Strategizing in highly institutionalized environments. Social enterprises in Germany

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Dissertation submitted to the Hertie School of Governance in partial fulfilment of the requirements for the degree of Doctor of Philosophy (PhD)
in the Doctoral Programme in Governance.

Berlin, 2017

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Summary

The dissertation focuses on the strategizing activities of new-style social enterprises in the highly institutionalized German social service provision sector. More specifically, it focuses on understanding and highlighting the characteristics of highly institutionalized environments taking the case of Germany, and then examines how smaller new entrants strategize in these environments in order to achieve their goals. This is important because there is more limited understanding of how small new entrants operate in highly institutionalized contexts, which is likely to differ from other types of contexts.

The study is built upon a qualitative research design with three in-depth case studies of social enterprises at its core, which were investigated through semi-structured interviews, organizational observation, and secondary data analysis.

The inductive analytical process resulted in the following findings. Firstly, a highly institutionalized field is characterized by stability and density of institutional conditions that manifest through four characteristics: a high regulatory degree, strongly embedded established social service providers, strong and stable financial resource flows and high stability of cognitive schemes regarding social service provision.

Secondly, the strategizing activities of smaller new entrants highlight the important balance between compliance to, and divergence from, institutional prescriptions and expectations that organizations experience. In order to achieve their organizational goals in this environment, social enterprises develop four strategizing areas in order to manage divergence: problem specification, interaction with established providers, mobilizing financial resources and mobilizing symbolic resources.

The findings contribute to previous research in three ways. Firstly, they contribute to a better specification of highly institutionalized fields based on the perceptions of organizations operating in these environments. Secondly, the findings contribute to the understanding of simultaneous compliant and divergent organizational behavior and its connection to concrete institutions. Thirdly, the findings provide a more fine-grained understanding of the strategizing areas available to and used by new entrants in highly

institutional fields in order to cope with the institutional forces that they encounter. This sheds light on the importance of differentiating between types of organizations and types of fields in order to understand the dynamics and the interplay between institutions and the capacity for action of organizations.

Pentru Mama

Acknowledgments

I have been thinking about writing the acknowledgements for this dissertation for the past two years or so, knowing that it would be a long and demanding process to get here and also being aware throughout the entire PhD of the importance and involvement of so many people in helping me complete it. As I begin writing these pages, I feel excited and also somewhat nervous about not being able to properly convey my never-ending gratitude to all the people who made this possible. Hence, I will take the opportunity to say "thank you" here at length.

I would like to start by thanking my three advisors who have had the patience, the insight and the energy to support me throughout this academic journey. Prof. Johanna Mair – I am deeply grateful for your faith in me, the amazing intellectual conversations and challenges, your mentoring and support both professionally and academically and for opening so many doors and making so many things possible for me. Prof. Elke Schüßler – I wish to express my gratitude for all our conversations that were so supportive and constructive at times when I needed them most. Your clarity and encouragements continuously improved this dissertation. Prof. Anke Hassel – I am very grateful for your continuous support and for all your precise and detailed observations that made this dissertation more accurate.

Conducting this research would not have been possible without the commitment and dedication of the three organizations which agreed to be my case studies. To the founders of the organizations in particular and to all the other people who opened their lives in our conversations and shared their experiences – I thank you so much and I hope you know that none of this would have been possible without you.

I would like to thank the SEFORÏS project team – all the project leads, research associates, analysts from all countries - who constantly encouraged and helped me advance my work, my thinking and my general understanding of both social enterprises and the academic world. So much of our formal and informal exchanges flowed into this work and I thank you for that. I also thank the European Commission for funding this research through the SEFORÏS project.

There are also so many people to thank from my academic home, the Hertie School of Governance. Thank you to the PhD program team – especially Christine Kasack and Verena Neumann - for the entire support. I also want to thank the Hertie School for the financial support throughout the program (through projects funded by the DAAD) and especially in the completion phase of this dissertation. I wish to thank colleagues and friends for their essential contributions: Ashley, Esther, Franca, Jessica, Krista, Nikolas, all the members of the OML and NPO discussion groups and many more – your insights, feedback and openness were invaluable to me. A very special thank you goes to Miriam Wolf who has been there for me unconditionally from day one and with whom I have shared some of my best and some of my most difficult moments – thank you for believing in me and always taking the time to listen.

I am also very grateful to my hosts at the Stanford Center on Philanthropy and Civil Society and the Stanford University community for receiving me with open arms and making my stay there so amazing. Prof. Woody Powell, everybody in the Stanford PACS PhD seminar, as well as the SCANCOR community and the broader Stanford community, all the friends I made in California – you have been such a big part of this experience for me.

My research has also benefited from valuable input and contributions from various academic conferences and workshops. I wish to thank all the participants who so thoughtfully engaged with my work at EMES, ISIRC, EGOS and the Stanford PACS Junior Scholar Forum.

There are so many other practitioners I have worked with who have left a very important mark on my life, my work, and how I relate to civil society organizations in general. It all flowed into this work and will continue to inspire and motivate me.

My time in the PhD program would not have been possible without the immense support of so many of my friends from all over the world. We are a global village and I hope you all know how much each and every one of you contributed to everything that happened in the past three years. Ami, Andreea G. Andreea N., Angi, Ben, Björn, Diana, Florentina B., Florian, Harmke, Judith, Marcel, Matt, Nicolas F., Philip, Rilana, Robin, Siri, Theresa, Vali and so many more – thank you for being by my side all along

and giving me the confidence and the perspective I needed. A huge thank you and a lot of gratitude goes to the wonderful team and friends from Diaspora Civică Berlin – thank you for always reminding me what really matters during the past year and for having such unlimited faith in me.

I wish to express my immense gratitude, from the deepest bottom of my heart to my family, near and far – your support and full trust meant the world to me. Particularly to my mother, father and brother who knew when and how to listen, to help, to make me laugh and welcome me home to gather up some more courage – I thank you for believing in me all this time and for helping me in every way possible to be who I am today. I know this came with sacrifices a lot of times and I am so grateful to you every single day.

To everybody who was or was not explicitly mentioned in these pages and who contributed whether they know it or not to this research – I look forward to thanking you in person as well. You are all in my heart.

Berlin, December 2017

Alexandra Ioan

The present research has been developed with the support of the SEFORÏS Project – "Social Entrepreneurship as a Force for more Inclusive and Innovative Societies". This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 613500.

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List of Abbreviations

EC = European Commission

KMK = *Kulturministerkonferenz* (Secretariat of the Standing Conference of the Ministers of Education and Cultural Affairs of the Länder in the Federal Republic of Germany)

SEFORİS = Social Enterprises as a Force for more Inclusive and Innovative Societies

Introduction

Social problems around the world have become increasingly complex, as well as diverse. Ranging from broad macro-social aspects to matters more strongly connected to particular communities or groups of people, these issues can encompass anything from inequality to poverty, from access to education to healthcare. The challenge of addressing and hopefully solving these issues has been increasingly taken up by a variety of actors from business, government, the civil sector, as well as organizations crossing these categorizations. The engagement of all these stakeholders has been cumulative, as they each bring to the table their specific contribution, angle of understanding and resources to improve the lives of so many people. Although we naturally see significant differences in what constitutes a social problem between different regions of the world, this variety of stakeholders is noticeable everywhere. The way in which these stakeholders act and develop solutions for social problems though can also differ substantially. The opportunities available to them, the constraints posed by internal and external demands, they all influence how these actors engage with the social issue at hand. The type of environment in which they are active thus plays a significant role in how they address social issues.

The focus of this research is on understanding exactly how organizations make sense of their environments and how they strategically organize in order to be more effective in tackling the social problem they are interested in. We need to better understand what strategic actions organizations can take to achieve their goals. At the same time, this requires an in-depth understanding of their particular environments and how specific environmental conditions also affect what organizations can do. I will concentrate in particular on small organizations, rather peripheral and new in their field of work, as they are the ones more likely to experience difficulties in their environment also relative to other stronger, more resourceful actors around them. These smaller players are nevertheless essential contributors to the complex configurations of actors dealing with social issues.

The following study will be addressing the dynamics of tackling social problems in a specific institutional context. The study is situated in Western Europe and more

specifically in Germany as a study setting. Germany is a highly stable country both politically and socially, with a well established welfare state and an accompanying institutional architecture that includes extensive social service provision for the population. Some large and established actors with a long tradition in the social sector – the six main welfare associations - are at the core of these institutional arrangements. Together with state structures, they are the main stakeholders in engaging with social issues and developing solutions to them, usually in the form of social services or welfare support programs. Still, ever since the 1990s there has been a rise in the number of other organizations pointing to changing social challenges in the German society and developing their own understanding of how to address them (EC, 2014). These smaller alternative players also develop innovative models for social services and try to achieve financial sustainability through independent business models. Due to this, they have also come to be known as new-style social enterprises that remain outside of the structures of the welfare associations and other established social service providers. The fact that new-style social enterprises remain outside of institutionalized structures and that they look to implement new approaches which also include commercial dimensions to addressing social issues distinguishes them as alternatives to the clearly regulated, traditional social services that the members of the welfare associations provide.

Intuitively, this can raise certain difficulties for these organizations: they are not directly connected to the resource streams available to more established players, they do not benefit from their experience and strong positioning in the field, they do not have a comparable capacity to the established providers due to their small size, as well as recent entrance in the field addressing particular social issues. Although it would be easier for these organizations to follow the already established and endorsed paths of dealing with social issues in this context - for example by joining the welfare associations and delivering social services approved by state agencies - they choose to go their different way. This raises the empirical puzzle that lies at the heart of the present study: how do new-style social enterprises achieve their goals in the German social service provision sector?

Looking at the setting of Germany and the case of social enterprises can allow us to theorize about smaller, peripheral organizations looking to address social problems in

their environments more broadly. As social service provision in Germany is historically very clearly stipulated and as the new-style social enterprises are new and smaller actors entering this field, understanding the dynamics in this setting can shed light especially on how new entrants calculate their actions in highly institutionalized fields.

Research questions and research design

Answering the empirical question formulated above can theoretically contribute to two areas. On the one hand, it can help us have a clearer understanding of the characteristics of a highly institutionalized environment, how it differs from other types of environments and how it affects organizations operating in this environment. The first research question is therefore:

RQ 1: What characterizes highly institutionalized environments?

Through highly institutionalized environment I understand a field that "has a stable set of rules, norms and cognitive schemas that define accepted ways of operating. Such mature fields are often characterized by the presence of field-dominating organizations and a dominant organizational form." (Perkmann and Spicer, 2007: 1104; Greenwood et al., 2002). As the high degree of institutionalization is a characteristic of a particular field, for the purpose of this research I define fields as "a recognized area of institutional life" (DiMaggio and Powell, 1983) and a community of organizations that interact more frequently with each other than with actors outside of this area (Scott, 1991).

Secondly, and even more important, is to understand the way in which organizations strategically engage with a highly institutionalized environment in order to achieve their goals. I use the institutional setting hence as a lens to understand in-depth organizational options, choices, decisions and actions that are also at least partially contingent on these institutional conditions. We expect in a highly institutionalized environment for the pressures for conformity to be greater than in other environments but we still see organizations resisting those pressures. The focus then lies on how they manage this process while not compromising on their goals. The second research question of the study is therefore:

RQ 2: How do new entrants strategize in highly institutionalized environments in order to achieve their goals?

The new entrants in this study are the new-style social enterprises. I define social enterprises in this study as organizations that fulfill primarily a social mission by using commercial activities (Mair and Marti, 2006; Doherty et al., 2014; Kerlin, 2010; Ebrahim et al., 2014; Battilana and Lee, 2014). As I will explain in the following chapters, this definition can be applicable also to traditional German social service providers, which is the reason why the differentiation between them and the new-style social enterprises is necessary. For the purposes of this study, I refer to new-style social enterprises when I discuss smaller social service providers situated outside of the mainstream welfare structures and which make use explicitly of commercial and innovative elements in their activities. I will refer to organizations more strongly connected to the German welfare system as established social service providers.

For the purposes of this study I understand strategizing as the way in which organizations in a field cope with the forces of their institutional environment. Strategizing is thus related to the previously mentioned dynamics and to the interplay between the environment and the organizations.

Previous research has shown interest in similar questions and puzzles. Organization theorists have been elaborating on different types of fields, how they differ and also how they exert pressures on organizations (DiMaggio and Powell, 1983; Zietsma et al., 2017). Furthermore, they have also looked into the dynamics that organizations go through in order to achieve their goals either at intra- or inter-organizational level (Perrow, 1961; Ganz, 2000). Still, we know somewhat less about the interplay between institutional conditions and organizational agency and this is what this study aims to address. Previous empirical studies strongly specify either one or the other angle of analysis (Pache and Santos, 2010; Raynard, 2016), while this study looks to connect both dimensions of institutional life and contribute to similar projects along these lines (Greenwood and Suddaby, 2006). What is more, the current study focuses in particular on small, new organizations that perceive the institutional conditions they are facing differently from larger, established organizations in the field. This contributes to a more

fine-grained understanding of the behavior of this specific type of organizations and of the particular dynamics unfolding between them and their environments.

I will approach the above-mentioned questions through an empirical in-depth qualitative study of three German new-style social enterprises active in work integration for people with disabilities, support services for families and secondary education. I followed these organizations throughout a period of two years and I conducted extended interviews with their various stakeholders. Of particular importance was understanding the lives of these organizations in their particular contexts. The choice for a qualitative research design is connected to the possibilities that this type of research offers in regards to grasping and understanding organizational dynamics and processes in detail. A qualitative research design facilitates investigating the connection of the new-style social enterprises with other organizations in their environments, their perceptions, as well as the actual conditions they are facing both as barriers and as chances in their work.

Goals of the dissertation and structure

This dissertation is built around three main goals. Firstly, on an empirical level the study aims to grasp the institutional realities of social enterprises in very stable settings, in order to better understand how they strategically cope with these conditions. The study aims to investigate what functions well for them and what does not in this particular setting, how they engage with other social actors, what goals they set for themselves in this context and how they work towards those goals.

Secondly, on a theoretical level the study aims to contribute to the academic discussions around the middle ground between institutional constraints and organizational agency in institutional theory. It does so by highlighting the strategic dimensions of organizational actions resulted both from organizational goals, desires and missions and from the setting in which the organizations are embedded. The exact focus of this research is on the middle ground between analyzing the constraining aspects of institutions and the agency that organizations exert despite or maybe even due to these constraints.

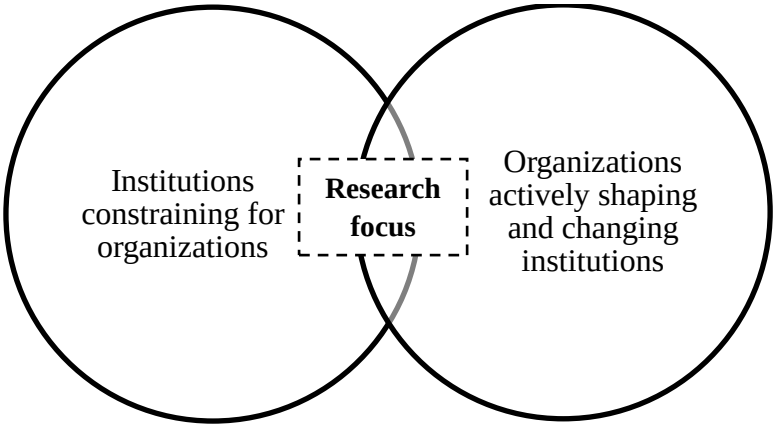


Figure 1. Positioning of research in academic debates

Thirdly, the study looks to be relevant and interesting for practitioners active in civil society organizations and also engaging with the idea of social entrepreneurship in Germany and beyond. By raising awareness among support organizations and policy-makers around the diversity of organizations in the social sector, their different needs, as well as their different understanding of their environment and their role in it, the study contributes to discussions around how to better integrate the actions of various organizations addressing social issues in order to generate the highest possible value for their beneficiaries.

The dissertation is structured into six chapters plus annexes. Chapter I starts with a theoretical overview of what we already know about institutions, institutional environments and how organizations actively engage with them. It addresses literature streams such as neo-institutionalism, resource-dependency theory, hybrid organizing and social entrepreneurship. Chapter II describes the methodology and the data used for the study, starting with a discussion of the case selection and description of the sources of data and continuing with a depiction of the analysis process undertaken. Annex I, II and III complement this chapter through additional information on interview guidelines, data sources and data structure. The empirical part of the dissertation starts with Chapter III which discusses in detail the institutional context of the study. It elaborates both on the German social service provision model in general and on the individual social issue domains in which the three social enterprises are active with the purpose of presenting in which ways this context is highly institutionalized. Chapter IV continues with an in-depth account of each case study. Through its strong empirical and qualitative nature,

this chapter wants to give voice to the experiences and perceptions of the members of the organizations and other stakeholders in the field. It is also the first step towards analyzing the strategizing dimensions of the social enterprises. The study then continues with a cross-case analysis of the data in Chapter V that contributes to refining and better shaping the findings. The theoretical contributions of these findings are then taken up in the discussion in Chapter VI. The conclusion gives another overview of the point of departure and the answers to the research questions, it indicates the limitations of the current study, and suggests potential avenues for future research.

Chapter I

Theoretical background

The purpose of this chapter is to provide an overview of what previous research has discussed regarding institutions, institutional contexts and how organizations relate to them. I start by introducing the main lines of debate in neo-institutional theory, followed by reviewing different studies on organizational responses to institutional conditions and the resources these require. I will then also dive into the literature on social entrepreneurship in particular, complemented by a review around social problems and entrepreneurial processes in these organizations. Finally, I will connect these literature streams to the analytical framework of the study.

1. New institutional theory and organizations

1.1. New institutional theory – from constraining institutions to agency of social actors

Research has been focusing on institutions in various fields, from economics to political science to sociology (Scott, 2001) and still continues to investigate their complexity. There is variation in understanding what institutions entail. Scott (2001: 49) defines institutions as "multifaceted, durable social structures, made up of symbolic elements, social activities, and material resources", while North (1990) describes them as "rules of the game" in societies and economies. Meyer and Rowan (1983: 84) understand institutions as "the rules, norms, and ideologies in the wider society", while Hughes (1962) sees them as structures that are constructed and that can be changed or maintained by social actors.

Campbell (2004) distinguishes between three main theoretical approaches in regard to institutional analysis: rational choice theory, organizational and historical institutionalism. Organizational institutionalism places emphasis on normative and cognitive aspects that influence the behavior of social actors. Organizations are influenced in their behavior by the formal and informal frameworks that signal what is appropriate in a particular setting.

Meyer (2008) also distinguishes between realist and sociological institutionalism and the differences of their understanding organizations. Realist institutionalism places a lot of emphasis on the agency of actors in making their decisions and pursuing their interests (especially applied in economics and political science) but sociological institutionalism brings back the attention given to culture and norms as forces that exist independent of the agency of social actors and that shape their behavior. New institutionalism, as a manifestation of sociological institutionalism, brought back the idea of larger structures that influence actors without eliminating the issue of agency.

Additionally, realist institutionalism focuses on one institutional rule that is created by the actors in the first place and that guides their behavior (e.g. market efficiency in economics). Conversely, sociological institutionalism focuses on complex institutional contexts that exist outside of the agency of actors and that shape the way in which these actors exist. In sociological institutionalism the issue of actorhood emerges, which is the middle ground between actors and actions – actors enact particular scripts provided by the roles that they fulfill in an institutional setting and based on those they act in their environment. Sociological institutionalism brings back issues of meaning and symbolism and how these guide social actors.

The main approach of the new institutionalism school of thought (DiMaggio and Powell,1983; Meyer and Rowan, 1977; Scott, 1983; Zucker, 1977) is that organizations are not only driven by resource and technical needs but that they are also influenced by institutions, such as culture, rules, and beliefs in a particular context (Powell, 2007).

Looking to more systematically analyze the concept, Scott (2001) distinguished between three pillars of institutional order – regulative, normative and cultural-cognitive. The regulative pillar refers to the constraints that institutions manifest and can be most easily exemplified through rules and regulations. The normative pillar focuses on legitimacy and promoting what is socially desirable and can take the form of standards of practice, certifications or accreditations. Finally, the cultural-cognitive pillar refers to shared meaning at social level which manifests itself through taken-for-granted beliefs and conceptions. If Scott saw these pillars as separate from each other, other scholars (Hirsch, 1997; Hoffman, 1999) argue that they partially overlap and that

change in one translates into changes in the others. Hoffman (1999) also supports this through empirical analyses.

Initial research on institutions looked at them as being rigid frameworks to which organizations had to adapt and respond (Wooten and Hoffman, 2008; Greenwood et al., 2008). This view has been however broadened, as more recent approaches look at the divergent institutions within the same field and at the particular way in which organizations also actively shape institutions (Greenwood et al., 2008). The middle-ground between the constraining force of institutions and the effects of social actors' actions in shaping them has thus become more visible to researchers. Powell and Colyvas (2008: 278) categorize these literature strands as either focusing on bottom-up processes that cumulate and generate macro-level structures or on the way in which institutions at the macro-level are being adopted and internalized by micro-level actors.

One of the approaches taken to look more closely at how social actors contribute to the formation of institutions is the one taken by interactionism (Barley, 2008; Strauss, 1978; Park, 1967; Goffman, 1983; Mair et al., 2012a; Mair et al., 2016; Schüßler et al., 2014). It places renewed emphasis on legitimacy and how it is constructed and claims that this can be better grasped if it is being analyzed empirically (Barley, 2008). Interactionists have also shown the intrinsic complexities of institutions and how they are interdependent (Barley, 2008). Generally, interactionists are anti-deterministic and try to find the middle ground between the free-will of actors and the deterministic aspects of their action (Strauss 1978: 32).

Strauss (1978) for instance claims that social order is attained through different types of negotiations between social actors. The main argument of Strauss (1978) is that negotiations should be made central in the analyses of interactionists. Although other scholars talk about bargaining, negotiations, compromise, etc. these are just secondary concepts and analysis elements for them. There is a need for better theorizing of negotiations, connecting them with social order theories, addressing our assumptions related to them and also to concepts such as manipulation and coerciveness. Strauss (1978: 257-258) introduces the structure – process debate in social sciences and then argues that his negotiations paradigm basically looks at "structures IN process". He basically refers to understanding how actors make use of specific structural properties

and how their interactions determine new structural processes. Strauss's (1978) negotiation paradigm is the following: negotiations themselves are the object of study. The structural context is the general frame in which the negotiations take place. These have particular structural properties. The negotiation context is part of the structural context but actually limited to the structural properties that have a role in the negotiations process itself.

Building on this, Hallet and Ventresca (2006) argue that new sociological work should bring institutionalism and symbolic interactionism closer together because the borders set between the two are somewhat artificial. They develop the idea of "inhabited institutions" (Scully and Creed, 1997) in which institutions do not just offer constraints and structure but they are also shaped by people and their social interactions, therefore addressing the agency of social actors. The inhabited institutions approach is built on three pillars for the researcher. The local and extra-local embeddedness highlights the importance of looking at the general context but also at how it influences the internal context of an organization. The local and extra-local meaning refers to analyzing meaning from the context and meaning produced internally, at the micro level. Finally, a skeptical, inquiring attitude is necessary to be able to take into account that empirical data can contradict previously held assumptions. These three pillars are looking to address exactly this middle-way between the constraining aspect of institutions and the capacity of actors to shape them.

Along the same lines, Powell and Colyvas (2008) look into the microfoundations of institutions and state that "it is a mistake for institutional analysts to blindly equate change with the micro level and persistence with the macro. We need to develop multi-level explanations that account for recursive influences." (Powell and Colyvas, 2008: 277). They argue that institutional transformation should not be thought of as a big, disruptive, shocking event but rather as a process that happens through small incremental steps that social actors take on a regular basis: "Rather than perspectives that either highlight habitual replication or savvy change agents, we stress that most micro motives are fairly mundane, aimed at interpretation, alignment, and muddling through. And, as individuals and groups engage in such actions and resist others'

attempts as well, they may well transform logics and alter identities." (Powell and Colyvas, 2008: 277).

There are numerous empirical studies looking into these processes. The way in which organizations or other actors create or transform institutional arrangements can take place in a variety of ways – by reconfiguring fields (Mair and Hehenberger, 2014, Schüßler et al., 2014, Schüßler et al., 2014a, Schüßler et al., 2015), by addressing institutional voids (Mair and Marti, 2009; Mair et al., 2012a; Mair et al., 2007), by incrementally changing stable institutional arrangements (Mair et al., 2016; Ganly and Mair, 2009), etc. - all of which have been the focus of scholarly attention.

Another theoretical stream in institutional theory that looks to bridge the space between institutions and agency is that of institutional work. Defined as "the purposive action of individuals and organizations aimed at creating, maintaining and disrupting institutions" (Lawrence and Suddaby, 2006), the theory focuses on what institutional work is, who does it and how it is unfolding (Lawrence et al., 2013).

Institutional work is most present in studies looking at maintaining current institutions, as well as at processes of gradual institutional change and deinstitutionalization (Lawrence et al., 2013). The effects of institutional work, its consequences or its potential success are of less importance for this stream of literature - the focus lies on the process (Lawrence et al., 2013). Professionals are identified as the main actors doing institutional work and the role of leaders in the process is also emphasized (Lawrence et al., 2013). Still, agency in institutional work is understood as the cumulated efforts of more actors and not just as an individual effort (Lawrence et al., 2011).

Institutional work can redefine the relationship between agency and institutions but not by looking just at the successful example of institutional changes but at the day to day activities and efforts of actors to deal with institutions (Lawrence et al., 2011). In order to engage in institutional work, actors need to make an emotional and cognitive effort and be very reflexive in their activity, so that they can disrupt existing institutions (Lawrence et al., 2013; Lawrence et al., 2011; Mair and Marti, 2009; Mair et al., 2016).

If we are to look at the agency that individuals and organizations can exert vis-à-vis institutional arrangements, the literature has identified a spectrum ranging from pure

maintenance of current arrangements to complete disruption of institutions. Creating completely new institutions has been more related to the concept of institutional entrepreneurship in the literature (Battilana, 2006; Leca et al., 2006). This stream of research has defined institutional entrepreneurs as "actors who have an interest in particular institutional arrangements and who mobilize resources to create new institutions or transform the existing ones" (Battilana, 2006: 654; DiMaggio, 1988; Mair et al., 2016). DiMaggio (1988) referred to this concept saying that "new institutions arise when organized actors with sufficient resources see in them an opportunity to realize interests that they value highly".

Institutional entrepreneurs - be they individuals or organizations - are viewed as agents that act strategically, pursue their interests and exert power (Weik, 2011; Garud et al., 2007). They mobilize resources and other actors in their activities and create meaning around their ideas (Weik, 2011). Institutional entrepreneurs by definition need to break current rules and practices and work towards setting up new rules and practices. However, they do not need to necessarily be successful in institutionalizing these new practices in order to be defined as institutional entrepreneurs (Battilana, 2006).

Institutional entrepreneurship literature has discussed the motivation of the entrepreneurs to change institutions, the intentionality of the entrepreneurs, as well as the type of institutional change that the entrepreneurs can create (Leca et al., 2006). Scholars have therefore acknowledged that institutional entrepreneurs can be guided by their values and conduct altruistic actions but they have also discussed their incentives in safeguarding their material interests. For instance, actors that work to establish legitimacy in an emerging industry act as institutional entrepreneurs and are not necessarily altruistic because establishing legitimacy ultimately gives them power in the field (Déjean et al., 2004). Additionally, the intentionality of their actions is sometimes difficult to relate to the actual outcomes of their activity. Institutional entrepreneurs can generate change at field level by focusing on changing field norms, at the organizational level by changing practices or inter-organizational relationships and at individual level by enhancing their own interest.

Institutional entrepreneurship projects have different phases: interactional (gathering support for their ideas), technical (corresponding to theorization) and cultural (framing

so that it appeals to more stakeholders) (Perkmann and Spicer, 2007). Other scholars have described the process of institutional entrepreneurship as consisting of mobilizing assets (from legitimacy, to leadership, to social capital and material resourses), developing a discursive strategy in relation both to the problem addressed and the appropriateness of the solution, mobilizing allies since institutional change is a cooperative process and acting in context in the sense of taking into account the state of the field in which the institutional change is to take place (Leca et al., 2006; Mair and Marti, 2009; Mair and Hehenberger, 2014). Leca et al. (2008) insist on institutional entrepreneurship being a complex political and cultural process that requires involvement from a lot of actors. Garud et al. (2007) support this view by arguing that institutional entrepreneurship is highly reliant on the ability to make the alternative orders acceptable at field level for other actors as well, hence the political approach to it.

The individual traits of institutional entrepreneurs that the literature emphasized are strong social skills (Fligstein, 2001), ability to empathize with others, connecting their work with their personal identities (Leca et al., 2008) and temporal orientation (the capacity to see long-term change) (Leca et al., 2006). Fligstein (2001) defines social skill as the ability of actors to get other actors to collaborate and claims that it is an essential trait in processes of emergence, transformation and stabilization of fields. Depending on these states of the field, actors with high social skill act as institutional entrepreneurs, as incumbents or as challengers. In the literature, the discursive strategies employed by the institutional entrepreneurs and their work in acquiring resources are also emphasized (Leca et al., 2008; Levy and Scully, 2007). Scholars have also revealed political skills, analytical skills and cultural skills as being essential to the activity of institutional entrepreneurs. They employ these different sets of skills depending on the fields in which they are active (Perkmann and Spicer, 2007).

Battilana (2006) also emphasizes the social position of individuals in a field as being relevant in the way they engage with their institutional settings and become entrepreneurs. Other individual factors such as psychological traits are mediated by social position in what the individual does. The social position of individuals also changes over time in the field and in the organization. Aspects that influence the social

position and the capacity for change range from organizational status, social group status, network ties, organizational hierarchy position and duration of tenure. Leca et al. (2008) add to this by showing how actors on the margin or at interstices of fields are more likely to be institutional entrepreneurs.

Institutional entrepreneurs create change through creativity: they continuously generate ideas, they are engaged in a theorization process by gathering these ideas and making use of language to make them relatable, they use their reputation to be able to gain legitimacy for the idea and develop dissemination activities that bring the idea to public (Svejenova et al., 2007). Compared to traditional entrepreneurs, institutional entrepreneurs are subject to more risk and have to also have additional skills that allow them to deal with the government and the public opinion (Li et al., 2006). Other scholars focus on the strategies developed by institutional entrepreneurs such as building wide legitimacy and bridging stakeholders, theorizing new practice and connecting the practices to the values of stakeholders (Maguire et al., 2004).

The institutional entrepreneurship literature also discusses the paradox of embedded agency (Beckert 1999; Holm 1995; Seo and Creed 2002; Leca et al., 2006; Leca et al., 2008; Garud et al., 2007; Battilana, 2006) which brings forward the fact that institutional orders are created by people and they are simultaneously constraining people, thus raising questions about the capacity of people who are embedded in a particular institutional order to act in order to change it. The critique towards overemphasizing this paradox is that there is the tendency of leaving out reflexivity (Weik, 2011; Mutch, 2007), which is the key ingredient that allows social actors to trigger and engage in institutional change processes. Lately, scholars have also claimed that institutional entrepreneurship has become more of an umbrella concept that encompasses too many things and this decreases its strength (Weik, 2011).

According to Weik (2011), the individualist-managerialist perspective that dominated research on institutional entrepreneurship for a long time focuses on the hero entrepreneur that solves problems and that is also not very affected by contextual aspects. This ignores though the not-so-linear process of change or entrepreneurship and awards too much power to the individual in actually changing an institutional context (Weik, 2011).

Still, the individualist-managerialist approach has started being criticized and a more collective approach to agency has been taken up although even this collective approach has underlying managerial influences (Weik, 2011). As attention has been redirected to the institutional conditions that facilitate institutional entrepreneurship, aspects such as crises, emergence of complex problems that can trigger crises, heterogeneity of the field and its degree of institutionalization have been enumerated as factors of influence (Leca et al., 2008). The institutional entrepreneurship literature is thus slowly moving away from the hero image of the entrepreneur towards a more accurate view on embeddedness and collective action and on how institutional entrepreneurs navigate their environments (Leca et al., 2008). The issue of intentionality and how it changes over time depending on how other actions and events unfold starts dominating the discussion on agency. (Leca et al., 2008).

To conclude, neo-institutional theory has approached the dynamics between institutional contexts and social actors from a variety of angles, constantly pacing between the structural, constraining dimensions of institutions and the maneuver space still available to organizations and individuals. This study shares the interest of scholars in institutions not only as macro structures that constrain the actions of social actors but also as structures that are renegotiated, redefined and subtly transformed exactly through the day-to-day actions and interactions of social actors. More precisely, the interest lies in how institutional limitations are counterbalanced by purposive actions of social actors.

1.2. Organizational fields and institutional complexity

Organizational fields are a central concept to research conducted from an institutional theory perspective, as it provides a middle level of analysis of how social actors engage with their institutional setting. The field literature focuses on a few dimensions in discussing fields: the difference between emerging and mature fields, the degree of fragmentation of fields and their formal structuring and centralization (Greenwood et al., 2011).

The variety of definitions of the field concept highlights the difficulty of reaching just one common understanding of the concept (Wooten & Hoffmann, 2008: 130-138).

Fields can be defined as a "community of disparate organizations, including producers, consumers, overseers, and advisors, that engage in common activities, subject to similar reputational and regulatory practices" (Powell, 2007: 3). Similarly, Scott (1991) defines fields as "a community of organizations that partakes of a common meaning system and whose participants interact more frequently and fatefully with one another than with actors outside the field". DiMaggio and Powell (1983) see them as "organizations that in the aggregate represent a recognized area of institutional life". Placing emphasis on a new angle, Hoffman (1999) claims that "the field began to be seen as forming around the issues that became important to the interests and objectives of a specific collective of organizations", rather than on geographical proximity for instance.

