003). For the results to be reliable, TAVPs must be designed considering a diverse range of aspects, involving the selection of appropriate tasks for the participants, data triangulation, and a suited data interpretation method (Charters, 2003). Despite the limitations and difficulties of assessing the thought processes of another individual, TAVP is considered a reliable method for understanding thought processes (Ericsson and Simon, 1993, p.247; Noushad et al., 2024). According to Olson et al. (2018), TAVPs are highly effective for assessing higher-order cognitive processes, such as decision-making, and argue that this method is useful for exploring individual variations in the same task's performance.

Despite its efficiency, TAVP has certain limitations. Participants may find it unnatural to continuously verbalise their thoughts, which can potentially alter their cognitive processes (Nielsen, Clemmensen, & Yssing, 2002). To mitigate this issue, participants had to undergo think-aloud training before the task. The training is essential as it provides participants with the necessary

confidence to effectively articulate their thoughts (Ericsson and Simon, 1993). Furthermore, the presence of the researcher or recording device might induce performance anxiety or self-monitoring, compromising the authenticity of the data (Charters, 2003). To address this concern, recordings will be conducted online using the participants' computers, allowing them to select a location where they feel at ease.

Some cognitive processes might be too rapid or subconscious to be verbalised effectively (Nisbett and Wilson, 1977). Furthermore, transcribing and analysing verbal data is time-consuming and requires careful interpretation to avoid researcher bias (Ericsson and Simon, 1993). Thus, TAVP necessitates methodology triangulation.

3. Research Instrument

Participants were required to engage in an activity (see Appendix A) while continuously verbalising their thoughts. Initially, they were tasked with designing a new social venture (community enterprise), based on provided market research and their own experience. Subsequently, they were confronted with a series of seventeen decision-making tasks, requiring them to navigate various problem-solving scenarios and respond to emerging challenges. All participants were given the same market research, as the primary focus of the study was not on the specific outcomes they produced, but on the thought processes through which they arrived at those outcomes.

To design a reliable set of tasks for TAVPs, researchers must have a deep understanding of problems and tasks faced by their focus group when making decisions (Charters, 2003). Prevalent challenges faced by SEs have been identified based on existing literature to form the basis for decision-making tasks. The selected challenges were presented under the context of a new venture creation. Examples of recurrent challenges faced by SEs used for this instrument include; emotional biases hindering the entrepreneur's objectivity, innovative ideas of social enterprises not being aligned with stakeholders and consumers, creating barriers, egoistic and other unethical behaviour, demonstrating the social enterprise's potential social impact at an early stage to gain

credibility, mission drift, accountability challenges, taking unnecessary risks, estimating financial outcomes, and more (Battilana, 2018; Bunt, 2011; Ebrahim et al., 2014; Jia et al., 2016; Renko, 2013; Zahra et al., 2009).

4. Methodology Triangulation: Exit Interviews

Whereas Johnson (1992) is one of the few researchers who relied on TAVP as his only source of data, most researchers use a methodology triangulation to help to improve the reliability of their results (Charters, 2003). This study used "exit interview", which is the most commonly used triangulation method to facilitate an accurate interpretation of TAVP results. (Charters, 2003; Davis and Bistodeau, 1993; Gibson 1997). Exit interviews are conducted after a TAVP and allow the researcher to clarify certain ambiguous parts of the TAVP and allow the participants to detail certain thought processes (Charters, 2003; Eccles and Arsal, 2017). Conducting "exit interviews" after every TAVP helps triangulate and interpret the data collected during the TAVP and will enhance the credibility of the data interpretation (Davis and Bistodeau, 1993). As found by Gibson (1997), such an "exit interview" is most reliable when conducted in the shortest possible period after the think-aloud recording is conducted.

5. Thematic Protocol Analysis

Once the TAVP and the exit interviews were conducted, the verbal protocols were subject to thematic protocol analysis. This method is highly recommended by researchers for analysing TAVP, particularly in the field of psychology, when there is a requirement to elucidate similarities and differences within a dataset (Braun and Clarke, 2022; Someren et al., 1994). The transcripts were imported to- and coded with the help of a software suited for thematic analysis: NVivo (Richards, 1999). Extracts of each transcript were selected and named after themes, based on which principles were created. The results of all interviews were analysed, to design the social entrepreneurial DMP principles, drawing upon commonalities and differences identified among the social entrepreneurs. All data was anonymized, since the study aimed to understand the overall thinking logic of social entrepreneurs.

6. Limitations

While purposive sampling ensures relevance, it limits the applicability of the findings, because it selects participants based on specific criteria, potentially leading to selection bias and restricting the applicability of the results to a broader section of SEs (Francis et al., 2010). Of the 17 contacted participants, only eight accepted to participate, reducing the sample's representativeness (Francis et al., 2010). Furthermore, as the participants were chosen by the researcher, the selection may have been biased by the author's interests, potentially influencing the findings (Eccles and Arsal, 2017). Then, the results are geographically limited due to the absence of participants from Oceania.

