

A photograph of a person wearing a grey turtleneck sweater, holding a handful of blueberries in their left hand. A single blueberry is captured in mid-air, falling from their right hand. The background is blurred, showing a dark, textured surface.

SUSTAINABLE DEVELOPMENT AND BUSINESS

Markus Kallifatides and Lin Lerpold (eds.)

Sustainable development and business

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This book is dedicated to Marie Ehrling for her long commitment to enabling studies of management practice conducted by researchers at the Stockholm School of Economics. Her commitment to research has also greatly contributed to our mission of science-based education and, thus, our students' education. Marie has also acted as an important executive within the sustainability field. She is deeply knowledgeable of the dynamic nature between business and society, encompassing both challenges and opportunities, some of which this book addresses.

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Stockholm, December 2016

Markus Kallifatides and Lin Lerpold

¹ Up until 2009, the Annual Book was produced by Ekonomiska forskningsinstitutet (EFI), the predecessor to SIR.



Collaboration and economic performance

The case of social entrepreneurs in Sweden

CHRISTINE ALAMAA, CHLOÉ LE COQ AND CLARA MY LERNBORG

Introduction

The explicit demand for social innovation has increased over the past decades and so has its in share of the economy (European Commission 2013; Nesst 2014). There is also growing attention on the role of social entrepreneurs in creating more inclusive and sustainable societies, by targeting those who are suffering from rising economic inequalities and economic hardships, social exclusion, or strained ecosystems (Mair and Martí 2006; Peredo and McLean 2006).

Social entrepreneurs are driven by a desire to achieve lasting societal change (Zahra et al. 2009). Most existing definitions of social enterprises or entrepreneurs (SEs henceforth) generally tend to agree on the intertwined central social and economic missions (Mair and Martí 2006; Nicholls 2008). Because of their entrepreneurial, market-oriented goal achievement, they differ from not-for-profit organisations (Elkington and Hartigan 2013). When the aim and mission are both economic and social, there is an enhanced need for information exchange, trust and joint problem-solving. There is empirical evidence that social enterprises develop stronger collaborations with partners than do traditional enterprises (Di Domenico et al. 2009). It is, however, unclear from the literature how important collaboration is for social enterprises.

The main focus of this chapter is the link between the nature of social enterprises' collaborations and their economic and social performance. Collaboration can be defined as the process of exchange between two or more parties; this sharing can take the form of occasional connections (soft) or a formalised pattern of working together (strong); it can also take on numerous structures (e.g., alliances, nonprofit partnerships, joint ventures or networks). Both theoretical and empirical studies suggest that network involvement of 'traditional'

enterprises is a key factor for business venture success (Di Domenico et al. 2010), but we are not aware of any such analysis that has focused on social entrepreneurs. In the SE context, which is typically characterised by scarce resources, it is frequently highlighted that collaboration is beneficial. It is hence relevant to investigate if and how inter-organisational collaboration allows SEs to improve their economic performance, and indeed whether it is vital for enhancing their social performance.

Understanding the underlying terms is important in order to comprehend if and how social enterprises operate using a more collaborative approach to their networks and applying multiple performance objectives. In line with McEvily and Marcus (2005), we argue that embedded ties may be particularly motivated for skills that requires tacit knowledge and context awareness. Embeddedness can be seen as the conceptualisation of the social patterns actors involve in regarding economic actions; it has been used to explain a wide range of networks of relationships. Our main research focus is thus to analyse the logic of collaborations and its embedded structure and whether the power structure within such collaboration is related to economic and social performance.

Unveiling the link between performance and collaboration in the SE context is challenging, as the success of social enterprises is not necessarily reflected by annual profits (or the like). In particular, profit generation might be secondary to increases in social or environmental impact (Mair and Martí 2006). It is equally difficult to use comparable social impact measures among organisations engaged in hard-to-compare endeavours. To address these issues, we use a dataset of more than 100 social enterprises dispersed across Sweden that provided information on their mission, organisational structure, managerial and operational strategies and age, as well as financing modes. Moreover, we also collected information on the structure and the quality of the foremost collaborative links, network size and formation. We capture the cornerstone for long-term value generation with a measure of financial self-sustainability, operationalised as whether organisations managed to increase their revenues. We use the year-on-year revenue change for the survey year (2015) and its antecedent as a measurement of successful economic performance. For a limited sample, we also analyse the impact of collaboration level and structure on social performance.

Our main finding is that collaboration is not uniquely positively correlated with financial performance, but rather it depends on both its nature and

structure. Whenever resource pooling is the primary motive for the collaboration, we find a negative correlation with collaborations of unequal power. We believe that unbalanced decision-making impedes mutual learning or exacerbates the social enterprise's mission drift while gaining access to resources could be potential explanations. Interestingly, we observe the opposite pattern when social enterprises collaborate for other purposes. In line with the literature, it is beneficial to have decision-making authority when collaborations are geared for sharing skills, developing products, obtaining publicity via a shared campaign, etc. Further, we find that 'embeddedness' (proxied by the importance of the focal organisation to its surrounding organisations) is positively linked to economic performance if the collaboration pool size is relatively large. This is in line with Uzzi's (1996) finding that the positive effect of embeddedness reaches a threshold.

The contribution of this chapter is twofold. First, it provides evidence of a link between economic performance and collaboration, when the core mission of the enterprises is primarily social or environmental in nature. There is evidence that collaboration involving social enterprises leads to more pronounced and motivated embedded ties (Di Domenico et al. 2009), but as far as we are aware, no extant study looks at this specific link.

Second, it offers the first empirical study, to our knowledge, of this magnitude and depth in Sweden, providing novel insights into the field of social enterprises in Sweden by looking at the link between their collaboration structure and their economic performance.

Importantly, the causal relationship between collaboration and economic/social performance cannot be addressed in this chapter. Our rich dataset allows us to capture the many aspects of operational modes of SEs, but there might be other important aspects, not mentioned here or explicitly stated, acting as driving forces for increased turnover, economic, or social performance. Additionally, the limited size of our dataset does not allow for solid econometric analysis. Therefore, we generally raise a caveat for causal interpretations, but suggest that results should be interpreted as indicative of links and correlations. Moreover, when considering collaboration, we keep in mind that the SEs' choice to engage in collaborations with a certain structure or motive and to strive for a certain authority level therein, may not be independent. The structure of collaboration is, overall, endogenous to the collaboration itself.

This chapter is organised as follows: Section 2 provides an overview of the social enterprise sector in Sweden, describing the institutional context and the increasing importance of social entrepreneurship in the country. Section 3 discusses the related literature on collaboration, while Section 4 describes our sampling method, the dataset of Swedish social enterprises, and the scope through which we model collaboration and performance. Section 5 looks empirically at the link between economic and social performance and the level and structure of collaboration. Section 6 concludes our findings and outlines avenues for further research.