If DiMaggio and Powell (1983) focus on the frequent interactions between organizations in a field and Hoffmann (1999) primarily looks at their formation around particular issues, social movement theory has a more nuanced view on the concept and connects it to collective action. Thus, Fligstein and McAdam (2012: 9) develop a theory of fields in which they define strategic action fields as "a constructed mesolevel social order in which actors (who can be individual or collective) are attuned to and interact with one another on the basis of shared (which is not to say consensual) understandings about the purpose of the field, relationships to others in the field (including who has power and why), and the rules governing legitimate action in the field. A stable field is one in which the main actors are able to reproduce themselves and the field over a fairly long period of time." They distinguish between incumbents, challengers and supervisory governance units within the strategic action fields and discuss their roles in the way in which the field as such develops.

Scholars have also been interested in field formation processes that social actors are a part of. Wooten and Hoffmann (2008) pinpoint an initial phase of research in relation to fields in which the main idea was that fields are static and that organizations forming them are all similar to each other. The mechanism behind this claim was that organizations adopt institutional elements that make them similar to other organizations in order to gain legitimacy, which is more important overall for their survival than efficiency. This argument stems from the discussions around institutional isomorphism in the literature (DiMaggio and Powell, 1983). A second later phase of research

emphasized though that fields are dynamic and include heterogeneous organizations (Wooten and Hoffmann, 2008; Zietsma et al., 2017). The field became contested, incorporating struggles between organizations which in the end also exert influence on the field itself (Bourdieu, 1985). The relationship between organizations and the field at a more macro-level became therefore bi-directional and influenced theorizing about how fields form and develop (Mair and Hehenberger, 2014).

Hoffman (1999) elaborated on how fields revolve around issues and not around technologies or markets and defines them therefore as "centers of debates in which competing interests negotiate over issue interpretation" (Hoffman, 1999: 351). According to him, "field formation is not a static process" (Hoffman, 1999: 351), so basically different actors represent different institutions at field level and influence its development. He claims that in field formation we need to look at the institutions that are already at the core of the field and also at the institutions that compete with those and that reside within different populations in the field. The field changes as organizations enter and exit and this is also reflected in the changing institutions that emerge through the negotiations between different configurations of actors at different moments: "Issues define what the field is, making links that may not have previously been present. Organizations can make claims about being or not being part of the field, but their membership is defined through social interaction patterns. Field membership may also be for a finite time period, coinciding with an issue's emergence, growth and decline." (Hoffman, 1999: 352). Hoffmann (1999) looked at how events can create opportunities for institutional change but the question of agency remains present. The way actors respond to these events (strategically or opportunistically) in order to engage in the negotiations in the field has an effect on the resulting new institutions.

What is of utmost importance is that social actors can be part of several fields simultaneously. This translates into them having to conform to various institutional arrangements and challenges in these fields, especially since organizational fields are dynamic arenas of contestation, subject to diverse formation and change processes. This struggle has not been left unnoticed: Greenwood et al. (2011) addressed this aspect through their discussion of institutional complexity, as did Kraatz and Block (2008) through the concept of institutional pluralism.

Greenwood et al. (2011) understand through institutional complexity the competing institutional logics that organizations have to face in their contexts. Institutional logics are defined as principles guiding "how to interpret organizational reality, what constitutes appropriate behaviour and how to succeed" (Thornton, 2004: 70). Their main argument is that institutional complexity gets filtered through fields and organizations elaborate particular responses to cope with the complexity as a result of being part of these various, multiple fields.

Institutional complexity has been addressed in previous studies as depending on the number of institutional logics in the environment and the extent to which they are incompatible. One such example is the work of Raynard (2016) who elaborates on different types of complexity that can characterize institutional settings. The criteria at the basis of these types are the compatibility of logics, their prioritization in the field and the overlap of jurisdiction of the logics. The precision of institutional prescriptions, as well as the thoroughness through which they are enforced play a decisive role in the way in which they exert pressures on the organization. Different configurations of these dimensions can lead to segregated complexity (where organizations adopt a unitary structure or structural compartmentalization to deal with logics that have no overlap in jurisdiction), restrained complexity (where there is a clear prioritization of logics in the field and organizations use symbolic decoupling or mirror the field in terms of prioritization), aligned complexity (where logics are compatible and mutually reinforcing and organizations adopt blended hybrid structures and develop integrative devices) and volatile complexity (where there is no consensus on prioritization or jurisdiction and organizations adapt selective coupling or idiosyncratic structures). Raynard's (2016) underlying argument is that logics do not always have to clash; they can actually prove to be compatible and coexist in a field. This is a significant change in understanding of how institutional logics affect organizations, emphasizing not only their constraining effect but also their potential enabling effect.

Kraatz and Block (2008) also introduce their view on institutional pluralism in which organizations are part of several institutional systems simultaneously. Unlike Greenwood et al. (2011) and in accordance to Raynard (2016), the authors focus on the pressures and expectations that different institutional settings can pose but also on the

opportunities that they can generate: “we try to show how the same institutional pressures that threaten to divide the organization may, at least in some circumstances, hold it together instead” (Kraatz and Block, 2008: 5).

Organizations are therefore part of a variety of institutional arrangements as a result of their embeddedness in various fields. This institutional pluralism can be both constraining and enabling for organizations and this brings forward once more the issue of actors’ capacity to actively engage with their institutional setting and not only cope with its pressures (Mair et al., 2015). Disentangling the enabling and the constraining elements of the institutional settings for organizations is the first step towards understanding their approaches in dealing with their environments.

As we have seen, the way fields form, their composition, the logics that are represented in the field have all been addressed by previous research. These dimensions however and their relevance for organizational action are all strongly reliant on the type of field under discussion. Different types of fields have been discussed depending on field conditions such as degree of institutionalization, degree of complexity and evolutionary stage (Zietsma et al., 2017). Studies have been conducted thus in nascent fields, emerging fields, mature fields, structured fields, contested fields, fragmented fields, etc. (Zietsma et al., 2017). Out of these, highly institutionalized or structured fields are of particular importance for the current study and we will thus turn briefly to previous understandings of these fields in the literature.

Various depictions of these fields have been given: “a field is highly institutionalized if it has a stable set of rules, norms and cognitive schemas that define accepted ways of operating. Such mature fields are often characterized by the presence of field-dominating organizations and a dominant organizational form.” (Perkmann and Spicer, 2007: 1104; Greenwood et al., 2002). Other authors emphasize the patterns of interaction between established and legitimate actors that are also clearly stipulated in these fields (Maguire et al., 2004), as well as the stability and coherence of logics (Zietsma, 2017). Highly institutionalized fields are also characterized by high levels of institutional infrastructure, overlapping of institutions and hierarchical differentiation between actors in the field (Hinings et al., 2017; Zietsma, 2017). Some authors emphasize that the predictability of these fields is more conducive to institutional

entrepreneurship (Dorado, 2005; Greenwood et al., 2002), although there is no real consensus around this aspect.

In order to understand organizational approaches to institutional pluralism and complexity therefore, there is the strong need to take into account the particular types of fields being investigated. As the conditions determining the type of fields present different opportunities and challenges for organizations, an understanding of the connections between these conditions and organizational behavior is necessary. This particular study aims to better empirically anchor the concepts of institutional complexity and institutional pluralism by focusing on the specificities of a highly institutionalized type of field and how they are being perceived and addressed by organizations.

2. Organizational approaches to institutional conditions

2.1. Responding to institutional complexity through hybrid organizing

The way organizations respond to institutional complexity and institutional pluralism has also received significant scholarly attention. Organizations can adopt complexity absorbing or complexity reducing strategies (Ashmos et al., 2000; Raynard, 2016) to deal with different types of institutional complexity. Reducing it through avoidance, denial or marginalizing (Oliver, 1991) is more useful in contexts in which there is no consensus around prioritization and jurisdiction of different institutional logics and this can generate conflict. Absorbing is more effective when the field is settled. In this case, mirroring the field in order to gain legitimacy serves organizations better (Raynard, 2016).

Greenwood et al. (2011) focus on the fact that institutional complexity gets filtered through fields and this is how organizations create different responses to institutional complexity. These responses are based on some defining characteristics of the organization: its position in the field, structure, ownership, governance and identity. Thus, an organization positioned centrally in the field will be under stronger influence of the institutional pressures than the peripheral ones. The structure of the organization influences the way in which particular logics are interpreted, how this interpretation is spread and how the specific logics exert pressure on the organization. Issues of how

power in the organization is distributed and how institutional and organizational identities connect influence the responses of the organization to institutional complexity. Organizations can respond either through strategies or through structures in order to deal with these pressures.

One of the ways through which organizations tackle their exposure to competing institutional pressures which has been extensively addressed in the literature is hybrid organizing (Battilana and Lee, 2014; Mair et al., 2012; Mair et al., 2015). Battilana and Lee (2014) introduce the concept of hybrid organizing in order to explain broader phenomena through which organizations are looking to respond to competing internal and external demands. They define hybrid organizing as "the activities, structures, processes and meanings by which organizations make sense of and combine multiple organizational forms" (Battilana and Lee, 2014: 398). There are different theoretical strands discussing different forms of hybridization, starting with the organizational identity literature that distinguishes between core and peripheral identities (Albert and Whetten, 1985), the institutional logics literature that explains how organizations respond to competing institutional logics and the organizational forms literature (Battilana et al., 2017). Although Battilana and Lee (2014) focus on the organizational level to discuss hybrid organizing, the concept basically looks at the overall interactions between these three levels of analysis, as organizations act on all the three levels simultaneously. All these strands mention the tensions that the hybrids respond to and define hybridity as "the mixing of core organizational elements that would conventionally not go together" (Battilana et al., 2017: 129).

At the organizational level, hybrid organizing has been described as taking place in 5 areas: core organizational activities, workforce composition, organizational design (how leaders transform the strategy into actions, processes, control systems and governance), inter-organizational relationships, and organizational culture (Battilana and Lee, 2014).

There are also other ways of looking at hybridity, at different analytical levels. For instance, Grohs (2014) looks to expand the concept of hybridity beyond the organizational level, as he argues that hybridity is traceable in all organizations, fields and governance arrangements. He continues the argument by showing that more hybridity at field and governance levels can lead to dehybridization at an organizational

level. The author provides the example of the German welfare system which is inherently hybrid as the state works with the volunteer sector through the welfare associations – a corporatist governance model influenced by the new public management paradigm.

Seibel (2015) discusses hybridity at sector level as well and distinguishes between manifest hybridity (such as public-private partnerships) and latent hybridity (through overlapping and coexisting governance mechanisms). He also argues for the need to move towards a more mechanism-based understanding of hybridity that can contribute to a more dynamic understanding of the concept.

Anheier and Krlev (2014) adopt an even more macro view on hybridity and argue that it emerges and develops differently depending on the welfare regime in which it is embedded. After looking at three different welfare systems classifications, they argue that hybridity is more likely to emerge in liberal market economies and that the economic pressures characteristic to these economies place tensions on hybrids increasing the risk of mission drift. They argue in favor of multilevel governance structures (including network structures) to be put in place in conservative states to deal with tensions of economic practices.

Other research streams have also approached the concept of hybridity from various angles. Thus, Powell (1987) discusses hybridity as a new type of organizational form, different than the market and formal organizations that have dominated research. He sees hybrids as network forms of organization that is based on partnership and collaboration between different social entities.

Another perspective comes from the civil society literature, where Minkoff (2002) refers to hybrids as organizations that combine practices typical for other organizational forms. Discussing the increased focus of civil society organizations to combine social service provision with advocacy activities, Minkoff (2002) depicts how hybridity stems from combining established or traditional operating modes with innovative ones, as contexts of organizations also evolve.

Building upon all these insights and many more, there is increasing consensus among scholars that hybridity is an inherent attribute of all organizations, fields and

institutional settings (Battilana et al., 2017; McMullen and Warnick, 2016; Grohs, 2014). Scholars also highlight that different characteristics of the institutional environments can be enabling or constraining for the emergence of hybrids (Battilana et al., 2017). Battilana et al. (2017) argue that the focus should shift therefore towards analyzing hybrid organizing as a process and not just as stable structures. McMullen and Warnick (2016) support focusing on the blended value that hybrid organizations deliver rather than on the normative and legal obligations that they have to comply with through their hybridity.

Research on hybridity and hybrid organizations is therefore undergoing changes in focus, scope and analytical levels. The way hybrid organizing unfolds depends on the characteristics of different institutional contexts and of the fields in which organizations are active. The organizational structures and processes resulting from hybrid organizing play a direct role in the concrete strategies that organizations have in dealing with institutional complexity.

2.2. Strategic approaches to institutional conditions

Apart from hybrid organizing as a particular way of dealing with institutional conditions and more precisely with institutional complexity, there are also numerous studies focusing on more differentiated reactions of organizations to their environments. These studies have been based on the similar insight that organizations are subject to various institutional elements and requirements that might also at times prove to be contradictory. They do however have a more strategic understanding of the various actions of organizations in these settings, going beyond the combination of competing logics, forms or identities encompassed by the hybridity concept.

A landmark study in this regard was the work of Oliver (1991). She argues that organizations have a variety of responses when it comes to institutional pressures and they do not just comply passively with the requirements in their environments. By combining the insights of resource-dependency theory and neo-institutional theory, Oliver (1991) elaborates on five strategies that organizations use as responses: acquiescence, compromise, avoidance, defiance and manipulation. Each of these strategies is broken down further into particular organizational tactics that organizations

employ such as bargaining, imitating, concealing or attacking. These strategies vary based on the institutional pressures that the organization is subject to and its capacity to respond to them. The paper aims to discuss the spectrum going from "passive conformity to active resistance" when it comes to organizational responses. The end of the spectrum does bring agency to the forefront through the manipulation strategy that includes co-opting, influencing and controlling as organizational tactics. Oliver's (1991) approach to organizational responses to institutional pressures connects the view of new institutional theory upon the constraining role of institutions with the view of resource dependence theory on the way in which actors exert power and control in fields through their access to resources.

Pache and Santos (2010) build on the work of Oliver (1991) and add an internal focus point related to the way organizations deal with pressures. Pache and Santos (2010) take into account the representation of these competing institutional demands within the organization and the different power that the groups representing them can exert over one another in the process of resolving the conflict. Their approach thus focuses primarily on the intra-organizational dynamics triggered by institutional demands.

Other research streams have also looked to understand strategic processes of organizations in relation to their environment (Mair et al., 2012a; Mair et al., 2016). Proposing a strategy-as-practice perspective, Jarzabkowski et al. (2007) wish to move away from the understanding of strategy as it is typical in the management and business literature. Instead of focusing on the decisions of managers and individuals in formal power positions in organizations that affect the trajectory of the organization, the authors suggest a more dynamic understanding of strategic processes of organizations. By focusing on the actual practices of individuals, groups and organizations as well as their embeddedness in a particular context, Jarzabkowski et al. (2007: 7) propose that "micro-phenomena need to be understood in their wider social context: actors in their micro-situations are not acting in isolation but are drawing upon the regular, socially defined modes of acting that arise from the plural social institutions to which they belong.". In the words of Johnson et al. (2003) strategizing is about "doing of strategy" by various members of organizations based on their interactions and negotiation processes with stakeholders and their institutional settings. Denis et al. (2007) also

define strategizing as “a social practice involving multiple individuals”, discussing the relevance of the concept in particular in pluralistic environments. In this study, I understand strategizing as the process through which organizations cope with the conditions of their institutional environments, in a dynamic and iterative process encompassing various stakeholders.

Building upon this work, Suddaby et al. (2013) bring together neo-institutional theory and the strategy-as-practice approach based on their shared interests in understanding organizations in their environments. They specify that the two research areas can complement each other based on their mutual concern with the everyday activities of social actors and how they interact with various institutional arrangements. The authors describe the way in which the two perspectives are complementary as “a more nuanced view of actors and agency, in which actors have a limited degree of reflexivity about their relationship with the social structures that they have constructed and a relative degree of capacity to change them” (Suddaby et al., 2013: 338).

This brief overview of the way in which organizations more strategically engage with their environments is under no conditions exhaustive. It also does not address the vast strategic management literature that looks to understand strategies and strategy-making in organizations from a managerial perspective. Rather, the current study will be focused on an understanding of the interplay between agency and the institutional context under the umbrella term of strategizing. The study will therefore not address strategy as management decision-making processes and their implementation. It will focus on strategizing as the organizational process of developing actions that result from the interplay between institutional conditions and organizational capacities with the ultimate purpose of the organizations achieving their goals. The focus lies on understanding what organizations are actually doing in their institutional contexts which exert particular forces on them.

What is more, this study focuses on the strategizing processes of smaller, peripheral organizations in their highly institutionalized activity field. This allows for better specification of the strategizing areas and processes of this particular type of organization which perhaps experiences different constraints compared to the more established and powerful organizations in their field. The characteristics of the highly

institutionalized environment also contribute to the possibilities available for these organizations, as well as the resources they can access. Identifying the dynamics in the case of these smaller organizations can contribute to a more fine-grained understanding of strategizing depending on the kind of organization and kind of field being discussed.

3. Organizations and resources

We have seen in the previous section a range of options for organizations to engage with their institutional settings. The avenues of action they take – be they rather responsive or proactive, focused on combining institutional prescriptions or acting more strategically – have implications for the internal dynamics and developments of the organization and the way in which the organization engages with external actors.

Regardless of the avenue of action they opt for, organizations are bounded by resources in elaborating their responses or strategizing activities. In the words of Ganz (2000: 1010): "Strategy is how we turn what we have into what we need - by translating our resources into the power to achieve purpose."

The hybrid organizing literature also emphasizes the importance of the financial resources available for an organization in order to respond to institutional demands and tensions and to ensure legitimacy for the organization (Battilana and Lee, 2014). Oliver (1991) also develops her typology of strategic responses based on the insights of resource-dependency theory.

In the literature there are different categorizations and discussions of resources. Three main strands will be discussed further, as each of these perspectives introduces new dimensions of understanding resources, their usage and what they mean for organizations.

3.1. Strategic management literature

The strategic management perspective sees resources as competitive advantages for organizations. More specifically, Barney (1991) offers a framework beyond the resource-based view that looks at resources that lead to competitive advantage of firms. He defines resources as “all assets, capabilities, organizational processes, firm attributes, information, knowledge, etc. controlled by a firm that enable the firm to

conceive of and implement strategies that improve its efficiency and effectiveness" (Barney, 1991; Daft, 1983). He also distinguishes between physical capital resources, human capital resources and organizational capital resources. In order to generate competitive advantage, resources need to have the following four characteristics: they should be valuable, rare, imperfectly imitable and substitutable.

Along similar lines, Penrose (1995) defines the firm as "a collection of resources bound together in an administrative framework, the boundaries of which are determined by the 'area of administrative coordination' and 'authoritative communication'" (Penrose, 1995: xi). Her focus is on internal resources and the productive services (in the sense of production processes) that management can generate from them. Basically, resources are not the inputs themselves in the productive process but the way in which the resources are used is. Resources generate different services depending on how they are used. The main distinction emphasized is that "resources consist a bundle of potential services and can be defined independently of their use, while services cannot be so defined, the very word 'service' implying a function, an activity" (Penrose, 1995: 25). This is what makes each firm unique based on the heterogeneity of services and resources. Penrose (1995) defines resources as "the physical things a firm buys, leases, or produces for its own use, and the people hired on terms that make them effectively part of the firm." (Penrose, 1995: 67) and services as "the contributions these resources can make to the productive operations of the firm" (Penrose, 1995: 67). The main types of resources that she identifies are human (management but also personnel) and physical/material (land, capital and labour mainly).

Moreover, Sirmon et al. (2007) elaborate a dynamic resource management model that takes into account feedback loops and environmental uncertainties. Their criticism to the resource-based view is the oversight of dynamism, environmental contingencies and manager's role. Theoretically, the authors relate to contingency theory and organizational learning in establishing the framework. They see resource management as "the comprehensive process of structuring the firm's resource portfolio, bundling the resources to build capabilities, and leveraging those capabilities with the purpose of creating and maintaining value for customers and owners." (Sirmon et al., 2007: 273). They structure the process into three phases: structuring, bundling and leveraging of

resources. These resource management steps need to be harmonized in order to generate value and the managers also need to take into account the environment uncertainties and feedback they receive in each step.

3.2. Social movement theory

As representatives of the social movement perspective, Edwards and McCarthy (2004) have a broader view than the resource-based perspective and they see resources as core to collective action. Studying resource aggregation is crucial to social movements (McCarthy and Zald, 1977). Availability, coordination and strategic effort are all necessary to turn individual resources into collective resources and afterwards into collective action. Their typology of resources is more broad and incorporates moral (legitimacy, solidarity, support, sympathetic support, celebrity), cultural (artifacts, conceptual tools and specialized knowledge), socio-organizational (infrastructures, social networks and organizations), human (labor, experience, skills, expertise, leadership) and material resources (financial and physical capital).

Edwards and McCarthy (2004) also explain how resources can be accessed - through aggregation, self-production, co-optation or appropriation and patronage. They can also be redistributed by the state (through monetary and technical assistance, legitimacy and fundraising facilitation, access to state decision-making processes), redistributed by organizations (such as foundations, religious organizations, social movement organizations and movement mentoring organizations, firms and corporations) or redistributed by individuals (such as constituents, adherents, individual supporters that provide small donations through modern technologies or moral and cultural resources).

3.3. Resource-dependency theory

The resource dependence perspective is connected more with organizational theory and introduces the idea of power in the way resources are allocated. Emerson (1962) focuses generally on the power relations between social actors. As any sort of social relations imply mutual dependence between the actors involved in that relation, power is an implicit component of this dependency. Emerson (1962: 32) defines power as “the amount of resistance” from one actor that can be overcome by the other actor in the relationship.

Pfeffer and Salancik (1978) are looking to explain organizational behavior by looking at the interactions and interdependencies between organizations. In order to acquire the resources needed from the environment to achieve its goals and to ensure its survival, an organization is subject to interdependencies and social control of other organizations, which leads to asymmetric interdependence between organizations. In order to address uncertainties and the level of mutual interdependence, organizations engage in coordination activities that allow them to generate a negotiated environment. The connections with external organizations provide certain benefits: they provide access to information, a channel for communication, the opportunity to stabilize the environment through commitments and a way of legitimizing the organization. However, due to very different power resources and different stages of organizational development, not all organizations can take part in these exchanges, which ultimately leads to the lack of representation of all interests in these agreements and perpetuating power imbalances between organizations. Pfeffer and Salancik (1974) argue that power is at the core of decision-making also within organizations. Their argument is that bureaucratic, rational criteria are not the only influences on resource allocation in an organization, but that internal power struggles play a significant role.

Building on Pfeffer and Salancik's work (1978), Casciaro and Piskorski (2005) contribute to further specification of the resource-dependency theory. They do this by emphasizing the need to take into account both mutual dependence and power imbalance when discussing the relationships between organizations. Looking at both dimensions at the same time helps to answer the question related to the reasons for organizations to engage in agreements. They show that cooperation is more likely when organizations are mutually dependent and that they are not as frequent when there are significant power imbalances between organizations, as the most powerful ones will avoid losing their advantageous position.

A list with the main categories of resources based on the resource-dependency theory, social movement theory and strategic management literature (Edwards and McCarthy, 2004; Pfeffer and Salancik, 1974; Barney, 1991; Penrose, 1995) can be found in Table 1.

Table 1. Resources categories (adaptation based on Edwards and McCarthy, 2004; Pfeffer and Salancik, 1974; Barney, 1991; Penrose, 1995)

Nature of resources	Examples
Institutional	
Cultural	local knowledge, tactical and strategic tools and repertoires
Moral	legitimacy, support (solidarity or sympathy), recognition, celebrity
Regulatory	laws, codes of conduct, rules and regulations
Social-organizational	
Infrastructure	public goods
Social networks	of individuals, of other organizations
Organizations	public, private
Economic	
Human	people, labor, experience, skills, expertise, leadership
Material	financial and physical capital: money, property, equipment

All three literature strands mentioned above go beyond categorizing resources and look at how organizations acquire and employ these resources and what this means for their independence, goals and development. As other scholars have also highlighted, the type and amount of resources an organization employs is not always the most important aspect. Successful organizations – understood as organizations achieving their goals - often use the resources they have more strategically, rather than focusing on acquiring a higher amount of resources (Ganz, 2000). Using resources strategically is a matter of creative thinking and of leadership (Ganz, 2000) and this is not necessarily hindered by the amount of resources available to the organization.

Material resources are well-known to play an important role in the survival of the organization in general. However, in operating in their institutional environments, legitimacy is also central for organizations. The symbolic resources that the organization employs to this end gain therefore a more prominent role in their strategies of engaging with their institutional setting. The way in which organizations identify, acquire and make use of these resources is just as important in achieving the goals they set out for themselves in their institutional contexts.

4. Defining and addressing social problems

Researching organizations has also been motivated over the years by the wish to translate knowledge into the activities of organizations. As Selznick (1996), Perrow (1991) and Barley (2016) remind us, the purpose of organizing is to contribute to society and the purpose of research endeavors therefore should be their relevance and contribution to solutions for real issues in the world.

The work of social enterprises – which are the organizations that this study focuses on – is explicitly centered around social problems. I define social enterprises as organizations that focus primarily on a social mission while also making use of commercial activities (Mair and Marti, 2006; Doherty et al., 2014; Kerlin, 2010; Ebrahim et al., 2014; Battilana and Lee, 2014). Social problems are thus a key factor influencing the development and the strategies of social enterprises, as they are core to their mission. At the same time, social problems are strongly embedded and influenced by the institutional contexts in which they manifest and therefore are a direct link between the organization and its setting.

Building on different literature streams that discuss social problems can shed light on the way in which the evolution of social enterprises is connected to the social problems they address and the way in which they do so. Moreover, it is a starting point for understanding the way in which the definitions and solutions that social enterprises find for social problems influence the way in which they deal with institutional demands.

Two main literature strands adopt a more definitional approach to social problems: social problem theory and social movements theory (Hervieux and Voltan, 2016). Social problem theory is mostly focused on how social problems are constructed and

what influence they have more broadly at a social level. The focus lies rather on how social problems are identified by actors, how they become legitimized and what solutions are acceptable in dealing with the particular problems. Social movement theory on the other hand is more focused on how social actors mobilize within a movement around a problem and how resources get mobilized for collective action around social issues (Hervieux and Voltan, 2016).

Social problem theory utilizes claim-making as a central concept (Spector and Kitsuse, 1977). This encompasses issues of who makes particular claims about a problem, how it gets recognized more broadly at a social level and what responses result from this (Hervieux and Voltan, 2016). Claims are being looked at as internal to any social problem and they are a result of the definitional process around social problems (McCright and Dunlap, 2000). For Spector and Kitsuse (1977) the social problems are actually the result of the definitional process that social actors go through in identifying the problems. Claims can be regular day-to-day practices around social problems that social actors receive a response to – for instance, making service demands, filling out forms, organizing events and boycotts, (Spector and Kitsuse, 1977; Schneider, 1985). This underscores not just the idealistic nature of claims but also the concrete activities and actions associated with them.

On the same note, Holstein and Miller (1993) describe social problems work as the interpretative processes that generate concrete instances of the social problem. In an attempt to also reduce the scale of social problems generally being addressed, Weick (1984) argues in favor of a small win approach, in which social problems are made more manageable at an individual level by breaking it down into more concrete action points.

On the other hand, social movement theory uses another central concept: framing (Snow et al., 1986). The framing concept takes more into account the historical and social context in which social problems are defined (McCright and Dunlap, 2000). Snow and Benford (1988) describe 3 types of framing when pushing for addressing social issues through social movements: diagnostic framing (what the problem is), prognostic framing (what the solution to the problem is), and motivational framing (generate consensus for the cause and mobilize support in the social movement).

Both concepts – claim-making and framing - have a discourse component and an activity component. Still, claims focus more on the agency of social actors, while frames also look at the structure aspect that can limit the agency of social actors. Both concepts incorporate a dimension of power but while the claim perspective focuses on manifest power through open conflict and behavior, framing looks at the deeper structures of power (McCright and Dunlap, 2000).

The definitional process of social problems itself has received a lot of attention. Building on the social constructivist work of Blumer (1971), other scholars have looked into the processes of depicting a social situation as being problematic (Schneider, 1985; Hilgartner and Bosk, 1988; Holstein and Miller, 1993). Blumer's (1971: 298) main claim was that social problems do not exist objectively, as sociologists until that point have argued but that they are actually a result of a collective definition and approach. In his view, actors negotiate about social problems and defining them becomes therefore a political process. His main interest is related to why some issues become social problems and others do not and in explaining this process, he elaborates on a five-stage process: "emergence of the problem, legitimation of the problem, mobilization of action with regard to the problem, formation of an official plan of action and the transformation of the official plan in its empirical implementation" (Blumer, 1971: 301).

Hilgartner and Bosk (1988) build upon the symbolic interactionist approach and the previous work of Blumer (1971) and Spector and Kitsuse (1973, 1977) and support the idea that social problems are results of collective negotiations processes and not objective situations that have negative effects. They describe a general natural history model that traces the stages through which a social problem goes through (incipiency, coalescence, institutionalization, fragmentation and demise) but the authors actually want to focus on the simultaneous manifestation of multiple social problems and the interactions among them. They argue that the process of defining a social problem is not actually as linear as previously described (Wiener, 1981; Hilgartner and Bosk, 1988). There is competition among social problems to get on the public agenda and they are also embedded in institutionalized systems that affect their formulation and their dissemination (Hilgartner and Bosk, 1988: 55) This results in a selection process of

social problems. Hilgartner and Bosk (1988) look at competition, at the institutional contexts, at the capacity of these institutional contexts of dealing with more problems simultaneously, at the "principles of selection" (cultural, political, institutional factors that influence the competitive process), how issues move between institutional contexts and get shaped by this mobility and the feedback received, the media and other actors that try to control and guide discussions around issues.

Schneider (1985) also quotes Blumer (1971) on the fact that problems are socially constructed and sociologists need to look at the processes through which problems become socially recognized. He claims that the definitional process actually begins before organized groups take it up as a topic and researchers have not been focusing on this sufficiently. He relates to other studies (Schwartz and Kahne, 1983; Kahne and Schwartz, 1978) that looked at the intra-organizational processes of problem definition, where people are engaged in negotiations. Schneider (1985) also describes government agencies as potential social problems entrepreneurs. Additionally, the media does not just mirror the opinions of other social actors, they are themselves active in shaping social problems. Social actors however see the problem they define as objective, they do not realize their definitional activities as they are taking part in them.

Both social problem theory and social movement theory focus on the definitional process of social problems at a more macro societal level and are interested in the broader underpinnings and social effects of these processes. Scholarly work on social problems has been however conducted at an organizational level too. The literature on social entrepreneurship and social innovation has been focusing on the ways in which organizations engage with broader social problems.

Looking to connect the macro-institutional level and the organizational level, Mair and Rathert (2017) underlined the need for a better understanding of how the institutional context influences the creation of problem arenas, and how they shape the salience and attribution of problems and the legitimacy of solutions when it comes to solving them. Organizations must therefore legitimize what they perceive as the problem and also their role in providing a solution to the problem. The literature on entrepreneurship and agency in institutional theory, mostly gathered in the study of institutional entrepreneurship (Leca et al., 2008) and institutional work (Lawrence and Suddaby,

2006; Lawrence et al., 2013) looks at how organizations aim to change institutional arrangements but there has been less attention paid to how the institutional setting itself influences the creation of problem arenas that ultimately require the emergence of solutions. At the same time, institutional theory focused on a field-level approach of dealing with social problems which still leaves questions regarding organizational actions unanswered (Mair and Rathert, 2017).

Particular types of organizations have been studied in order to answer these questions. One of these research areas is the one focusing on the phenomenon of social entrepreneurship which has been described as a new type of entrepreneurship that focuses on solving social issues. Social enterprises hence base their solutions for social needs that do not necessarily fit the already institutionalized solutions. (Seelos and Mair, 2005; Mair and Marti, 2006; Bornstein, 2007). However, the social entrepreneurship literature does not tell us much about the social problems that social enterprises address and how these issues are selected. The social mission and the social value that the organizations want to create are more or less taken for granted when discussing the activity of social enterprises (Hervieux and Voltan, 2016). There is a need of better understanding of how social enterprises define the problems and how they go about resources, partnerships, and power structures in dealing with these problems (Hervieux and Voltan, 2016).

The way the literature has engaged with the social problem dimension of the work of social enterprises is rather focused on the solutions for these problems, by emphasizing their innovative approaches (Dey and Steyaert, 2012). In summarizing how the social innovation research deals with the issue of social problems, Lawrence et al. (2014) argue that there is generally a consensus around problems that need to be tackled in the social sphere (such as for instance poverty) and that these problems are treated as being objective. There is little critical awareness regarding the identification of social problems and of their solutions: “Social problems set the scene for action but then play passive roles – often found in the opening paragraph of a case study that provides the setting and stage for the innovator and their solution. It is as though the social innovator emerges from and operates in a politics-free space, where social problems exist as independent entities, do not change as they are examined or discussed, and are

understood independently of the solutions proposed to address them." (Lawrence et al., 2014: 2).

There is differentiation in the social innovation literature regarding the scale of the problems (local or large-scale/global), the level of urgency (capacity to solve them immediately or need of multigenerational efforts) and the level of abstractness of social problems. Lawrence et al. (2014) argue in favor of a more social constructivist approach in social innovation literature around social problems and not just focus on the effectiveness of innovation. They also advocate for more emphasis on the role of agents in defining problems and not just finding solutions to them.

When looking at solutions for the social problems, the social innovation literature has three main concerns (Lawrence et al., 2014): how a solution can be shared or diffused regardless of it being a product, service, legislation or form of organizing, the relationship of the solution to technology and the participation of users in developing and implementing the solution. There is not so much focus on the connection of the solution to the context – the institutions it is based on and the alternative solutions that exist in the particular context.