Despite being efficient and fascinating, the TAVP method also has notable limitations (Eccles and Arsal, 2017). First, to some participants, verbalising thoughts is unnatural (Davis and Bistodeau, 1993). Therefore, it happened that participants would forget to think aloud, which required an intervention from the researcher, therefore leading to inconsistent data (Eccles and Arsal, 2017). Second, even when trying to think aloud, certain mental processes are subconscious or too quick to be articulated (Charters, 2003).

Third, some introverted or self-conscious participants may feel uncomfortable sharing intimate thoughts with a researcher or facing challenges where they may not excel, leading them to self-monitor their verbalised thoughts (Someren et al., 1994). Lastly, as time passes, participants tend to become more comfortable with thinking aloud, hence the TAVP time limit (one hour) set by the researcher restricts the amount of data collected as well as the collection of potential deeper insights (Someren et al., 1994).

The research instrument used in this study, involving a market study followed by 16 challenges, also has limitations. The pre-designed tasks may have limited the creativity of certain participants and not represented the complexity of real-world situations (Eccles and Arsal, 2017). Then, the structured nature of the challenges could oversimplify decision-making processes (Eccles and Arsal, 2017).

The analysis of verbal data is time-consuming and subject to interpretation (Someren et al., 1994). While thematic analysis

using NVivo software helped identify themes and patterns, the coding and analyses are subjective processes (Eccles and Arsal, 2017). Therefore, the reliance on the researcher can bias the interpretation of the data, and although exit interviews were conducted to enhance reliability, the reliance on a single researcher remains subjective (Someren et al., 1994).

To conclude, the small sample size, the challenging methodology for the participants, the nature of the research instrument and the subjectivity of data interpretation may have influenced the depth of insights and consequently limit the applicability of this study's findings and the validity of its conclusion.

Chapter 3: Empirical Results

This section explores the principal themes that emerged from the thematic analysis as an answer to the central Research Question: "*What are the key principles shaping the decision-making processes of social entrepreneurs when creating a community enterprise?".* The analysis of the TAVPs identified recurring themes, revealing a common thinking framework shared by all participants of this study. This thinking framework is constituted by eight prevalent themes, each representing one guiding principle for the DMPs of SEs when creating a CE (see Figure 4). Based on collected information regarding the emerging themes, the themes were named to reflect their meaning, and symbols were designed with Adobe Illustrator to represent each principle (see Figure 4). In the following section, these eight principles will be introduced, explained and supported with relevant quotes from the TAVPs.


Soil and Seed

Social entrepreneurs begin the process of community enterprise creation by acquiring a holistic understanding of the community's environment and identifying its social needs. The identified social needs form the foundation of the enterprise, offering critical insights into the type of venture that is most likely to flourish within the specific context of the community.


Don't Invent, Innovate

Within the community, social entrepreneurs identify and leverage existing means, such as assets, skills and knowledge. Rather than inventing new solutions, they innovate upon the existing resources to develop unique products or services, thereby minimising investment.
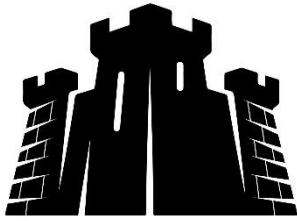
Fortress of Tomorrow

Social entrepreneurs seek to establish a risk-proof community enterprise that ensures long-term social and economic impact. Through the implementation of strict regulations and strong governance, they aim to mitigate both internal and external risks, such as mission drift and other challenges. By employing future-oriented planning, they aspire to create a secure foundation – a fortress - for future generations.
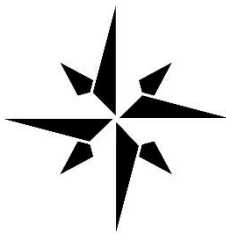
Community: The Experts' Compass

Social entrepreneurs recognise the necessity of experts in a community enterprise to provide guidance and support in navigating challenges. However, it is the community members who set the direction of the enterprise, and their involvement in decision-making is essential to ensure the venture remains aligned with their needs and priorities.

Umbrella of Confidence

Social entrepreneurs view organisational culture as a crucial factor in the success of a community enterprise. Built on shared values, pride, trust and dignity, this culture motivates and empowers community members, promoting both social and financial success. It provides a sense of security, uniting the employees under an umbrella of confidence.
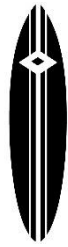
Collective Prosperity Wave

When creating a community enterprise, social entrepreneurs are committed to creating collective value for both the community and neighbouring communities. By increasing employment opportunities and fostering synergies with other businesses, they invite others to ride the wave of prosperity. This approach encourages sustainable, local value loops that promote the principles of a circular economy.
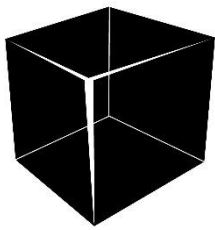
Be Square