Social enterprising

DEFINING SOCIAL ENTREPRENEURSHIP

Social entrepreneurship is relatively new as an academic field, and it is challenged by inconsistency and competition among definitions of social entrepreneurship, as well as research gaps and limited empirical data (Mair and Martí 2006; Cukier et al. 2011). Despite the competing definitions as to whom to correctly categorise as a social entrepreneur, social entrepreneurship always involves a social and/or environmental component. Social entrepreneurship is often considered an umbrella concept comprising multiple constructs such as: community entrepreneurship, social change agents, institutional entrepreneurs, social ventures, entrepreneurial nonprofit organisations, social enterprise, and social innovation (Hockerts and Wüstenhagen 2010). Indeed, it can be an individual, group, network, organisation, or alliance of organisations seeking sustainable solutions to social problems (Light 2006). Mair and Martí (2006) deem it as a novel way of providing products and services that serve basic needs, hitherto unsatisfied by existing institutions. Here, we define a social enterprise as an enterprise with a (scored) dominant social mission with (at least) one full-time equivalent employee and at least 5 per cent self-generated revenues¹.

¹ This definition is the one used in the SEFORIS European project, the framework in which our dataset has been collected. Note that in this case, any SE sampled is not an initiative, nor fully dependent on donations (a characteristic of traditional NGOs).

THE SWEDISH CONTEXT OF SOCIAL ENTERPRISING

Sweden is increasingly facing significant societal challenges², and social entrepreneurship is often seen as constituting a means to find solutions to these social challenges of unemployment, segregation, mental health and diversity (The Guardian 2013). Interestingly, social enterprises (or entrepreneurship) can be translated in Swedish by two different concepts, “Socialt Entreprenörskap” and “Samhällsentreprenörskap” (Gawell et al. 2009; Palmås 2008). The first relates to entrepreneurship that improves the society for some individuals, whereas the second is much broader and encompasses all innovative initiatives enhancing society at large. The concept of social economy and enterprise was first introduced in Sweden in 1995 (Sofisam 2011).

Traditionally, the role of the state and other institutions in handling social challenges has been dominant in Sweden. Nevertheless, the organisational form denoted as ‘formal hybrids’ (see Furusten and Juncker’s chapter in this volume) has long been prevalent in Sweden. The organisation and management literature has recently focused on the concept of hybrids, and the impact of hybridity, in order to explain how organisations that exist in between sectors adapt to different settings (Brunsson 1994; Battilana and Dorado 2010). Indeed, social entrepreneurship or enterprising has gained importance as a concept and in practice in the Swedish discourse and policy in a relatively short time. This is particularly the case for financial support from flourishing business incubators, as well as governmental initiatives. The Swedish Agency for Economic and Regional Growth (*Tillväxtverket*) has notably expanded its range of applications available for social entrepreneurs. Additionally, until recently, public-private partnerships or collaborations between social enterprises and municipalities were unheard of, but are now on the rise (CSES 2016).

Although the term social enterprise or entrepreneurship may be relatively new in Sweden, the phenomenon itself is not, as the wide age span, reflected in the Swedish SEFORIS data by an organisational age ranging from 1 to 110 years, clearly avows. Instead, this type of activity has a long tradition in Sweden, bringing people and groups together to solve social challenges, ultimately for the social good. Thereby, organisations stemming from the cooperative movement in Sweden, not least in the retail, electricity and insurance sectors, early on typically had dual social and economic missions. They have been of

² According to the social entrepreneurship incubator CSES.

great importance in Sweden in the provision of, for example, financial services to the more disadvantaged strata of society (Wijkström and Lundström 2002). The focus therein has been and remains satisfying common needs efficiently, rather than achieving a particular indicator of revenue and profit. There is a need to generate profit for future investments, but profit does not constitute the mission itself. The mission may instead consist of providing childcare, supporting disadvantaged groups in working life and society, or allowing for more inclusiveness in sports and culture, for example.

In the Swedish context, this institutional setting initially led mainly organisations from the nonprofit sector and descendants of the cooperative movement to found work-integrating social enterprises (WISEs) as a means to counter unemployment amongst disadvantaged groups. The institutional context of social enterprises stems from the nonprofit sector, which may have had implications on the goals and direction of the WISEs. This has since evolved and come to include enterprises with wide-ranging backgrounds and aims. There is a rapid push underway to include other types of actors that do not necessarily stem from these cooperative movements. Furthermore, there is an increasing awareness of the Social Enterprise sector in Sweden, despite a large share of the social enterprise industrial sector not being entirely new, with a mean age of the sector of 14 years (SEFORIS 2016). There is also a surge in interest among young entrepreneurs with no prior history in any sector, and further, that new operators are increasingly driven by Swedish societal challenges.

To conclude, we see a renewal of the sector of social entrepreneurship in Sweden, both in terms of rejuvenation of the entrepreneurs behind social enterprises (with almost 34 per cent of the CEOs being under 40), and in the ways in which they are operating. Hence, beside the well-established Work-Integration Social Enterprise (WISE) sector, there are now many small social enterprises, as well as a number of support organisations for social enterprises. These organisations can be seen as intermediaries, linking the social enterprises to potential investors or financiers; creating networks and platforms; organising seminars; providing support with business and operational models; offering incubator programmes; or evaluating social impact. This contributes to making the social enterprise sector in Sweden more of an established sector in its own right.

SHORT OVERVIEW OF OUR DATASET

There are currently no official records of social enterprises in Sweden, as businesses are still only classified based on their industry type and production (Statistics Sweden). Additionally, no large-scale attempt has been undertaken to count or classify the entire sector. Classifications and contexts, both in practice and theoretically, therefore give rise to a variety of understandings of which business and organisations to include. In addition, different types of social enterprises have different histories, some longstanding and others part of the surging new generation in the sector. The absence of a database and a common understanding of inclusion criteria calls for a sensitive sampling method to avoid self-selection and bias samples. In the European project SEFORIS (Social Entrepreneurship as a Force for more Inclusive and Innovative Societies)³, we acknowledge that the social enterprises constitute only a small minority of all enterprises, as well as the risk of incentives for renaming and self-selection into the group. These are all threats to external validity. We use a sampling method technique to detect the type of hidden population that SEs constitute compared to the enterprise population at large. Similar sampling methods previously have been used to detect hidden populations of prostitutes, criminals, etc. It takes the form of respondent-driven sampling (RDS) (Heckathorn 1997), which combines a ‘snowball sampling’ with a mathematical weighting method. The method application was refined by Huysentruyt and Stephan (2009) for the predecessor project of SEFORIS, SELUSI.

In Sweden, we introduced seven seed organisations, which were *seeds* that met the SEFORIS definition of a social enterprise. Seed organisations were selected based on geography, organisational age, and social and industrial sector spread. These seven seed organisations were in turn asked to give three references⁴ of other social enterprises that they recommended that we should interview. All social enterprises that were *seeds* or were referred to us (up to three organisations) were thereafter screened to ensure that these fulfilled the criteria of being a social enterprise, according to our definition. All of the references that did so were asked to participate. We always interviewed the CEO⁵

³ For more information, see www.seforis.eu.