Lawrence et al. (2014) also suggest looking at social innovation as a socially embedded process in which definitions and solutions of social problems are constantly revisited and in which history and context matter for this process. Other scholars emphasize the need to not reduce the importance of the local context for the work of organizations dealing with social problems that are also addressed globally (Marquis and Battilana, 2009). The global and local levels also exemplify the institutional pluralism in which organizations and particularly social enterprises have to perform (Marquis and Battilana, 2009).

There are therefore two main approaches of looking at social problems: the definitional approach focuses on how social problems are being identified and legitimized at a broader social level, while the social entrepreneurship and social innovation literature looks more into the implementation processes and the effectiveness of their innovative solutions for the social problem they address.

There have been several calls from scholars regarding the need to better connect social problems to their institutional settings and also to not take for granted the definitional processes taking place at organizational and intra-organizational levels. An angle that has however not been highlighted is the way in which the definition of the social problem by the organization and the concrete solution it offers to that problem play a role in the way the organization engages with its environment. Especially for organizations with an explicit social purpose, such as social enterprises, the way in which they engage with the social problem plays a crucial role in the development of the organization. It is core to the operational activity of the organization, as well as to strategizing processes. The type of engagement with the social problem also has effects on the way the organization deals with other social actors and with the demands of its institutional environment.

4.1. Social enterprises as problem solvers and hybrids

Apart from their connection to the literature on social problems, social enterprises have been the object of numerous other research topics. This following section will provide a brief overview of the knowledge gathered around the activity of social enterprises.

Social entrepreneurship is more of an "umbrella construct" (Mair and Marti, 2004; Battilana and Lee, 2014) with different levels of legitimacy in different countries. The social enterprise label has increased in popularity in the 1980s and 1990s and there are currently various definitions for the phenomenon (Mair and Marti, 2004; Battilana and Lee, 2014).

The difficulty of defining social entrepreneurship has been explicitly described in the literature (Mair, 2010; Doherty et al., 2014) and stems from the concept basically incorporating other several types of phenomena: social innovation (Alvord et al., 2004; Phills et al., 2008) and community entrepreneurship (Peredo and Chrisman, 2006; Johannisson and Nilsson, 1989), institutional entrepreneurship (Mair and Marti, 2009) and social ventures (Dorado, 2006; Sharir and Lerner, 2006). These phenomena are being looked into under the umbrella of the social entrepreneurship concept (Mair, 2010), which makes it mean "different things to different people" (Mair, 2010: 16).

While some authors see social entrepreneurship as a process through which innovative solutions are used to cater to local basic needs not covered by traditional actors (Mair, 2010; Bornstein, 2007), a lot of research starts from a more organizational perspective in defining social enterprises. They are thus analyzed as being organizations that pursue social goals by using commercial revenue-generating activities, which makes them hybrid organizations (Mair and Marti, 2006; Doherty et al., 2014; Kerlin, 2010; Ebrahim et al., 2014; Battilana and Lee, 2014). This definition will also be employed in the current study.

Although acknowledging that "the term 'social enterprise' has often been used to re-label organizational features that have already been well studied by existing academic literatures and thus may not belong in a distinctive organizational category" (Battilana and Lee, 2014: 408), some authors focus on organizations where the social and commercial activities of the organizations are both part of the core activities of the organizations (Thompson, 1967) and not on organizations where either one of these components is peripheral to the organization and has been thus covered by non-profit literature or CSR literature (Battilana and Lee, 2014). As we have seen in the previous section on hybrid organizing, other authors have a more fluid understanding of hybrids and thus of what kind of organizations can be analyzed as social enterprises (Grohs, 2014).

The way social enterprises are being defined and dealt with strongly depends on the local context in which they are active (Mair et al., 2012; Mair, 2010; Kerlin, 2010; Kerlin, 2013; Seelos et al., 2011). This is a result of them operating in very different economies – liberal, cooperative, informative (Mair, 2010: 21) but also in different institutional settings (Kerlin, 2010; Kerlin, 2013). This affects the legal forms that social enterprises take up (Mair, 2010). At the same time though, the boundaries between particular social enterprise models typical for different countries, regions and economic models are also becoming more blurry (Mair, 2010) which shows that that there is also a cross-border process of diffusion of these organizational forms.

Kerlin (2013) elaborates on the institutional settings – culture, welfare state models, the economy, civil society models – that contribute to different developments of social entrepreneurship based on different needs and contexts, while using different countries

as cases studies to exemplify the different approaches. The explanation draws back to the social origins theory, which argues that existing social institutions have an effect on the possibilities of other institutions emerging (Salamon et al., 2000). This variety of organizational forms has generated differentiation of social enterprises on a hybrid scale ranging from a typical non-profit orientation to a typical for-profit one.

Focusing rather on the organizational dimension and less on the institutional one, Lee (2014: 6) offers an overview of how social organizations have gradually developed business activities as a result of multiple regulatory, cultural and macroeconomic changes throughout time. The pro-business social attitudes, the reduction in public funding for social services and limited charitable funds available for private social service providers, as well as more job mobility between sectors have all contributed to social ventures adopting businesses practices to different degrees and therefore to the development of social enterprises as hybrid organizational forms.

A key issue when looking at social entrepreneurship is that the concept relies to a large extent on the support coming from practitioners who keep developing such organizations (Mair, 2010:18). Practitioners are also the ones "engaged in shaping the meaning of social entrepreneurship" (Mair, 2010: 18), as well as in guiding the development of the field. It is only natural therefore to have a strong empirical focus when analyzing social enterprises.

The analysis of various characteristics of social enterprises has contributed to generating typologies for these organizations. Building on the hybridity perspective, Mair et al. (2015) distinguish between conforming hybrids focusing on one institutional logic and dissenting hybrids using selective coupling, innovation and defiance to deal with more institutional logics (Thornton and Ocasio, 2008). Furthermore, genuine hybrids are the ones that actually internalize the multiple core orientations of the organization, while symbolic hybrids simply make use of the social enterprise label in order to increase their legitimacy and access to resources (Mair et al., 2015). Ebrahim, Battilana and Mair (2014) also distinguish between differentiated and integrated hybrids. More specifically, integrated hybrids have both the commercial and socially focused activities overlapping at the core of the organization, transforming beneficiaries into clients (for instance, microfinance organizations). Differentiated hybrids separate these two streams of

activities, the clients for the commercial activities being a different group than their beneficiaries. This typology is of importance when discussing the case study organizations in the paper which are all differentiated hybrids.

Research related to social enterprises revolves around a variety of topics. Looking at social enterprises from an organizational perspective and focusing on their hybridity, there has been much discussion about the tension between social and commercial purposes in social enterprises (Battilana et al., 2012; Mair and Marti, 2006; Pache and Santos, 2013). Approaching them from the perspective of institutional logics, scholars have been discussing the potential of mission drift of social enterprises as a result of these competing logics (Ebrahim et al., 2014; Spear et al., 2009). Other researchers have distinguished between different operational models that social enterprises employ (Alter, 2007), have developed typologies of social enterprises (Kerlin, 2010; Mair et al., 2012) based also on the institutional factors characterizing their environments (Kerlin, 2013), and have evaluated the social impact and performance of social enterprises (Ebrahim and Rangan, 2014), etc.

As a result of combining different processes, structures and meanings, social enterprises are facing tensions in their activity as result of their dual social and commercial focus. Smith et al. (2013) identify performing tensions (which goals are more important), organizing tensions (as a results of structure, practices, culture, processes), belonging tensions (different identity groups) and learning tensions (different time horizons for growth and change). These can have an internal nature and influence the way the organization develops and functions (Battilana et al., 2012; Mair and Marti, 2006; Pache and Santos, 2013; Battilana and Lee, 2014) but they also play a role in the way the organization interacts with its external environment (Battilana and Lee, 2014).

There has been a focus in the literature on the internal strategies that social enterprises – studied as hybrid organizations - can adopt in order to deal with these tensions. Starting from the fact that social ventures that incorporate business aspects in their activity are less successful in achieving entrepreneurial milestones than social ventures that do not, Lee (2014) argues that the solution for organizations is to focus on practice integration which advances both commercial and social goals simultaneously. The issue of practice integration appears also in the case of work integration social enterprises (WISEs)

where organizations that provide negotiation spaces for the groups working with the different social and commercial issues in the organization are performing better in regard to their social goal (Battilana et al., 2015).

The tensions social enterprises experience can also have an external impact. Organizations become legitimate when they fulfill certain institutional expectations and complying with them translates into an easier access to acquiring resources (Kraatz and Block, 2008). The legal incorporation of the organizations is part of this legitimacy acquiring process, for instance. However, hybridity can hinder organizations from getting the resources they need because the resource providers see how there could be internal and external pressures for their performance as a result of them being hybrids. For example, hybridity can generate conflict between different groups in the organization as a result of their different identities or incumbents could see social enterprises as challengers and respond aggressively towards them. This idea is supported by Lee (2014) who argues that social ventures with business practices attract less external funding than traditional charities because it is more difficult for funders to clearly understand who these organizations are and how they operate.

However, Smith et al. (2013) state that social and commercial tensions are not the only competing demands for organizations – others are related to global-local needs, stability and change, exploration and exploitation. This highlights the need for a more extended understanding of the type of pressures that social enterprises are subject to which goes beyond the focus on two competing logics. As hybrids, organizations can be a combination of more than two elements and the relationships between these elements can be very complex (Battilana et al., 2017).

There is a need therefore for a more nuanced understanding of social enterprises that goes beyond the dual social-commercial discussion. Social enterprises are complex organizational forms that are under the influence of multiple internal and external forces shaping their activity and development. As previous studies have shown, the institutional context in which social enterprises operate is in itself essential for a clearer understanding of these organizations. This study aims to address exactly this aspect in which the way social enterprises strategize in their highly institutionalized environments goes beyond the way in which they relate to or adopt competing logics or the way in

which they combine social and commercial activities. The view is being broadened also based on the position of social enterprises as smaller, new entrants in the field that experience a multitude of institutional conditions differently from bigger, more established organizations. The tensions, pressures and opportunities they face in these circumstances require them to undergo particular strategizing processes that go beyond managing social and commercial activities.

4.2. Social enterprises as social service providers

As we have seen, social enterprises have been understood as social innovators and organizations addressing social issues (Mair and Marti, 2006; Bornstein, 2007) and as hybrid organizations combining different institutional logics, forms and identities (Mair, 2010; Battilana et al., 2017). There is also extensive research conducted on social enterprises as social service providers.

Social enterprises have been depicted as partners of governments and communities in providing social services to various groups. Scholars have studied work integration social enterprises (Pache and Santos, 2010), cooperatives (Borzaga and Defourny, 2004; Lambru and Petrescu, 2014), childcare and elderly care facilities (Grohs, 2014; Borzaga and Defourny, 2004) and other types of organizations with the purpose of highlighting their different role from that of government and markets (Evers, 2005). Although this perspective does not contradict the view that social enterprises are innovators in the social sector, it focuses on the roles of these organizations in welfare systems and broader social structures. It also emphasizes the long-standing tradition of social entrepreneurial activity in various regions of the world, before the label of 'social enterprise' gained increased attention from practitioners and policy-makers. This line of work also places less emphasis on the business models of the organizations and more on the governance arrangements to which they contribute to, thus incorporating also non-profits such as associations and foundations in discussing social service provision through social enterprises.

Scholars have been elaborating on the different ways in which social enterprises evolved in the US and in Europe (Kerlin, 2006; Defourny and Nyssens, 2010) and their insights look to connect analytical efforts in studying both social economy organizations

in Europe and social ventures in the US. Once again, the context in which social enterprises are being discussed is of significance, as the institutional conditions and understandings for these organizations influence the roles they fulfill in a particular setting and the way in which they are conceptualized as organizations in academic work.

To conclude, we have seen that there are multiple interests in the activity of social enterprises. Whether based on their hybrid structure and organizational setup and the challenges that these raise, or on the way in which social enterprises address social problems and deliver social services in the process, all these research endeavors have acknowledged the importance of the institutional conditions that social enterprises are facing. The current study is built along similar lines, looking to depict the interplay between the activities of social enterprises and their institutional setting and how this shapes their strategizing processes. The knowledge gathered from the particular case of social enterprises can shed light on the way in which smaller, less powerful organizations strategize in their fields and the way in which they engage with the conditions in their environments, more specifically for this study a highly institutionalized one.

5. The analytical framework of the study

The previous research overview serves as a background for the main areas of inquiry in this study. Building upon earlier work, the aim of this research is to shed further light on how organizations strategically deal with their institutional environments based on the specific conditions that these environments provide. I thus respond to calls from organizational scholars to better specify the characteristics of institutional environments and the role they play in organizational life, as well as to analyze the work and actions of organizations as embedded in a particular setting. I therefore look to bring together issues of institutional determinism and organizational agency in the attempt to better understand the interplay between them.

This study focuses on the way in which social enterprises strategize in a highly institutionalized setting. Going beyond the idea that highly institutionalized environments exert strong pressures that organizations simply need to respond to, the

study will also focus on the way in which social enterprises identify and use opportunities in their setting which help them achieve their goals.

A few dimensions were highlighted that can play a role in their strategizing process. Firstly, understanding the institutional context in which the organizations operate will be essential. Highlighting the institutions that affect their activity the most, as well as the fields in which they operate will provide a more concrete understanding of both constraints and chances available to them. The study focuses on a highly institutionalized context which can contribute as a setting to unraveling particular approaches of organizations that were not highlighted by the literature focusing on the behavior of organizations in other types of fields. What is more, the fact that the social enterprises are new entrants in their activity fields and are rather smaller and less powerful organizations, the way in which they experience the conditions of their highly institutionalized environment will also be analyzed at a more inter-organizational level.

At an organizational level, internal structures and processes of social enterprises will be core to understanding their strategizing. Since the focus of the study is on social enterprises, the way in which the organizations approach a social problem in their activity is of importance. Differentiations from other social actors in defining the problem and developing solutions for it can prove important especially in highly institutionalized contexts. Finally, the resources that the organization uses and the relationships it builds with resource providers are also a part of the way in which the organization engages with its environment. Of particular interest are financial and symbolic resources that have a role in the survival and development of social enterprises, as well as in ensuring legitimacy for their activities.

The analytical framework derived from the theoretical overview which will guide the upcoming analysis is depicted in Figure 2. The study focuses on three levels of analysis – the institutional level, the inter-organizational level and the intra-organizational level – which also correspond to the levels of theorizing depicted in the previous literature overview. All analytical dimensions will be discussed empirically in detail in Chapter III and Chapter IV.

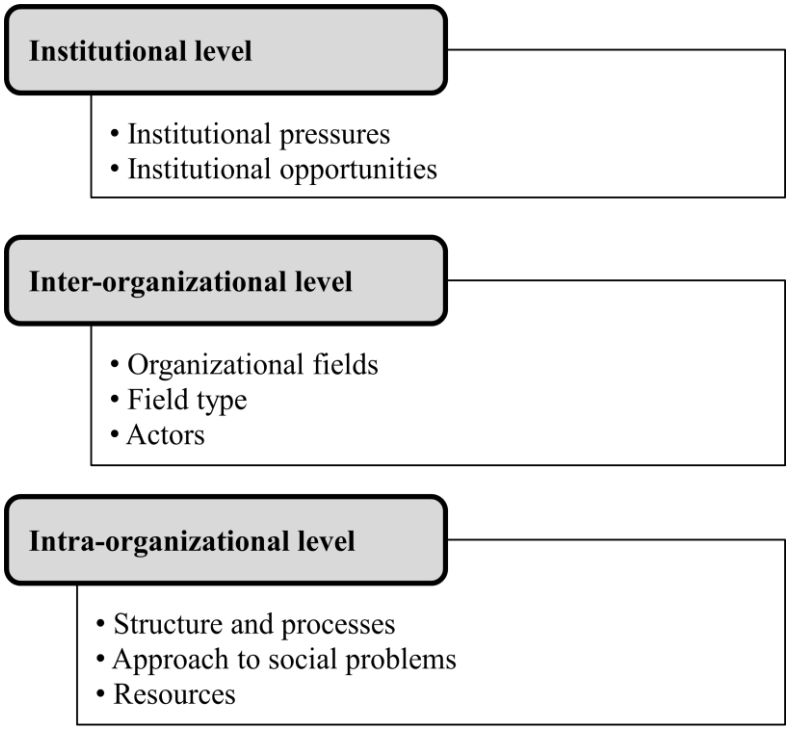


Figure 2. Analytical framework for the study

Chapter II

Data and methodology

1. Case selection

The study was conducted by using a qualitative research design based on in-depth semi-structured interviews, observation and secondary data analysis.

The focus of the empirical analysis are three case studies of German social enterprises – Alpha, Bravo and Charlie - which have been closely monitored in their activity over a period of approximately 2 years, between September 2014 – August 2016. Using case studies as a research method allows for more in-depth understanding of the processes that unfold both within and between organizations, as well as between them and their particular settings (Flyvbjerg, 2011).

The choice of case studies for the study reflects the variety of organizational forms, structures, activity domains that characterize social enterprises. As the social entrepreneurship field in Germany is still emerging and there is a fluid understanding of these organizations, the case studies were selected based on their different positions and approaches in relation to the institutional environment. In this way, using a diverse sample of cases allows for more comprehensive theorizing starting from similarities and differences between cases (Eisenhardt, 1989; Eisenhardt, 2014; Eisenhardt and Graebner, 2007; Miles and Huberman, 1994; Sutton, 1987).

Although a diverse case approach (Gerring, 2008) is core to the study, there are aspects that are common to all the cases and that constituted the selection criteria for the cases.

To start with, all three organizations are not part of the traditional welfare associations (*Wohlfahrtsverbände*) which are the main actors in social service provision in Germany. These six main welfare associations are part of the basic institutional setup of the welfare state in Germany starting with the 19th century. They are the biggest providers throughout the country (Heinze, 2011) and they are also strongly embedded in policy-making processes regarding social service provision. Their presence and activity

contributes strongly to the high degree of institutionalization of German social service provision.

Conversely, the case studies selected for this study represent the new-style social enterprises in this particular context. All three of them are or have been associated with social entrepreneurship support organizations in Germany – organizations or networks that encourage and support initiatives addressing social problems in innovative ways. The objective of the study is to focus in particular on these new-style social enterprises because they stand out as alternative actors for social service provision: they initiate different solutions for social issues going beyond the delivery of classic social services; they function outside of the traditional welfare structures, so they are not part of the welfare associations; as a result, they do not automatically benefit from the institutional advantages of welfare associations in regards to funding and influence in policy-making.

Furthermore, the three organizations associate themselves with the social enterprise label and can be defined as such: they focus primarily on addressing a social issue while also making use of commercial activities to generate their revenues (Mair, 2010; Battilana and Lee, 2014). These activities are core to the organizational setup and to the way in which the organizations interact with other actors and their environment.

Additionally, the three organizations are regarded as "best practice" examples by other actors engaging with the social entrepreneurship topic in Germany. They are perceived as successful both in the way in which they provide an innovative solution to a social problem in the German context and the way in which the organizations have developed over time and have increased their impact. The solutions that the new-style social enterprises provide to these social issues also have an element of novelty compared to the work conducted by other organizations in their activity domain. Some examples related to their perceived success are the fact that they are invited to present their work in panel discussions and conferences on a regular basis, they receive awards, they attain resources such as endorsements from important public figures, etc.

However, the three case studies also vary on other significant dimensions, in order to depict the heterogeneity of organizations being associated with the concept of social

enterprise. They are both for-profit and non-profit organizations, they are in different stages of development (over 5 years, over 11 years, and over 3 years of activity at the time of the study) and they address different social issues. The organizations also operate at different levels from local to international, have different sizes in terms of staff and beneficiaries and run different budgets. Each organization also employs a different operational model (Alter, 2007) characteristic to social enterprises: the employment model, the fees for services model and the low income client as market model. In this way, the three cases will also address the variety of commercial activities that social enterprises can develop.

According to a study conducted by Priller et al. (2012), the most important areas of activity for third sector organizations in Germany are social service provision and assistance (22% of organizations surveyed) followed by education and child care (17% of respondents). Using a different sampling methodology, the SEFORİS study (2016) also identified community and social services and education as the main activity areas for social enterprises in Germany. This is also reflected in the choice of case studies, as 2 of the organizations are engaged in social service provision and one of them in education.

An overview of the main characteristics of the three organizations chosen as case studies can be found in Table 2.

Table 2. Overview characteristics of case study organizations

	Alpha	**Bravo**	**Charlie**
Legal Form	*GmbH* (private limited liability company)	*gGmbH* (private limited liability company with public benefit status)	*gGmbH* (private limited liability company with public benefit status)
Age of the organization	Founded in 2011 Active since 2011	Founded in 2005 Active since 2002	Founded in 2011 Active since 2014
Headquarters	Berlin	Hamburg	Berlin
Geographical reach	International	International	Local

Size (mid-2016)	93 employees	30 employees 4000 volunteers	26 employees
Beneficiaries	65 consultants	4000 families 4000 volunteers	51 students
Total Revenue (end of 2015)	3,1 Mil. EUR	1,1 Mil. EUR	- (unavailable due to confidentiality policy of organization)
Activity domain	Work inclusion of persons with disabilities	Volunteer support for young families with new-born babies	Secondary education for children coming from disadvantaged backgrounds
Social enterprise operational model	Employment model	Fees for service model	Low income client as market model

2. Data sources

In order to gain a comprehensive view of how social enterprises function and how they relate to other social actors, semi-structured in-depth interviews were conducted with different stakeholders of the three organizations. Of particular importance was conducting repeated interviews with the founders of the organizations (4 rounds of interviews) in order to closely follow their courses of action and their reasoning for the development of the organizations, as well as the changes in the interactions of the organization with different stakeholders. In the case of Charlie, the fourth round of interviewing was conducted with the communications manager of the organization, as the founder was unavailable. A snowball sampling method was used in the interviewing process: the main organizations and individuals mentioned during the interviews and identified as relevant stakeholders for the organizations were also contacted and to a large extent interviewed. In the case of Alpha, the external stakeholders were less responsive to the interview invitations and this is reflected in the

overall lower number of interviews conducted with Alpha stakeholders compared to the other two case studies.

The first round of interviews in fall 2014 was conducted together with Dr. Miriam Wolf as part of the SEFORÏS (Social Entrepreneurship as a Force for more Inclusive and Innovative Societies) research project. The context notes, observations, remarks and reflections written after the interviews were also based on common discussions and debates between the two researchers. This has contributed both to confirming the accurate understanding of the information provided and also to reducing the bias in the data analysis and interpretation.

The interview guidelines used for each interview round with the founders of the organizations can be found in Annex I. The guidelines reflect the adaptation of the interview topics over time based on the insights provided by the interview partners in previous rounds and the deeper immersion in the institutional context for the study (Gioia et al., 2012). Although the research design has remained unchanged throughout the study, the lines of inquiry were more fine-grained from one interview round to the other and more focused on the developments in the organizations and their environments between the interviewing rounds. The follow-up interviews also served as an opportunity to clarify previously mentioned aspects that necessitated more detailed information for the analysis.

The main topics approached during the interviews with the founders of the organization were related to the founding phase of the organization, the internal structure and internal processes of the social enterprise, the approach towards the social issue, the challenges that the organization is facing, its governance and financial models, the resources they require, the context dimensions most relevant for the activity of the organization and the scaling processes the organizations were undergoing. The focus was therefore to reach both an in-depth as well as comprehensive understanding of the issues that the social enterprises were handling in their everyday activity, as well as the solutions they developed in order to ensure viability and performance.

Additional interview guidelines were developed for each individual interview with other stakeholders. As there was significant variety of interviewees, all the guidelines will not

be reproduced in Annex I, however they are available upon request. The main topics approached in the interviews with other stakeholders were related to the beginnings of their interaction with the social enterprises, the way their collaboration developed and the reasons for it, the plans for future engagement, as well as more general questions about their perception of the inner workings of the organization, its position in the broader German system of social service provision, its challenges, as well as strengths in operating in this context. The purpose of these interviews was to triangulate insights gathered from the founders of the organization. On the one hand, they contributed to increasing understanding of the internal life of the organization through the insights of internal stakeholders, while on the other hand the external stakeholders provided more nuanced views on the organizational trajectory.

Most of the interviews were conducted in German (with 3 exceptions) and all of them were recorded. The 57 interviews lasted between 12 and 111 minutes, with an average of 50 minutes per interview and a total recording time of 2.912 minutes (over 48 hours). They were afterwards transcribed verbatim and used for the analysis. The transcripts encompassed 795 pages of text. The interview guidelines and the extracts used in the following chapters were translated by the author, with the attempt to remain as faithful as possible to the German meaning of the terms used.

The primary interview data for the case studies was also triangulated with data coming from secondary sources, mainly reports of the organizations, newsletters, website information, other strategic communication, additional studies, media articles and materials. All these secondary data sources encompass 2.302 pages. Albeit to a more limited extent, observation was also used during meetings of the organizations, events that organization representatives attended or informally, through repeated presence in their headquarters. This was also at the basis of identifying and analyzing interactions and strategic processes characterizing the organizations.

In addition to the qualitative case studies, field events were used as settings in which interactions between diverse social actors were observed. This contributed to a better contextualizing of the case studies and a better understanding of the particular national German context in terms of welfare provision.

Field-level observation was conducted in the context of pitches and conferences with a focus on social entrepreneurship and social innovation, as well as on issues related to social service provision in Germany. During these events, discourses and interactions could be observed among various key players in the German social sector and this was used complementarily in the analysis of the context and the case studies. A list of the events attended can be found in Annex II. The insights gathered were documented in 54 pages of field notes.

Additionally, secondary data related to field level developments were also gathered. These were articles, reports, newsletters, website information both on the topic of social entrepreneurship, as well as the broader German welfare system. The documents encompassed 1.570 pages.

Semi-structured interviews were also conducted with actors from the field level but to a more limited extent. The 7 interviews conducted served as useful occasions to be exposed to different perspectives on welfare provision and the phenomenon of social entrepreneurship in the broader German setting and they were used as sounding boards in the analysis phase, in order to double-check the emerging findings. The interviews lasted between 53 and 97 minutes, with an average length of 73 minutes per interview and a total recording time of 512 minutes (over 8 hours). These interviews were also transcribed and resulted in 154 pages of text.

An overview of the direct sources of data used for the analysis can be found in Table 3. Additionally, it is important to mention that as this study was conducted in close connection to the SEFORİS project, the insights gathered throughout the quantitative data collection process in the project also contributed significantly to the development of this research even though in a more indirect way. Some insights from the quantitative data from the project will be discussed in Chapter III as part of describing the context for social enterprises in Germany.

Table 3. Overview sources of data (Data collection status – 01.02.2016)

<table>
<tr><th>Source of data (period: September 2014 – January 2016)</th><th colspan="2">Type of data</th></tr>
<tr><td rowspan="3">Interviews - case studies
(4 rounds)

Total: 57 interviews

(2.912 minutes of recording, 795 pages of transcripts)</td><td>Organization 1: Alpha - total: 13 interviews
5 with founder (1 preliminary discussion)
2 with external stakeholders
6 with internal stakeholders</td><td>External stakeholders: impact investment fund, researcher

Internal stakeholders: staff, beneficiaries, family members of beneficiaries</td></tr>
<tr><td>Organization 2: Bravo– total: 23 interviews
4 with founder
11 with external stakeholders
8 with internal stakeholders</td><td>External stakeholders: advisory board members, franchisees, funders, public officials, consultants, social entrepreneurship support networks

Internal stakeholders: staff, volunteers, beneficiaries, family members of beneficiaries</td></tr>
<tr><td>Organization 3: Charlie – total: 21 interviews
3 with founder
12 with external stakeholders
6 with internal stakeholders</td><td>External stakeholders: advisory board members, journalists, funders, public officials, consultants, social entrepreneurship support networks

Internal stakeholders: communication manager, staff, beneficiaries, family members of beneficiaries</td></tr>
<tr><td>Interviews - field level

Total: 7 interviews</td><td colspan="2">1 with social entrepreneurship support organizations
4 with social enterprise representatives</td></tr>
</table>

(512 minutes of recording, 154 pages of transcripts)	• 1 with impact investors • 1 with welfare associations
Field observation **Total : 18 events** **(54 pages of field notes)**	• 10 events on social entrepreneurship/social innovation topics • 3 Social Impact pitches • 2 events on research on social entrepreneurship/social innovation • 2 events on German social sector/education • 1 internal meeting attended at Charlie
Secondary data **(3.872 pages)**	Case studies Alpha – 821 pages • Press releases • News articles website • Media articles • Social media communication • Website content Bravo - 911 pages • Newsletters • Yearly reports • Press releases • News articles website • Media articles • Social media communication • Website content Charlie - 570 pages • Newsletters • Yearly reports • Press releases • News articles website • Media articles • Social media communication • Website content
	Field level – 1.570 pages • Reports • Newsletters • Media articles

3. Data analysis

The study was conducted using an inductive analysis process, characterized also by repeated iterations between data and theory to refine theoretical contributions (Eisenhardt, 1989; Eisenhardt, 2014; Glaser and Strauss, 1967). The data were analyzed in the first stage within case and this was followed by a comparative cross-case analysis that allowed drawing more comprehensive conclusions (Eisenhardt, 2014; Gioia et al., 2012; King et al., 2009). The starting point of the analysis was the descriptive summaries of the evolution of the three organizations over the 2 years (Miles and Huberman, 1994; Pentland, 1999). Encompassing 29 pages, the purpose of the narratives was to provide an overview of the background of the organizations and a starting point for the analysis of their internal development and interactions with their environment. The narratives also served as a tool to crystallize the main inquiry topics and intriguing research avenues throughout the data collection process.

After the completion of the data collection, the conducted interviews were transcribed using the f4 software and coded using the MaxQDA software. The verbatim transcriptions encompassed 949 pages of text, cumulating the interviews for the case studies and the ones conducted at field level. I started by using open coding (Strauss and Corbin, 1998) for a first systematic dive into the data. Due to the inductive design of the study, the research focus has also developed and clarified over time based on the emerging themes throughout the data collection process. The coding tree with the first-order codes (Van Maanen, 1979; Van Maanen et al., 2007; Gioia et al., 2012) incorporates therefore a lot of categories that have been either reintegrated in new categories, or left out in more advanced stages of analysis. Annex III provides an overview of the most significant first-order codes in the coding tree. More fine-grained sub-categories have been coded for the sub-categories “governance” and “types of resource providers” but they are not included in this overview for reasons of simplification.

Following the open coding process, I created for each of the cases data tables (Miles and Huberman, 1994) containing raw data and more detailed first order codes rearranged into aspects related to the institutional context, the organizational development and strategies of the organization in relation to the environment. I then developed five

analytical categories to better map the data and help transition to the cross-case analysis. These broad categories were ‘institutional context’, ‘organizational structure and processes’, ‘social problem space’, ‘financial and symbolic resources’ and ‘role of the entrepreneur’. These categories were based on the initial coding and the main emerging themes in the data for each case, as well as on the crystallization of the first intriguing findings in the data.

Following the in-depth within case analysis, I then connected the first order codes from each case into more encompassing second order cross-case categories (Van Maanen, 1979; Van Maanen et al., 2007; Gioia et al., 2012) and this became the basis for the comparative analysis focusing primarily on what is similar and what is different between the cases (Strauss and Corbin, 1998; Gioia et al., 2012). Examples of these categories are ‘defining the social issue’, ‘inclusion of beneficiaries’, ‘service design’, ‘legal form’, ‘collaborating with established actors’, ‘competition with established providers’, ‘symbolic resources’, ‘state funding’, ‘alternative funding models’, ‘key financial partner’ etc. This was also the stage in which I decided to eliminate some categories from the analysis - more precisely, the role of the entrepreneur - and implicitly the individual level of analysis. The reasons behind this were reducing the analytical complexity, in order to focus mainly on the organizational analysis level for the findings, as this was the level with the greatest explanatory power. Additionally, as the analysis developed, the most interesting findings in the data were related to the interplay between the organization and the institutional environment and this has therefore become also the focus of subsequent analyses.

The ensuing process continued in a non-linear way, but rather based on several re-framings triggered and accompanied by conversations with other researchers who also pinpointed potential gaps in the analysis, potential re-categorizations of data or new dimensions to be taken into account. Several formats of data tables, as well as various attempts to visualize the emerging concepts and the connections between them were at the basis of this refining process (Miles and Huberman, 1994).

The clarification of the findings and first thoughts on potential theoretical contributions were also a result of a reverse thought focus towards the end of the process: instead of looking from the organization towards the context, I concentrated on the characteristics of the institutional environment that influence the organizations in order to depict the most important dimensions in their strategizing processes. Furthermore, I also triangulated the emerging thoughts and findings with further analysis into the field level interviews, field notes and secondary data. This was a way of checking the robustness of the findings through a field level lens as well.

I then looked to better connect these categories of organizational activities through an interactive process with the characteristics of the institutional environment. Starting from the relationship with the three most important stakeholders in the institutional environment (the state, the established welfare providers and the beneficiaries), I looked to develop an explanation of how the combination of activities related to issue framing, building legitimacy, ensuring financial viability and delivering services contributed to the organization engaging with these three main categories of stakeholders in a successful way and therefore responded to the main institutional characteristics influencing the social enterprises. These final stages of the analysis focused therefore on developing a more dynamic understanding of the relationships between emerging concepts (Gioia et al., 2012) which will be elaborated on in Chapter V.

Chapter III

The institutional context

The aim of this chapter is to illustrate the context in which social service provision takes place in Germany and the institutional conditions that new providers in this environment, and especially new-style social enterprises, are facing. By specifying why the German context is particular, the chapter will also identify and pinpoint to the characteristics of a highly institutionalized environment more broadly. The chapter is structured in three main parts: the first one gives a brief overview of the historical roots of the German welfare system, its setup and functionality, as well as an overview of the three activity domains relevant for the case studies; the second part focuses on the emergence of social entrepreneurship in this context, and the third part highlights the institutional dimensions that are of importance for the organizations studied and that characterize a highly institutionalized environment.