Social entrepreneurs prioritise transparency, ethical practices and grounding decisions on measurable outcomes to ensure their actions remain constantly alignment with their social impact goals and maintain honesty with their stakeholders.
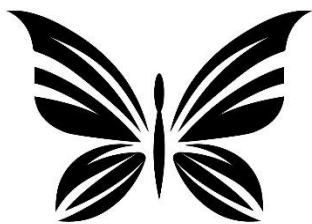
The Butterfly Effect

With minimal investments, social entrepreneurs seek to maximise social and economic impact by leveraging value-based partnerships, amplifying their reach and influence, and driving systemic change through small, strategic efforts.

Figure 4 - The Key Principles Shaping Social Entrepreneur's Decision-Making Processes when Creating a Community Enterprise
Source: by Author

1. The Principles

Soil and Seed

SEs start by identifying the social needs of the community to build on top of them. It will serve as the foundation for the CE.

TAVP 1: "And just to recap my thinking is if you want to create a social venture, you need to highlight what's the social problem that you need to address"

They view the community's social need as both the business opportunity and the driving force of the CE. In this context, unlike conventional markets - where the markets drive supply and where supply drives demand - the community's social needs are driving the supply, thereby creating new markets (Hopman, 2007). When deciding on the type of service or product the CE will, SEs do not aim at being disruptive and their decisions are driven by the social needs of the community rather than by customer demand and gaps in the market. In other words, by creating an offer to generate demand, they invert the traditional economic principles.

Frequently, SEs are activists and are influenced by political and ideological beliefs, which emphasise principles like justice, equality, inclusion, and solidarity. These values shape their motivations and guide their approach to addressing community needs. By building CEs that prioritise these social needs, they treat them as both business opportunities and the driving force behind their enterprises. Consequently, this commitment to justice and inclusion ensures that the social community needs remain at the core of every decision.

Don't Invent, Innovate
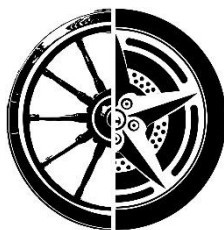
The principle "Don't Invent, Innovate" underscores the importance of innovating upon existing means rather than inventing something. To address the community's social needs, SEs begin by immersing themselves in the local culture to identify and leverage the community's means (assets, skills, knowledge or traditions) such as craftmanship, agriculture, houses, land or even intellectual expertise. Rather than identifying and filling market gaps through their CE, SEs focus on understanding and leveraging what the community already excels in or excelled in at a certain period of history. The CE is based on what the community can offer rather than on consumer demand.

TAVP 1: "In fact, most of the time with social enterprise, there is nothing to be invented because everything is already out there. You just need to adapt to local."

Regardless of whether those means are rooted in the present or the past, SEs will select means that have the best potential to help address the community's social need, and they innovate upon these existing means, to turn them into a unique service or product. Achieving uniqueness through innovation is key, as it is an efficient way to stand out and attract the attention of customers: *it is worth the trip*. To preserve the uniqueness of the product or service, SEs recommend leveraging labels, patents and appellations.

TAVP 7: *"You have to do a unique product to break the market. No one likes travelling somewhere to find the same product as somewhere else. You just take what's there and innovate. And then the investment will be much lower. If you use something that exists it's not going to be $100 million, but maybe only $1 million."*

TAVP 5*: "Investors will want that proof of social impact. So we would need to do lots of research to ensure that the business plan is built on solid foundations."*

Moreover, by basing their social businesses on existing knowledge, social entrepreneurs limit the risk they take, by leveraging existing knowledge and limiting initial investment, consequently limiting risk. But also, the innovative aspect of this principle is aimed at avoiding competitiveness and standing out. By achieving a unique product, the CE will attract more attention, customers, and potential investors, and can potentially be patented or at least labelled.

TAVP 2: *"I'm trying to also create a social enterprise that is different from what you can find in other villages because this community is competing against a tremendous number of other communities only in Europe. So, it's very hard to stand out. We need to be unique and local so that people travel just for this experience. Even if it takes a few hours".*

Fortress of Tomorrow
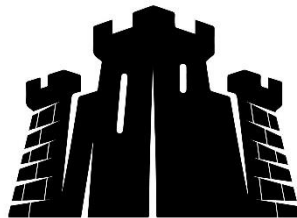
The "Fortress of Tomorrow" principle refers to the fact that SEs use future-oriented planning to turn the CE into a sustainable and safe pillar for the present and future generations to come.

TAVP 8: "The core of what I see based on my experience and my sensibility, is that the only social enterprise that could make sense is to create an entity that provides a better perspective for the young generation in the community and develop what they have already."

TAVP 1: "We need to be an entity that provides a better perspective for the young generation to in fact stay [in the community] and develop what they have already […]."