⁴ If a referred organisation was not unique (i.e., had already been referred to us by someone else), it was still recorded. Referee organisations were able to give up to 7 references.

⁵ 66 per cent of the 106 CEO/managers are founders of their organization, alone or together with co-founder.

or the manager and considered an interview completed when a respondent had answered both an online survey and questions put forth during a telephone interview. The connection between the referred organisation and its referral are tracked; and thereby seven intertwined networks of social enterprises emerged. In total, we interviewed in 106 social enterprises. The dataset includes relatively few unexplained missing values. Naturally, there are missing values for variables on yearly changes if organisations were too young to have recorded data for 2014, as well as for financial and social indicators from annual reports for 2014.

Our dataset is unique but also has some flaws. Targeting managers/CEOs avoids departmental biases, which can occur in complex or larger organisations. This is of particular importance when the data measures attitudes or hard values, as well as asking about causes of actions and operational strategies. Interviews were allowed to be lengthy in order to assure consistency in appropriately understanding the question and analysts were trained to score answers. Note that some questions on perceived attitudes may impact reliability in the answers. Several variables are categorical, and the breadth of the study comes somewhat at the expense of depth.

Figures 1–3 provide an overview of this wide range of Swedish social enterprises in terms of sectors, age and mission.

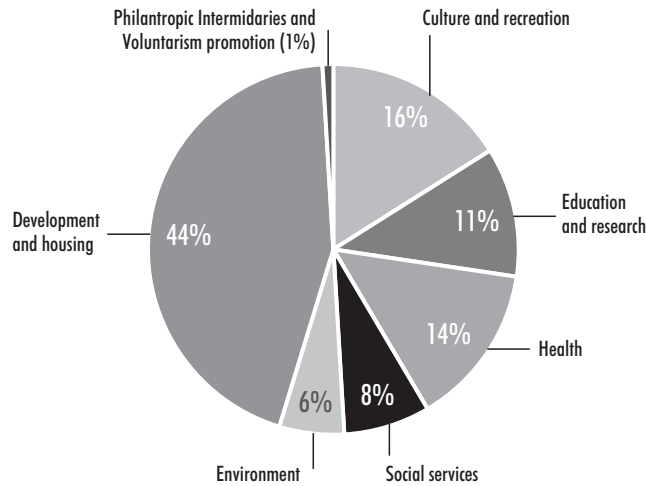


Figure 1: SEs' Top Social Sectors. (SEFORIS 2016)

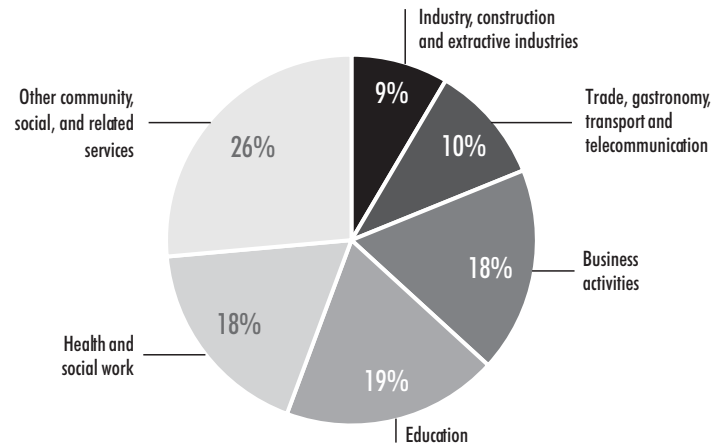


Figure 2: SEs' Top Industrial Sectors. (SEFORIS 2016)

As typical for the SE sector, the Swedish SEs are diversified, illustrated in Figure 1. A large share of the 106 Swedish SEs' main activity is related to 'Development and Housing' (44 per cent), followed by 'Education and Research' (for 15 per cent), 'Culture and Recreation' (for 14 per cent) and 'Health' (14 per cent).

Furthermore, not only do they belong to different social sectors, but also fall into different industry sectors (as shown in Figure 2). A majority of the social enterprises' primary activities fall into the three rather different industry sectors of 'Education' (nursery, kindergartens, schools and other education); 'Health and Social Work'; and Business Activities (business-related services, e.g., consulting, legal advice and advertisement).

This diversity range is large in terms of both industrial and social sectors and provides an indication that motivations for collaboration for social enterprises may be more heterogeneous than those traditionally vocalised in the literature on collaboration (presented in Section 3). Given the different backgrounds and sectors, we find that there may be a need for social enterprises to gain multiple competencies and resources and engage in manifold collaborations in order to satisfy both missions.

The hybrid component of the social enterprises, together with limitations of traditional financing, gives rise to a mixed financial mode among many SEs.

However, the most important source of capital in our sample is ‘fees for services or sales of products’ (see Figure 3). On average, almost 53 per cent of the organisations’ financing come from fees, whereof a slight majority stems from fees/sales to government or governmental organisations and the smaller share from fees/sales to others. Additionally, grants also play an important part in financing the Swedish social enterprises, accounting for more than 36 per cent of their financing, out of which government grants make up the largest part.

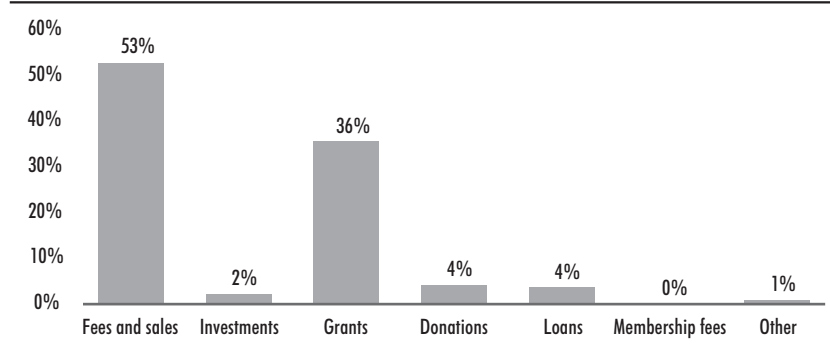


Figure 3: SEs’ Sources of Financing. (SEFORIS 2016)

Social enterprises operate in the intersection between the market, the public sector and civil society as they aim to solve a social or environmental mission (Wijkström and Lundström 2002). The emergence of the sector in the borderland of traditional sectors gives rise to a mix of operational models, sectorial affiliation and financial modes. Social enterprises are not only choosing between varying types of collaboration partners, but also need to move coherently beyond a business-only framework. The data comprises information about the types of organisations that the SEs collaborate with, but the Swedish SEFORIS data (2016) additionally allows us to capture the link between an enterprise and its peers in the SE sector, as well as the quality and structure of collaborations therein.

In Table 1, we report summary statistics of our full sample. It shows that Swedish social enterprises not only operate in various sectors and target different types of main beneficiaries, but also differ in several other ways.