1. The German welfare state

1.1. An overview of the German welfare state

1.1.1. Historical development

The emergence of the German welfare state can be traced back to the 19th century when the first compulsory social insurance for sickness was introduced in 1883 (Geisler, 2013). The provision of social services in Germany also started through the poverty alleviation measures of the local municipalities. These efforts were structured on two main categories of providers: on the one hand, the agencies in the community and the public providers and on the other hand, the private providers such as foundations and citizen associations. These first initiatives towards the development of social services were also accompanied by the simultaneous development of the strong association culture in German communities during the empire (*Kaiserreich*) from 1871. (Sachße, 2011: 98).

During the Weimar Republic (1919-1933), the main characteristics of the welfare system were centralization, bureaucratization and professionalization. A common

understanding started developing among specialists and in the daily work of the municipalities regarding the the main agencies engaging in municipal social administration. These are the Youth Agency (*Jugendamt*), Welfare Agency *(Wohlfahrtsamt)* and the Healthcare Agency (*Gesundheitsamt)* (Sachße, 2011: 98).

The basis for the modern free welfare care (*Freie Wohlfahrtspflege*) was also set up during the Weimar Republic. The establishment of the welfare state, democratizing of society and introducing a parliamentarian political system changed the focus from the traditional community organizations providing services to the Work Ministry (*Arbeitsministerium*). This ministry started coordinating the work of the welfare associations which soon became its main communication partner. This is also the time when the six main welfare associations – Diakonie, Caritas, Zentralwohlfahrtsstelle der Juden in Deutschland (ZWST), Arbeiterwohlfahrt Bundesverband (AWO), Paritätische Wohlfahrtverband, Deutsches Rotes Kreuz - developed in strong connection also to religious institutions. (Sachße, 2011: 101)

The traditional local associations thus transformed and got assimilated into the new welfare structures. These were incorporated in the legislation concerning welfare provision which is at the basis of the subsidiarity principle until today in Germany. The two pillars of the welfare system were thus established: on the one hand, the guarantee for the free welfare providers of the right to exist and to be independent and on the other hand, the obligation of the public actors to support free welfare providers and for them to share responsibility for the services provided. (Sachße, 2011: 102-103).

After World War II, in the Federal Republic of Germany (Western Germany) the system from the Weimar Republic was reconstructed but this time the main aim of the system was no longer poverty alleviation but rather maintaining increasing living standards of the population (Sachße, 2011: 106). After the end of the war the welfare associations (religiously affiliated or not), as well as umbrella associations that incorporate them were reestablished. Thus, the German Association for Public and Private Welfare (*Deutscher Verein für öffentliche und private Fürsorge*) founded in 1919 started operating again in 1946 and in 1948, the Federal Work Community of Free Welfare (*Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege*) was founded, following the

structure of the German League of Free Welfare (*Deutschen Liga der freien Wohlfahrtspflege*) in the Weimar Republic. (Sachße, 2011: 107)

After 1989, the reunification of Germany put an extra burden on the welfare state as the East German population was integrated in the West German policy regime (Pierson, 1996: 169). The structures of welfare provision in the Federal Republic of Germany however have remained largely the same ones as in Western Germany, with a shared burden between the state and the free social service providers.

1.1.2. Functioning principles

The principle of subsidiarity is core to the German welfare system and it means that the state will intervene only when the family and the community have failed. Problems should be solved at the lowest possible level (Daly, 2000). This also depicts the strong focus on the principle of community solidarity (Schmid, 2011: 117) and explains why the German welfare system is built upon transfer payments from the state to social service providers rather than on the classic provision of public services (Pierson, 1996: 169).

The German welfare system is not built upon a single piece of legislation but rather makes use of several laws and regulations that apply depending on the activity domain taken into account. (Öztürk: 2013) Legally speaking, the welfare state is based on the Constitution but there is no further coordinated legislation between social fields. This is also due to divergent goal stipulations in regard to welfare provision in different domains, such as economic security, freedom, equality and justice (Schmid, 2011: 117). The legislation for social services is structured in the 12 Social Law Codes (*Sozialgesetzbücher I-XII*) that tackle each activity domain individually (von Boetticher and Münder, 2011).

1.1.3. The role of the welfare system

The German welfare system fulfills two main roles: it provides a social security net for citizens through benefits and it ensures social service provision.

Esping-Andersen (1990) elaborated on the first dimension in a comparative perspective. He developed his welfare state typology by looking at the relations between the state,

market and individuals and families (Geisler, 2013: 17) and developed the differentiation between conservative, liberal and social-democratic welfare states. In conservative welfare states, such as the one in Germany, the main goal is to maintain the social status of the citizens and this reflects into their right to social benefits, whereas the liberal model is more focused on poverty alleviation (Daly, 2000; Schmid, 2011: 121; Seeleib-Kaiser, 2002).

The social provision role of the system will be however the focus of this study, especially through the organizations that deliver social services. The providers of social services in Germany can be public organizations, private and commercial organizations (for-profit) or private organizations with a public benefit status (non-profit) (Öztürk, 2013; Heinze, 2011: 171). The welfare associations have a special status in this regard as they see themselves as a third partner of the state and business in the development of social life. They understand themselves as free service providers and advocates for disadvantaged groups. (Heinze, 2011: 171). The target groups of providers of social services are just as diverse as they are: children and youth, families, women, older people, unemployed people, sick people and people in need of care, addicts, people with mental conditions, people with disabilities, etc. (Heinze, 2011: 170).

In the following sections I will focus on the organizations engaged in provision of social services in Germany for an overview of their characteristics and dynamics in this field.

1.2. The special status of the welfare associations

1.2.1. The founding phase

The main social service providers in Germany are the six welfare associations mentioned in the historical overview. The welfare associations were founded in the 19th and beginning of the 20th century. More precisely, the Centralausschuß für die Innere Mission (the current Diakonie) was founded in 1848, Caritas in 1897, Zentralwohlfahrtsstelle in 1917, Arbeiterwohlfahrt Bundesverband in 1919, Paritätische Wohlfahrtverband in 1924 and Deutsches Rotes Kreuz in 1921. (Sachße, 2011: 102) The members of the welfare associations are other social service providers organized at local, regional and federal level that function with the support of the umbrella organizations.

During the period in which they were established, the welfare associations also founded their own bank which was used to administer among other private funds also the subsidies from the state. The bank and the subsidies were their main income sources and it offered them a lot of influence over their member organizations through their access to funding.

The association of welfare associations was founded in 1924 (*Deutschen Liga der freien Wohlfahrtspflege*) and was renamed after the war as the Federal Work Community of Free Welfare (*Bundesarbeitsgemeinschaft der freien Wohlfahrtspflege*) (BAGFW). This overarching organization is also structured in working communities at state level and at the municipality level (Merchel, 2011: 251).

The fact that the welfare associations organized in these big encompassing structures offered them some resemblance to public agencies in terms of structure and access to different community levels. It also offered them some leverage in relation to state structures. This resulted in the fact that they were not focusing strictly on the delivery of social services anymore, but also on influencing their acquisition of financial resources and on influencing the legislation at the administrative levels where they were represented (Sachße, 2011: 102).

1.2.2. The scope of the welfare associations

One of the dimensions that depicts the importance of the welfare associations in the social sector is their significant number of employees that has been growing over time. In the 1990s the welfare associations had 1.25 million employees and this number increased to 1.4 million until 2004 (Schmid, 2011; Heinze, 2011). It remains roughly at the same level in 2017, when additionally to the 1.4 million employees, there are another 2.5 -3 million volunteers working for members of the welfare associations (BAGFW, 2017). Despite the fact that the welfare associations have been growing in terms of employment regardless of the political orientation of the government, there is little public awareness on their importance as an employer. This is surprising given their spread and their involvement in a wide range of social services. They are the "uncontested" (Heinze, 2011: 173) most important social service providers in Germany: data from 2012 stipulates that the welfare associations served 3.7 million people

(BAGFW, 2014). They are also important supporters of the subsidiarity principle (Göcmen, 2013), as their structure and functions are built based on it and mirror the state structures they interact with.

Schmid (2011: 131) has highlighted a few other characteristics of the welfare associations. They cover a variety of types of social services across the entire country. What is more, they need to provide social services themselves and not just fund and support other organizations doing this, which already distinguishes them from other lobby organizations, associations and self-help groups. The quantitative study regarding social service provision conducted by Anheier and Seibel (2001: 97) revealed that health and social services are of particular importance in the activities of the welfare associations and that their partnership with the state is developing mostly in these directions. Additionally, the welfare associations also have a significant gathering role as previously mentioned because a lot of big providers in civil society gather under their umbrella as members. (Merchel, 2011)

There is however also criticism expressed towards welfare associations. It goes mostly along the lines that they are too bureaucratic and too close to the state. The self-help movement in the 1970s and 1980s was for this reason at first in conflict with the welfare associations and more and more collaborative interactions between these organizations ensued only at a later point in time. (Anheier and Seibel, 2001)

1.2.3. Policy involvement

The welfare associations do not see themselves though just as big social service providers but also as movement organizations that promote social progress and that benefit from a public status (Schmid, 2011: 131). This also indicates their strong interest in the policy-making process in the social sector.

The close connection of the welfare associations to the political process draws attention to the particular institutional and political characteristics of these organizations. (Schmid, 2011: 131) The welfare associations are involved in the political processes of formulating and implementing social service programs at all federal levels (Merchel, 2011: 255; Anheier and Seibel, 2001: 28). They are expected to represent the interests of particular social groups and at the same time to deal with their own interests by

taking into consideration also the positions and situations of other social actors. The relationship between welfare associations and the state agencies is built upon mutual dependence and interconnectedness: on the one hand, the state agencies need the personnel and technical resources of the welfare associations for social service delivery and on the other hand, the welfare associations need the financial resources from the state and have an interest in shaping socio-political programs that ensure their long-term financial and political security (Merchel, 2011: 255).

Because the welfare associations were reestablished after the Second World War according to their old structures, they had an advantage in comparison to the newly emerged public welfare providers in terms of connections, infrastructure and support. This made them important players in all questions related to social service provision in Germany. The ministries relied on the expertise of the welfare associations in making decisions and at the same time this protected them from competitors, as the ministries were interested in maintaining a relatively reduced number of conversation partners in the decision-making processes. Hence, the welfare associations have been strongly involved in legislation development processes throughout the years. (Sachße, 2011: 110-111)

1.3. Civil society organizations in Germany

Although the welfare associations as umbrella organizations have a special status in the German social sector, their members and other private social service providers are classic civil society organizations. It is therefore important to have a short overview of these organizations and of the context in which they operate as well.

Anheier and Seibel (2001: 108-109) differentiate between different categories of organizations in the German non-profit sector: there is a group of more state-oriented and dependent non-profits, such as those working in healthcare and social services, a group that is more market-oriented and dealing with employment and housing, environment, recreation, and a third group with mixed revenue structures.

However, all civil society organizations (membership organizations, interest organizations, service organizations, support organizations) distinguish themselves from

the private sector through their public benefit status (*Gemeinnützigkeit*). They also distinguish themselves from the public sector as their administration is independent and they have their own separate legal form. (Merchel, 2011: 246-248)

Civil society organizations benefit from tax exemptions based on their public benefit status (*Gemeinnützigkeit*) (Anheier and Seibel, 2001: 17). In practice, this means that the same organization can declare a part of its activities as serving the public benefit (*gemeinnützig*) and another part as having a commercial purpose and only the first ones will be tax exempt. Still, non-profits cannot build endowment from surpluses and overall revenues must be used each fiscal year in order to maintain the tax advantages (Anheier and Seibel, 2001: 18).

The public benefit status provides some flexibility to civil society organizations in regard to how they can acquire funding. On the other hand, the blurry lines between public and private and also the complexity of the public benefit status (*Gemeinnützigkeit*) that applies in different forms depending on the organization makes categorizations in the third sector difficult, complex and bureaucratic (Anheier and Seibel, 2001: 26).

The German non-profit sector is very diverse in regards to the types of organizations composing it. Associations (registered or not) are the most frequent organizational type in German civil society. Limited liability companies (*GmbHs*) are increasingly common in healthcare and social service provision. Sheltered workshops for people with disabilities (*Behindertenwerkstätte*), museums and research institutions are also growing in their economic importance. Foundations are usually based on endowment and most of them were set up after World War II. Lastly, cooperatives are a category with a long tradition in Germany, although most of them changed into businesses over time and thus left the social sector (Anheier and Seibel, 2001: 12-16).

1.4. Changes in the German welfare system

Despite of its general continuity and stability, the German welfare system has also been undergoing some changes in the past decades.

Some of these changes were related primarily to the provision of benefits for the population. As part of the Agenda 2010, the Schröder government initiated a range of

labour reforms (Hegelich at al, 2011). It represented a massive change towards a flat-rate system of insurance for the long-term unemployed and the population not covered by unemployment insurance. Agenda 2010 was an attempt to address low growth and high unemployment and apart from the labor market reforms it also addressed pensions, education, health, etc. The reforms tried to neo-liberalize the political economy of Germany (Bruff, 2010: 416). The new labor legislation automatically affected social service providers and the welfare associations more specifically as significant employers. The labor reforms are also accompanied by a change in values and expectations from the wider population towards the role of the German economy in an increasingly internationalized world (Hassel, 2010: 103).

Regarding social service provision, most of the changes can be traced back to new public management influences. Starting with the mid-1990 social service provision has been influenced by the principle of the economic contract management and quality control which connects to broader marketization processes unfolding.

Even though social services were even traditionally provided by a diversity of actors through a state-civil society partnership, the market for social service provision has been opening up even more to alternative for-profit and non-profit providers. In some activity domains the private providers gain more and more importance as a result of this (Merchel, 2011). For instance, almost 60% of the providers of services for the elderly in 2011 were private providers (Heinze, 2011: 171). Among the formal changes taking place in social provision arrangements are the elimination of the prioritized status of welfare associations in allocation of resources for social service providers, the increased focus on quality management and contracts through output controls and a transition from a funding system focusing on cost coverage to a funding system centered around service contracts and lump sums (Grohs, 2014). The fact that the members of the welfare associations were not prioritized to the same extent anymore (at least according to formal regulation) opened up opportunities for other providers (Göcmen, 2013) and introduced elements of competition in social service provision (Heinze et al., 2011).

The changes in regard to more economic approaches in the social sector have been taken up by welfare associations in the past 15 years as well, even if there are some critical voices regarding the introduction of economic principles in the social sector.

(Heinze et al, 2013) The market focus introduced in the 1990s requires a reinterpretation and repositioning of the welfare associations, as opening the market towards other actors partially challenges the preferential status of the welfare associations and might require a new interpretation of the corporatist model (Merchel, 2011: 254-257).

Increasingly opening up the market al.so has implications for the funding of social services. Public funding was the biggest source of funding for the non-profit sector in the 1990s and it was complemented by private giving and private fees and charges to a smaller extent. Access to public funds was and still is facilitated by the membership in a welfare association (Anheier and Seibel, 2001: 98-99). The changes in legislation have nevertheless opened up the possibility of an increase in focus on private fees as sources of revenue, which questions the strong dependence on the state of newer social service providers.

1.5. Three fields of social service provision

In order to better contextualize the three case studies of social enterprises, the following section contains an overview of their specific activity domain and the different established social service providers in these domains.

1.5.1. Work inclusion of people with disabilities

Running establishments for people with disabilities were of particular interest in social service provision even during the Weimar Republic when church organizations became particularly involved in this task (Rohrmann and Schädler, 2011: 426). If for a long time the focus was on providing special structures for this target group, in the beginning of 1980s there was a shift in paradigm regarding the needs of people with disabilities. Ambulatory services that can provide more flexibility, independence and dignity for the beneficiaries were introduced. This was a result of a more universal change of perspective around disabled people and of the proliferation of a new understanding of human rights throughout the Western world (Rohrmann and Schädler, 2011: 427).

There is still considerable growth of this activity domain in Germany: between 2000 and 2004 there was a 15% increase in number of facilities in the free welfare provision, 45% increase in the number of spots/beds and a 54% increase in the number of employees (Rohrmann and Schädler, 2011: 431).

The legislation regarding the integration of people with disabilities and funding social services with this aim is stipulated in the German Social Code (*Sozialgesetzbuch*) (Rohrmann and Schädler, 2011: 425). The work agencies and integration agencies are the main public actors coordinating this issue in Germany. The federal agency for work is being administered by three groups: representatives of the employers, the unions and the federal government. Locally the work agencies (*Arbeitagenturen*) are being coordinated from the federal level and are mostly focusing on matching programs between employers and job seekers. They are also very output focused which is being criticized as incentivizing employment also when the qualitative conditions are not the most appropriate ones for the candidate. At regional level the work agencies are part of work communities (*Arbeitgemeinschaften*) that focus on intermediating in Jobcenters the job search for people with difficulties in finding jobs through the work agency (Bode, 2011: 322-323).

The services bought by the *Arbeitgemeinschaften* are delivered by classical civil society organizations (a lot of the times associations or public benefit limited liability companies - *gGmbHs*) working directly with municipalities or under the umbrella of welfare associations. Based on particular standards and measures that they need to employ, they can also provide coaching, training, psychological support, etc. for the unemployed. They are funded through subsidies or grants from particular national or European programs. (Bode, 2011: 324)

Still, work integration is mostly realized through workshops for people with disabilities. These organizations see themselves as rehabilitation facilities that ease the entry on the regular job market. However, there is actually an 0,3-insertion rate: 0,3% of beneficiaries work on the regular market, the other ones being employed in the sheltered workshops. The activity there gives the beneficiaries access to the social security system, especially security for old age. Living facilities for adults can also be included in the services that beneficiaries have access to. The accent is placed on the development of the personality of beneficiaries and on conducting an activity in a protected setting.

There are few alternatives to the work integration workshops (Rohrmann and Schädler, 2011: 433-434) but one of them has been supported employment that aims to facilitate

the access to the main job market rather than employment in a particular organization (Rohrmann and Schädler, 2011: 434). The field of employment with support is in the jurisdiction of the work agencies, the integration agencies and the pension insurances.

The changes in legislation in 2000 added a variety of support services to the offer that people with disabilities can access when seeking employment – from coaching and targeted support, to mediation or companionship in the regular work setting (Rohrmann and Schädler, 2011: 434). For training programs, a voucher system was introduced where the person looking for employment can choose the provider they want. The providers need to comply with particular quality standards and need to ensure a 70% integration success rate. They are also encouraged to ensure employment already during the training. By introducing this choice dimension, the training programs became more and more influenced by the client demands. (Bode, 2011: 325) The fact that market-oriented providers can also take part in these programs was meant to ensure employment rapidly under the principle of "work-first". However, the criticism that these actors are facing is that they are sometimes more prone to focus on efficient, one-size-fits-all solutions to ensuring employment rather than on gathering feedback or addressing different motivations of the unemployed (Bode, 2011: 329).

Despite all these changes and attempts to find alternatives for inclusion, the Federal Working Group of Integration Agencies (*Bundesarbeitgemeinschaft der Integrationsämter*) notes in its 2006/2007 report that these newer integration services are used to a limited extent in just a few regions to facilitate the transition from the educational system to employment. This goes to show what a special status the work integration workshops still have and how the tendency of providers still is to employ people with disabilities in special working environments rather than on the regular job market, despite of the attempts to liberalize the social service market (Rohrmann and Schädler, 2011: 434).

1.5.2. Social services for families

Another important social service field in Germany is that of family support. Families are strongly dependent on their economic, cultural and social contexts and the way in which these develop plays an important role in the services needed for their well-being

(Jurczyk and Thiessen, 2001: 333). Starting with the middle of the 1970s, the social and economic developments in Germany have triggered a stronger differentiation between work and private life and this has had an effect on the structure of the family, as well as on its typical way of life. There are nowadays dynamic and diverse households and family forms in Germany (Jurczyk and Thiessen, 2001: 334). The changes between generations are also important, as the birth rates go down, the life expectancy increases and people tend to have their first child later in life. Gender roles are also changing, a phenomenon visible especially in Western Germany where women have increasingly started seeking employment (Jurczyk and Thiessen, 2001: 335).

Against this background, starting in the 1980s, the state started investing more in family policies by providing child care facilities, child tax credits, child allowance, parental leave, etc. (Seeleib-Kaiser, 2002). In benefiting from these social services the expectation is that there is a collaborative relationship between the families and the service providers and that the process of accessing the services is relatively easy (Jurczyk and Thiessen, 2001: 339).

In this activity domain too there are a variety of recognized services that can be accessed. Thole (2002) distinguishes between services that complement the family (such as educational facilities, consulting services), that support the family (e.g. providing support in child-rearing, workshops, facilities for the elderly) and that replace the family (e.g. crisis intervention – living facilities, asylums, adoption). These can all be offered by public providers, free providers, self-help/volunteer groups or private commercial companies (Jurczyk and Thiessen, 2001: 342). Once again, the welfare associations are important providers of these services: according to 2012 statistics, 4.570 organizations that offer family support and 38.367 that offer services for children and youth are part of welfare associations (BAGFW, 2014).

Nevertheless, there is difficulty in maintaining a balance between help, supervision and control through these services. The interventions foreseen nowadays have the tendency of not trusting the parents and thus conferring the state the savior role. This creates additional tensions between the public and the private sphere at a broader social level (Jurczyk and Thiessen, 2001: 346).

At the same time, new fields of intervention emerge, such as the field of early childhood prevention services (*Frühe Hilfen*) that focuses on providing families with support before significant issues that require stricter intervention emerge. If a while ago this field was rather regarded with skepticism, the domain has gained much more importance and financial resources due to the media and public attention attracted by extreme cases of violence within the family that could have been prevented. This has generated numerous actors to expand or refocus their work also along this issue although they had not been involved in this domain before (Jurczyk and Thiessen, 2001: 347).

With continuing and significant demographic changes in Germany, providing sufficient and appropriate social services for families will remain one of the main areas of action for established and alternative welfare providers.

1.5.3. Equality of chances in the educational system

Overview of the German educational system

One of the fields gaining constant attention in Germany when it comes to social services is the education one. Although the educational system is usually treated separately from other social services, Esping-Andersen (2006) also addresses it as a social service domain since it strongly influences the biographies of people (Schmid, 2011: 140). It is also one of the domains attracting most attention in the German social sector which makes it an appropriate area of inquiry. Due to the complexity of the educational system and the particular focus of the third case study on free secondary education, the following overview will not discuss issues related to primary or higher education in the German educational system and will rather stick to a focus on secondary education and free schools.

The German educational system is very diverse and fragmented. The educational legislation differs greatly from state to state and there is limited coordination from the federal level (Anheier and Seibel, 2001). The Basic Law gives particular prerogatives to the federal government in terms of education, science and research but most of the responsibility falls under the state and local level. The federal and state levels are also collaborating on particular dimensions related to scientific research and facilities needed

for this. (KMK, 2015) The local municipalities have a big role in early childhood education and youth welfare services, the federal level is important for research and professional education, while the state level is the main actor when it comes to schools and universities. The local municipality is responsible only for some technical issues and doesn't have much autonomy in the educational bureaucracy which is highly complex (Schultz and Hurrelmann, 2012).

The Education Ministries of the 16 states are the power center for each of the educational systems (Schultz and Hurrelmann, 2012). The differences between the 16 educational systems are present on a lot of levels: the cost of attending kindergarten, the duration of primary education, the number of tracks for secondary schools, the duration of compulsory schooling, the curriculum, the criteria for awarding grades, etc. The complexity and diversity of these differences pose problems also for the school experts. The diversity in school systems also has effects on the life chances of children which are strongly influenced by where they go to school (Edelstein and Allmendinger, 2012).

The Standing Conference of the Ministers of Education and Cultural Affairs of the Länder in the Federal Republic of Germany (*Kulturministerkonferenz* or KMK) was founded in 1948 and it mainly ensured the development of the educational system in the same direction in all the states (KMK, 2015: 11) Especially the states from former Eastern Germany had to move from a system under state monopoly to a more diverse system where also private providers were accepted for provision of educational services. (KMK, 2015: 11) The social and economic problems in Eastern Germany left by the centralized economy are however still a problem for the education systems in these states (KMK, 2015: 12).

The debate between a more centralized educational system and maintaining the federalized, fragmented one also has implications for how innovative the educational system is. While some authors argue that the federal system ensures diversity and thus innovation through competition and that more centralization will actually not solve the core issues of the educational system in Germany (Kerger, 2012), others claim that the promise of innovation is not being fulfilled as long as there is so much inequality between the different school systems (Edelstein and Allmendinger, 2012).

Public schools account for the majority of schools in Germany but the constitution allows for the provision of educational services in free schools (or private schools) too, as long as they fulfill particular standards (Anheier and Seibel, 2001). 1990s data stipulated that over 95% of students in Germany attended a public school (Anheier and Seibel, 2001) and only 5% a free school. Despite an increase in the percentage of students attending free schools until 2014/2015, over 91% of students in Germany attend public schools (Statistisches Bundesamt, 2016).

Secondary education is built as a dual system, based on general education schools and vocational schools to which children are selected through the early tracking system (KMK, 2015: 29). There is strong differentiation between *Hauptschulen* that provide basic general education, *Realschulen* that focus on extended general education (both of these correspond to a lower secondary level) and *Gymnasium* offering in-depth general education and corresponding to a higher secondary level. (Jürges and Schneider, 2007: 5-6). Specifically, Berlin has a two pillar model, where after primary school the children can attend *Gymnasium* and get their *Abitur* or they can attend a secondary school and continue their professional training afterwards (Edelstein and Allmendinger, 2012).

The German tracking system is subject to a lot of criticism because it has a big impact on the socio-economic perspectives of children while selecting them into particular tracks at a very early age (Jürges and Schneider, 2007). A debate also emerged around uniting the *Haupschule*, *Realschule* and *Gesamtschule* into one type of school and leaving the *Gymnasium* separate but a consensus on this issue has not been reached yet (Hurrelmann, 2013).

Free schools in Germany

The history of the German educational system and its roots are related to a private system and a private way of organizing education, since the schools connected to the church were basically also private. This changed during the industrialization period when class movements lead to a rise in public schooling (Klein, 2007) but the private education has remained important in Germany.

The freedom to set up free schools (or private schools, the terms can be used interchangeably) is stipulated in the Basic Law in Germany (the Constitution) and this is

also supported by the individual constitutions of each state. The fundamental principle is that "constitutional law rules out a state monopoly of education" (KMK, 2015: 35). Private education institutions can be found at all levels – pre-school, primary and secondary level, higher education and adult education. The existence of the private educational sector is said to generate competition and thus choice and innovation in the larger educational system. Most of the private institutions are active in early childhood education as day-care centers. (KMK, 2015: 35).

Private schools are schools that are carried by private entities (persons, groups, foundations, churches and more and more lately also companies). They are also called free schools to underline the capacity of parents and children to freely choose to attend them. Most of the time they have a public benefit orientation and status which gives them tax benefits and also allows them to receive public funds (Weiß, 2011).

Private schools must provide the same facility standards as public schools and they must follow the same goals. They must be accessible to all citizens and if the school fees are too high they do not receive authorization to function or they can lose it. The employment conditions of teachers must also be compliant to particular regulation. They are also supervised by the state (Weiß, 2011: 13-15) in regard to issues such as building and fire safety regulation and personnel suitability. (KMK, 2015). In order to be able to function, the private schools have to fulfill a few conditions related to the equivalence of educational aims, of facilities, of teacher training, of economic and legal security for teachers and no segregation based on means (KMK, 2015).

Free schools fall under two categories: the supplementary schools and the substitute schools. The supplementary schools function within the educational system where compulsory education can be fulfilled based on the regulation that public schools are subject to. Still, what is more important than fulfilling the administrative requirements, is the fact that supplementary schools also fit into the educational concept of the public system in terms of curriculum. On the other hand, substitute schools are set up using alternative curricula. They also fulfill a more marginal role in the educational system (Weiß, 2011).

Private schools in Germany can also be categorized based on the provider (Weiß, 2011). There are confessional schools (such as the Catholic ones gathered in the *Arbeitskreis Katholischer Schulen in freier Trägerschaft* and the Protestant ones in the *Arbeitskreis Evangelische Schulen*), private schools from the *Verband Deutscher Privatschulen* (which are politically and religiously neutral and do not have a particular pedagogical approach, they provide general education and also professional education also for adults), schools with a particular pedagogic approach (such as the Free Waldorf Schools or the Montessori Schools that incorporate over 60% of the schools in this category, boarding schools, free alternative schools emerging from the anti-authoritatian protest movement and later from peace and environment movements which are part of the *Bundesverband der Freien Alternativschulen*). All of these schools with a particular pedagogic approach are in the *Bundesarbeitgemeinschaft Freier Schulen*. Furthermore, the private educational sector includes the international schools which are part of the Association of German International Schools, as well as other private schools revolving around bilingual teaching.

According to 1990s data, the Catholic Church runs most private schools (almost half) and a lot of them are associated with the Caritas welfare association. The Diakonie welfare association and the Protestant Church are the second biggest providers of private education (Anheier and Seibel, 2001). Other more recent sources also report that two thirds of the private schools are coordinated by religious bodies. (Weiß, 2011). This illustrates once again the importance of the welfare associations also in this activity domain.

The constitution stipulates that the existence of the free schools needs to be insured and supported by the state and this comes with a responsibility to fund them, since the alternative would be that they would disappear. However, the state is responsible only to cover the minimum sum needed for the existence of the school (Weiß, 2011: 18). Data from 2006 stipulates that the total budget for private schools in Germany was 3,4 billion EUR and out of that 3 Billion EUR were public funds. (Weiß, 2011: 32) Data for the financial situation of private schools is however not very accurate and constantly updated. The state and local authorities administer schools, with the local level (*Kommune*) mainly taking care of administrative costs, non-teaching staff and material

costs, and the state level (*Land*) taking over the costs for teaching staff (KMK, 2015). Private schools receive money from the state authorities for standard staff and material costs either as a lump-sum or as a percentage of what each school puts forward as being its financial needs. The state authorities can also support free schools in other areas like pensions, sabbaticals for teachers, teaching aids, etc.

Private schools are also allowed to charge school fees up to a maximum level of 150 EUR/month, so that it doesn't prevent participation of particular students based on economic possibilities (Weiß, 2011). Private schools cannot cover their costs only through school fees and state support and that is why they supplement these sources of income through donations (private schools receive double as much as public schools per student in donations) (Weiß, 2011: 32). The denominational schools also receive money from the church and this eliminates the need for them to charge fees in some situations (KMK, 2015; Anheier and Seibel, 2001).

After 1992 the number of students attending a private school in Germany has increased by 55%. A significant increase has been registered after the publishing of the disappointing 2000 PISA results. Private schools hosted thus 8,8% of the students in Germany in 2014/2015 compared to 6,5% of the students in 2004/2005 (Statistisches Bundesamt, 2016). Federal statistics reported in 2012 that there were 1.793 private schools providing general education in Germany hosting 526.877 students and 1.245 private vocational schools hosting 144.577 students (KMK, 2015: 73).

The free schools in Germany fulfill a number of social roles (Weiß, 2011). They were founded to cover gaps of the public school system especially in rural areas for girls. In East Germany they were covering areas in which schools were closed due to reduced numbers of students. The free schools also ensure a diverse school offer that responds to the interests of minorities and they have an initiator and innovator role when it comes to pedagogical concepts. The public school system could benefit from this as it would be able to adopt functioning models; however there is limited evidence of this happening.

On the other hand, free schools also present downsides (Weiß, 2011). For example, segregation effects can amplify the already existent differences in the public educational system, as a result of the tracking system. People from the middle and upper class

usually choose free schools in order to be part of a particular milieu and the children attending have usually limited contact with children coming from other social backgrounds. Private schools also usually do not see themselves as an agent for society but rather as an agent for the family and social integration is therefore not their primary goal. Even though they also do not intend to create segregation, this can appear as a negative effect of their activity.

Inequality of chances in education is a prominent topic in Germany ever since the PISA results in 2000 which was experienced as a shock by the German public. Compared to other countries in the PISA 2000 tests, Germany was the country where the background of the student played the biggest role in their future perspectives (Jürges and Schneider, 2007). This inequality manifests itself through the fact that the socio-economic background of children is a strong predictor of their access to education and their educational results and success. Besides the role that factors outside of the school system play in this (involvement of parents, cultural differences, discrimination, economic status, etc.), there are also aspects inherent to the current school system, schools and teaching personnel that perpetuate the inequality. Although Germany has been focusing primarily on the first category of issues, institutional aspects of the German school system need to also be taken into account to address this issue (Schmidt and Hasse, 2010).

From a culturally-ethnical standpoint, one in 3 children under the age of 6 in Germany has a migration background (Jurczyk and Thiessen, 2001: 335). The disparities between the living standards of families with and without a migration background are increasing also due to different abilities in securing employment. Poorer families are also the ones more likely to have limited access to educational opportunities for their children and it is already shown that children with a migration background are disadvantaged in a competitive educational scene (Jurczyk and Thiessen, 2001: 336). In the field of education for children with a migration background primary and special schools play a central role, as it is stipulated in the legislation of German states that it is their responsibility to support these children (Heinze et al., 2013: 324).

The issues in the German educational system are therefore very complex and this interacts also with the complexity of the system itself. Apart from public schools that

are looking to address these problems, free schools can also become involved, as will be visible in the case study section.

2. Social entrepreneurship in Germany

2.1. Social enterprises in Germany – a contested label

Social service provision in Germany is conducted by a multitude of organizations - some working as part of the welfare associations and some working independently from these structures. This study focuses in particular on organizations delivering services without a strict affiliation to established providers and more particularly on new-style social enterprises. As is visible in the previous section, third sector organizations in Germany have a history of generating revenues both on markets and quasi-markets, which can qualify them as social enterprises (Heinze et al., 2011; Grohs, 2014). However, this label has only recently started being used in the country, which leads to some confusion and tension in the social sector between older, more established providers and younger organizations.