This principle focuses on financial sustainability, long-term social impact, environmental stewardship - the responsible management and protection of nature and ecosystems to ensure their sustainability and health for future generations - and preparing for

future generations through mission-aligned growth, and innovation. Future-oriented planning involves identifying and being aware of internal and external risks to avoid surprises and prevent mission drift.

TAVP *6: "Some landlord can make more money out of renting a space for a short period than having an elderly guy living in his house, so in fact it would be a reverse that's (Real Estate Enterprise) to be excluded."*

TAVP *4: "Well, step one is to be very clear about what those risks are and to monitor those risks on a weekly or monthly basis to figure out those risks is the first step in mitigating them. And if you don't know what they are, you can't address them."*

To mitigate risks, SEs are crusaders of strict regulations and strong governance. Also, they emphasise the importance of processes and standards, which are as important in a small venture than in a corporate venture.

TAVP 1: "*In fact, without regulations, there is no way. There is no way for a for-profit without a precise regulation to achieve any social mission because by law they can't. For this, you need a very strong governance and zero flexibility.*"

TAVP *3: "So you build those guidelines directly into the governance of the organisation, so they can't be changed."*

Community: The Experts' Compass
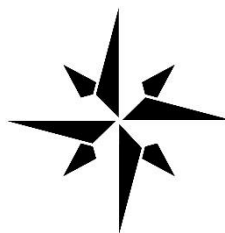
Also shaping SEs' choices, the "Community, the Experts' Compass" principle implies that SEs find it necessary that the community members are involved on the board of directors to ensure that the need of the community remains the main concern as well as to avoid mission drift.

TAVP *7: "So I will do a hybrid structure in which maybe the Board of Directors are the community members, but they meet every week and then they delegate that to a professional figure. They can*

bring forth the mission of the social venture, and that is a very difficult thing to say for me because I truly believe in the direct democracy and work of democracy."

While community members must be actively involved in all decision-making to ensure their needs are prioritized and prevent mission drift, experts play a crucial role in offering guidance in specific fields. These experts, whether internal or external consultants, help the community navigate challenges and support the overall process. However, the final decisions always rest with the community, with experts facilitating the achievement of community-defined goals, ensuring that the business flourishes while remaining aligned with the community's needs.

TAVP 5*: "So I think we would need someone who is an expert […]. So we would have leaders who are experts in every field, […] specialists in what opportunities might be available. And then the community members should have the final word and set the objectives."*

TAVP 3: *"We'd need someone with finance knowledge, and we'd need someone who has run social enterprises before."*

Collective Prosperity Wave

The "Collective Prosperity Wave" principle highlights the commitment of SEs to creating collective value, not only for their CE but also for the entire community – including other businesses - and for neighbouring areas.

TAVP 4: *"Bring more income into the local community generally so that the facilities that are there, like the shops, can open or reopen because there will be an audience for them, hotels as well, and this will activate the supply chains of those local businesses."*

This is achieved by increasing employment opportunities and fostering synergies with neighbouring businesses. By doing so, SEs

enhance economic benefits for the community, strengthening local buying power and helping retain people by providing them with sustainable livelihoods.

TAVP 8: *"Part of the goal of this venture would be to amplify the market or amplify the production, amplify the reach in order to employ more people."*

A key aspect of this principle is the SEs' mission to create synergies that extend beyond their own CE. They contribute to collective prosperity through collective value creation by creating more employment opportunities for people within and around the community. As a result, the entire community benefits economically from the well-being of the SE, promoting a virtuous cycle of prosperity. This increase in local buying power and mutual reliance among businesses helps prevent outmigration, ensuring that people remain invested in their community.

TAVP 2: *"Our products will be sourced as locally as possible to create a market for locals […]and other people working near the community to sell their products and earn more money than they can make otherwise."*

Umbrella of Confidence

The "Umbrella of Confidence" principle underscores the importance that SEs place on creating and cultivating a strong company culture within a CE. This culture is built on shared values such as pride, dignity, trust and inclusivity.

TAVP 4: "You a*lso have to focus on creating a company culture. That is committed to these values and understands the benefits of these values. These values that you're committed to actually help the business be more successful, more profitable and a more attractive place to work where people are more innovative and effective in the work that they do. You got to make sure that this is the place that [employees] love to come to work. And they love*

to come to work because of what they do, the way they're treated and the way they're compensated."

Moreover, this culture fosters a sense of belonging and commitment among community members by actively involving them in decision-making processes. By empowering individuals and instilling pride in their contributions, the enterprise not only motivates its members but also cultivates social capital, which strengthens relationships within the community.

TAVP *2: "You have to make your employees proud by creating a business culture. Help them be proud […]. We forget how important this is."*

A strong company culture ensures that the CE operates efficiently, aligning the CE's values and goals with the aspirations of the community. Consequently, it promotes long-term sustainability and success.