TABLE 1: SUMMARY STATISTICS

| | Mean | Std. Dev. | min | max | Obs. |
|--|--------|-----------|-------|---------|------|
| Organisational age | 14.00 | (20.15) | 1.00 | 99.00 | 106 |
| Share self-generated revenues (2014) | 0.53 | (0.34) | 0.00 | 1.00 | 101 |
| % of SEs selling to government | 0.58 | (0.50) | 0.00 | 1.00 | 106 |
| Organisational size (FTE) | 56.95 | (194.15) | 0.95 | 1525.00 | 106 |
| Yearly change in No. of beneficiaries | 0.62 | (1.23) | -0.32 | 7.33 | 87 |
| No. of competitors in the market | 107.83 | (394.43) | 0.00 | 3000.00 | 99 |
| No. collaboration partners | 23.64 | (27.54) | 0.00 | 150.00 | 105 |
| No. of unique organisational forms (collaborators) | 3.47 | (1.31) | 0.00 | 8.00 | 106 |
| Resource collaboration (most important coll.) | 0.29 | (0.46) | 0.00 | 1.00 | 106 |
| Social impact scaling collaboration (all) | 0.73 | (0.91) | 0.00 | 3.00 | 106 |
| No. of SEs in active network | 12.92 | (21.10) | 0.00 | 150.00 | 106 |
| Network engagement (0/1) | 0.49 | (0.50) | 0.00 | 1.00 | 103 |
| Social embeddedness (0/1) | 0.77 | (0.42) | 0.00 | 1.00 | 104 |
| Observations | 106 | | | | |

Related literature

In this section, we discuss the social entrepreneurship literature, as well as the cross-sectoral partnership and network literature. In particular, we discuss Uzzi's (1996) seminal paper on the link between embeddedness and economic performance of organisations, which is central for our analysis of what the outcomes of network position and increased inter-organisational collaboration entail, in terms of social mission and economic performance.

DEFINING COLLABORATION

The terminology used to describe collaboration is disparate and may involve different types of actors. In the past decades, there has been a significant growth in focus on corporate partnerships, particularly varying forms of external collaboration, including inter-firm alliances and joint ventures (Powell et al.

1996). Collaboration is also a growing phenomenon in terms of achieving social and environmental impact and change (Selsky and Parker 2005; Dorado et al. 2009; Le Ber and Branzei 2010). Since the 1992 Rio UN Conference on Environment and Development, partnerships, especially of the cross-sectoral variety, have been favoured as a means to address complex societal issues (Ryan 2003). It is also seen as an enticing avenue for innovation and sustainable value creation (Kolk and van Tulder 2010; Porter and Kramer 2011).

The literature on cross-sector social partnerships is interesting in light of the social mission and hybrid nature of social enterprises, as these involve combinations of actors from for-profit, nonprofit, and even government sectors (Selsky and Parker 2005). Bryson et al. (2006: 44) define it as ‘the linking or sharing of information, resources, activities and capabilities of organisations in two or more sectors to achieve jointly an outcome that could not be achieved by organisations in one sector separately’. Thus, when looking at a new type of phenomenon such as social entrepreneurship, the effort to create social value indeed involves collaborations and brings together different types of organisations from different sectors (Rivera-Santos and Rufin 2010).

MOTIVATIONAL FACTORS FOR COLLABORATION

The literature on sustainability partnerships is focused on its success factors for formation, implementation and management of partnerships (Hood et al. 1993; Waddell and Brown 1997; Austin 2000; Rondinelli and London 2003; Berger et al. 2004; Austin and Seitanidi 2012). Thus, studies of inter-organisational cooperation tend to focus on the motivations for engaging, whether they are short-term or long-term (Barringer and Harrison 2000), and the formality of the cooperative behaviour, as well as the vertical/horizontal nature of the relationship (Smith et al. 1995).

Depending on the formality of the relationship, it is possible for organisations to pursue joint efforts to alleviate social issues, with varying degrees of formal affiliation (Austin 2000). In certain instances, such as sustainability certification schemes, partners may be on equal footing. However, given that there is frequently an imbalance in relationships between organisations of varying size and importance, the resource dependence view (Pfeffer and Salancik 2003) has become a dominant theoretical lens to understand the motivations and functioning of inter-organisational relationships and partnerships (Le Ber and Branzei 2010; Parmigiani and Rivera-Santos 2011). Huxham

(1996) builds on resource-based theory in order to highlight the concept of 'collaborative advantage', through which nonprofit organisations can build distinctive capabilities in order to address social issues. Uzzi (1996) looks at this through a different lens, examining how embeddedness of firms in different relationships may have an impact on firms' performance, i.e., establishing whether indeed there is a cooperative advantage.

EMBEDDEDNESS AND NETWORKS: IMPACT ON PERFORMANCE OF COLLABORATIONS

With a plethora of views on what constitutes a collaboration, there are different opinions on the impact of cooperation for a firm. Research in network theory highlights that exchanges between cooperating organisations can be seen as increasingly embedded (Granovetter 1985), instead of holding a transactional approach (Uzzi 1997). Furthermore, Galaskiewicz's (1985) overview of the inter-organisational literature emphasises that cooperation in a network could allow for the acquisition of resources, uncertainty reduction, enhancement of legitimacy and attainment of collective goals. Nonetheless, he stresses that there is no single theory of inter-organisational relations.

The embeddedness approach brings forward the importance of strong ties in network alliances (Gulati 1998), in that strong ties are essential for accessing resources in network alliances. These relations enable and constrain the organisations' actions (Barley et al. 1992). Thus, the ability to engage in effective collaborations is seen as a function of its network position, given that this is a determinant for the number of partners of the organisation. An empirical example in the bio-technology industry shows that firms with a more central position in a network tend to have more inter-organisational cooperation (Powell et al. 1996). The organisation's network status also serves as an important signal about the value of future interaction (Gulati 1998). Embedded relations thereby enable partnerships to be based on relational mechanisms rather than contracts (Nohria and Gulati 1994).

The importance of a mix of strong and weak ties in order to allow for complementarity of network ties (Uzzi 1997, 1999; Uzzi and Lancaster 2004) is also brought forward in this approach. Network complementarity entails that actors should focus on attaining both weak and strong ties in a network setting (Uzzi 1999), so a combination thereof should thus allow for a stronger

social or financial performance and may for example result in an increased ability to secure loan capital.

As we wish to investigate the impact of collaboration on performance, we find the notions of structural embeddedness, network structure and its link to performance as stressed by Uzzi (1996) very relevant. Between firms, there are different types of arrangements and interactions. To elaborate, while some relationship functions can be arm's length, i.e., the typical market variety, others are close and involve repeated interaction, trust, fine-grained information transfer and joint problem-solving. For example, in his ethnographic study of apparel firms, Uzzi (1996) noted that manufacturers sent work to network partners with whom they had intense social interactions to help these organisations survive in the short run even though the same work could be sent to other shops that offered volume discounts. Embeddedness thus functions as a logic of interfirm exchange, and Uzzi stresses that embeddedness provides different kinds of benefits that will in turn impact network partners' economic performance.