The voices are split between the ones saying that social entrepreneurship is a new phenomenon in Germany and the ones that argue it has been around for a long time but has not been named as such (Ney et al., 2013). There is some degree of criticism emerging from the traditional social service providers regarding the fact that younger organizations make use of the label of "social entrepreneurship/social enterprise" to gain attention and access to resources when in fact, they are not new types of players in the way they approach social issues. The field around social entrepreneurship is still fragmented and relatively small and there is no coherent understanding of the phenomenon or the label neither in academia, nor in the practitioner support programs. (Ney et al., 2013; Öztürk, 2013: 351; Heinze et al., 2011) There is also not necessarily significant awareness on a political and administrative level on social entrepreneurship as a new phenomenon emerging in the German social sector. (Ney et al., 2013).

The history of the term is relatively short. Beginning in the 1990s, Anglo-Saxon influences spread worldwide through the work of organizations such as Ashoka and the Schwab Foundation and encouraged the emergence of a so-called new-style of social enterprises focusing on smaller niches to complement social service provision. These

organizations typically connect a lot of their work with ideas of social innovation (EC, 2014: 34-35). The new-style social enterprises started being mentioned in the political arena in Germany in the beginning of the 2000s, as part of the political discussions around Agenda 2010 (EC, 2014: 11) initiated by the Schröder government looking to conduct welfare reforms. Around the same time, several organizations focusing on supporting these new organizations emerged such as startsocial, BonVenture and Ashoka. The Schwab Foundation and Ashoka elected their first German social entrepreneurs as Fellows in 2005, which is relatively recent compared to other countries where these networks have been active since the end of the 1980s. In the years 2010-2011 social entrepreneurship (in this new understanding) registered a boost in Germany. More and more organizations focusing on working with social enterprises emerged, as well as some investment programs and public initiatives addressing these particular organizations. The focus lied on supporting organizations to develop sustainable business models in order to address social issues through innovative ideas.

The European Commission report on social entrepreneurship in Germany illustrates the difficulty of defining social enterprises in the German context. (EC, 2014) Although there have been attempts on behalf of the Federal Ministry of Family Affairs, Senior Citizens, Women and Youth (BMFSFJ), as well as various research groups to reach consensus on which organizations qualify as social enterprises, there is still a lot of disagreement among social service providers around the inclusiveness of the definition. The difficulty of limiting the concept of social enterprises to particular legal forms is enhanced by the public benefit status legislation and speaks to the fact that both for-profit and non-profit organizations can be categorized as social enterprises based on the primacy of their social mission and the existence of commercial revenue-generating activities.

There are a few lines of debate between traditional actors such as the welfare associations, cooperatives, foundations and associations which conduct economic activities and also operate on quasi-markets and the new-style social enterprises, focused on developing business models and innovative solutions to current social issues. New-style social enterprises are not only competing for funding and support with the welfare associations but they are also facing to some extent a critical attitude from

traditional third sector organizations. This is due primarily to their explicit focus on commercial activities but also to their claim of innovative activities in their activity domains.

The European Commission (2014: 8) report summarizes the situation: "Some stakeholders (and researchers) talk about two types of social entrepreneurship: the 'traditional' and the 'new-style' one. But a clear-cut distinction between the two groups cannot be easily made, as key features of these new-style enterprises (business approach, innovativeness) is also present in the traditional group, and the 'new-style' social enterprises very often also rely to a large extent on non-market revenues. Many of the traditional organizations are generally included under the "social enterprise" umbrella term, but the definitions have not yet been established and views on the scope of the scope of social entrepreneurship may thus differ significantly."

One can draw a lot of parallels between the welfare associations (and their members) and the new-style social enterprises (Öztürk, 2013: 352). If the social enterprises start with the intention of solving a social problem, the welfare associations are mandated by the social legislation to fulfill social tasks. This mandate differentiates the free public benefit providers from the private ones that are working with a profit orientation as well and that therefore do not fall under this mandate. In the welfare associations there is a tendency to associate the new-style social enterprises more with these for-profit providers. However this is the case for very few of them, most of the new-style social enterprises still working as public benefit organizations. On the other hand, social enterprises cannot be fully equated with the welfare associations because they have a more comprehensive area of activity focusing on the wider society (including therefore energy and environment topics) and not only on social service provision such as the welfare associations (Öztürk, 2013: 353).

The role of social entrepreneurship in Germany is different than in developing countries because of the welfare structures already in place in Germany. There is a relatively small space for the new enterprises as most of the welfare services are provided by the welfare associations already (Heinze et al., 2013: 341). This is why traditional providers also consider that the attention that new-style social enterprises are getting is not justified by the impact that they have in regard to solving social problems or providing

social services. The new-style social enterprises are usually small to medium organizations that address niche target groups, while leaving the coverage of the majority of social service to the welfare associations that do not get so much credit for their approach to social problems. On the other hand, new-style enterprises also criticize the welfare associations for being too bureaucratic and slow in developing efficient solutions for the new social challenges emerging in the German society such as demographic change or immigration.

The real competition between welfare associations and the new-style social enterprises is therefore relatively limited because of the small coverage and niche orientation of the latter (Heinze et al., 2013). The welfare associations are still the powerful and strong players in this field. Some scholars claim that similarly to the way in which the self-help groups in the 1970s and 1980s were assimilated by the welfare structures, the new-style social enterprises can lead to an institutionalization of social engagement which is one of the main pillars they are built upon and ultimately also turn into assimilation. (Heinze et al., 2013) Still, since the public sector drew away from some social services such as elderly care and started becoming more involved in the youth and children support services (Heinze et al., 2013: 316), new areas of actions for players such as the new-style social enterprises have opened up and they are being used by the new entrants.

Another area of debate around welfare associations and social enterprises is that of their degree of innovation. Some scholars argue that the problem with innovation in the social sector is not necessarily related to the lack of ideas (in traditional structures or in new organizations) but with the transmission and diffusion mechanisms of these ideas (Ney et al., 2013). Along these lines, the competition between providers does not just encourage innovation outside of the traditional structures but also within the welfare associations. (Heinze et al., 2013). However, other scholars claim that innovation actually has a less central role in the welfare associations than in the social enterprises. If one of the core attributes of the latter is aiming to solve a social problem through innovation, the welfare associations are more focused on delivering social services according to the state prescriptions. (Öztürk, 2013)

All in all, despite these tensions and reciprocal criticism, the European Commission 2014 report on social entrepreneurship in Germany asserts that there have been

increasingly more instances of collaboration between these actors and in the social sector in general. While some lines of differentiation between these actors remain relevant, their focus on common social issues generates avenues for cooperation.

2.2. The social entrepreneurship field

Due to the contestation of the label of social enterprise and the debates around the differentiations between traditional providers and younger organizations it is difficult to generate a clear picture of the social entrepreneurship field in Germany.

Several classifications of organizations functioning as social enterprises have been developed drawing on various sources. The European Commission (2014: 24-30) report draws on the work of Birkhölzer (2004) and on his criteria of defining social enterprises: organizations conducting economic activity, fulfilling primarily a social mission, having limits on profit and asset redistribution, organizational autonomy and inclusive governance. They include therefore in the classification of social enterprises cooperatives, the welfare associations, operational foundations, traditional associations, volunteer agencies, socio-cultural centers, self-help enterprises, self-managed alternative enterprises of women's and eco-movements, neighborhood and community enterprises, integration enterprises, work integration enterprises and new-style social enterprises.

Along the same lines, there is also no consensus around the number of social enterprises currently active in Germany, as this measurement depends on the definition being used by different statistical sources. (EC, 2014: 31). Scheuerle et al. (2013 in EC, 2014: 32) estimate that in 2013 there were between 1.500-2.500 innovative social enterprises (which probably overlap to some extent with the new-style social enterprises) and between 40.000-70.000 traditional social enterprises usually associated with the social economy.

The legal forms are also not an appropriate criterion to help distinguish between organizations. As there is no specific legal form for social enterprises in Germany, there is a variety of legal forms that these organizations can and do adopt. However, patterns throughout time also emerge in terms of preference for particular legal forms. The study conducted by Priller et al. (2012) highlights how limited liability companies with a

public benefit status (*gGmbHs*) have been a preferred legal form for organizations in the social sector between 2001-2011, followed by that of foundations. This is in sharp contrast to the situation before 1980, when the most utilized legal form was the cooperative, followed by associations (see Figure 3). This is also in agreement with the previous historical overview of the development of the welfare state and the third sector in Germany and to the emergence of the new wave of social enterprises in the 1990s and the 2000s. Organizations have been increasingly more focused on flexibility of their revenue models and the legal possibilities of acquiring them which led them to adopting the limited liability company (with public benefit status) legal form (*gGmbH*) more often. Priller et al. (2012: 7) also argues that the *gGmbH* is the newest addition in terms of legal form to the third sector in Germany, as it basically transferred the limited liability company legal form to the social sector through the possibilities offered by the public benefit legislation. It is also the legal form most influenced from a legal standpoint by economic practices such as quality management, performance measurement and other controlling measures.

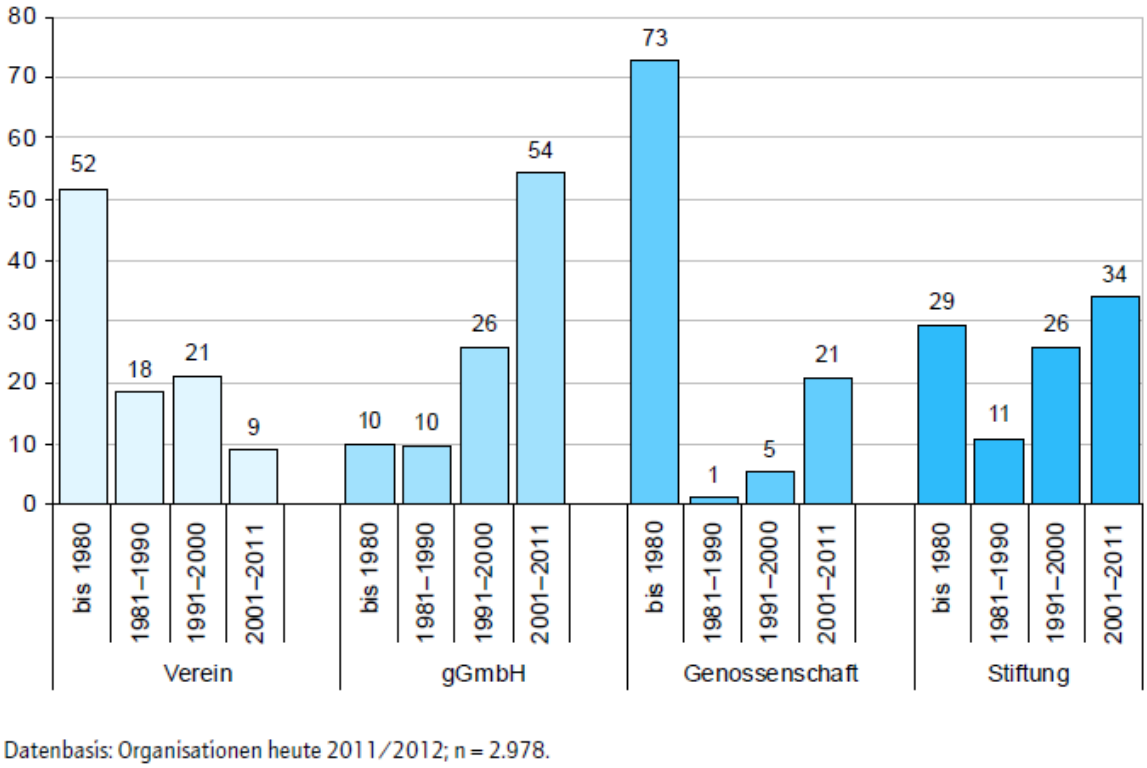


Figure 3. Evolution of legal form adoption. (Source: Priller et al., 2012: 16)

There are also other research endeavors looking to generate a better understanding of social enterprises in Germany. Using different qualitative and quantitative methodologies, they are looking to understand the characteristics of these organizations and the way in which they integrate into the conservative welfare model. One of these projects is SEFORÏS (Social Entrepreneurship as a Force for more Inclusive and Innovative Societies), an FP 7 project funded by the European Commission in which social enterprises from 9 countries were examined. This study was conducted in strong connection with this broader European research project. One of the main goals of the SEFORÏS project was to conduct a survey among German social enterprises covering issues such as organizational governance, financing, innovation, impact measurement and employability models. The study was based on a respondent-driven sampling method that served as a way to reach hidden populations of social enterprises and to recreate connections and networks in the field as faithfully as possible. Starting with 10 selected organizations as diverse as possible in terms of activity type, size, revenue, age, etc, the sampling continued through the scanning and interviewing of three other social enterprises referenced by the respondents themselves. The aim was to go beyond the (sometimes self-reported) label of social enterprise and to reach organizations that correspond to the definition through their practices: they primarily address a social problem by making use of commercial means.

What resulted from the process of surveying 107 organizations is consistent to previous studies and analyses on the development of social entrepreneurship in Germany (SEFORÏS, 2016). Most organizations in the sample are associations (48%), followed by *gGmbH*s (19%) and *GmbH*s (15%) which indicates that the sample covers both traditional social enterprises and new-style ones. This is also visible in the age distribution of the organizations which is relatively balanced: only 1% of organizations are older than 70 years, while 65% are younger than 15 years and 34% are between 20-70 years old. 68% of the sample is not part of welfare associations or other umbrella organizations, compared to the 32% of organizations which are. The social enterprises in the sample are active in a variety of issue domains, from education (27%), community and social services (27%), health and social work (12%).

In terms of sources of revenue, 43% of organizations in the sample rely on fees and sales of services and products either on the market or to governments, 29% of organizations on grants, 10,5% on donations and only 6,5% on investments. This also reflects the strong reliance of the surveyed organizations on public sources of revenue besides the market-generated revenues, which is in line with previous literature on German social service providers.

Overall, the SEFORÏS study reflects the variety of organizations that operate as social enterprises in the German context, either functioning as for-profit or non-profit organizations in different social issue domains, and relying on various revenue structures. The study contributes therefore to the debate around the tradition of social entrepreneurship in Germany, the emergence of a new wave of organizations in the 2000s and the co-existence of traditional and established social service providers with newer entrants in the field.

2.3. Resources for social enterprises in Germany

There are a range of resources available for both traditional and new-style social enterprises in Germany (EC, 2014: 9-23) which stem from the setup of the welfare system, as well as from additional support frameworks developed to encourage social entrepreneurship and social innovation.

A first category of resources that enables social enterprises refers to regulatory measures. As mentioned previously, the public benefit status (*Gemeinnützigkeitsrecht*) is of significant importance for all organizations active in the social sector due to the tax facilities provided. A lot of organizations operate under the regulation of the Social Code (*Sozialgesetzbuch*) which stipulates the conditions under which social services can be provided. The citizens have the free option of choosing their social service provider ("*Wunsch- und Wahlrecht*") and this is supportive of the emergence of alternative players in the field such as the new-style social enterprises.

There are also policy initiatives on behalf of the government that are looking to foster the development of the new-style of social enterprises, such as the National Engagement Strategy in 2010 that aims to intensify collaboration between new-style social enterprises and the welfare associations, as well as state structures (EC, 2014).

According to the strategy, new-style social enterprises should be more intensely involved in policy debates and discussions related to social innovation and should be allocated particular attention in the public support schemes. For instance, new-style cooperatives have already been included in the German Cooperatives Act as a separate category of cooperatives having the same status as the traditional ones.

There is also a wide range of funding sources available to social enterprises in Germany (EC, 2014: 18-20). The state supports social service providers in Germany through contracting and transfer payments for the services they provide, since the social security system and the public budget covers the costs for these services.

Social enterprises can also access various grant programs and schemes available at all government levels and focused on various issues. Additionally, there are other financing instruments used by the state to support these organizations. For instance, between 2012-2014 the KfW national development bank ran an investment program particularly targeting social enterprises. The first social impact bond program was also piloted in 2014 in Bavaria (EC, 2014: 11).

As seen before, private donations coming from companies (CSR funds), foundations or individuals are of great importance in the funding structures of the organizations. Crowdfunding initiatives such as *betterplace.org*, *Deutschland rundet auf* or the public platform *engagiert-in-deutschland.de* build upon the culture of donating and volunteering in the German society and contribute to the fundraising conducted by these organizations.

Microcredit is still in incipient stages and it represents a small proportion of the available funds for social enterprises, just as social impact investment and venture philanthropy. This is due to the fact that a lot of organizations are not yet sufficiently developed for investment and the ones that would be ready are not actually eligible for investment because of their public benefit status. Adding to this, there is still relatively limited interest in working with impact investment and venture philanthropy in Germany, because these two mechanisms are perceived as being very business-oriented and thus interfering with the social mission and orientation of organizations providing social services.

Last but not least, the big welfare organizations set up their own banks that offer loans to organizations providing social services, a market where commercial banks are not so developed yet. The BAGFW (*Bundesarbeitgemeinschaft der Freien Wohlfahrtspflege*) for instance, the federation of the six welfare associations, established the *Bank für Sozialwirtschaft* that provides capital to members of the welfare associations. Social enterprises outside of their structures are however not eligible for this type of funding.

The overall availability of financial resources for German social enterprises depends on their size and position in this environment. The medium and big organizations affiliated with welfare organizations have stable access to state funding and also well-developed operational models that offer them stability overall. The small social enterprises (usually new-style social enterprises) rely though on a mix of funding from their own, private or public sources (EC, 2014: 21).

Adding to the financial aspect, there are also several networks and organizations that offer support and expertise for the development of social enterprises, in terms of know-how but also in terms of funding or physical infrastructure (EC, 2014: 13-16). Among these organizations are Ashoka, the Schwab Foundation, Social Impact Labs, Impact Hubs, Social Entrepreneurship Academy, Talents4Good, the platform betterplace.de, conferences such as the Vision Summit, the German Sustainability Award, startsocial competition and other competitions. All these organizations and networks and others are strongly associated with the new-style social enterprises and are involved mainly in fostering their development, although collaborations with traditional structures have also developed over time.

Initiatives focused on quality insurance of social enterprises have also emerged (EC, 2014: 17). One of the organizations certifying the impact that organizations in the field achieve is Phineo, while another coalition of organizations from the ones mentioned above, as well as foundations, universities and the Social Ministry elaborated the Social Reporting Standard which provides a framework for the organizations to report their social impact. Although the above-mentioned examples are again strongly connected to the new-style social enterprises, parallel initiatives emerged in the welfare organizations as well, (for example of the *GemeinwohlArbeit* of the *Paritätische*) thus indicating a general interest in regard to quality standards in the field.

All in all, despite the lack of consensus around the phenomenon of social entrepreneurship in Germany and the organizations that can be associated with it, the interest in organizations addressing social issues in an entrepreneurial way is increasing in this context similarly to other countries. Due to this, the infrastructure and support schemes for social enterprises are also under constant development, looking to grasp the characteristics of these organizations and to bridge the experience and approaches of a variety of stakeholders in social service provision.

For the remainder of the study I will refer to the new-style social enterprises chosen as case studies simply as social enterprises. New-style social enterprises are generally referred to by German practitioners as social businesses, social start-ups and also by using the English term for social enterprises. The German term *Sozialunternehmen* is also being used but it generates more confusion, as it is also common for it to be used when talking about traditional social economy organizations. Therefore, although they remain representatives of the new-style social enterprises in the broad categorization of social enterprises in Germany, for the purpose of the analysis and discussion I will refer to the cases simply as social enterprises, differentiating them from the established or traditional social service providers.

3. A highly institutionalized environment

The previous two sections have given an overview of the way in which the German social service provision system functions, its current challenges and lines of debate between organizations engaged in this field. They also looked into the emergence of new providers and their support structures under the umbrella term of social entrepreneurship and how these new players engage with the established welfare structures.

This current section aims to highlight the characteristics of the German social service provision field that make it a particular institutional environment and that play a role in the way in which new entrants in the field manage to achieve their goals.

To start with, Figure 4 depicts graphically in a very simplified way the process of social service provision in the German context.

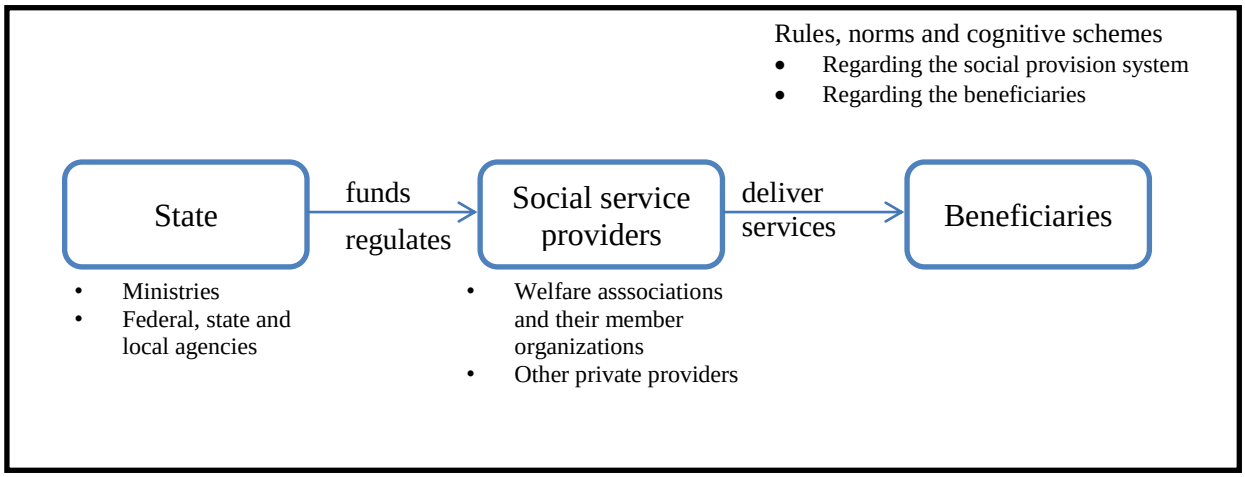


Figure 4. Social service provision system in Germany

The institutional context in which social service providers operate consists therefore out of four main components:

1. *Actors*: state agencies, established social service providers (such as the sheltered integration workshops (*Behindertenwerkstätte*), other welfare associations members or public secondary schools in the specific social issue domains discussed earlier) and target groups that benefit from the services of the providers.
2. *Procedures and processes*: the state delegates the actual provision of social services to private providers, it covers the costs for the services through transfer payments and grants, and regulates their activity.
3. *Norms and rules:* the legal institutions that govern the above-mentioned actors and the processes between them (for instance, specific regulation and legislation in the area of work integration of people with disabilities, in family support services and early childhood services, in public and private education)
4. *Cognitive schemes* related to a) the setup and functionality of the welfare system and b) the beneficiaries of the services. This component refers to the generally taken for granted assumptions and understandings regarding the functionality of the social service provision system, the types and roles of the actors in the sector, as well as the eligibility and characteristics of potential beneficiaries of these services.

A more detailed examination of the way in which these dimensions are reflected in each of the case studies will be provided in Chapter IV. For the time being, this brief overview of the German social service sector in general, as well as the description of the three different social issue domains within this sector contribute to highlighting a few dimensions that depict the way in which the welfare system in Germany is a highly institutionalized environment.

Firstly, the setup of the German social provision system has a high degree of resistance over time since its history and tradition give it a strong stability and continuity. This tradition is related both to the organizations mandated to provide social services (the welfare associations which are incorporated in welfare state legislation) and to the processes that accompany this provision of services, more specifically the collaboration between the state and the social service providers.

Secondly, the state involvement in social service provision is very strong in Germany, both in regard to funding and in regard to regulatory power. Although there is space for alternative and free providers even stipulated in the constitution, as well as in additional legislation, their activity is also strongly regulated and requires strict approval and supervision from state agencies. Furthermore, as the main funder of social services, the state ensures a high degree of control over the social service provision system, as well as of predictability and stability.

Thirdly, the welfare associations are still the main social service providers in all social issue domains and their high coverage of services and beneficiaries makes them the main sparing partners of the state in terms of policy-making regarding social services. The collaboration patterns between them and the state are even stronger due to their embeddedness in legislation and their historical importance.

All these elements indicate the stability, as well as the institutional density of the social service provision system in Germany. These are the overarching principles that characterize this highly institutionalized environment and that trickle down into more concrete institutional dimensions affecting organizations in the sector. These dimensions also correspond directly to the components of the social service provision

system mentioned above. The ones that are of particular relevance for the further analysis are:

1. the high regulatory degree of this context,
2. the strong embeddedness of established social service providers,
3. the strong and stable financial resource flows between the state and the providers and
4. the high stability of cognitive schemes regarding social service provision.

New entrants in the field such as the new-style social enterprises are facing strong expectations from their environment on each of these dimensions. They are expected to fulfill regulatory and legislative demands around the particular social services they provide, they are expected to operate under a welfare associations, to be mainly funded by the state through transfer payments for the services offered and also to provide the types of services stipulated by existing legislation to the target groups recognized by the state and other providers as being vulnerable categories of population.

In the coming chapter we look in even more detail at the institutional context of each case study in its individual social issue domain in order to better understand what the expectations coming from this highly institutionalized environment are exactly for each of the social enterprises. This will contribute to a more lively understanding of both the constraining and enabling institutional conditions that the organizations are facing. This outline will then be at the basis of diving into the concrete activities that social enterprises conduct in order to operate successfully in this environment.

Chapter IV

The three social enterprises

The current chapter will provide an in-depth depiction of the three social enterprises selected as case studies for the study. Understanding the activities, structures, processes of Alpha, Bravo and Charlie, as well as their particular institutional contexts will allow us to understand the way in which these organizations strategically achieve their goals in a highly institutionalized environment.

1. Alpha

1.1. The social enterprise

Alpha is a limited liability company (*GmbH*) that employs people on the autism spectrum who are very competent in IT matters. They are hired as IT consultants who are deployed project-based to work for other private companies. Alpha was founded in 2011 and is now active in 6 locations in Germany: Berlin, Frankfurt am Main, München, Düsseldorf, Stuttgart, and Hamburg. Figure 5 depicts the organizational structure of Alpha.

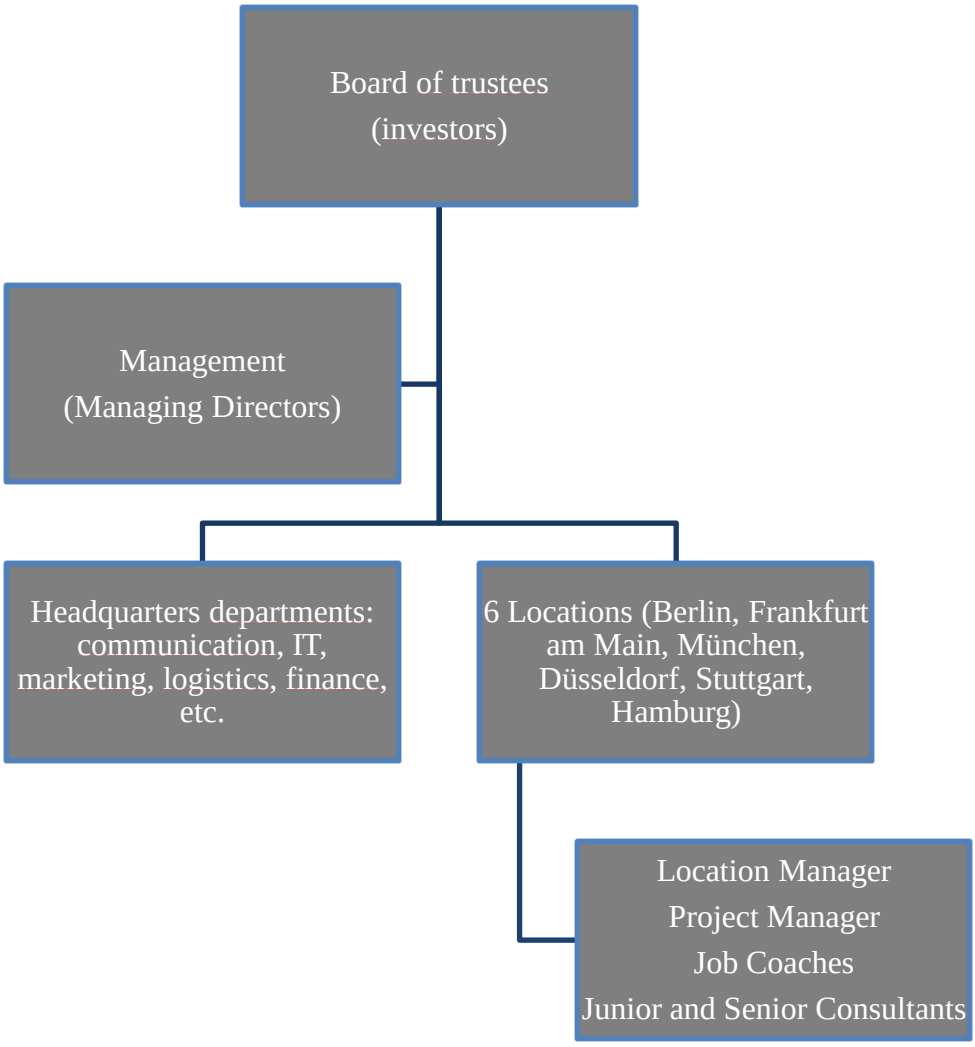


Figure 5. Organizational structure of Alpha

It is a small size company with 93 employees, 65 of which are consultants (mid-2016 data). The other positions are filled in by professionals in communication, finance, logistics, sales, by job coaches and project managers. The job coaches are experienced professionals in working with people on the autism spectrum and they have the important role of selecting the consultants, supporting them during their project employment, while also mediating between them, clients and other internal staff. The project manager positions were added in 2015 based on the experience the organization gathered with the needs of the consultants deployed for their projects. Unlike the job coach, the project manager has an overview of the project also from an IT perspective, which allows her to mediate between all the people involved in implementing a project

for the customer. Figure 6 illustrates the main responsibilities of the staff involved in acquiring and completing a particular consulting project, as explained by the founder of the organization.

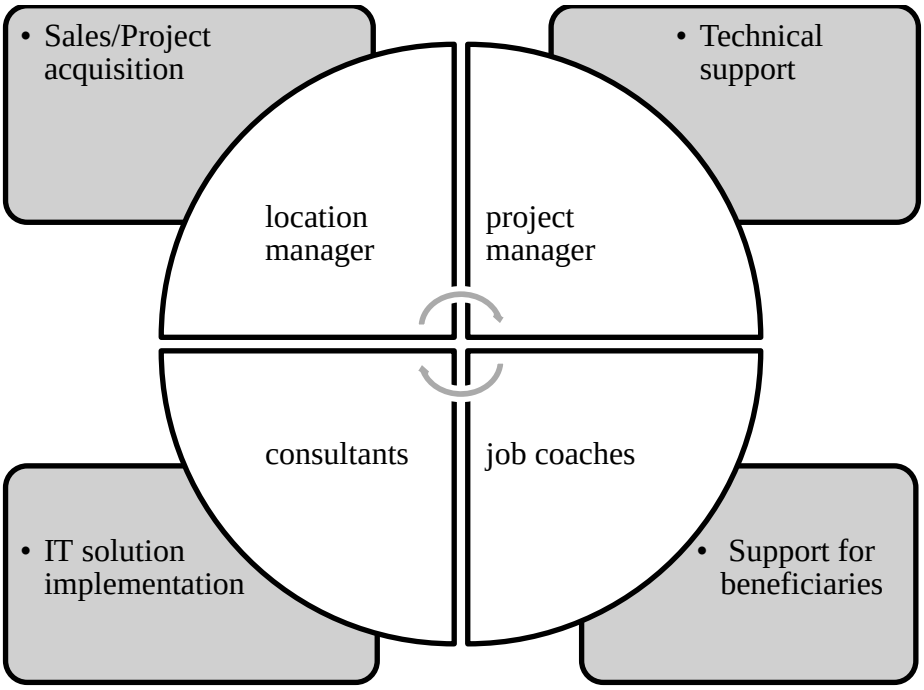


Figure 6. Responsibilities and interdependencies in implementing a project

From the point of view of their operational model (Alter, 2007), Alpha is based on an employment model in which they create jobs for people with disabilities. The focus of the organization is to be financially sustainable through the fees paid by their customers, and breakeven was achieved in the beginning of 2016. The company has been registering a profit ever since and the total revenues in 2015 were of 3.1 million Euro.

Alpha has a very explicit scaling strategy that started being implemented throughout the study. In 2015 Alpha became active in four of the current six locations in Germany and in 2016 it also opened locations in Paris and London where they identified interested local partners. Apart from the national and international scaling of the company, the founder is also planning to scale by setting up a non-profit organization. The new organization is planned to be a training center for young people on the autism spectrum that would facilitate their access to the mainstream job market in different fields. This

non-profit organization will work closer to the Employment Agency and will provide trainings based on a system of educational vouchers that the agency uses. Unlike Alpha, the new training center will focus on working with people on the autism spectrum targeting also other professions besides IT and people with different skill levels in those fields. As the founder of the organization explains:

> "And I see there another step. For the credibility in the direction of the autistic community it is an incredibly good step. Because we say, watch out, we are not only making good business with Alpha, we are not only taking the best of the best, the way it is in Alpha, but we also show that we want to do something for everybody. This gives the whole a solid, credible touch. And this is not just something we just say, it really is like this. We really want this." (Founder)

Figure 7 illustrates the general evolution of Alpha over the duration of the study, taking into account the most important milestones in the development of the company. After formulating the potential solution to the employment issues faced by people on the autism spectrum, the founder conducted an evaluation of the feasibility of the idea among the target group. After benefiting from the space and financial support of a social enterprise support network for 4 months, he formally registered the initiative as a for-profit company (*GmbH*) in 2011 and attracted the initial investors in the company. Out of these, the only impact investment fund which owns 40% of the shares of the company became one of the key long-term partners for the founder in the venture. During 2011-2015 the organization underwent a period of stabilizing operations in which the 6 locations in Germany were established and in which internal structures and processes were fine-tuned. A new investment round followed in 2015 which supported the scaling process to the UK and France and the development of the first incipient strategies of establishing the non-profit sister organization of Alpha in 2016.