Be Square
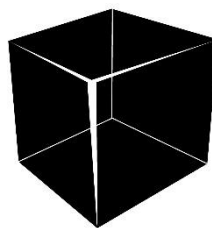
The "Be Square" principle refers to the importance given by SEs to transparency, honesty, and ethical practices within a community enterprise (CE).

TAVP 4: *"So you have to set ethical goals and put them in a report that you share with stakeholders in the public."*

SEs emphasise the importance of being able to measure every aspect of their activities' outcome. By ensuring that decisions are based on measurable outcomes and maintaining open, honest communication, SEs nurture trust and accountability.

TAVP 3: *"To communicate that despite being a for-profit, we are fundamentally a social enterprise, we need impact measurement. That's the only way to show that we're really a social business".*

Transparency in all operations, from financial reporting to social impact assessments, helps align the enterprise with its core mission and social goals.

TAVP 4: *"What are your goals with the business? How much CO2 do you want to sequester with your farm? How much do you want to be able to increase the compensation of the people who are working there? Setting goals and sharing numbers is critical because those goals often drive the priorities of what the business focuses on. But the B core evaluation is a great place to start […]"*

Continuous evaluation of both ethical practices and measurable results enables the CE to remain adaptable while staying true to its values. This commitment to integrity ensures that all stakeholders, including community members, feel secure and confident in the enterprise's direction, promoting long-term success and sustainability.

Butterfly Effect

The "Butterfly Effect" principle emphasises achieving maximum social and economic impact with minimal investment, where *investment* refers not only to financial resources but also to time, effort, and partnerships. By prioritising value-based collaborations and aligning with partners who share similar values, social enterprises can amplify their outreach and impact.

TAVP 7: *"I will definitely look for partners or active investors who are aligned with our social mission. But most importantly, they must strongly benefit the community. They must be powerful and popular so that they make us successful. A single well-chosen partner can make your company successful."*

Additionally, employing individuals who are motivated and action-oriented can enhance the effectiveness of the CE. This approach creates a snowball effect, where small initial actions lead to significant, long-term outcomes.

TAVP 8: *"You cannot employ [all community members] all together at once. But you can employ the most intelligent, I guess, at the beginning as they will be the most productive. Focus on quality and then, part of the goal of this venture would be to grow."*

The principle stresses the importance of building partnerships based on shared values to generate mutual benefits for all stakeholders, contributing to systemic change and creating a butterfly effect that benefits the wider community, and sometimes even other communities. Furthermore, through replication, acting as pilots and models for other villages, SEs aim to contribute to systemic change.

TAVP 1: *"[…] maybe some other villages around understand that is profitable to do something like this for them monetary-wise and socially. And so they can get together first 2 villages, then 3 and 4 and increase their impact."*

Chapter 4: Discussion and Further Research

This chapter aims to demonstrate how this study's findings answer the addressed Research Question and discusses how they align with the studies introduced in Chapter 1. The purpose of this empirical study is to foster the development of CEs by uncovering a thinking framework revealing the key principles that guide SEs' choices in the creation of CEs. The rationale for this is that although SEs can deliver the foundation to improve the quality of life for citizens through CEs, their DMP in this context remains underexplored (Cavite et al., 2023; Laiprakobsup, 2018). As the effectuation thinking framework has been proven to be teachable, learnable and effective in improving enterprise performance, it is likely that another thinking framework – based on social entrepreneurship and CEs – could also be learnt, could contribute to enhancing CE performance and increasing their number (Masilamani et al., 2024; Watson and McGowan, 2019). Answering the Research Question "What are the Key Principles Shaping the Decision-Making Processes of Social Entrepreneurs when Creating a Community Enterprise", this study found that the DMP of SEs can be described through eight key principles, which emerged as common themes among the participants. These principles—such as Community Needs as the Foundation, Don't Invent, Reinvent, Fortress of Tomorrow, and others—offer insights into how SEs approach the creation of CEs and highlight important factors like community engagement, sustainability, and transparency. This study's findings are discussed regarding their alignment and divergence with existing literature.

A significant finding is the central role of community needs in shaping these decisions, as presented in the *Soil and Seed* principle. Based on them, out of the three types of strategic orientation defined by Seelos et al. (2011), only one applies; *collective action orientation*, where the community is a key collaborator in the CE. *Social-giving orientation* can be excluded as it implies relying on external financial support, and *market-based orientation* can also be excluded, as it emphasises identifying market opportunities that will serve as the foundation of ventures, opposing this study's findings. Hence, this research demonstrates that, in creating CEs, it is the community's social needs which serve

as a foundation for their venture creation. This aligns with the "Soil and Seed" denomination chosen for this principle, suggesting that one must first understand the *soil* (social context) before planting a *seed* (CE), therefore basing the offer, based on the social need instead of customer demand. This finding aligns with existing literature, such as Mair and Martí (2006) and Zahra et al. (2008), who argue that SEs prioritise social impact and community well-being over profit maximisation. However, whereas Seelos et al. (2011) argue that SEs use conventional business models to create ventures, the fact that SEs invert traditional market logic, building supply based on community needs rather than on market demand, differs drastically from classic business models. Again, this inversion highlights the innovative characteristics of SEs and the fundamental differences between SEs and other types of market-driven entrepreneurs (Ebrahim et al., 2014).