COLLABORATION AND SOCIAL ENTREPRENEURSHIP

Most of the literature on social entrepreneurship discusses the motivations for pursuing sustainable ventures. Some work emphasises strong links between entrepreneurs and environmentalists (Dixon and Clifford 2007; Cherrier et al. 2012), whilst others contend that 'ecopreneurs' are indeed a separate category of entrepreneurs (Vega and Kidwell 2007). According to some, the very nature of environmental issues means that entrepreneurial solutions are needed (Dean and McMullen 2007), whilst others explore the issue of whether and how sustainability or environmentalist orientation influences entrepreneurial pursuits and ventures.

Especially when it comes to (social) funding of social enterprises, there are a number of different types of organisations/actors involved, spanning philanthropic foundations, corporate sponsorship and impact investing, as well as selling end-user services to the target group or instead subsidising target group activities by selling to a third party. Social enterprises may thus rely on a repertoire ranging from full donor reliance to financial self-sufficiency through membership fees, donors, gifts, loans or seed money. This type of blending of different sources of funding may be convenient, but may be costly in terms of operational efficiency (Frumkin and Keating 2011), as funds

may come with strings attached. Prokopovych and Plotnieks (2014) ask for caution regarding generalisation when it comes to the organisational consequences of strings being attached.

Empirical approach and hypotheses

Drawing on the literature outlined in the previous section, we are now able to formulate different hypotheses regarding the nature of collaboration and its links to organisational performance for the social entrepreneurship sector.

First, a collaboration is regarded as a link in which primarily the number of collaboration partners constitutes the pool of existing collaboration partners, associated with each surveyed (focal) SE. Secondly, we look at the quality of the existing links within a collaboration, particularly focusing on the level of embedded ties (or ‘embeddedness’) of a social enterprise, both regarding an internal perspective with focus on the actions taken by the focal organisation, but also from a partner’s perspective on the focal organisation, capturing the effects of being a crucial or unique collaboration partner for organisations in the proximity of the focal organisation. Finally, we explore the power structure of the collaboration. This includes the reasons for engaging in collaboration, as well as the power structure of such links measured by the varying authority over existing collaborations.

• SEs’ level of collaboration

Research shows that cooperation allows for sustainable value creation, innovation and access to resources. We explore whether the level of inter-organisational cooperation has an impact on the SEs’ level of performance. We also look at whether enterprises that have higher levels of network ties do better financially or in social goal achievement.

Hypothesis 1: High level of network ties (strong level of collaboration) does not affect SE’s performance.

• Quality and embedded structure of the collaborations

According to the literature, collaboration has an embedded structure if the collaborators/ business partners are closely tied and engaged in coordinated adaption. Trust and other behavioural aspects endow the collaboration with

characteristics that enable the collaborators to exchange rich information and long-term resource pooling, thereby reducing transactional costs.

However, measuring embeddedness is rather challenging. We use two ways of identifying whether an organisation exerts the behaviour of embedded ties. The first accounts for the efforts an organisation puts into discussing important economic and social issues with the sector and/or stakeholders. The second measure relates to the importance of the focal organisation for its surrounding organisations. The focal organisation's level of coupling is considered as a proxy for the uniqueness of the SE for its peers. *Per se*, collaboration is both an opportunity and a limitation, giving access to important mechanisms for economic outcomes, as well as impeding the enterprise from spending an extensive time outside existing relationships.

These two measures will help us to assess how dependent the SE is on his collaborator(s), and whether this impacts performance.

Hypothesis 2: For a given network size, SEs with stronger embedded ties perform as well as those with looser ties.

• **Usefulness and power structure of collaborations**

Finally, we wish to explore how the nature of collaboration (looking at the reasons for and the power structure within collaboration) matters for performance by looking at the three most important collaborations for each considered social enterprise. Second, we ask whether the organisation has less, equal, or more decision-making authority on a day-to-day basis, compared to other involved parties. Possessing extensive decision-making power over existing collaborations decreases the risk of mission drift but could limit learning. Explicitly, we explore if deviating from an equal power structure in collaborations matters for economic or social outcomes.

Hypothesis 3: Given embeddedness, weak or dominant collaboration leads to the same performance.

THE MODEL

We use a logit model in order to address which factors are linked to financial and social performance. Our financial outcome is binary and indicates the *failure* of an organisation to increase their yearly revenue. Thus, the dependent variable takes the value 0 if an organisation increased year-on-year revenues and 1 if it remained unchanged or decreased. We view revenues as a postulate for enhanced or extended reach of social impact. Yet, other determinants naturally affect both the level and changes in revenues regardless of the organic change factors. We pay special attention to innovation-conditional change by including covariates that enables us to control for the possibility that an organisation yields higher values (social or efficiently) with lower or unchanged revenues. Moreover, by looking at changes in revenues, it allows us to compare organisations of vast size difference.

Organisations with a dual goal are potentially inclined to collaborate for several reasons other than purely economic. Therefore, we examine the collaboration's effects on social performance using a very similar approach, with some minor modifications of included controls. For the social outcome, a binary outcome variable is used which captures the self-measured social performance. Whenever a SE measures its social performance, we code a positive change (reflected by a unit increase or decrease depending on the actual measure used by the SE) in the social performance as 1, and 0 for unchanged or negative change (a decrease or increase of the indicator values).

In Table 2, we report descriptive statistics by the two groups of SEs: the ones that *fail* and the ones that *succeed* in increasing their revenues. This way of considering the data is important when analysing an outcome that might be perfectly determined by other factors, themselves significantly different across the groups.

TABLE 2: SUMMARY STATISTICS (PER GROUP)

| | Success | | | | | Fail | | | | |
|--|---------|-----------|-------|---------|------|-------|-----------|-------|---------|------|
| | Mean | Std. Dev. | min | max | Obs. | Mean | Std. Dev. | Min | max | Obs. |
| Organisational age | 15.34 | (21.88) | 2.00 | 99.00 | 62 | 15.86 | (19.97) | 1.00 | 99.00 | 28 |
| Share self-generated revenues (2014) | 0.54 | (0.36) | 0.00 | 1.00 | 62 | 0.53 | (0.33) | 0.05 | 1.00 | 26 |
| % of SEs selling to government | 0.58 | (0.50) | 0.00 | 1.00 | 62 | 0.61 | (0.50) | 0.00 | 1.00 | 28 |
| Organisational size (FTE) | 71.33 | (230.74) | 0.95 | 1525.00 | 62 | 52.97 | (156.15) | 1.02 | 800.75 | 28 |
| Yearly change in No. of beneficiaries | 0.63 | (1.17) | -0.32 | 7.33 | 59 | 0.49 | (1.35) | -0.20 | 6.50 | 25 |
| No. of competitors in the market | 141.77 | (500.57) | 0.00 | 3000.00 | 56 | 86.32 | (216.00) | 0.00 | 1000.00 | 28 |
| No. collaboration partners | 28.48 | (32.39) | 0.00 | 150.00 | 61 | 15.18 | (14.50) | 2.00 | 55.00 | 28 |
| No. of unique organisational forms (collaborators) | 3.55 | (1.33) | 0.00 | 8.00 | 62 | 3.50 | (1.20) | 2.00 | 8.00 | 28 |
| Resource collaboration (Most important coll.) | 0.29 | (0.46) | 0.00 | 1.00 | 62 | 0.29 | (0.46) | 0.00 | 1.00 | 28 |
| Social impact scaling collaboration (all) | 0.87 | (0.93) | 0.00 | 3.00 | 62 | 0.71 | (0.94) | 0.00 | 3.00 | 28 |
| No. of SEs in active network | 14.18 | (23.47) | 0.00 | 150.00 | 62 | 11.00 | (12.81) | 0.00 | 50.00 | 28 |
| Network engagement (0/1) | 0.54 | (0.50) | 0.00 | 1.00 | 61 | 0.35 | (0.49) | 0.00 | 1.00 | 26 |
| Social embeddedness (0/1) | 0.79 | (0.41) | 0.00 | 1.00 | 61 | 0.81 | (0.40) | 0.00 | 1.00 | 27 |
| Observations | 62 | | | | | 28 | | | | |