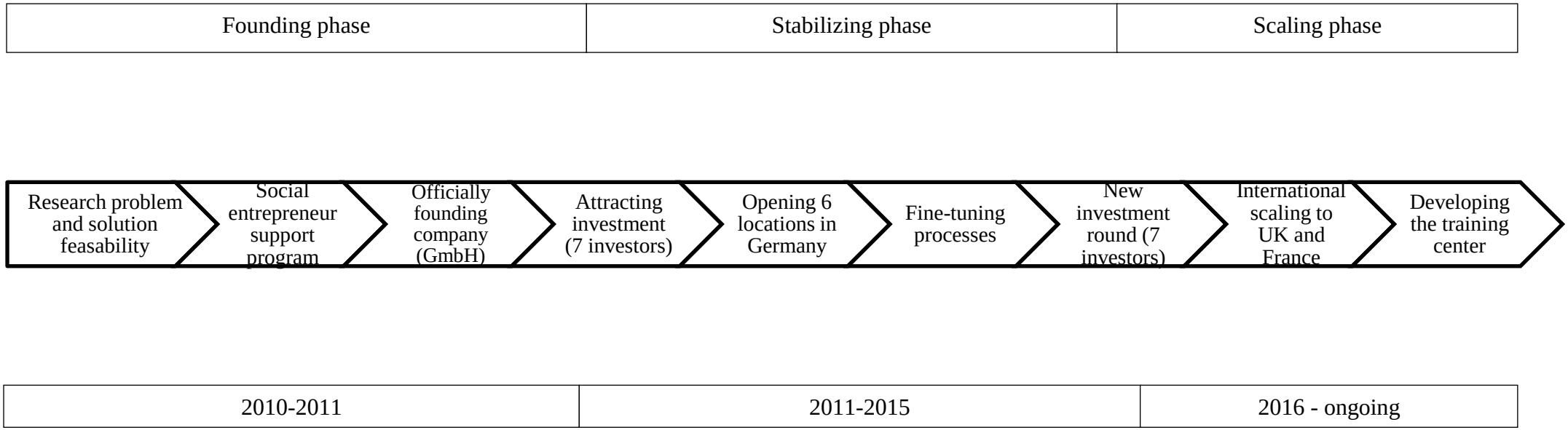


Figure 7. Timeline of Alpha

1.2. Alpha and its institutional setting

Alpha's interaction with its context takes place through their engagement with different actors from various fields. In this study, a field is a community of organizations that interact more frequently with each other than with actors outside of this area (Scott, 1991). The fact that Alpha interacts with organizations in different fields provides them with different expectations and demands depending on the field in which they operate. At the same time though it also provides them with more differentiated opportunities to navigate their environment.

Alpha is active in several fields: the one focused on the topic of autism, the IT consulting field and to a smaller extent the social entrepreneurship field. Additionally, the organization is strongly connected more broadly with the private sector as they address businesses as customers and also with the public sector which facilitates their access to the target group also regulates their activity. Each one of these fields present different particularities that Alpha needs to consider in their interactions with other organizations from each context and in their strategizing process. Table 4 summarizes the main stakeholders that Alpha engages with in each of these fields.

Table 4. Main stakeholders of Alpha in different fields

Field	Main stakeholders
Autism field	Workshops for people with disabilities (*Behindertenwerkstatt*) in welfare associations
	Civil society organizations
Business sector	IT Consultancies
	Companies in general
Public sector	Public agencies (Integration Agency and Employment Agency)
Social entrepreneurship field	Support organizations Other social enterprises

1.2.1. The autism field

Traditionally, people with disabilities in Germany were integrated on a parallel job market through the workshops for people with disabilities (*Behindertenwerkstätte*) run by the welfare associations which kept them relatively separate from mainstream economy. This is also due to a focus on the limitations of people diagnosed with autism, rather than on their strengths. Through the way they define the issue of employment of people on the autism spectrum and the way in which they developed a solution to it, Alpha clearly delineates itself from the typical model of the protected workshops and therefore also does not interact intensely with these organizations. The contact they have is rather due to participation in common events and is limited to the discussion of their different approaches regarding integration.

Still, in order to reach its target group and increase the pool of potential applicants and employees, Alpha is in contact with networks, support groups and other civil society organizations for people on the autism spectrum and their families. Alpha definitely benefits from the existing welfare infrastructure in Germany. The collaboration they develop with these actors is essential for recruiting the consultants, the growth of their organization and the fulfillment of their social mission:

> "Then responsibility towards the other network. And this is the autism network. So very important for us again in recruiting. We are not alone in finding our applicants, we are working a lot with A. private networks or federations or associations or we are in close contact with all the ones that, really, how do you call the domain, the welfare domain, so really all the organizations with public benefit status and state facilities and networks and it is of course great what is being delivered there and it is valuable how people are picked up and these are of course important partners for us." (Location manager)

> "This is, maybe this is not the legislation necessarily but the structures, for someone like me who is also new in this field, the structures that exist in Germany and the press that exists for CSR, this responsibility, this is admirable. This is important. And this is a decisive success factor, that we can function in the middle, that people below are well taken care of. Because we have the greatest applicants coming too, from other institutions and structured facilities and get in contact with us (…)." (Location manager)

The fact that Alpha is a private company active also in the social sector is sometimes being critically evaluated, with the general public and traditional social service providers being skeptical of what they are doing. The main concern is related to the possibility of exploitation of the beneficiaries in order to make a profit, it is related to the risk of mission drift:

> "We also have Facebook where we always post something, we also get there every now and then, there are also some critics there that say the usual sentences like for example, you're only exploiting people and so. This also happens. Yes, there are also critical or also negative voices but this is really a disappearing (…), maximum 1-2 percent. Apart from this we only get a good basis. We need to keep gaining this though. But I think the acceptance is very good. At the moment we can say that. There are always people that have something to complain about. There are also autistic people doing it. Clearly. But I always invite them over and say ok, if somebody is critical, then I always say come on, I invite you to Berlin. Come to us. I will tell you the entire story, I will show you everything, yes. And I think this is always well received." (Founder)

> "And then also stupid sayings like yeah, you're just exploiting people and funny comments like these, yes, and this is for me also an impulse to say 'yeah, pay attention, so you have a comfortable position. You don't have any risk. We take risks personally.' I've said it already very clearly, yes, this is easy, this is not alright, yes, such loose criticism from a comfortable armchair, yes, but this is for me not alright like this." (Founder)

In this context therefore, Alpha is perceived as an outlier and needs to invest a lot of effort into explaining its alternative approach and to build acceptance around it:

> "Because oftentimes they can't differentiate, they know autistic people too of course. They also care for autistic people. But these are usually autistic people who are much, much more affected, they have a different picture, a different perception of autistic people. They see most of all just the weaknesses and that is why always this protection, this ideal, we need to make everything nice, yes, and something here and something there. It's also ok because it's really necessary for autistic people that are strongly affected but we simply work with different people. And they can simply not imagine that. And that is why they always think we take some severely disabled autistic people and force them into whatever IT project. Only because they have a special talent. It's not at all

like this. So there is a missing fine differentiation there regarding what autism is. And we always work with a particular group of autistic people, we always say it very clearly and it is also being reproached to us…this screening, that we only take on the best, yes, which company doesn't take on the best?" (Founder)

1.2.2. The business sector

Comparatively, the private sector has been more open to the activity of Alpha from the beginning. If in the social service sector the attitudes they are encountering are rather critical because of them working with people on the autism spectrum by using a purely for-profit model, in the business sector performance is the main criterion for assessment. Since Alpha is very focused on delivering high quality services in a classic competitive market, they benefit from more acceptance in this field.

The activity of Alpha also speaks directly to the CSR demands of business in Germany, which need to engage in inclusion activities for people with disabilities. Companies that Alpha targeted as clients were very open to working with them and this led to collaboration with a wide range of companies:

"Above all, this is also a topic that was very new in Germany. And we have, clearly, we couldn't have planned it exactly like this in advance, all that can happen and what risks are in there and today we know this much, much better and I can happily say that luckily this is also accepted by the economy. This is very, very important because otherwise the company would get the rug pulled from under it. So, then we would be a nice company with a great idea but unfortunately without profit, yes, and then nothing makes any sense anymore." (Founder)

"These discussions don't exist there at all. We are accepted there as a company that moves normally on a market. And we don't discuss whatever problems, we need to solve them anyway, yes, they are interested in what kind of people they are, what they need to watch out for, which are their strengths, in what projects they have already worked, so much more, more issue-related, more issue-related, yes. So a very normal discussion, the way somebody would have when they present themselves somewhere or when they are new in a place. But we have of course a great entry because we have a different business model. They find that exciting and one can notice that because of this different business

model it is easier for us to open doors. Also in the direction of decision-makers, it goes very well. This is really very good. This functions very well.“ (Founder)

Alpha is also generating more overall understanding for different employment models in private companies through their work. Although they were pioneers in the beginning of their activity in this sector, other private companies have also started to work with people on the autism spectrum (as for instance SAP) which indicates an overall openness towards alternative employment strategies in the sector:

“Exactly, this is the competition for us (…) also companies that can do it themselves already. SAP, I think it was in the summer of last year or early this year or I don’t know when, they took the initiative: we want to employ 10.000 autistic people now because they have strengths in software development. They are taking action in this direction, they were probably advised. So the companies that are doing this. This is how I understood their approach. And exactly, this is the competition that exists under different approaches.“ (Location manager)

From a different perspective, the private sector also exerts demands on the company. Regardless of their alternative employment approach, the company is still in direct competition with all the IT consulting firms on the market. This raises the need for Alpha to constantly improve their service offer:

“Our task at the moment is to describe the services in more detail. Out there on the market there are of course a lot of specialized services for a product, a technology and since we are broadly positioned in the application streams, we must be broadly positioned, we are a bit forced to offer a broader range of services.” (Location manager)

“So this is, I would say, the project partner with whom we work together, they are following their own interests, yes. And they want a particular service from us for a particular price and they find it great that we are a company that works with autistic people that can bring a certain performance despite their disabled status (...)” (Job coach)

Thus, whether from the position of client or of competitor, private companies in the IT consulting field have been more open towards Alpha compared to the organizations in

the social sector. This is also a result of the strong business orientation of the founder which facilitates navigating this environment:

> "So I feel, I reached the conclusion, so I have a lot to do with the IT scene, classic social enterprises, yes, classic social entrepreneurs that work in the real disability field, I have a lot to do also with social entrepreneurs, although it's not really that much, with the autism scene and with founders. And I personally feel most comfortable with the founders. I feel most comfortable there. Because there are people there that function just like me and I can, whatever, the discussions there are also always very, very nice because we have a common experience. And I can also have an exchange there, (…), capital, improvement and difficulties, almost bankrupt and I can simply, that's where I feel comfortable." (Founder)

This also illustrates the different reactions and expectations that the organization is subject to in different fields and the different spaces for action they allow for Alpha.

1.2.3. The public sector

The fact that Alpha employs people on the autism spectrum makes them reliant on state regulation in this area. The two main public agencies that they engage with regarding their beneficiaries are the Integration Agency and the Employment Agency, both of which implement the social legislation that affects Alpha from the Social Codes II, III, V, IX (*Sozialgesetzbücher*). The founder does not consider this legislation to be particularly problematic for Alpha and the relationship with the two agencies is one of cooperation in order to provide the best services and offers to the target group. Although in the beginning the state officials were more reserved in regard to the activities that Alpha was conducting and the way in which they did it, the organization earned their trust and willingness to collaborate by proving their results and compliance to the legislation:

> "I mean, I understand that the state built a lot of obstacles because there are also bad things being done, yes, I can understand that. But it is also affecting us because we are, we don't really fit in this logic, yes, because our people were before long-term unemployed, we are paying the people fixed salaries, market salaries, yes." (Founder)

> "There are only the established laws and if there is no regulation for exceptions provided then we also get none. I think this is just the way it is. So the understanding is there and I

always get very positive feedback, yes: great thing that you're doing and blah, blah, blah, yes." (Founder)

"Well, I think we are being supervised. I think we are under close supervision. Of course they want to know what is different about Alpha or if Alpha really is something different and that is why we are under long-term supervision, I think." (Job coach)

The need to find the right partners in the public sector was also underlined, as the measures Alpha needed to comply with were not always straightforward. This was especially the case in regard to legislation and regulation connected to the business activities developed by Alpha where the organization needed specialized input:

"Yes, I would need a real contact person. So I would need somebody who is very high in the Employment Agency, to whom I could describe this and who afterwards says: yes, that is right (…) Yes, this is really, this is a real problem for us because if somebody respects every word in the law strictly, then we have a problem." (Founder)

The interaction between Alpha and public agencies is also related to identifying and reaching out to beneficiaries. Even though this way of recruiting consultants is moderate compared to the focus on civil society organizations, Alpha has become a reliable partner for public sector agencies as well:

"People from the Employment Agency are calling us and say: We heard and I have an applicant here that could fit. Or we have exactly this. So we live from the fact that we are not alone out there. If all of this wouldn't be there and there would be JUST the market and software systems and we would run around saying: here, I have an autistic person and I'm repairing your computer now, so this wouldn't function at all. So these are pillars that sustain and they are valuable." (Location manager)

1.2.4. The social entrepreneurship field

Alpha is being presented as one of the most well-known examples of social enterprises in Germany, as it is a company with a relatively simple business model built around the core mission of providing services to a disadvantaged group. This is attractive both for investors and employees of the organization and makes Alpha one of the most visible new-style social enterprise in the sector, as its mission and setup are so straightforward.

Alpha was more engaged with the social entrepreneurship sector in the founding phase, as it also benefited from the services of one of the most well-known support organizations for social enterprises in Germany. It has also benefit from significant financial support from an impact investment fund associated with this field. After becoming operationally more stable however, the focus on this field has considerably reduced. After the initial few months in the social entrepreneurship support organization and after establishing the partnership with the impact investment fund, Alpha moved more and more away from interacting with organizations dealing with social entrepreneurship and focused more on positioning itself through its expertise in the IT consulting market and among other organizations engaging with autism. This is clearly and repeatedly stated by the founder himself who does not consider it important for the organization to be labeled as a social enterprise but as a company performing on the regular market that improves the lives of people on the autism spectrum and changes prejudice against them:

> "So I'm not really a friend of these labels. For me it was mostly about doing something for autistic people, if what I did was social entrepreneurship or simply entrepreneurship - that was not so important for me. I thought the scene back then was very interesting because I thought the idea to approach social problems commercially was very nice. Now after I have learnt about everything that's behind it, in the end it is still, if one is really honest, it is still a normal company establishment. And of course it is nice when one manages to achieve something special with disabled people or people with handicap because before they had no job, of course it is nice. But the social entrepreneur designation is for me personally honestly speaking not important. For me it's important, I want to be successful with Alpha and this only works when we also have commercial success. When we make revenue, make a profit and this all with a special company. This fills me with satisfaction. I don't care honestly speaking how this is called." (Founder)

The social entrepreneurship field has remained relevant for Alpha over time insofar as it provides a certain visibility and recognition that the organization uses to intermediate access to customers or to their target group.

1.3. The organizational development process of Alpha

Alpha is a newly established organization and a new entrant on the IT consulting market, as well as in the social service delivery sector. This following section goes more into detail on the activities and decisions of Alpha in its environment.

1.3.1. Problem approach

Definition of the problem addressed

The social problem that Alpha addresses is the unemployment of people on the autism spectrum. The organization challenges the status-quo in the understanding of the situation, capabilities and needs of their beneficiaries. By starting from a different understanding of the characteristics of people on the autism spectrum, Alpha focuses on reducing unemployment among its beneficiaries as a way of ensuring their financial and social independence.

The mainstream understanding around unemployment of people on the autism spectrum in the social sector is that due to their disabilities, special employment settings need to be set up for this particular target group, in what is basically a parallel job market. This is usually done in workshops for people with disabilities (*Behindertenwerkstätte*) which have the purpose of rehabilitation and if possible integration on the regular job market of people with disabilities. A lot of the work conducted by these workshops is related to education and training, as well as personal development. The potential employee can actually join the work department only after undergoing counseling and professional training for a few years offered by the workshop. This way of addressing the issue of unemployment of people with disabilities focuses on the one hand on reducing the challenges of the beneficiaries in adapting to a work environment and on the other hand on creating a safe working space relatively protected from the pressures of the job market.

What Alpha does differently is to contest the assumption that people on the autism spectrum could not directly integrate in the mainstream job market. The organization chooses to place an emphasis on the special skills that people on autism spectrum have in their fields of interest. It also employs them in a company operating on the regular

market, thus challenging the usual approach of hiring people on the autism spectrum on a parallel job market. Alpha is explicitly taking this approach and promotes their employees based on their particularly developed skills:

> "I think that the fact that Alpha is so strong in the media has a lot to do with the fact that it is still relatively seldom that a business or, so we explicitly employ people with a handicap and we focus on the strengths of the people that we employ, rather than on the weaknesses. So, yes, this is the big discussion, that we had for a long time too strong of an orientation on deficits, so, that we always looked at, at disability, what are all the things they can't do. We looked too little at what people actually can do and we looked instead at all the things they can't do. Yes, and this inclusive thinking starts with the assumption that these are people like you and I, they have limitations but they also have strengths. And we are looking to deploy the strengths of the staff that we employ and the difficulties that we also have to some extent, to work like this or to give them the conditions in which they have the best possible working conditions and they can perform." (Job coach)

The deep insights into the capabilities and also needs of the target group have been gained by the founder of the organization as a result of his own personal experience, as he also has a son diagnosed with autism. This has helped him generate his own understanding of people on the autism spectrum and the opportunities available to them on the job market. This understanding was at the basis of also developing the solution to the identified social problem.

Designing the social services

The innovative aspect in the approach of Alpha is that they focus on the strengths of the people on the autism spectrum and not on their shortcomings. At the same time, the organization also maintains a strong awareness of the particular work needs of people with autism and a strong social mission of creating a working environment suited for them. Although there are other similar organizations worldwide, Alpha was the only one in Germany using this employment model when it was first founded, which made it very original for its context. Alpha wants to act and be perceived as a competitive company on the market and also empower the consultants by showing them that they can and do produce the revenue for the company. In the words of the founder:

> "The social generates the money, this is what is beautiful with us, that the people we are doing this for are actually the ones generating the revenue." (Founder)

The solution to employ people on the autism spectrum that are passionate about IT matters and very talented in this domain emerged from the professional background of the founder, who has worked in this sector before and had the skills to start a business. The solution provided by Alpha is therefore anchored in two fields of activity, the field of autism and that of IT consulting business.

The approach of Alpha is very appealing to their beneficiaries, as they feel more empowered by working on the regular job market, while at the same time benefiting from the appropriate support structures in their work:

> "The fact that Alpha has a company philosophy that they are not an integration workshop for disabled people but a commercial company. On the other hand though, socially, they think about what is necessary so that the employees, in this case myself, in this special case, that they are doing well. Of course, on the other hand with the outlook that in the moment when I'm doing well I can also deliver quality. So that I can work in the way in which I can work the best and then of course I can also deliver the quality. This is what I like the most." (Consultant)

The demand and appreciation for the services of Alpha was also expressed by family members of the consultants, as they could also experience first-hand the mismatch between the services provided by the state agencies and other social service providers and the needs of the people on the autism spectrum:

> "This is, an employment agency is a monster and this needs to be said, individual autistic people that land there or that are sent there or that go there, they are of course A. not recognized, B. they don't come out themselves sometimes or they appear awkward and that's how one leads to the other and then negotiations go according to the thinking in boxes of these work agencies and the autistic people get left out." (Family member of consultant)

More broadly and long-term, Alpha also aims to change mindsets and social perceptions about people on the autism spectrum: instead of the focus being on their special needs, Alpha is looking to shift the conversation towards the fact that people on the autism

spectrum are very gifted in particular domains and that they can integrate on the regular job market. The organization thus aims to show that people on the autism spectrum are experts in their field of interest and capable to perform on the regular job market:

> "So all these, if I should formulate this in general, I think, all these social enterprises have, yes, this makes sense socially and it is also for the ones working in such a company… as an idea, that it is not only about making money and making a profit but it can also be about changing and advancing social processes - this has something very innovative." (Job coach)

1.3.2. Ensuring compliance

In order to be able to operate and implement its alternative service offer for people on the autism spectrum, Alpha had to first ensure compliance to the legislative and regulatory environments in which it was active. The first important decisions that the founding team made was related to the legal form of the organization. Opting for a for-profit legal form, a limited liability company (*GmbH*), was essential for the business model of the organization but it was also strongly thought of as a signaling tool for potential investors and customers. This particular legal form offered credibility in the business sector in which the organization was primarily anchored in order to generate revenues:

> "Because, again, why *GmbH*? (…) And then luckily, luckily, luckily, Mr. A. ran into me and we determined very fast that it doesn't make any sense to set up a limited liability company with a public benefit status because with THIS topic, if we offer IT-services in the free economy and I come then as the managing director of a limited liability company with a public benefit status then they say, then they think immediately: Aha, workshop for people with disabilities and Mhmh. So this would have NEVER worked. And that is why I am SO HAPPY that we didn't do this, so the limited liability company with a public benefit status. Again: very important decision. And we are now a normal, independent company." (Founder)

Choosing its type of activity and the legal form subjected Alpha also to particular legislation and regulation both in regard to working with a disadvantaged group and in regard to operating as a consulting firm. If the social legislation was not so problematic for the organization as mentioned before, the business legislation posed more issues for

Alpha. The equal pay legislation and the one regulating the temporary deployment of employees to other companies (*Arbeitnehmerüberlassungsgesetz*) are formulated having big companies in mind and Alpha did have issues in complying due to their limited capacity and knowledge of the matter:

> "This is so complicated. This is crazy. So that makes the life of companies like ours extremely hard, because this comes from, because there are a lot labor leasing companies like Amazon for instance. These are all cessions of employees. And then it's clear that the state wants to be as strict as possible with these outgrowths. This strictness affects us too however because we are also a labor leasing company. It sounds so ugly but it is like that. Just through the fact that we send our people to the clients, just because of this, yes. But this is, the entire legislation is very complicated and UNBELIEVABLY administrative and one gets checked by the Employment Agency 1.000 times and then a mistake, you need to pay back immediately, you have immediately a regulation procedure at your throat. So this is really, one can make SO MANY mistakes. This is, this is really hell. This is really the worst thing one can imagine. Yes, and this other one with the Integration Agency and the Employment Agency, this is actually relatively easy. We also have, we have this well under control. This is not the problem. But this topic of deployment of employees is really ugly." (Founder)

Alpha has however solved the first issue by using employee deployment (*Arbeitnehmerüberlassung*) contracts for all employees in the company, not distinguishing between the consultants and the other staff. This solution was incentivized by the clients of Alpha too, as they were also under scrutiny from the public agencies so that they do not conduct hidden activities related to employee deployment.

Secondly, the equal pay legislation states that a temporary deployed employee needs to be paid in the same amount as the stable employees of the company to which she is being deployed. This raises issues for Alpha, as it is difficult for a small developing company to compete with big established companies in terms of salaries. Furthermore, in the case of Alpha, the consultants were long-term unemployed and do not have therefore sufficient experience that would justify higher salaries. The legislation in its current form is again not adapted to the case of smaller companies, according to the founder who wishes that there were some legislative exceptions for smaller companies:

> "And this is, that is why there should be a regulatory exception for us, this would be the best way, when we could receive special regulation. But legislators have difficulties with special regulations, but maybe something will work." (Founder)

Although Alpha realizes that the main purpose of this legislation is to avoid exploitation of employees, they see very little flexibility for exceptional cases under which they could also fall. The solution that Alpha found for this issue was a wage agreement for temporary work (*Tarifvertrag Beitritt der Zeitarbeit*) based on which the employees are paid. It was however difficult to find this solution because of contradictory information around this issue.

> "It was important for us to find out under which circumstances we could run into trouble because we need to pay our people too much. But we are paying our people, as we've found out, really well, so the problem won't appear. We haven't made any changes in the salary structure, it only needs to be accounted for differently internally but the entire topic is not so problematic now from this perspective. Until we understood everything, because everybody tells a different story, it was not so easy but we have it." (Founder)

The processes Alpha underwent were essential in the founding phase of the company, in order to ensure a basis for the stabilizing phase of the operations. If the legal form issue was more clear-cut in the beginning, the most appropriate solution for the company to comply with work regulation developed over time, as the organization started its activity, interacted with other stakeholders and also realized the constraints it had to face from a regulatory standpoint.

1.3.3. Engaging with established providers

The founder has made a purposeful decision of staying outside of the welfare association structures when setting up the company because he noticed that the way of operating of traditional social service providers was very different from his interest in building the company:

> "I had before also conversations with social enterprises here in Berlin, for instance Organization A, maybe you know them, and I thought in the beginning it makes sense after all to set it up as a social enterprise and to go under the umbrella of a big social enterprise. Good, then I realized very fast that this doesn't function because my thinking

and everything that is going on in classical social enterprises did not fit with me at all." (Founder)

He had therefore to build from the start completely independent structure and processes in the organization. Although they collaborate with other autism networks and agencies working with people on the autism spectrum, Alpha invests considerable time and effort in the internal recruitment process of beneficiaries, in order to ensure an appropriate fit of the candidates with the consultant job. Alpha identifies well-prepared candidates that can also perform at the level of expectations from the clients. Besides recruitment, Alpha also focuses on continuous coaching of the employees in regard to the simultaneous social and commercial goals that the company wants to fulfill. If in the beginning the founder was strongly involved in this coaching process, these attributions have been delegated to other staff over time.

Due to the experience gained over time, Alpha also adapted the internal structure of the organization and staff responsibilities. The simultaneous focus on the social mission and the business activity of the organization can be difficult for staff, as they have previously been engaged in organizations focusing only on social service provision. This is a process that needs managing:

"So my role as job coach is rather defined by the fact that to some extent I also represent the interests and the concerns of our autistic colleagues. And this needs to be attuned also to the economic necessities that exist. We are so to say an integration enterprise. But we finance ourselves to a big extent through the revenues that our colleagues generate und this is also necessary in order for us to be able to work economically. But this requires time and again coordination between on the one hand sales, economic interests and on the other hand the interests, the needs that our colleagues bring with the handicap that they have. This is the biggest challenge, to balance this." (Job coach)

Ensuring high quality of service has been a central focus for Alpha in order to position itself in the autism and IT fields. For the founder this high quality and professionalism signal is also essential for the scaling process with the non-profit arm, the training center. Alpha serves as a proof of concept and as evidence that employment of people on the autism spectrum can be realized also in alternative ways and it thus gives the founder more leverage in setting up the training center as a separate organization:

"So from the idea that there are very, very many talented people who don't have a chance on the job market. Someone who already made a name for themselves in the scene must help, that was the idea. That is why first this normal Alpha, to be able to show that we can do this and then ultimately to gain the trust of foundation, of grant providers, of integration agencies, employment agencies, to set up projects there so that we can get this Training Center going together. This is the background. Because no foundation would have given me money, had I said I am planning such a thing. But now when I come with the Alpha story in the background, then they say: ok, he seems to know how to handle money and he knows what he's doing and there is a higher probability that somebody is willing to commit, this was the idea. But again very long-term." (Founder)

1.3.4. Financial processes

Unlinke the established work integration workshops run by the welfare associations, Alpha does not primarily rely on public funding in running its operations. Despite automatically benefiting from some state subsidies, these are insufficient to cover company costs:

"Ok, we are in this sense somewhat government-funded, in the sense that we are an integration company and we are subsidized by the Integration Agency but one needs to also always mention that it is only so much as we are entitled to, since a large part of our employees are disabled. And there's a rehabilitation subsidy, this means, we receive, when we take a lot of people from long-term unemployment this means, there is for one year or two years, up to three years there is the rehabilitation subsidy that runs through the Employment Agency with a limit after employment (…). And then there is another payment from the Integration Agency but if you look at our total numbers it is not incredibly little but it is rather the amount that can buffer the role of job coaches or something like that. That is how this payment is also thought about - that we remain competitive and that these extra efforts that one has as a company in employment can be covered. And one can say this is for us the role of the job coaches. But we are not funding ourselves through these. So this is, I don't want to say a number but it's really not (…), everything here is not dependent on that." (Location manager)

Public funding is also not the main source of funding targeted by the organization. Alpha does not want to work with state funding because they want to strongly distance

themselves from the traditional integration workshops for people with disabilities funded by the state:

> "We couldn't because we don't have a public benefit status, this is somehow, we also didn't want this at all. So I wanted, very clearly, I wanted absolutely no public money at Alpha, yes, because it was supposed to be from the beginning a normal business and that is why I also wanted to keep it completely free from any money that is not from the private economy." (Founder)

Therefore, Alpha funds its operations with the help of investors and by selling their services to private companies, so through their clients. The 14 investors they work with are mostly business investors and business angels. Alpha started by working with 7 investors that were also shareholders in the organization and acted as members of the board of trustees. In order to fund their scaling process, in 2015 the organization resorted to a new round of investment, where 7 new investors were added to the board of trustees. Despite the fact that they were initially thinking of working with foundations in setting up the training center, the business background of the founder and the interest of investors in the project contributed to the decision of maintaining a business approach in the expansion. The investors are committed to the company for the long-term and are also contributing with significant know-how to the development of the company:

> "So they are not in it to make a fast profit and then to leave, there will, there will be of course an effect when we won't need more fresh money. (…) The contracts are laid out for very long, so, they all go for at least another ten years and every one that is involved here doesn't have the short term horizon but rather everybody sees we want to do this sustainably and successfully and this is what is central." (Managing director)

Funding is generally not considered a problem for Alpha. Since they function as a regular company, finding investors was not particularly challenging. The revenues they generate are also constantly growing due to the fact that they offer competitive services on the market.

One particular investor has an important role in the development of Alpha. One of the main impact investment funds in Germany holds approximately 40% of the company

shares. Their initial investment in the company was of 500.000 EUR over a period of up to 10 years, continued with the investment for the scaling process. The impact investment fund has been strongly involved in finding additional sources of funding for the organization through new fundraising rounds, thus ensuring their survival and growth as a company. It also had a strong influence in setting up the legal form and finance model of Alpha in the founding phase.

Scaling is an important aspect for the investors as well and it shows their long-term commitment to the organization. They see the gradual development of Alpha in a positive way and support its future expansion also with the training center:

> "I think, you know, if you scale to a certain size, it is also even necessary to increase your activities. You know…And that can be a very healthy thing and I think that what he decided to do is something that we strongly support because it helps to also create jobs for people in autism that wouldn't be able to work within the core part of Alpha. And I think if our goal is to improve the state for autistic people then this is a very good measure." (Impact investor)

1.3.5. Symbolic processes

Another important focus of Alpha in establishing itself has been ensuring legitimacy for its operations and therefore for the alternative solution it provides to the social problem it addresses. This is also a result of the fact that its activity is significantly different than what the established social service providers develop for their target group and Alpha needs to build acceptance around its approach. This legitimacy has been constructed through extensive symbolic resources gathered through media coverage, attendance of public events and the awards it has received. These have been related to the way in which they address the issue of unemployment of people on the autism spectrum, their performance as an IT company and to a more reduced extent their performance as a social enterprise.

The prizes that Alpha has received are important for the positioning of the organization and are a result of the performance of the organization. They are especially telling about the development of Alpha, as they are awarded by external actors based on the activity

of the organization. Since it started its activity, Alpha was awarded 12 distinctions: 3 for founding the company, 4 for their innovative idea in solving a social issue, 3 for innovation in IT and 2 prizes recognizing them as a successful social enterprise (see Table 5).

Table 5. Distinctions awarded to Alpha

Distinction category	Name of prize/distinction
Company Founding	KfW Award Gründerschampion (2012)
	Invention - Gründerpreis der deutschen Familienunternehmen (2014)
	Sonderpreis des Deutschen Gründerpreises (2015)
Innovative idea in solving a social issue	Deichmann Förderpreis für Integration (2014)
	New Work Award (2015)
	Land der Ideen (2015)
	Deutscher IQ-Preis - MinD e.V (2014)
Innovation in IT	Innovationspreis IT – Best of Big Data (2014)
	IT-Innovation Award (2014)
	BITKOM Innovators' Pitch (2014)
Successful social enterprise	Social Impact Start program (2008)
	Seif Award Finalist (2014)

The visibility aspect is one of the most important outcomes mentioned by the founder in regard to the awards received by the organization. This also explains the focus of the organization on broader media outreach as it is aware of the need to make itself known in sectors dominated by other bigger actors:

> "Through the prizes this is of course great because we receive attention that is vital for us. We need to be identified as an IT company and not as a social enterprise. This is important for us, yes, and that is why these prizes are very valuable because of course, there are also work groups, project groups there, there are…so it is very good when we

can get a higher profile through this, this is great. Yes, this is for us the most important, in the IT field. This is important." (Founder)

The appreciation they have received particularly in the business sector and the IT sector is the most important for the founder and it also strongly contributes to the financial performance of the company through the credibility they gain:

"It's decisive where the prizes come from. Because for us the most important prizes are the ones that come from a more founding topic and that…IT specific prizes. We already have the two most important ones there. We are also happy about social prizes, yes, but it is still more important for us now from this founding environment and also the IT environment, the prizes, they make us particularly happy. Yes, because we are developing from this social enterprise more strongly in the direction of an IT company. Yes, this is clearly observable." (Founder)

It is important to mention though Alpha has received awards from all sorts of stakeholders, in the public sector, civil society or the business world, which indicates its increased acceptance in several fields.