The second principle, *Don't Invent, Innovate*, highlights how SEs leverage and innovate upon existing community resources rather than creating entirely new products or services. This principle resonates with Sarasvathy's (2001) *Bird-in-Hand* principle, which states that EEs start by identifying the means they possess and build upon those, also used in necessity effectuation by Akemu et al. (2016); SEs focus on controlling what is within their reach. However, whereas Sarasvathy's (2001) *Affordable Loss* principle shows us that EEs leverage available means to minimise their potential loss, based on this study's findings and Norlha's example, in the case of CEs, the focus on available means is a strategy in response not only to risk mitigation regarding initial investments but also – and mainly - to resource constraints.

Then, *Fortress of Tomorrow* - representing SE's focus on long-term planning, governance and risk mitigation in the creation of CEs – is a key principle, as it prioritises aligning practices with environmental stewardship and social sustainability, and puts emphasis on future generations, instead of focusing on scaling and short-term profit (Johannisson, 2018). However, what stands out across several principles is the recurring theme of risk management. Risks seem to serve as a foundation for several principles, whether in the mitigation of internal risks such as mission drift or external risks from stakeholders or the market. In the literature, Bloom and Chatterji (2009), see risk as an element

to be leveraged for growth, whereas SEs view it as something that must be actively mitigated to protect their social mission.

Parallelly, the *Collective Prosperity Wave* principle focuses on the collective prosperity that SEs want to generate through their CEs. Their aim is not only to benefit their CE and employees but also to positively impact the wider community and even communities established in neighbouring areas. By inviting external businesses to *ride the prosperity wave*, SEs seek to create a virtuous circle that contributes to collective prosperity and boosts local GDP, such as presented in the example of Norlha (Yu and Arjaliès, 2019). This principle aligns with the work of Cavite et al. (2023), which argues that CEs are essential for promoting local economic growth and resilience of communities. Interestingly, a common theme among the TAVPs' participants is having increasing wages and job opportunities as a core purpose, as they view this as essential for the creation of shared prosperity, and as a driver of motivation and growth.

Transparency and ethics are the base of *Be Square* principle. Again, this demonstrates SEs' desire to prevent risk and remain accountable to their communities and other stakeholders. The strict adherence to measurable outcomes ensures that risk, particularly related to mission drift or loss of trust, is permanently managed proactively. Curiously, whereas transparency – or *Be Square* - appeared as a key principle to all participants, two participants mentioned that they would not communicate on the social aspect of their enterprise, to avoid victimisation of the community members, preserving their pride and dignity.

The *Butterfly Effect* principle emphasises the strategic intention of SEs to generate a maximum social and economic outcome with a minimum investment (time, money, etc.) by partnering only with individuals, enterprises and groups who are aligned with their values. Typically, the Tibetan CBE - Norlha - decided to start selling their textiles to and through luxury brands before creating their online shop (Yu and Arjaliès, 2019). By leveraging well-established brands with an existing clientele, they were able to limit their investment and maximise their outreach via these brands, consequently increasing revenue and allowing them to reinject money in their CBE.

In conclusion, the principles shaping SEs' DMPs consistently focus on managing risks. From future-oriented planning in "Fortress of Tomorrow" to transparency and ethics in "Be Square," risk mitigation is central to ensuring long-term sustainability. By leveraging resources and strategic partnerships, as seen in "Don't Invent, Innovate" and "The Butterfly Effect," social entrepreneurs create resilient enterprises prepared to face challenges. These principles ensure that community enterprises remain adaptive, innovative, and protected against potential risks. Furthermore, it is notable that all several principles seem to be risk-oriented, they aim to minimise the risks that could occur to the community. By using bottom-up approaches, such as creating a CE, SEs can contribute to systemic change through mimicry and choices. First, this contribution can stem from the development of ideas that are scalable and adaptable to other communities in similar contexts. Then, by carefully selecting business partners, investors, and other key stakeholders when creating their CE, SEs can contribute to empowering valuable supply chains that align with their mission, therefore supporting systemic change. The following is a citation extracted from TAVP 4 (2024):

"Well, everything we do has to be about systemic change. There's no other way to create a responsible, sustainable business. In a systemic fashion. And that's why we want to look at the technology that we're using in the business in that same systemic manner, and we want to educate the manufacturers of the technology, why we're not buying it from them and educate them about the opportunities to improve the way their business functions to make it more appropriate for your business to use".