We perform a t-test of within sample, across group differences, the results of which are presented in Table 3. This examination of data indicated that significant differences across group means can be rejected at the conventional (0.05 alpha) level.

TABLE 3: T TEST

| | Mean Success | Mean Fail | Diff. | P Value | N Success | N Fail |
|--|--------------|-----------|-------|---------|-----------|--------|
| Organisational age | 15.34 | 15.86 | -0.52 | 0.915 | 62 | 28 |
| Share self-generated revenues (2014) | 0.54 | 0.53 | 0.01 | 0.885 | 62 | 26 |
| % of SEs selling to government | 0.58 | 0.61 | -0.03 | 0.816 | 62 | 28 |
| Organisational size (FTE) | 71.33 | 52.97 | 18.36 | 0.703 | 62 | 28 |
| Yearly change in no. of beneficiaries | 0.63 | 0.49 | 0.14 | 0.635 | 59 | 25 |
| No. of competitors in the market | 141.77 | 86.32 | 55.45 | 0.577 | 56 | 28 |
| No. collaboration partners | 28.48 | 15.18 | 13.30 | 0.041* | 61 | 28 |
| No. of unique organisational forms (collaborators) | 3.55 | 3.50 | 0.05 | 0.869 | 62 | 28 |
| Resource collaboration (Most important coll.) | 0.29 | 0.29 | 0.00 | 0.965 | 62 | 28 |
| Social impact scaling collaboration (all) | 0.87 | 0.71 | 0.16 | 0.463 | 62 | 28 |
| No. of SEs in active network | 14.18 | 11.00 | 3.18 | 0.504 | 62 | 28 |
| Network engagement (0/1) | 0.54 | 0.35 | 0.19 | 0.098 | 61 | 26 |
| Social embeddedness (0/1) | 0.79 | 0.81 | -0.03 | 0.768 | 61 | 27 |
| Observations | 90 | | | | | |

Collaboration and variation of the performance

To test the different hypotheses formulated in Section 4, we use our dataset on Swedish social enterprises and their collaborations described in Section 2.1. We first discuss the different variables and then provide the estimates of the models.

VARIABLES

- **The measures of performance**

Given that social enterprises have a social or environmental mission at their core, defining a sensible measure of economic performance that considers its business logic is key. As mentioned, annual profit may not be the best measure to represent economic performance of organisations built around improving

the lives of others. In contrast to for-profit organisations, self-sustainability and long-term value generation thus better capture the duality in the work of a social enterprise.

(i) **Economic performance.** We use the year-on-year revenue change for the survey year (2015) and its antecedent as a measurement of economic success. Our starting point is the idea that social enterprises that achieve higher balanced revenue increase their scope, socially or economically. Whether that is true for the effective year is of course not always certain. New recruitments, increased costs, or projects with long horizons can occasionally blunt the measure. Organisations that experienced an increase of revenues are considered as ‘successful’, and coded as 0, while organisations with unchanged or decreasing revenues are considered as ‘failing’, coded as 1. Since newly established organisations did not yet finalise two annual budgets, we use all organisations for which we have data on the outcome variable. Out of the 106 surveyed 16 were ineligible for analysis. Out of the remaining 90, 28 decreased or did not increase revenue generation between the budget years of 2014 and 2015. This implies that for most of the tested model specifications, we run analysis on 28 failing organisations and 62 succeeding organisations.

(ii) **Social performance.** For the social performance, we use the 76 out of the 106 organisations that in any unit track its social performance. We make use of yearly changes in the measure. Out of the 76 organisations that measure social performance, another 22 organisations were too new, explaining why yearly changes do not exist. This leaves 53 SEs for analysis (31 successful and 22 failing).

• **The different features of the collaboration**

We use different variables to characterise the type of collaboration that the SE is engaged in.

(i) **The number of partners (level of collaboration).** We capture the importance of collaboration pools and the existence of interfirm links by including the number of collaboration partners as a first measure of connectivity of an organisation.

(ii) **Organisational engagement in collaboration.** Managers of social enterprises were also asked whether the ‘members of their organisation generally spend a lot of time and effort networking (where networking means building and sustaining relationships with others)’. Given that the manager answers that he/she agrees or strongly agrees with the statement, network engagement is classified as 1 (and 0 otherwise). Thus, this constitutes an indicator variable of engaged networking. Alternatively, we use whether the focal organisation discusses important social economic and social changes with similar organisations and/or external stakeholders. The latter is more an indication of whether the SE has embedded ties (in general) than if they focus on/acknowledge networking. The variable is coded similarly. In the social performance model, we use the network engagement variable.

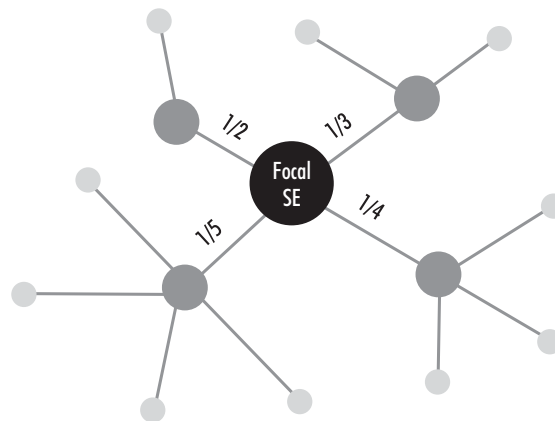


Figure 4: Network location

(iii) **The second-order coupling.** SEFORIS (2016) sampling method allows us to track the first ring of peer organisations, which are closely related to the focal SE. We use *peer* for social enterprises that are detected in our sample, either by being a seed organisation, a referral, or a referee to at least one other social enterprise. The word SE-Peer is used to distinguish these types of organisational links from collaborative links, which may include any type of organisation(s). We use these identified links to proxy the second-order ties of the focal organisations (Uzzi 1996). We measure the importance of the focal

SE by its actual number of first-ring peers. For each organisation, we record the number of collaboration partners which the focal organisation refers us to, and of those which they in turn have been referred by. Each link between the focal organisation and the partner is weighted according to its importance for the partner. If, like in Figure 4, a focal organisation has 4 organisations in its first ring of peers, and these 4 organisations collaborate with 2, 3, 4 and 5 collaboration partners respectively, we construct a measure indicating that this focal organisation is $1/2$, $1/3$, $1/4$ and $1/5$ of its peers' potential collaboration partner. We then weight this measure by one-fourth, as the peer pool consists of 4 SE-peers, yielding a compound measure of the focal organisation's centrality to its peers. The value of second-order coupling lies between 0 and 1 and how important the focal organisation is for their peers. In this manner, the second-order coupling works as a proxy for the other side of embeddedness.