The social entrepreneurship field also offered Alpha visibility and recognition that proved important for them, although the emphasis on the relationship with this sector decreased over time. However, this tendency to distance themselves from the labels of social entrepreneurship and social enterprise does not translate into a complete detachment from the field. As Alpha is still perceived as one of the most successful social enterprise from the new-style ones, the founder is being invited to a significant number of events to talk about his experience and the company, both in social entrepreneurship events and others focused on autism and business. These events are being strategically used primarily to get in contact with potential new clients for the organization and at the same time to gain legitimacy in regard to their work:

"But I don't go there just to get these contacts but rather I also know that the publicity increases time and again when you show up somewhere and present there." (Founder)

1.4. The overall approach of Alpha

Due to the fact that it does not operate as a traditional social service provider for people on the autism spectrum, Alpha faces particular challenges coming from its institutional context and it had to develop means of addressing them. Whether related to the bureaucratic complexity that they had to navigate or to the perceptions and assumptions about their beneficiaries, Alpha developed solutions in order to be able to operate. It also used opportunities such as the openness of their clients and the support from the social entrepreneurship field in order to find alternative ways of addressing a social problem already on the agenda of other organizations. The approach of Alpha is strongly anchored in a market perspective and this is also at the core of what differentiates the organization from other providers. By deliberately choosing to operate on the free market outside of established welfare structures, Alpha also needed to develop alternative funding streams to the traditional public sources and to engage in legitimacy building activities. Together with their different understanding of the social problem addressed and the innovative solution development, the symbolic resources they mobilized also ensured that their services are being accessed by their target group.

2. Bravo

2.1. The social enterprise

Bravo is a limited liability company with public benefit status (*gGmbH*) functioning based on a social franchise model. Bravo is a social enterprise that supports young families right after the birth of their baby. The organization connects volunteers who are willing to offer a few hours a week to help take care of newborns with the families in need of such help for a period of up to a year. The work of Bravo starts with the baby's first weeks of life and continues up to a year.

The organization was officially founded in 2006 and is present in over 250 locations in Germany. The approximately 30 employees at the headquarters work with state and team coordinators that organize over 4.000 volunteers and over 4.000 families (2016 data). Apart from its main family support program, Bravo also develops smaller side-initiatives for the support of the families. However, this particular program is the core of the organization and has also been the development focus of the organization during the

last decade. The implementation of this support program will therefore also be the focus of the current study.

Figure 8 depicts the organizational structure of Bravo in implementing the family support program. As it shows, the approximately 30 employees of Bravo ensure the implementation of their main program (alongside the other small initiatives) and fulfill mostly a monitoring and support role for the local teams that directly engage with the families and the volunteers at local level. The role of the state and country coordinators is to always provide support, feedback and to find solutions when particular situations arise during the implementation of the program locally. They also actively participate in fundraising activities and maintain intense dialogue with the other levels of the organization. The local teams are affiliated to the franchisees, most of them organizations that are part of the German welfare associations. Bravo also benefits from the support of an advisory board that contributed to the strategic development of the organization.

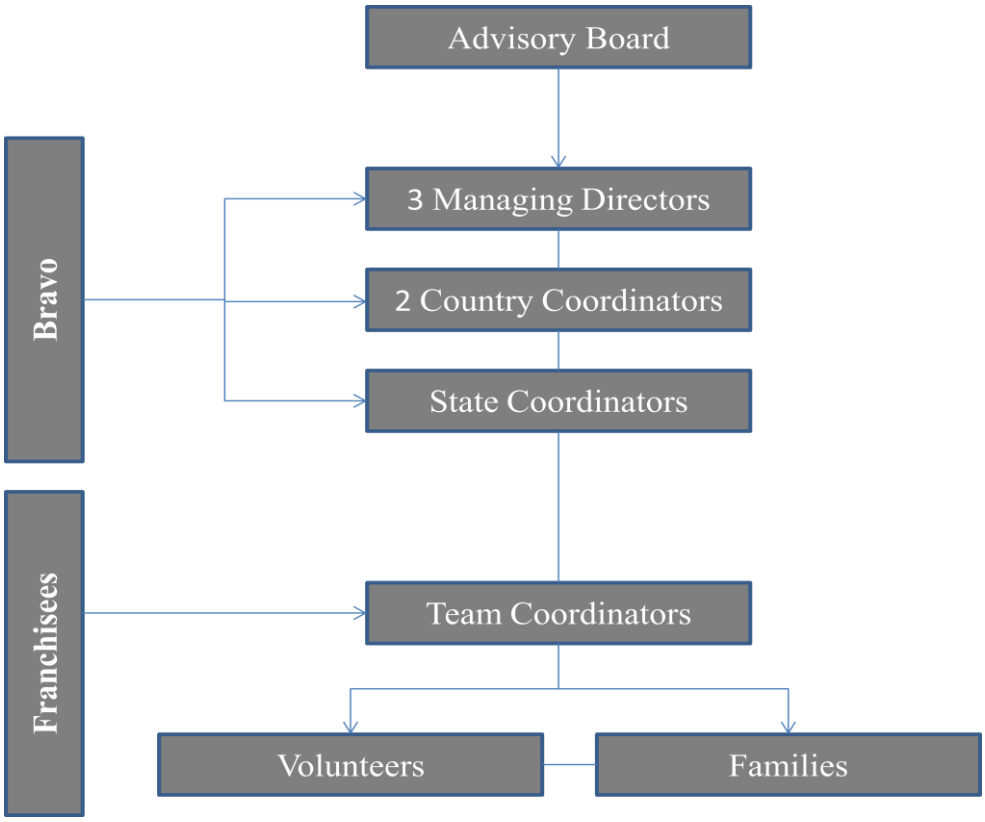


Figure 8. Organizational structure of Bravo

Bravo has also expanded its main program in 2015 to Austria and Switzerland. In Austria, Caritas Austria is the franchisee that coordinates the entire activity at national level, whereas in Switzerland, Bravo directly coordinates the locations using the same model they employ in Germany.

In the longer term, Bravo is also working on expanding with a for-profit arm. In 2015 they started developing an online platform for parents which will be able to generate more market revenues for the organization and thus diversify their financial streams. The parents would pay a membership fee in order to access the content on the platform and the revenues will be used to partially fund Bravo's family support program.

The main steps in the development of Bravo at the time of the study can be seen in Figure 9. After leaving the structures of the Protestant Church, the founder conducted the support program for families as an independent informal initiative and took part in one of the first social entrepreneurship support programs in Germany where she benefited from consultancy in terms of organizational setup and development. In 2006 the founder formally registered the limited liability company with a public benefit status and established a strategic long-term partnership with a foundation. As a result, the organization scaled its activities in over 250 locations in Germany. This was followed by the international scaling process to Austria and Switzerland. In 2016, with the financial support of the same foundation, Bravo started expanding with a for-profit arm which is meant to contribute to the financial sustainability of the organization.

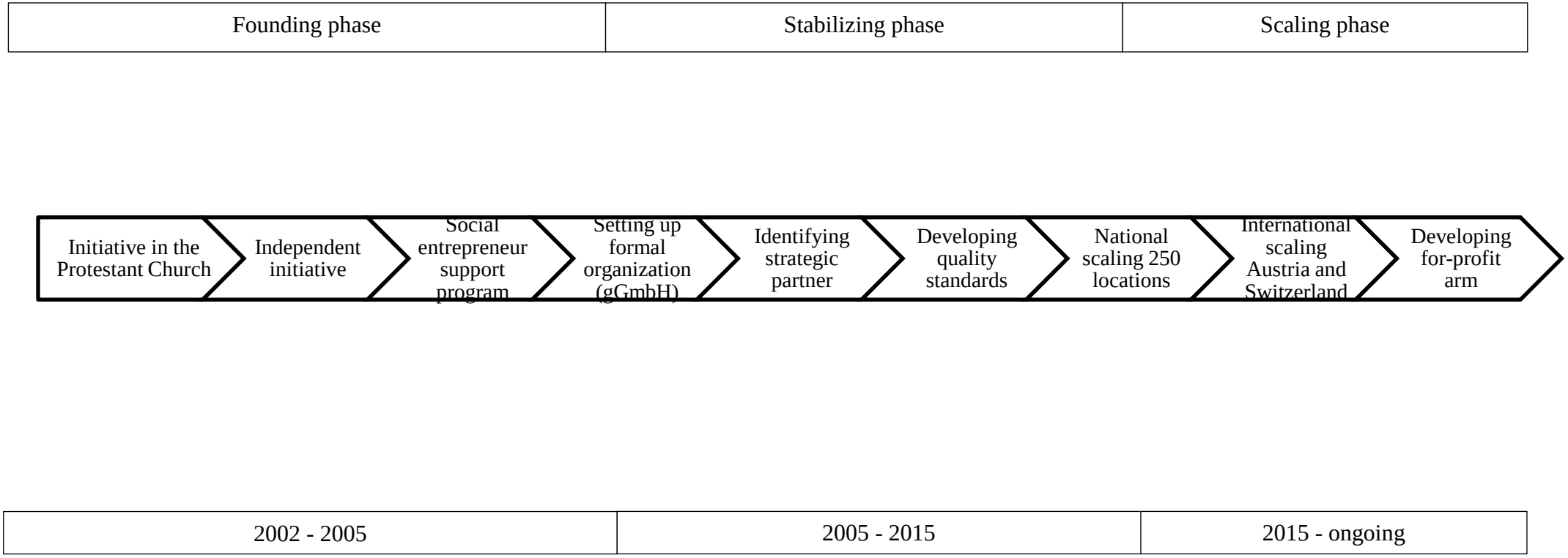


Figure 9. Timeline of Bravo

2.2. Bravo and its institutional setting

Bravo also interacts with a wide range of stakeholders from different fields in order to navigate its institutional environment. The organization is active in the field of family support services, the public sector and the social entrepreneurship field. The most relevant stakeholders from these fields for Bravo are depicted in Table 6. Each of these stakeholders has different expectations and attitudes towards Bravo and its work that influence the decisions made by the organization in the way in which it organizes.

Table 6. Main stakeholders of Bravo in different fields

Field	Main stakeholders
Family support services	Members of welfare associations Civil society organizations Medical centers and service providers
Public sector	Public agencies (Youth Agency) Ministries (Family Ministry at federal level, Social Ministries at state level)
Social entrepreneurship field	Support organizations Other social enterprises

2.2.1. Family support services

The main actors delivering social services for families in Germany are the welfare associations and their members. As depicted in Chapter II, these are also the main policy partners of the state in developing social service offers and they also have a privileged status when it comes to public funding of social services. The founder of Bravo explains the strong connections between representatives of the welfare associations and the legislators:

> "And the other ones are there from the end of World War II. They have in all the decision-making bodies their people. So each formation, Diakonie, Caritas and Co. has their representatives that sit on the respective committees and they then report and they know who must call whom, when and how." (Founder)

These strong connections are translated into decisions regarding the type of services funded by the state that are clearly advantageous for traditional welfare providers:

> "And as long as the welfare associations sit, for example on the youth help committee, and they decide over their own projects, I find this scandalous, I find this as a proper scandal. So then not much can happen there. So this is one, I find them very consolidated also in their power structures and where we notice that we irritated them a bit, since they are also looking to somehow, so not Bravo itself but this idea to pocket it for themselves, but things barely happen and they still remain uncontested. So I see this too. That we have this bad structure with the identity from, we make offers and at the same time decide over offers or which offers can ever be made in a social space, I find this really…" (Managing director 2)

These clearly established power structures in the social sector limit the possibility of Bravo to influence policy-making and gain comparable access to decision-making and financial public structures.

Still, the welfare associations are important partners in running the Bravo program. Bravo adopts a non-partisan approach and works with member organizations of Arbeiterwohlfahrt Bundesverband e.V., Der Paritätische, Caritas, Deutsches Rotes Kreuz, Diakonie, as well as with other non-profits such as ProFamilia and Deutscher Kinderschutzbund. Bravo is also strongly connected to networks focusing on prevention programs, thus providing the organization with various connections in their activity domain. This contributes to a professional exchange between Bravo and other relevant actors in their field and is at the basis of their service delivery model.

The relationships with welfare association and other social service providers in the field are both competitive and collaborative. Although other organizations copying more or less the Bravo support program emerged, at a local level there is collaboration with these competitors regarding local policies, local funding and coverage of the needs of the target group. This collaboration is also facilitated by the work with state agencies and Bravo sometimes functions as a liaison between other providers too:

> "Or what we manage to do precisely when you look at the founding phase is to connect competing providers in a city over Bravo. So over this offer, families should be doing

well, to connect with each other and to think how to do this. This has worked repeatedly." (Managing director 3)

Still, due to limited financial resources at local level there is always competition regarding state funding between these programs:

"So it is also, so the professional networks are going well but of course we look at what they did to get a bit ahead or whatever. It's funny that, as far as I know the carrier of *Program B* is the Diakonie and in other parts of Germany the Diakonie has Bravo in their offer, so carriers of the Diakonie have Bravo locations. And it's similar at Caritas. Caritas has here *Program A* as prevention project, this is implemented by the Social Service of Catholic Women that is also in the Caritas association and there are also other Bravo carriers in other areas in Germany that are in Caritas. So this is somehow, it's not very clear to me why the landscape is being made so broad. I am always for diversity and variety but in this field it's hard when at some point you get in each other's way when it comes to funders." (Local coordinator)

The competitive stance is more strongly visible at national level, due to the influence of welfare associations on a political and decision-making level. As the founder of Bravo explains:

"So when it is about money in the social sector, people are playing hardball." (Founder)

Despite these competitive relationships and the high density of social service providers in their activity domain, Bravo manages to maintain a broad network of partnerships and collaborations in the sector thus spreading its alternative approach to social service provision and gaining access to beneficiaries. In this regard they also develop collaborations with medical centers and support centers for pregnant women in order to make them aware of their services:

"So we're in luck with the program because we distributed leaflets everywhere to midwives, to doctors and the pregnant women go there to this day still, you cannot do this virtually (…)" (Founder)

"So the families come, I mean, our coordinators place emphasis on the principle that all pediatricians, all gynecologists, everybody who is around the topic of birth, especially in the medical, health care system, that they are well provided. Midwives very central, yes. They make sure they get into the meetings of pediatricians, in the discussions of

midwives in order to clarify: hey, if you have the impression this could be good for the mother, for the parents, please pass it on." (Franchisee manager)

2.2.2. The public sector

The interaction of Bravo with the public sector is primarily conducted through public agencies, local and federal government structures and ministries implementing national policies introduced in their field of activity and funding the social services in their activity domain.

Bravo faces some resistance and criticism from state structures because they work primarily with volunteers in delivering support for the families. Public agencies that supervise this are concerned regarding the professionalism of services provided:

"There are conflicts on two levels. One conflict level is that a part of the social work should be done through volunteers and this is of course highly controversial because people do social work. So how can you devaluate social work by saying that anybody can do this? So this is one, this one conflict line that is actually also relatively true. Yes, because this touches upon the professional level immediately. The question is not if the work places are being taken away or not but it touches upon professionalism, this is one thing." (Advisor)

This resistance and skepticism is also strongly related to the supervisory role that state agencies have in relation to the program and that they use in order to make sure that the volunteer work does not jeopardize the well-being of the families:

"So of course, when they take into their portfolio a really innovative, new project they also have a small control interest in it, they say we want to know how they do this, if it is also good because on the other hand for them it is mentally a huge step into the next millennium that volunteers are allowed in the families and this means we can convince them with our model because the coordinator is a professional and the professionalism is the network system and that therefore it is not without responsibility, when volunteers are allowed in the families. And they wished for an additional protection there through the home visit because they thought, ok, whether a volunteer can judge this, whether this is Bravo or not, we don't trust them with this." (Founder)

The way in which Bravo manages this concern is by developing particular agreements with some agencies for supplementary supervision activities and by closely monitoring any issues in the families signaled by the volunteers and notifying the authorities about it in due time. The organization is however focused on promoting this way of delivering support to families also in the public programs that have started taken the issue into consideration:

> "We have at the moment this boom of preventive care. There is also the federal law and the federal initiative with the many millions that are being spent every year and that include three focus points, namely the networks for preventive care, the family midwives and building structures for volunteer work in the preventive care. The first phase passed and the volunteering structures have received a laughable 9,5% of the many millions. We wish that politics at all levels, federal, state and local take seriously this volunteering thing, so that they take seriously that when we want to engage volunteers this also costs something so that they are well attended to. This hasn't really been understood yet and we need to contribute there and make clearer how valuable and important it is to volunteer in this field, and also sensible, to engage volunteers in this field but that it is not something cheap or without costs in the sense of: oh, yes, then we save some money but that precisely this costs also money but it is still a benefit, a qualitative benefit. This is what we wish for, that together with other players we could strengthen this awareness." (Managing director 2)

The other level of interaction with state structures is related to financial aspects. There have also been nation-wide funding schemes that the government developed for family prevention services similar to Bravo's program. The Initiative for Preventive Care (*Bundesinitiative frühe Hilfen)* was established and developed at a national level but the implementation is trickled down to the local level (*Kommunen*) that are also responsible for distributing the funding available. Bravo has had different levels of access to this funding, as it depended to a large extent on the relationship of the local teams to the local government. If in some situations the Bravo program was immediately included in the funding schemes, in other situations the authorities considered that due to their alternative business model and the ability to survive before the funding scheme became available, the Bravo teams are not in real need of state funding:

> "So locally this is distributed over a so-called Youth Help Board. So just like the other money for playgrounds, for whatever. And then all the providers that can submit an application, they submit an application to this board. And then a decision is being reached. And some say we have the Federation for Child Protection and they get it, they receive much more than they need, I always say there has to be enough money left over there at local level, to also have 5.000-7.000 EUR for a Bravo team. But it doesn't always go logically. Also not always issue-related. And there is a lot of lobbying in the game. Some have said you exist already, you have made it so far, you will make it also from now on, so there we didn't even bother, the application hasn't even been submitted and some have said 'I finally have money for you, submit an application'. So we've had everything." (Founder)

This shows the diverse attitudes that Bravo encounters in different locations and also a different between the capacity of influence of the headquarters on the local realities of a federal and well established system.

Since it is strongly reliant on regulation in its field of activity, Bravo is also interested in exerting policy influence. By representing similar initiatives that are not assimilated to the welfare associations, their goal is to make social policies more inclusive for alternative players. However, there is little room of initiative in this regard due to strongly embedded patterns of decision-making in this sector:

> "So we have no lobby, it doesn't exist. And this is exhausting because for instance we were with the last government, with the Family Ministry, the social entrepreneurship support network is anchored there, we got relatively far with the convincing work and convincing means simply understanding what this all is and what we're doing and how we're doing it. Thanks to the government change we start completely from the beginning again because the one responsible for us now doesn't know anything about it, he's coming from a completely other ministry as well. And so every four years back to zero, of course you can't build lobby work on this." (Founder)

This pattern of interaction also makes it difficult for Bravo to influence understanding around alternative possibilities of social service provision, both in terms of content of services and in terms of the types of organizations providing them. Overall, the founder

feels that it is most difficult to collaborate with public structure in order to generate change:

> "Yes, of course, it is also for you an important result that one can relate to everybody except for politics and public administration. This is really the most difficult. It really is like this." (Founder)

2.2.3. The social entrepreneurship field

The social entrepreneurship field has functioned as a catalyst in the case of Bravo as well. In the starting phase of the organization the founder benefited from significant support from this field in terms of know-how for organizational development in the form of consulting services. Further on, Bravo was repeatedly recognized as a best practice example in the field. At this point however, the relationship to this field is maintained mostly through the personal inclination of the founder, as the networking and learning opportunities allow her to reflect on the long-term development of the organization. The importance of the relationship with the social entrepreneurship field has diminished overall over time, as the focus on the activity domain has gained priority:

> "That is why I also go less there in order to get particular gains but rather it is always unbelievably important for me to broaden the horizon from time to time. So really to say, what is happening in the world and how strongly connected to that are my topics. And where there are movements, developments in the world that have an influence on us. So the megatrend topic for us and we can get again a better sense for it and can better justify and focus our own work in that direction." (Founder)

> "But I notice that I'm making myself more and more independent from these (social entrepreneurship networks)." (Founder)

As previously mentioned, social entrepreneurship in Germany is perceived somewhat critically by some social actors and Bravo has also faced this general attitude, especially because they are organized as a social franchise and are promoting this business model:

> "So there are people there being identified as real changemakers, whereas in Germany they have real difficulties in gaining recognition because the welfare chiefs are there. This means that it's also a lot more difficult for us as German or European social entrepreneurs

to do business in these forums than for social entrepreneurs from other continents.“ (Founder)

Understanding the approach of social enterprises and the differences between them and traditional businesses seems to be most difficult for support organizations in the field to transmit to other interested stakeholders:

“And this has of course always also an influence because in the end, and this is maybe the last statement from my perspective, yes, it is entrepreneurship but it is entrepreneurship in the sense, so we gain no money. This is a huge discussion that I have for example with the lawyers that consult pro bono, they always say ‘yeah, but when you have such a business model and can fall out from the public benefit status, then can I still consult them?’ So simply legally. And I always say, yes, of course, but he is, he thinks entrepreneurially, he has a business model, he takes money for services but still he doesn’t make any money. So this is not a field in which one makes really great profit. And if this happens, it flows directly back in the organization. And this is something that is special in this sector.” (Support organization representative)

This skepticism comes from a wide range of actors, from the welfare associations to other civil society professionals that draw attention to the tradition of social economy in Germany and the tendency of younger organizations to use the social entrepreneurship label as a differentiation signal from the established actors, without it being justified by their differentiation of activities:

“So these are very complex, there is a particular discourse and people are brought in, many people say how great it all is, I don’t believe in this discourse. So I worked a lot with social entrepreneurship. I think this is a mega-hype that will be gone in three years. So this will really fall apart, you can already see, the first ones you can already see. Two years ago there were the first, there was the first article in *Zeit* with everything social entrepreneurship – the examples are always, in every discourse about social entrepreneurship the same five examples are being mentioned. I thought: ok.“ (Advisor)

“That is why, under this aspect, I see it really only under this political aspect, there I can also see this, that one needs a label to differentiate themselves, that it needs to sound well or whatever. But when I look in reality (…) it becomes difficult for me sometimes to use this term aggressively because after maximum two sentences I’m missing the content. Then I can’t represent it really massively. So then maybe there is a need for another label

to enter where I then say: yes, man, exactly. So maybe we still need to look in the direction of what it really is. Because I find the term as such imprecise." (Managing director 2)

The labeling of the organization as a social enterprise does not appeal to everybody in the organization though and the staff thinks of the organization rather as a non-profit and not a social enterprise. This is generated either by a lack of engagement with organizations active in the social entrepreneurship field or by a skepticism regarding the novelty of this movement in the German context:

"I would already negate this, because I come from the social movements. In the 80s and 90s, especially in the 80s, so many initiatives emerged. Some of them are now part of the welfare associations but they emerged completely independently and they set forth really through personal engagement. (…) This was completely independent from the welfare associations. That is why I am always a bit allergic because we have this movement, we have this culture in Germany that people develop something by themselves because they have an idea and they say: I'm doing this and they organize money from donations or state money to get the thing going. We have a really long culture there." (Managing director 2)

2.3. The organizational development process of Bravo

Considering the previously mentioned institutional conditions that characterize the environment of Bravo, this section will go into more detail in the ways by which the organization ensures operational and financial viability in its environment.

2.3.1. Problem approach

Definition of the problem addressed

At the time when the initiative started, Bravo was looking to respond to changing needs and structures in families and the broader society, in particular. More concretely, changes in community structures, as well as the demographic developments in Germany have raised the need for different support systems for young families:

"We have today a completely changed society, we have a thinning of the neighborhoods, we have a model of both working parents. This means that if during the day you are in a residence area where earlier mothers, children, elderly people were swarming, today there

is nobody anymore, simply nobody. The children are in institutions, the elderly are also in institutions and the parents are working somewhere. And when so to say life begins after-hours you can't build on anything anymore and very few people understood that. No institution that is also open only nine to five and that is responsible for only a small problem can help you but rather you need a completely different reinvention of the neighborhoods and quarters and this is only partially solvable institutionally, that means we need more civic approaches, so just like we are trying." (Founder)

What the founder did when starting the initiative that would become Bravo was to highlight a new issue area and a mismatch between the social services already provided by the state and the changing needs of the families. The insights into these developments came from the personal experience of the founder who herself was faced with raising children with limited support structures in her community.

Changes on the labor market in Germany also contribute to the change in community and family structures and this is an issue that Bravo also indirectly addresses through its program:

"Because the working worlds are changing, the women all want to get back, this is one thing, that family life is organized differently and the other thing is the clearly higher, the aging society and because of that oftentimes a higher need for caring for the own parents. So many families, mothers and fathers are older when they have children and then they are often still raising children, the children are still relatively young and the parents also start needing care. So this combination. Or we also have, we are at the beginning of the generation of grandparents who are both still working full-time." (Managing director 3)

What differentiates the approach of Bravo to these social developments from the one of other social service providers is that they recognize the challenges that these changes are raising for all types of families and not just special families that have been previously identified as having difficulties or that are facing some particular conditions. This aims to generate a different understanding of who the beneficiaries of social services are:

"So, I put it like this: Bravo is an easy and not bureaucratic offer. So I don't need to fill in a big application form in order to get a particular offer, a particular service. This I think is for sure a difference from other counseling offers for example or even offers from the

> welfare associations. Then it is also the fact that we address everybody, all families, so there is no special target group. And welfare associations serve oftentimes families with special problems, let's say. That's where we differentiate ourselves for sure." (National coordinator)

At the time when Bravo was founded, most social service providers in this field were intervening when issues were already signaled in the families or when the families were previously identified as vulnerable. Bravo introduced a much stronger prevention focus in these services.

Designing the social services

The founder started the initiative in 2002 while still working for the *Diakonie*, the welfare organization associated with the Protestant Church (*Evangelische Kirche*). Her experience with the welfare associations has had a considerable influence on the way in which she developed the organization, as she thoroughly understood the inner workings of the welfare organizations and could also therefore connect the Bravo model to the traditional structures and initiate long-lasting collaborations with them as franchisees. However, her decision of leaving the established structures that could have provided easier access to funding and also clear legitimacy in the work conducted came as a result of the incompatible structures already in place with the aims of initiative and its approach to the social problem identified:

> "I think she comes from the Diakonie and she left that because she had the impression, it's not like she wasn't supported there but rather I think she found it constraining and she left this structure. So she has her own history. And one can notice that there is a range of programs, that are not just the ones from Ashoka or that are being funded by us, so there are a lot of initiatives that get started privately, maybe with funding from foundations or whatever and they try to grow. There is a lot of them. This doesn't all come from the welfare sector. And I think, I think that the welfare associations observe this, yes." (Foundation CEO)

The main focus of the organization is on prevention services, which means that Bravo intervenes before any problems emerge in the family, problems that would require intervention from state agencies. The fact that they were among the first organizations

to directly address the issue of prevention rather than later intervention, made their approach very innovative for the German context:

> "And yes, then I also had an internal discussion, look, this is a super idea, look, they scale, wouldn't this maybe also be something for us? So we are a classical youth help provider but which had from the beginning a very, very strong prevention focus, also from the experience of the colleagues that with the classical youth help one intervenes when the problem is already there and there was always a need for the colleagues - can't we do something to reach the families earlier and not only when the problems are so big and massive and difficult?" (State coordinator)

The gap in family care services provision that they pinpointed to was afterwards addressed by the government as well, with new prevention policies focusing on this particular issue being put in place and financed at a federal and local level. This raises additional challenges for Bravo:

> "Bravo must position itself in an existing market that was not at all there, before we were alone." (Founder)

The idea for the program was also adopted by other organizations from the Diakonie and Caritas welfare associations in partially different formats.

Still, the program implemented by Bravo remains innovative and highly relevant to this day, despite the support structures developed by the state and other social service providers. Firstly, the support that Bravo intermediates does not come from civil servants but from volunteers that act like a support community for the family rather than a monitoring and inspection instance. Although the volunteers will signal any important problem that they observe in the well-being of the child during their time with the family and the Bravo coordinators will take the issue further to the responsible authorities, the relation that is being formed between the families, the volunteers and the organization is substantially different than the relationship that families have with the public authorities. This is what allows Bravo to intervene in ways and at moments that are not that accessible to public agencies and this is what continues to make Bravo relevant to this day. Secondly, even though other organizations have developed very similar programs based on volunteer work, the demand from the families is so high that there is still need for more supply of similar services:

> "One could also say the social need is not so strong anymore, at least in the foreseeable future (…) because there are other needs now like refugees but we don't need these anymore. We have in the meantime the National Center for Prevention Care, there are family godparents, there is a lot that wasn't there in the founding period of Bravo. And then they did interviews, they also asked various people from the Ministry and the answer everywhere was that the need is not only still there but that it increases and it will keep increasing, we cannot serve the demand because of mobility, demographic changes, etc. And this was a great clarification and we knew that it will not fail because of this." (Founder)

Both the volunteers and the families appreciate the non-bureaucratic and familiar approach of Bravo in delivering their services. The families appreciate the easy registering process in the program:

> "So one is totally thankful for everything that one does not need to do. So they have, they sign a contract, I still have it here, they send a contract over, one needs to sign an agreement and then send it back and then that was it." (Beneficiary)

Volunteers also appreciate the lack of formal training that they need to undergo in order to join the program:

> "It's also the case that we work with volunteers that do not get trained beforehand. So for us it's very clear this important characteristic, this is neighborly help and if I asked my neighbors 'can you walk with the baby carriage this afternoon', I wouldn't train them beforehand but rather I would simply ask. And this is also what's in the foreground at Bravo." (National coordinator)

These aspects regarding the way Bravo provides social services continue to differentiate the organization and its program from other providers, maintain the demand for its services and also gain the appreciation of other partners:

> "Yes, so Bravo works to a great extent with volunteers. So I think Bravo is an impressively clear and simple idea. Bring engaged volunteers together, set a professional coordination over, define clear standards and still have some leverage. Of course there are other organizations in Germany in the field of prevention care but they are built completely differently. What was fascinating for me from the beginning was that despite working with volunteers, due to these clear standards they still had such a big leverage.

And they don't eliminate other services, they just say we are, we can be a good supplement and this is exactly how I see it too." (Funder)

2.3.2. Ensuring compliance

Complying with particular regulation or legislation in the field of activity was not particularly emphasized by the founder of the organization when discussing the development of the organization. This is most probably due to the fact that the founder was very familiar with the requirements and expectations in the sector and took them into account even if she established the organization as a company. Still, generating understanding on behalf of public agencies dealing with their activity domain was experienced as a difficulty by the organization:

"So the perception was, and this had to mature a lot in the past years, so there needed to be a separation between volunteer and professional help, so there was a concern among the ones basically trained as social workers that also work here with us - we have a foot in the help for upbringing which is commissioned by the Youth Agency - that work places are being rationalized because of involving volunteers in the relief of families. And that's exactly where we had to do a lot of understanding work in the public field of youth help, so in the Youth Agency, that we are not a replacement for help for upbringing. If it's so borderline we want to introduce support through a legal stipulation in that we first try it out with volunteers. This was difficult." (Local coordinator)

Another way of complying with widely held expectations regarding social service providers was through the legal form of the organization. It was important both for establishing its business model but also for the positioning of the organization in the social sector in general. The public benefit status was of particular importance in this choice:

"And I pleaded then for a long time to set up a *GmbH* and I am glad today, I think everybody is glad, that I asserted myself argumentatively, that I was convincing, that a decision was made at the end despite of all the difficulties. And you have to imagine, *GmbH* was initially not known or not known at all or not used at all. *GmbH* is a legal form that comes from the economy and now comes the question, yes, a family educational establishment, a protestant family educational establishment, I don't know this is set up, whether this is an association or a part of the church community, no idea, so these are other strange structures partially that emerge. And then a *GmbH* is a real leap.

> And then you have a social pedagogue who is an exceptional head of the family educational establishment, who is strongly anchored in the discourse of the Protestant family education and she becomes now managing director."(Advisor)

Looking at the decisions that the founder took also in choosing the legal form for the for-profit company in the scaling process, it becomes visible that also in the case of Bravo opting for the limited liability company with a public benefit status was a conscious decision that would allow developing the business model, while at the same time remaining legitimate in the social sector.

2.3.3. Engaging with established providers

The founder of Bravo was determined from the beginning to establish a company on a social franchise model in order to be able to also scale the initiative:

> "The really, the milestone or the quantum leap at Bravo is that it was decided to spread it as a social franchise, this is the difference. And here we are, there are relatively few in this domain that pulled through so consistently, also so successfully, this is the difference. The idea itself, the way it emerged is really typical for others as well. We know thousands; there is somebody who has an idea due to their own experience, everything really normal. But the decision to say, ok, I set it up as an enterprise, which means from the beginning I want to scale and that is why I am building structures from the beginning for the multiplication, this was another, this is the decisive difference." (Managing director 2)

The franchisees are most of the times member organizations of welfare associations that want to implement the program and that pay the annual franchise fee to the Bravo headquarters in order to be able to use their concept, materials and brand. The franchisees are also the ones that directly intermediate the connection between the families and the volunteers.