Lastly, future research could explore the efficiency of the decision-making framework designed in diverse contexts. Additionally, this study suggests investigating whether this thinking framework can be learned and taught effectively.

Chapter 5: Conclusion and Limitations

This empirical study aims to fill a void within social entrepreneurial literature in the context of community entrepreneurship. To answer the Research Question; "*What are the Key Principles Shaping the Decision-Making Processes of Social Entrepreneurs?",* this study explored the DMPs of SEs in the creation of CEs and established a thinking framework based on eight key principles that shape the DMPs of SEs.

"Soil and Seed" highlights that SEs build their CE based on community needs, "Don't Invent, Innovate" emphasises how SEs innovate upon locally existing resources; "Fortress of Tomorrow", underscores that SEs use future-oriented planning to mitigate risk and achieve long-term sustainability; "Community: The Experts' Compass", refers to SEs' will of having community-driven decision-making supported by expert insights; "Umbrella of Confidence", underscoring that SEs aim at creating a strong organisational culture based on shared values; "Collective Prosperity Wave", where SEs promoting collective value creation and synergies; "Be Square", highlighting SEs commitment to transparency and ethical practices; and, finally, "The Butterfly Effect", referring to SEs aiming for maximum impact through minimal investment and strategic partnerships. These findings contribute to the existing literature by providing insights into how SEs balance community needs with long-term sustainability and innovation. Additionally, the results highlight the unique role played by SEs in addressing local social issues by creating CEs, as their DMPs are grounded in the socioeconomic context of the communities they serve. By doing so, SEs invert traditional market dynamics, creating solutions that directly address community needs and generating new markets based on local demand.

Despite its contributions, this study faces several limitations. One significant limitation is the lack of a universally accepted definition of social entrepreneurship. As Saebi, Foss, and Linder (2019) argue, the heterogeneity of interpretations in this field can lead to the undervaluing of outcomes. Therefore, the eight principles identified in this research only apply to the SEs responding to the definition of SE employed in this study. This highlights a broader issue in the field, as inconsistent definitions and interpretations can hinder the applicability of research findings across different

contexts. Moreover, available data about CEs is extremely limited, once again highlighting the urgency to address the topic properly.

Despite these limitations, this empirical research has reached some conclusions, the key contribution of this study is the development of a decision-making framework solely based on SEs establishing community-based initiatives. This framework can offer practical guidance for both SEs and other scholars in promoting sustainable CEs and their creation, which can consequently drive systemic change. The findings align with existing literature that underscores the importance of transparency, social justice, and community participation in social entrepreneurship. Furthermore, the research highlights the importance of partnerships and innovation upon existing community means to scale social impact with minimal investment. However, the landscape of social entrepreneurship is complex, and as Pirani (2023) states, the need is for "social change, not miracles." This study provides a step towards understanding the processes that can lead to change, but it also reveals the prevalent risks that SEs constantly try to prevent and learn to navigate, as well as the challenges they face in balancing social objectives with financial sustainability, to ensure the long-term success of their enterprises.

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Appendices

Appendix A - Primary Research Instrument

Title

Social Entrepreneurship: exploring the Decision-Making Process of Social Entrepreneurs

Contents

Important notice: this dissertation defines a social enterprise as an organisation that pursues a social objective while engaging in for-profit business activities and maintaining financial autonomy.

1. Introduction and familiarisation with the Think-Aloud Verbal Protocol

- You are asked to think aloud all the time when undertaking given tasks: 'Try to say everything that comes to your mind while you engage with any task'

- This method is used in various fields, such as chess, golf, and decision-making processes, to understand how individuals think through complex situations. In our case, we aim to understand the decision-making process of social entrepreneurs

2. Understanding the Market Study

- From now on, you are going to read everything out loud.

- Read this market study carefully and create a new social venture based on the available information and your experience.

- Task: While reading, you should think aloud, verbalising your understanding of the village's demographics, tourism market, real estate opportunities, and challenges. This will help capture your thought process as they absorb and interpret the information.

- 'Try to say everything that comes to your mind while you engage with any task'

Market Study: La Sage in Valais, Switzerland

Overview

La Sage is a charming village located in the Val d'Hérens, within the canton of Valais, Switzerland. Known for its traditional Swiss alpine character, breathtaking landscapes, and access to outdoor activities, La Sage primarily appeals to tourists, second-home owners, and retirees seeking a tranquil lifestyle. The area offers both year-round attractions and a potential for growth in niche tourism, real estate, and local businesses.

Demographics and Population Trends

La Sage is a small village with a limited but stable population (around 200 inhabitants), mainly composed of local residents and seasonal visitors. The population skews older, which is common in alpine villages, where younger generations often migrate to urban centres for work. French and patois are spoken in La Sage.