(iv) *The usefulness of the collaboration.* For the (up to) three most important collaborations, each including one or more collaboration partners or organisation, we classify the primary reason for the SE for being involved in the particular collaboration. The social enterprise gave the primary reason for each collaboration and scored the answers such as: To access resources (money, people, networks, information), To access skills (that we don't have in-house in our organisation), To access commercial/business expertise, To develop products/services, To scale social impact, To obtain publicity or endorsement, As part of collaborative campaigning (i.e., campaigning together with other organisations), or as Other.

(v) *The power structure of the collaboration.* Additionally, we use a compound weighted measure of the focal organisation's influence level, in which deviations from 1 indicates more unequal decision-making authority over its collaborations. Values close to 1 indicate that the organisation on average maintains collaboration with a balanced power structure. Note that when looking at the social performance analysis, we do not use a compound measure of this

deviation, but allow the estimates to be different for collaborations with less compared to more power. The value 1 represents equal collaborations.

Together, these measures capture the incidence and intensity of existing collaborations and networks respectively.

- **Control variables**

We control for organisational age (measured from the firm registration's date at the official agency); the self-generated revenue share of the overall financial liquidity (over the past 12 months); the organisational size as the total number of FTEs⁶, as well as the yearly change in FTEs; an indicator for whether the enterprise has competitors providing similar product(s) or service(s) in the same geographical market as the SE is located; the share of employees that has worked with innovation of new products/services/processes; and the number of unique organisational forms of collaborators that SEs have.

ESTIMATES

- **Economic performance and collaboration**

Table 4 provides the results of four estimated models on financial performance. As logit models use maximum likelihood, observations where failure or success is completely determined by included covariates are excluded from estimations. Model 1 includes only controls; Model 2 includes the independent variable concerning the level of collaboration (i.e., the number of partners) and adds a control variable to measure the sectors' diversification of the considered SE (i.e., the number of unique type of collaborators). Model 3 adds the two dimensions of embeddedness, including the organisational engagement in collaboration and the second-order coupling among partners. Model 4 adds the measure of equal decision-making structure within collaborations, controlling for the perceived usefulness of the considered collaboration. Table 4 presents these results.

⁶ FTEs are considered to account for 35 hours/week.

TABLE 4: LOGIT ANALYSIS OF COLLABORATION AND ECONOMIC PERFORMANCE (FAILURE): SOCIAL ENTERPRISES IN SWEDEN 2015

| | (1) Model 1 | (2) Model 2 | (3) Model 3 | (4) Model 4 |
|---|---------------------|---------------------|---------------------|----------------------|
| Increase revenue failure | | | | |
| Organisational age | 0.0194 (1.33) | 0.0562* (2.48) | 0.0734** (2.93) | 0.151 (1.87) |
| Share self-generated revenues | -0.140 (-0.16) | -0.702 (-0.67) | -1.429 (-1.06) | -2.237 (-1.02) |
| Organisational size (FTE) | -0.00101 (-0.47) | 0.00264 (1.91) | 0.00265 (1.57) | 0.00980* (2.20) |
| Yearly change in org. size (FTE) | -0.344** (-2.71) | -0.299** (-2.75) | -0.327** (-2.67) | -0.714** (-2.70) |
| Competitors on the same geographical level (0/1) | 1.726* (2.51) | 1.634* (2.15) | 2.485** (2.92) | 4.238** (2.95) |
| % of emp. working w/ innovation (past year) | 1.771* (2.40) | 2.154* (2.49) | 2.509* (2.28) | 3.609 (1.73) |
| Unique collaboration org. types (Most important coll.) | | -1.159 (-1.71) | -1.069 (-1.17) | -2.995 (-1.51) |
| No. collaboration partners | | -0.0209 (-1.36) | -0.0351 (-1.38) | -0.0986* (-2.57) |
| Social embeddedness (0/1) | | | 0.748 (1.14) | 1.237 (1.15) |
| Second-order 'SE-peer' coupling | | | 49.21* (2.23) | 108.3* (2.11) |
| Second-order 'SE-peer' coupling squared | | | -194.5* (-2.42) | -449.9* (-2.21) |
| Deviation equal-power coll. (symmetric) | | | | 7.891** (2.99) |
| Deviation × resource collaboration (Most important coll.) | | | | -25.29** (-3.18) |
| Resource collaboration (Most important coll.) | | | | 15.16*** (3.67) |
| Constant | -2.921** (-3.26) | -1.526 (-1.28) | -5.086** (-2.82) | -12.58*** (-3.53) |
| Observations | 88 | 86 | 84 | 83 |
| Log Likelihood | -40.12 | -35.73 | -29.21 | -17.77 |
| Degrees of freedom | 6 | 8 | 11 | 14 |
| Pseudo R2 | 0.249 | 0.322 | 0.429 | 0.650 |

z statistics in parentheses *p < 0.05, **p < 0.01, *** p < 0.001

Our main finding is that, once controlling for the usefulness of the collaboration, collaboration structure and economic performance are shown to be interlinked. In general, the log-likelihood values indicate that the fit of the model improves when adding specific features of the collaboration, compared to Model 1 (only including controls).

Level of collaboration and economic performance. First, the level of collaboration does not, *per se*, seem to have a robust standalone link to financial performance (Model 2), but only when interacting with the structure of collaboration (Model 4). Hence, Hypothesis 1 cannot be rejected. However, Model 4 shows that the number of collaborations has a positive effect on financial performance, which is represented by a decreased likeliness to fail in increasing revenues. A larger collaboration pool can therefore be linked to a more stable economic situation allowing for a higher liberty of action for the SEs. The pure effect of the collaboration pool size is positive, and for model specifications including a second-order term (not presented here), we cannot confirm any results of such a non-constant return to collaboration number of partners.

Embeddedness and economic performance. Second, it seems that only one side of the embeddedness may be linked to the economic performance, whereas we cannot fully reject Hypothesis 2. The organisational engagement in the collaboration (referred to ‘social embeddedness’) is not statistically significant with a 95 per cent confidence interval. On the other hand, the importance of the focal organisation for its surrounding organisations (proxy as the ‘Second-order ‘SE-peer’ coupling’ in Models 3 and 4) shows a negative effect on financial performance. Whenever the focal organisation is relatively unimportant for its peers with values close to zero, it suggests that organisations, more unique to their SE-peers in the network, perform worse. This negative effect, however reverses itself (by a negative second-order polynomial effect on failure) as the organisation becomes more important to its peers. This is interpreted in terms of a very large share of a network ties’ collaboration partners being negative for small peers’ collaboration pools, but rapidly becomes positive for larger pools.