Tourism Market

Tourism is a key driver of La Sage's economy, especially in outdoor and nature-based activities. The village serves as a gateway to hiking trails like the Haute Route and offers winter sports such as snowshoeing and ski touring. Despite its proximity to larger destinations like Evolène, La Sage retains a low-key charm that attracts nature lovers, adventure seekers, and those interested in authentic Swiss culture. The famous "Combat de Reines" (Battle of Queens), a traditional event where Hérens cows compete for dominance, is celebrated in a nearby town, with many participants from La Sage. The village is well-positioned to benefit from sustainable and slow tourism trends, appealing to visitors seeking authentic experiences over crowded, commercialised resorts. Marketing could emphasise La Sage's pristine environment, cultural heritage, and unique alpine offerings.

Real Estate Market

The real estate market in La Sage is dominated by traditional chalets, secondary homes, and holiday properties. Property prices are moderate compared to established ski resorts, attracting second-home buyers and investors. The surge in national tourism during COVID-19 led to increased demand for secondary homes, driving up prices. There are some unused stables. Local farmers are now more willing to sell their homes. There is also interest in renovating older chalets to modern standards while preserving their rustic charm. The market is expected to grow, particularly from retirees and international buyers. Recently, a major hospitality company purchased several chalets to develop a hotel where each chalet functions as a bungalow.

Local Business Environment

La Sage has a small yet existing local economy focused on tourism, hospitality, and artisanal products, with hotels, guesthouses, and restaurants forming its core. There are opportunities to expand services like wellness centres, guided tours, and speciality shops. Popular local products, such as cheese and cured meats, indicate potential for agro-tourism and farm-to-table experiences. The rise of remote work also opens possibilities for attracting digital nomads and creating co-working spaces. However, average incomes are low, leading many residents to work or relocate to nearby cities. Recently, a small supermarket closed because there was not enough demand.

Challenges and Opportunities

Challenges:

- Limited population growth
- Reliance on seasonal tourism can be challenging for sustaining year-round businesses.
- Accessibility and connectivity remain issues, as more tourists prefer locations with easier transportation links.
- Low income
- Limited professional opportunities for locals
- Locals are not very welcoming nor very open to foreigners

Opportunities:

- Promoting La Sage as a sustainable, slow tourism destination could attract more environmentally conscious travellers.
- Expanding year-round activities, such as wellness retreats or cultural events, could reduce seasonal reliance.
- Real estate development targeting upscale buyers or luxury tourism could increase property values.

3. Creating a Social Venture

Objective: To explore the participant's decision-making process in creating a new social enterprise based on the market study.

- Design a new social venture in La Sage, based on the information provided and your experience. The venture should be a financially independent business that merges social and commercial objectives. Explain what kind of business, why and how.

- This should take between 5 and 10 minutes

- Articulate your reasoning, decisions, and any uncertainties you encounter during the creation process. 'Try to say everything that comes to your mind while you engage with any task'

Address the following points regarding your new social venture:

- What?
- Why?

60

4. Responding to Challenges and Opportunities

Objective: To observe how the participant navigates and resolves emerging challenges and opportunities in the context of their social venture.

- Consider these factors, challenges and opportunities and make decisions while continuously thinking aloud.

1. What specific benefits will your social venture provide to both the local community and your target customers?

2. **How** will your venture align with and contribute to the United Nations' Sustainable Development Goals?

3. Given that the La Sage community may be resistant to innovation and newcomers, how do you plan to engage with them, gain their trust and demonstrate the value of your business idea?

4. How will you ensure that your venture remains faithful to its social mission while achieving financial sustainability?

5. What are your plans for scaling your venture?

6. How do you envision integrating technology and innovation into your social venture to enhance its impact?

7. How will you communicate that, despite being a for-profit business, your venture is fundamentally a social enterprise?

8. As your venture grows and attracts more stakeholders, how will you address the risk of mission drift?

9. How does your venture plan to contribute to systemic change, rather than just addressing the symptoms of social issues?

10. **Who** do you intend to employ within your venture, and what are your reasons for these choices?

11. What criteria will you use to evaluate potential partnerships or collaborations, and how will you decide whether to enter into these agreements?

12. What organisational structure will you implement for your venture, and how will it support your mission (e.g., horizontal management)?

13. If financial support is required, how do you plan to secure it, and what will be your approach to convincing potential investors? How do you plan to engage with impact investors, ensuring that their goals align with your social mission?

14. What strategies will you employ to manage risks, including financial, operational, and human resources risks?

15. How will you address the challenge of touristic seasonality in La Sage to ensure year-round business sustainability?

16. What methods will you use to measure and communicate the social impact of your enterprise to stakeholders and the public?

5. Reflection on the Decision-Making Process

Objective: To gain insights into the participant's overall decision-making framework and thought logic.

- Reflect on your decision-making process:

  How did you prioritise certain aspects over others and what are the main principles which guided your choices?

- Summarise your experience, highlighting key decisions and the rationale behind them, while still thinking aloud. This reflection will help understand the underlying principles and thinking logic that framed your decisions.