Power structure and economic performance. Third, the link between power structure and economic performance can be assessed at different levels. From Table 4 (Model 4), failing to increase revenues is positively (negative coefficient) correlated with balanced decision-power collaboration. Or put differently, overall, gaining or giving up authority (deviating from balanced power)

within a collaboration is beneficial for the organisation's economic performance. Notably, we find these results to be conditional and accurate only if not collaborating for achieving access to resources. If instead the main purpose of the collaboration is to get access to resources, the conclusion is the opposite; whenever engaging in resource-motivated collaborations, promoting equal decision-making authority is advantageous. One reason for this finding is that collaborating to get access to resources is, in general, inauspicious for SE's economic performance (as should be clear from Table 4). In this case, having a balanced collaboration may counteract this negative effect (i.e., failing in increasing revenues). Additionally, deviating from having an equal authority over the collaboration in those resource-driven collaborations is strongly negative for economic performance. This suggests that maintaining an equal decision-making structure if collaborating for resources benefits economic performance.

SOCIAL PERFORMANCE AND COLLABORATION

Turning to links between the social performance and collaboration level and structure, using a similar framework than above, Table 5 shows the main results. In addition, sample sizes are even smaller for these model specifications. However, results vary slightly and we see a clearer indication of the link between the level of collaboration and social performance achievement.

TABLE 5: LOGIT ANALYSIS OF COLLABORATION ON SOCIAL PERFORMANCE (SUCCESS): SEs IN SWEDEN 2015

| | (5) Model 5 | (6) Model 6 | (7) Model 7 | (8) Model 8 |
|--|---------------------|---------------------|---------------------|---------------------|
| Social performance success | | | | |
| Organisational age | -0.0462 (-0.83) | -0.0902 (-1.09) | -0.0742 (-0.86) | -0.850* (-2.55) |
| Organisational age squared | 0.000654 (1.06) | 0.00127 (1.51) | 0.00119 (1.38) | 0.0236** (2.71) |
| Organisational size (FTE) | -0.00271 (-0.76) | -0.00583 (-1.47) | -0.00690 (-1.42) | -0.00955 (-1.15) |
| Competitors on the same geographical level (0/1) | -1.183 (-1.81) | -1.667* (-2.05) | -1.997* (-2.30) | -3.616* (-1.98) |
| No. collaboration partners | | 0.0332 (1.93) | 0.0337* (2.00) | 0.0464* (2.03) |
| Network engagement (0/1) | | -1.339 (-1.48) | -1.431 (-1.70) | -3.089 (-1.94) |
| Second-order 'SE-peer' coupling | | | 2.817 (0.15) | 10.96 (0.44) |
| Second-order 'SE-peer' coupling squared | | | -36.21 (-0.43) | -66.72 (-0.55) |
| Social impact scaling collaboration (all) | | | | -0.857 (-1.48) |
| Equal-power deviation | | | | 1.791** (2.74) |
| Constant | 1.618* (2.25) | 2.102* (1.96) | 2.440 (1.66) | 8.401* (2.45) |
| Observations | 53 | 51 | 51 | 49 |
| Log likelihood | -32.05 | -26.74 | -26.51 | -15.22 |
| Degrees of freedom | 4 | 6 | 8 | 10 |
| Pseudo R2 | 0.109 | 0.226 | 0.233 | 0.541 |

z statistics in parentheses * p < 0.05, ** p < 0.01, *** p < 0.001

Once controlling for the Second-Order ‘SE-peer’ coupling, the level of collaboration is positive and significant. Bigger collaboration pools’ size increases the probability of observing social impact changes. We cannot reject that the second-order coupling has no effect on social impact achievement, neither here nor in the full model (Model 8). Given the interlinked nature of collaborations, estimates support the correlation of power structure in collaborations with social performance, but the effects are reversed. Deviating from an equal power structure in all types of collaborations increase likeliness of higher social performance. The model specifications are however different from the one used in the main analysis of financial performance. Here we use the networking time control instead, we do not include interaction terms, and we control specifically for collaborations over social scaling instead of accessing resources. Overall, we find no convincing results that collaboration levels and structure are closely linked to social impact performance.

Conclusion

Exerting joint problem-solving arrangements allows collaborators to experiment, learn, and find solutions. Such pronounced collaboration structures are often chosen by social enterprises, given their aims. In this chapter, we analyse the link between collaboration and SEs’ performance. In particular, we focus on the nature and structure of the collaboration, as well as the social and economic performance, using an extensive dataset of over 100 Swedish social enterprises. It is well known from the literature that for ‘traditional’ enterprises, collaboration allows for value creation, innovation, and/or access to resources. It is therefore interesting to investigate whether the same dynamic exists for social entrepreneurs.

Our findings suggest that, for social entrepreneurs, collaborating for resource access is only beneficial with balanced power between the parties involved. However, this is not the case for other collaboration motivations (such as sharing skills, developing products, obtaining publicity, or campaigning together, etc.), for which the number of collaborators matters greatly for economic performance. We also find that the importance of embeddedness for firms’ performance, as the number of collaborators should be limited according to Uzzi (1996: 675):

organisational networks operate in an embedded logic of exchange that promotes economic performance through interfirm resource pooling, cooperation, and coordinated adaptation but that also can derail performance by sealing off firms in the network from new information or opportunities that exist outside the network.

As mentioned, we focus mainly in this chapter on economic performance, yet this performance is unequivocally tied to the social enterprises' social missions. Moreover, we know from our sample of SEs that they find that national and local government do not understand their funding requirements and needs. Thus, in order to survive, they have their own way of solving things. Because of their dual mission, SEs are typically in need of collaboration. In our data sample, on average, SEs have 7 employees, but 13 collaborations. This suggests that collaborating is indeed essential for these SEs; understanding their logic of collaboration is essential in order to further this sector and solve societal challenges.

The sample size in this study is relatively small. An aim for the future is to investigate whether the preliminary findings hold for a larger sample. Moreover, a variety of perspectives on inter-organisational cooperation can be used in order to further develop the link between organisational performance and cooperation/collaboration, not only financial but also social performance. We wish to test further hypotheses in relation to this, first in relation to the link between strength of financial ties and social performance. In our study, we observe a tendency of unequal power structure having a derailing effect on an organisation's overall performance. This could be indicative of mission drift in SEs. Thus, a possible avenue for future research is the gap between social performance and inter-organisational cooperation, i.e., mission drift, a hitherto observed research gap (Prokopovych and Plotnieks 2014). Moving further, given the alleged link between cooperation and innovation, we also wish to investigate the potential positive impact of inter-organisational cooperation on SEs' level of innovation.

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