Bravo adopts therefore a business-to-business approach, in which they target other organizations that can provide the services in their program. This approach was very new even for the partners of Bravo and depicts the strong difference between Bravo and other social service providers in their activity domain:

> "This is what we've kept noticing, it was also with Foundation A, now they have understood it slowly. (…) Really slowly, surprisingly slowly, I think. Because they always assume, so they think B2C. So they think about the assistance of the families, of the volunteers, they find it all good and they put up with the other part. What they don't really understand and I think this is going well is that in order to scale like this, so consistent quality, consistent brand, consistent evaluation and so on, federal expansion, encompassing all providers, regardless of Diakonie, Caritas and so on, there are Bravo teams everywhere. And you can't achieve this with B2C. You can achieve this only through B2B, through a social franchise." (Founder)

Operating as such also offers the organization freedom to develop and market its services as it wishes and also to work with various franchisees belonging to different networks:

> "Yes and I think we are so free and independent with Bravo. Because we can decide - do we want to work with the Catholic or the center for mothers from Paritätische, with a counseling center or with a local administration office, who do we want to work with? We are completely free. And the teams and the franchisees notice how free we are and it sometimes also makes a difference that they are operating in stricter hierarchies. And the point of view is a totally different one because for us it's always the most important that the families are doing well. So we don't need to look anywhere because our focus is that the families in Germany should be doing better. And to allow yourself this is an extreme luxury." (Managing director 3)

The collaboration with the various welfare association members on federal, state and local level was also possible due to a non-confrontational attitude from Bravo but rather based on a focus on the issue and the solutions provided for their target group together with other stakeholders:

> "She has always understood this. She also never took the frontal position towards welfare associations or something. Very kind, very confident. Emphasized the power or the power of creation, the creativity of such small, new social actors. But she also didn't make the mistake to go immediately exclusively with the clear, narrow, Anglo-Saxon influenced concepts, this is what the social entrepreneur knows and this is how he is and this is how it must be, but rather she was livelier. They were more capable as others." (Foundation representative)

In setting up the social franchise model, Bravo also changed the position of the welfare association members from receivers of funding to the one of customers of a service provided by Bravo. This does not remain unchallenged though, as the franchisees are not always satisfied with paying the yearly franchise fee or with increases in this fee:

> "And the second, which of course always the entire exciting game is why do I need to pay you each year 500 EUR? You can just give it to us like this. Just pass it on like this and we'll do it, it's alright. Hey, we are all in one boat. Right? So this number. Yes, and you want this again and I have to buy it from you and what is all this and no, so 500 EUR this is, I won't give more than 100, and these stories." (Advisor)

This is of course also due to the underlying assumption that the welfare providers are receivers of state funding and the procedure of paying for a service provided by another organization in the social sector is very unusual for the German context. Bravo deals with this issue as a self-selection process as well. In this way, the organizations that complain about the franchise model and especially the franchise fee are also the ones with which the collaboration is difficult anyway and the Bravo team sees the complaints about the fees as a pretext to discuss other issues:

> "There will also be cleaning processes happening, so there will be for sure also some teams that will terminate because of this but usually these are also the teams that are anyway a bit unhappy. And where we also look if we can manage a provider switch. So is there in the city another one that understands it better and that also wants to work with the franchise principle. Or these are providers that are really poor and we can see if we can get them a discount or we can look if we can get them a donation from a third party that we try to find for them, so if it is only about the money then we usually also find a way to close the gap. But usually money is just the pretext to talk about dissatisfactions. Not comfortable but necessary. So it also has a lot to do with quality assurance. Yes. You don't need it permanently but from time to time." (Founder)

In order to manage the growth of the organization, as well as the correct implementation of the program by the franchisees, Bravo developed quality standards of their services which let to it becoming a brand in its field:

> "But it was clear relatively quickly that Bravo is a real brand and a big player in this new topic of prevention care. And what is always the same everywhere is that the quality of

> the materials is appreciated. It starts with the flyers, it is also in the work materials for the coordinators, there is always a great enthusiasm to say, my God, I don't need anything else, I can just start." (Managing director 3)

As the organization started growing, the founder noticed the necessity of maintaining a certain quality of the service and this led to developing the quality standards that all franchisees need to respect in order to provide the family support program. Starting with aspects such as communication materials up to procedures in engaging with the families, volunteers and the extended Bravo team, the quality standards contribute to building the Bravo brand:

> "I think it was urgently necessary, this was also one of the tasks which we thought about for some time, how does this go and the challenge back then was that she had to ensure the quality. And how do you manage this, quality standards, clear processes, performance assurance, to guarantee social performance, because this all counts for the Bravo brand and at the same time to be able to scale. And that at will. In the end we could imagine Bravo internationally, across all continents. And this could only work through a model that becomes independent from a person." (Advisory board)

Branding is essential in this social franchise system and although it comes with challenges in its implementation, it is one of the core strengths of Bravo as a model in the social sector. The quality standards are what differentiates Bravo from members of the welfare associations or other organizations that conduct similar work with volunteers:

> "And this is, I think, what we really have to fight against in social franchising is to say, we have to conduct a lot of convincing work that the strength lies exactly in the fact that as many as possible are doing the exact same thing. This is not like in other cases in which the strength comes through individualism, but rather the strength of the brand is when everybody implements the standards as best and optimally as possible and of course they should not get lost. " (Founder)

There is also difficulty in controlling the franchisees in applying the correct standards and preventing them from adding other elements to the Bravo family support program and its branding:

> "He says, so we can make two squares, because he says how he conducted it and then I say how we did it with Bravo. Here is America and here is Europe. And he says the Americans, it's very clear, you have a social franchise, complete standard, it's being developed in the headquarters and then it's given top-down further and then they implement it well-behaved and then everything is good. For Europeans it is completely different. Here you start also in an American way, you give it further, but then they say, yes, WE have another a lot better idea and say we want ourselves and then they develop it further and then it's naturally a big distance between what was there in the beginning and what is being implemented in the end." (Founder)

The identification with the brand is very visible also among volunteers who refer as themselves as "angels" and among the staff of the organization. One franchisee manager also explained the strength of the brand by repeatedly stating that "Bravo is Bravo" and that is clearly something different in the social sector for all the actors involved. The consistency in implementing the provision standards is clearly something that distinguishes Bravo from other providers in the field and that also helps it maintain its relevance and demand for its services.

Compromise is however also sometimes needed. In particular exceptional situations they allow for small changes in the materials used in the program based on the particular needs of the franchisees. These decisions are being made through repeated rounds of consulting between staff at different levels in the organization, so that any potential damage to the brand and the relationship with the other franchisees to be avoided. The situation with a local team in Dresden serves as an appropriate example:

> "Concretely we have this at a franchisee in Dresden, they are continuously funded with a relatively high sum by the Youth Agency and the Youth Agency had the requirement that the team coordinator take part in the first visits at the families. This is against our standards. We say usually it is being intermediated over the phone and the volunteers go there and only if there is a special need can the valuable time of the team coordinator be invested in a home visit. We have talked a lot about it and then it was clear for us A. we had an organizational interest, we wanted to open this team in Dresden, an East-German team in a very big city can have a lighthouse function also for others in the region. Then B. we found it amazing that a Youth Agency at a time, it was 2007 or so, when this was completely unusual, was prepared to spend money for such an early preventive measure.

> To punish it already, in that we say you can't, was difficult. So we said the franchisee would be safe, they would have their funding." (Founder)

This situation depicts the prioritization of goals characterizing Bravo, as well as the strong institutional conditions in which it has to operate. Not complying with the demands of the Youth Agency would have prevented the organization to provide the program in the region at all and this was overall a worse outcome than the adaptation of standards.

The organizational structure and dynamics of Bravo follow the German federal system and also the multi-layered structure of the established welfare associations as well. This allows Bravo to develop partnerships at multiple levels and thus expand its program throughout the country. This of course comes with coordination pressure for the organization. Due to the heterogeneity of the franchisees and of the local contexts in which they are active, the perspectives and priorities established strategically at national level do not always coincide with the preferences of local teams. This generates the need for an intension dialogue in the organization that Bravo prides itself with as a means of answering questions and solving issues. The regular meetings and discussions organized by and for the staff have the purpose of maintaining a constant communication flow regarding the appropriate implementation of the quality standards, as well as regarding emerging issues at the local level that need to be addressed more broadly in the management of the program.

2.3.4. Financial processes

Bravo differentiates itself from the other organizations providing support services for families also through their business model, as they are not primarily relying on state funding as means of ensuring financial stability. This raises pressure for the organization to compensate for the expenses that would traditionally be covered by the state through alternative sources of funding. Bravo does this by developing a funding mix for the organization relying on self-generated revenue through the social franchise fees, grants, donations (coming from private individuals and companies) and also state funding:

> "We will always have to get mixed funding, because we have, as social franchiser we have cooperation fees from our franchisees but they don't cover by far our, so to say, effort here. So even if we had 1000 locations, we would, because the price of the cooperation fees, so the level of the cooperation fee is finite, we can't keep increasing it, merely the number so that it becomes cost neutral. This means that there is a limit. We will always have a gap of 50% that we can't cover through the cooperation fees. And we are forced, that is why we are forced like before to look for donors, so people that support us here in the headquarters, not the locations but rather us with our task. And we need to think about sources of revenues. So this what, so to say, this is our task." (Managing director 2).

Bravo has received government grants from the Federal Ministry of Family Affairs, Senior Citizens, Women and Youth (BMFSFJ) in the past. There is however no structural funding at federal level that could cover the administrative costs of the Bravo headquarters which are essential for running the program and this is why Bravo is more reliant on other sources of funding and revenue:

> "We would need, what is usual in the social sector, structural funding at federal level. But there is none. There is only for established players, the associations have of course funding but there is none for us." (Founder)

Government funding is also challenging at a state and local level because of mismatches in funding and regulation between federal levels. This is also one of the reasons for franchisees quitting the program, as the founder and the local coordinator explain:

> "And a lot of Social Ministries or wherever this is connected in the different states, they also finance the state coordinators. This means that from the states there is already this recommendation and this is the federalism problem in Germany, I think, that the local authorities (*Kommunen*) are doing what they want (laughs) and here it's also like this that each district decides if it funds Bravo. Some districts are not funded, they don't have funding, they really face the question: can we continue at all or not because where are we supposed to take the money from?" (Local coordinator)

> "So we have a range of franchisees, so more than every other year, that have terminated this year because they said 'we have tried everything, we are definitely not getting into the structural funding and we can't fundraise it'. And that was it. So at one point it just is like this. And luckily we are so big that it's not noticeable because we have just as many

as we have founded but we are not almost at 300, where we actually are but rather we are oscillating around the number 250 because some of them can't make it and almost all of them, I think 80%, because of financial reasons." (Founder)

At the core of the social franchise system that Bravo developed lies a fees-for-service operational model (Alter, 2007). The paying customers for the services of Bravo are the franchisees. In exchange for the fee, the franchisees receive all the materials for implementing the support program, the know-how, the training and also continuous support and guidance from Bravo throughout the collaboration. Periodically, Bravo also increases the franchise fees in order to cover their costs. In 2016, the fee increased from 500 EUR/year to 700 EUR/year. This led to some collaborations ending but as previously mentioned this process also serves as a self-selecting mechanism for the organization which Bravo welcomes every few years.

Despite the expansion of the program to new providers and the increase of the franchise fee, the revenue generated through this business model is not sufficient to cover all the operational costs of Bravo. This is why the organization has developed a long-term partnership with a foundation that focuses on supporting family-related projects throughout the country. The foundation has become a key partner for Bravo, as it did not completely pull back after the completion of the initial grant. Instead, it helped fund the development of the for-profit arm of the organization that would eventually ensure its financial sustainability.

The founder of Bravo sees the relationship with the foundation as a strategic win-win situation since Bravo can also serve as a pilot project for other initiatives supported by the foundation. She argues that other organizations might go through similar processes to that of Bravo in reaching financial sustainability and that the foundation can better develop its support structures as a result of witnessing what the needs and challenges for these initiatives are. The trust relationship build with the foundation and the focus of Bravo to become financially independent are at the core of their collaboration:

"And we're noticing we can do a lot but it needs time. And that is why this is exactly the negotiation basis with Foundation A, we don't want to be always dependent but we wouldn't know who if not you, with the mentioned sum so that we can continue in peace, could help us again because this would also be exemplary again for the sector. To say

there is a building phase, there is a phase with bridging funding and then you are also really out. And if we manage that this would also be a super success story for them. So that's why, yeah, we are on the way." (Founder)

It is important to note that especially in the scaling process the founder has looking into other options regarding financial partners. Despite the business orientation of Bravo a potential collaboration with investors for the online platform was abandoned:

"So this is for me, investors would be for me last exit. And also then we haven't lost time, this has become very clear to me, because this is a joke. They all talk about risk funding but they do everything to avoid risk. So they would rather invest in a project, just like Platform A would be, where there's no risk but rather where you can say each month new X users are coming and in 2 years they break even and then I get my money back. And I'm thinking, yeah, nice. So I can also do this sometime. What I would have needed was someone that really offers risk capital and who says 'we believe that you're good, we trust this with you, I put money in and when it doesn't work, then it doesn't work.' And nobody does this. There is a lot of poetry around, everybody wants to do good but in the end they all actually want the returns. And that with double-digit interest. And I'm thinking 'crazy' and these are also low interest rates. I really don't know where the humanity is." (Founder)

This highlights once more the strategic choices made by the management of Bravo in order to preserve the mission of the organization and to find the most appropriate support structures for it long-term.

Bravo also developed collaborations with private companies that support their work through CSR funds and with individuals that act as donors for the organization. Fundraising is core to the strategic agenda of the management:

"And the difference is that we know build different strategies. And the fundraising strategy, precisely when it is connected with companies and producers, gets now a new dimension with Platform A. It goes away from charity and it could partially even have a serious business department. So that we can also do a bit of social business through it." (Founder)

Bravo also gets constant advice on how to improve its collaboration with companies for better access to funds and more support for the program:

> "In the beginning it was mostly about developing a basic concept, to develop a position, what do we want and what we can really do in this regard. Then I accompanied some conversations where it was about setting up some cooperation with companies. How can such a cooperation be arranged? In the meantime we have built the basic processes, they also don't need me there anymore, this is working independently. In the meantime we also had another question – how can we more closely connect engaged people with an interest in Bravo to Bravo, how can we strengthen fundraising activities across companies, how can we use occasions such as Christmas – these were the questions coming up over the years." (Advisory board member)

Part of the long-term financial sustainability plan of the organization is also establishing an online platform, a revenue-generating for-profit arm that can help cover the remaining costs. This is an online platform for parents which focuses around content and discussions regarding caring for newborns and family life in general. The platform also uses a fee-for-service operational model and the revenues generated by the platform would help cover the remaining costs for running the family support program. This online platform was still in the development phase at the time of the study but it is a perfect illustration of the focus on financial autonomy of Bravo and its business approach in achieving it.

At local level the teams also have to rely on a funding mix and Bravo supports them in this process. Even if the revenue does not flow directly into the organization, ensuring that the teams can cover their administrative costs safeguards the continuity of the program through the franchisees.

The families in the program pay a symbolic fee for the help they are getting from the volunteers (1-5 EUR per hour). These fees remain in the budget of the franchisee teams: and are being complemented also through local donations and grants.

> "We have every now and then the discussion also with the franchisees: shouldn't all social help be for free? And we've always had with Bravo another approach in that we said: what costs nothing is also not valuable. Also that we are excluding families, we should also look at it from the other side, that the ones that don't consider themselves to be clients also don't contact us. And I think this was very well confirmed and we could also reply to the franchisees: watch out, you are always so fearful. Families see this more relaxed. From the, I don't know, 200 that we asked, 70% say they would pay up to 10

EUR, they amazed everybody. And then we also managed to increase it from 4 to 5 EUR per hour. This doesn't have an impact for our revenue because the money stays with the team but they could improve their financial situation a bit." (Founder)

Still, ensuring financial stability is difficult without reliable state support and the local teams need to rely more and more on fundraising at local level to cover the gap:

"And what is also important is really a financial stability and this is really something where we ran into problems because this federal initiative worked for 3 years, it continues until the end of the year and what happens afterwards is unclear. So a federal fund comes but it's not there yet, it's totally not clear what can be funded through that and in what amount. And until this will be transferred from the federal level to the local level and districts there will for sure be a gap and I don't know exactly, we are now on it, we are working a lot on emergency plans, there are a lot of contradictory statements about and everything is very fragile." (Local coordinator)

"So as long as the districts don't participate in the funding at least partially it doesn't get easier from year to year for the locations without funding even to plan for the next year. So foundations are at one point out, we all know that the foundation landscape in Germany offers only initial funding, we know that the fundraising is oftentimes not at the point where it can support Bravo 100%. Ideally from my perspective we would always have mixed funding for the locations, so a local one through the federal initiative. You can look at what the leeway is for the districts, get proportionate funding that would cover the personnel costs, material expenses are to be acquired and maybe easier to communicate and then the franchisees would manage this." (State coordinator)

All in all, Bravo looks to mix business-specific funding models through franchise and service fees with more traditional funding approaches typical for non-profit service providers. This allows it to not become fully dependent on a single financial source, while at the same time introducing new ways of thinking about funding strategies in social service provision.

2.3.5. Symbolic processes

As Bravo does not operate as a classical non-profit provider of social services, the issue of legitimacy building becomes central. This is connected both to the visibility that

Bravo services have among its target group and among other social service providers and has always been an important direction of action for the organization:

> "Politically I would say and in regard to the users or the clients, I estimate that there will be demand on the one hand and recognition on the other. So Bravo has always taken anyone on board, state government, as much as the Chancellor, the associations, also the foundations. (laughs) We had the founder in an internal working group of foundations on the podium and there it was clear that several foundations that were there had already funded her and the other ones would have loved to have her, you can say they can book her. (laughs) So I think recognition is not a big challenge. I think the concept is really simple and effective." (Foundation representative)

The founder has very purposefully adopted a political approach in establishing and growing the organization, realizing how essential the issue of legitimacy is in the sector. When approaching a new potential partner, the founder would think about the support that the organization could get in terms of legitimacy when it comes to social service provision from this new partner, rather than financial benefits:

> "So, I think in the beginning it was very. Very smart move that I didn't go in with the topic money, I have something new and you need to finance it for me but rather I went in very politically to the extent that we chose the professional patronage everywhere and in fact high-level because it was clear for me that this works only through awareness and building awareness." (Founder)

This approach was also highly appreciated by partners themselves:

> "The contact with Bravo came about as the founder was still responsible for family education in the Protestant Church and, here in Hamburg and Schleswig-Holstein, starting from her work in family education she founded Bravo and at some point came to me and presented this idea and wanted support, first of all ideational support, not immediately money, this was also very interesting because most come here and want money immediately. And then she also approached the Senator, at that point this was Mrs. C, we had a CDU-led Senate then, Mrs. C was a CDU politician. And after the transfer of government, this is very important for the context, family policy became especially important here through the CDU and pushed forward and in this context came Bravo, in quotation marks, at the right time." (Civil servant)

The founder of Bravo approached the constraints that the German context posed in a direct manner and also build on the institutional infrastructure rather than work in parallel to it. By previously working in a welfare association herself, she was able to address this audience in a coherent way and find the exact way in which to present their program and to convince other organizations to adopt it.

> "Due to the fact that the founder came from the family education corner, she also did a good job there, she came from the Protestant Church, the situation is different because the colleagues got to know her as a normal, in quotation marks, colleague and then for sure witnessed this personal development marveling. But the founder and in general the Bravo women are women with their feet on the ground and that is why for this project one of the conditions is that locally, at least I can say this for Hamburg, it adapted to the scene very well. If one from the outside would come flying in without a particular experience, I would think this would be more difficult. So I think this was an important point. And the founder also, maybe you already know this, also received the Federal Honour Cross (*Bundesverdienstkreuz*) and also other distinctions." (Civil servant)

The political sphere also played an important role in the process. The organization benefited from the compatibility in objectives with the Christian-Democratic (CDU) government in power in Hamburg at the time they were looking to expand their activities to over 200 locations in Germany. The fact that they do not select the families they support and do not focus just on disadvantaged families spoke to the political agenda of the liberal-conservative CDU party and concretized in the patronage of the program by the Minister of Social and Family Affairs in Hamburg.

Since this political endorsement provided Bravo with considerable more credibility and eased the way towards promoting the program being adopted by other organizations, the founder developed a practice around getting the endorsement of the ministers in all the states where they are present:

> "It belongs to the strategy, you expressed this very nicely, it is not a must-standard but rather a strong recommendation. Because we've had a lot of good experiences with this because we said we don't want to be just a private care organization with Bravo, then you don't need patronage, but rather we also understand ourselves socio-politically. So as a solution approach, as a system-changing approach." (Founder)

As a result of this, Bravo is endorsed at the moment by 15 Ministers of Social and Family Affairs from the states in which they are active. These endorsements also translate in some cases into some financial support for the organization:

> "We have then, so firstly, Mrs. C took over the patronage, this was then more or less a political sign that Bravo is supported here and that it is distinguished as a good project, in quotation marks. And we have then, we have a state fund and we financed the Bravo headquarters, we are still doing it today, with 30.000, now it's a bit more, EUR so that there was a center here that was responsible for developing new Bravo projects and locations, as well as to guide volunteers. And we supported the volunteer stories also through the fact that when Bravo projects emerged locally in parts of the city, on the one hand we showed up at events and secondly we tried to find sponsors for the location and we also managed to do this on a variety of grounds." (Civil servant)

What is more, due to their positive relationship with the CDU in the beginning of their activity, Bravo also benefits from the patronage of Chancellor Angela Merkel, which is an important statement about the quality and relevance of their service at national level:

> "This was perceived positively here. In the youth help scene there is definitely a critical view when you appear too much with business representatives or in particular contexts. But here this was appreciated because it shows how innovative the project was. And Bravo managed then also to have Chancellor Angela Merkel take the patronage, this happens relatively rarely. And now, I don't know anymore which year this was, 12 or 11, in any case in the permanent representation of the state Hamburg with the Federal Government, because Bravo was also aware that we stepped up here in Hamburg, Bravo was celebrated with Chancellor Merkel in several permanent state representations. This is a performance and now I'm not exactly informed about the state contacts at national level but the fact is that over the years not only Hamburg Senators, so Senators are something like Ministers here, but rather also other Ministers in other states took the patronage for Bravo." (Civil servant)

> "And then I also had a personal conversation with her in Berlin where the thing I really liked was that I had the impression she understood exactly what we're doing. So it wasn't a superficial I-make-now-a-fast-symbolic-negotiation, this as well, so she also needed this, material for the press, but she wouldn't have taken anything either, this was really what she needed. And this was also the big headliner – no laws help children, no child will be saved due to that, but rather we need a culture of looking closely. Unfortunately

we appeared very little in the newspaper but she had made her deal with the press, so the request for the child protection law was gone. So the entire strategy worked out.“ (Founder)

“So we don’t belong to a welfare association or anybody else, we are not in any political corner, there is political neutrality in the entire country and when it comes to endorsements it’s completely irrelevant, we have the Diakonie on board, we have Caritas on board, we have Paritätischer in it, we have AWO in it as welfare association, so there is simply a very, very colorful landscape and I think this is what makes Bravo on the other hand attractive because it didn’t position itself in a corner. And then there is only the question of how important the issue is for the endorsers.” (State coordinator)

The focus of Bravo on acquiring endorsements is very important for the credibility of the organization in a sector traditionally dominated by other players. It is also a guarantee of the quality of services of the organization which contributes to its positioning as a relevant player in the field:

“Yes, I think we would not have gotten even half of the attention if we hadn’t been so much politically active. So of course you can do campaigns and everything but in the end I don’t think this gets anybody excited. But when we then have all the Ministers in all the states saying ‘we endorse you’, then there must be something there. At least it draw attention and maybe also a bit of agitation, sometimes a bit of envy, so I think the feelings are very different depending on where everybody is and then in 2007 the Chancellor came too, this was a kind of distinction for Bravo. We received there the highest degree of attention and ever since, this shouldn’t be forgotten, it’s always connected, the bar is now always high, this means we also have to really bring the quality that we promise. Publicity is always both. So you are being seen, yes, but you are also being seen! You are from all points of view obligated to deliver transparency, quality, so had we had a scandal, we wouldn’t have had Mrs. Merkel until today. So this is a long time, over election cycles, she could have let it phase out but she stayed, she wouldn’t have done this for sure if we had been involved in a scandal. Or if Bravo hadn’t grown and hadn’t stayed relevant…So it’s a commitment for both sides and this is how I’ve always seen this, until today.” (Founder)

The symbolic resources that Bravo benefits from are also provided externally through the numerous prizes that the organization was awarded throughout time. Out of the 21 prizes that they were awarded, 5 of them were received as a result of their activity as a

social enterprise, while the rest were received for their extraordinary activity in providing social services (see Table 7). This indicates that despite the founder's active engagement with the social entrepreneurship support networks in Germany, a lot of the recognition that Bravo receives comes on behalf of rather traditional players in the welfare sector.

Table 7. Distinctions awarded to Bravo

Distinction category	Name of prize/distinction
Social entrepreneurship	startsocial Prize (2002)
	Schwab Foundation Fellowship (2007)
	Ashoka Fellowship (2008)
	Phineo Accreditation (2012)
	Wirkung Jetzt Award (2014)
Family service provision	Schiffs-Preis (2002)
	Bürgerstiftung Hamburg (2005)
	Sparkassenstiftung Schleswig-Holstein (2005)
	Land der Ideen (2006)
	Usable - Körber Stiftung (2006)
	Hanse-Merkur Kinderschutzpreis (2006)
	Angela Merkel Endorsement (2007)
	Bürgerpreis Hamburg (2007)
	Prix Courage (2009)
	Bundesverdienstkreuz (2009)
	SeeYou Koop. Preis (2010)
	Ideen, Initiativen, Zukunft (dm/UNESCO) (2010)
	Arella Award (2010)
	Verantwortlichen - Robert-Bosch Stiftung (2011)
	Heinrich-Brauns Preis (2012)
	HelferHerzen (dm) (2014)

Besides these distinctions, Bravo is also actively working on ensuring visibility for its activity through frequent participation in public events and by looking for media

coverage. These actions have the role of helping them bridge sometimes contradictory views on their activity and to differentiate themselves from similar providers:

> "Where we really run into competition is when it comes to media attention, this is clear. So when Program B had an article in the *Tagesspiegel* and I call one week later they say 'this is cute but they had Program B last week in (…). So two times in a row a similar topic is for us not exciting.' This is clear, this is also a point where we are in competition and also when it comes to funding. Very clearly. And I think, I always express this, I think we shouldn't pretend like this is not the case (…)." (State coordinator)

If the work of Bravo is appreciated and acknowledged by some actors in the welfare system, at the same time it is looked upon with skepticism as a result of their affiliation with the social entrepreneurship field. Bravo was able to prove the quality of and necessity for their work throughout their activity and still tensions do arise in regard to the emphasis they place on their financial model, their branding and their program standards. These are all rather atypical concerns for the traditional providers of similar services and illustrate the different features of Bravo in the social sector in spite of their close relation to traditional structures. This divergence is also at the basis of the focus of the organization on acquiring legitimacy.

2.4. The overall approach of Bravo

What stands out in the way Bravo operates in its institutional environment is its political approach in ensuring viability. Engaging with actors from various fields and seeking for their public support and endorsement allowed the organization to position itself as one of the most relevant players in its activity domain.

The organization differs from the traditional social service providers as it is not part of a welfare association and also does not rely mainly on public funding in running its operations. Bravo opted instead for a development path that builds upon existing welfare infrastructure, while at the same time maintaining a level of independence for the way in which they provide social services through their business generated revenues. Their legitimacy building focus also contributed to enlarging the understanding of the social issue that Bravo addresses and the acceptance of alternative approaches in tackling it.

3. Charlie

3.1. The social enterprise

Charlie is a limited liability company with public benefit status (*gGmbH*) founded in 2011. It is running a private secondary school (7th grade to 10th grade) for children coming from disadvantaged backgrounds in one of the districts of Berlin. The goal of Charlie is that each of the students attending the school completes a degree (vocational or theoretical) in the next educational level (which would be the high-school equivalent) at the latest 4 years after finishing secondary education in their program. This will allow the students to either continue studying or find employment, therefore considerably improving their socio-economic condition.

The school started its activity in August 2014 with a class of 26 students. An additional class of a similar dimension started in 2015 and a third class was added in August 2016. Charlie has a total staff of 26 people, out of which 12 are part of the pedagogic team. The rest are members of the teams focusing on networking and communication and on personnel and organization. The founder of the organization is the managing director of the organization and simultaneously the director of the school. She is closely working with the board of trustees and the advisory board in developing the organization. A current organizational structure of Charlie is depicted in Figure 10.

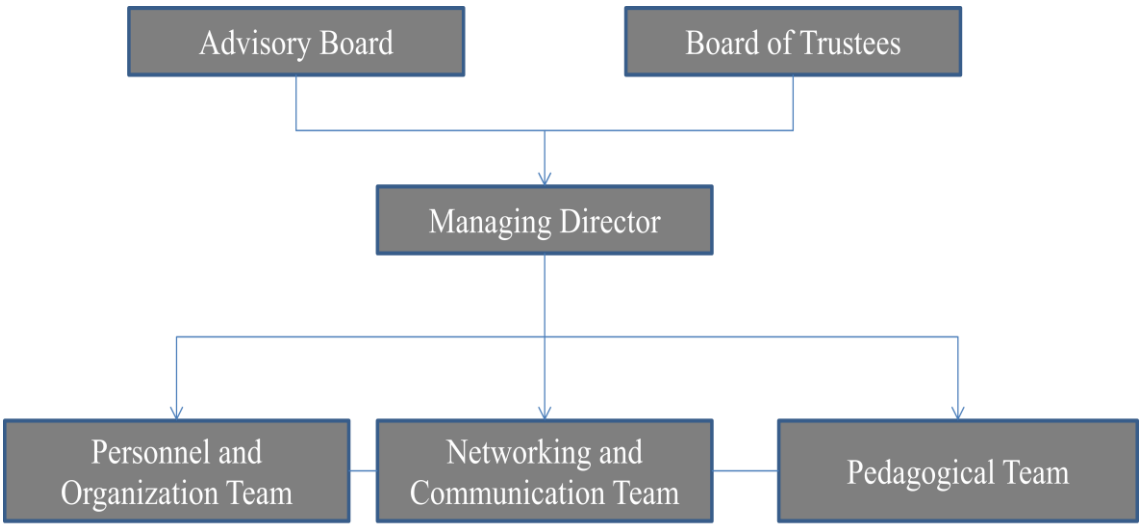


Figure 10. Organizational structure of Charlie

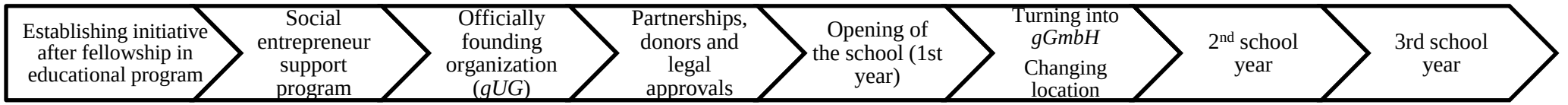
Charlie was founded by two former fellows of one of the most well-known and wide spread private educational programs in Germany. After their two years in the program the fellows decided to found their own school and pursue change in the German educational system. One of the founders decided to leave the organization though in the fall of 2014, due to misalignments of views regarding its development and also of task distribution and working style. He remains however active in the organization as a member of the board of trustees.

Charlie can be defined as a social enterprise due to its financial model but also based on the new approach that they have in providing their educational services. Financially, they primarily fund the organization through donations from private individuals and companies, grants from foundations, state reimbursements for the expenses of the school and to a small extent on the lunch fees paid by all the parents or the tuition fees (paid just by very few families depending on their income).

Relying on reimbursements from the government and the fees from the families makes Charlie operate on the same market as the other free schools (*Schulen in freier Trägerschaft*) in Germany. However, because the target group of the school are children from difficult socio-economic backgrounds, Charlie differentiates itself from other private schools targeting more well-off families. Charlie could be described as applying a low income client as market model as a social enterprise (Alter, 2007).

Figure 11 depicts the most important developments for Charlie at the time of the study. After the two founders decided to found their own school following their fellowship in an international school program, they also entered a social entrepreneurship support program that provided them with some financial resources, as well as consulting regarding the establishment of a new organization. Following this program the founders formally registered the organization and started acquiring donations, establishing partnerships, recruiting students and ensuring the legal requirements for a private school are all met. The first class started in 2014 and a new class has been added every year ever since. After the first school year the school changed locations and the organization also changed its legal form. The plan of the organization is to grow to 8 classes (2 for each grade) so that it also becomes financially sustainable.

Founding phase	Stabilizing phase	Scaling phase



2011-2014	2014-2015	2016 - ongoing

Figure 11. Timeline of Charlie

3.2. Charlie and its institutional setting

Charlie is active in several fields and has contact with a variety of stakeholders, some of which are depicted in Table 8. In the educational sector they engage with public and private schools, as well as with other educational networks or organizations developing educational programs. They engage with public agencies and the Senate in the public sector, as well as with support organizations and other social enterprises from the social entrepreneurship field. These stakeholders have different levels of importance for the organization and engaging with them is key for the way in which Charlie operates in its institutional context.

Table 8. Main stakeholders of Charlie in different fields

Field	Main stakeholders
Educational sector	Public primary schools Public secondary schools
	Other free schools Educational networks
Public sector	Berlin Senate Local public agency (*Bezirk*)
Social entrepreneurship field	Support organizations Other social enterprises

3.2.1. The educational sector

As mentioned in the previous chapter, the German educational system allows the provision of educational services by private actors in parallel to state-run schools. The wide range of privately-run schools or free schools (*Schulen in freier Trägerschaft*) functioning throughout the country are being run by welfare associations, by foundations or by other private organizations. Public schools remain however the most important providers of educational services in Germany.

There is a strong debate in the German society regarding the free schools and their role in the educational system in general. The critics of these schools argue that they only lead to more segregation of children and families with a migration background in the state schools, while allowing more well-off parents to enroll their children in a private school.

> "Yes, there is a strong fear and out of that a resulting antagonism, to try to stop the spread of free schools. So definitely a topic to be taken seriously because you see in the structural data that usually free schools have a significantly lower share of children with a migration background, smaller share of children from financially weak families, that the state schools are afraid that they will be left with the difficult students and that they say, well, yes, when we had these premises that the free schools have, I choose my children and then I have the parental engagement and the money that the parents pay on top, then I could also have a good school. There is also additionally competition around means besides questioning if the free schools take part sufficiently in tackling the challenges." (Representative of political party)

The commercial activities of the free schools are also under scrutiny and being regarded as inappropriate by the supporters of a strongly-led public educational sector. The debate is taking place on a political level as well:

> "The antagonism towards free schools from, especially from Social-Democrats at the moment comes from the thinking that it is an elite education, an non-solidary movement. And there I say we must differentiate, so the constitution gives a right to all but I would never not give a damn about all free schools but rather I would give exactly to these schools or school foundings in difficult backgrounds that say we must do something different there the chance to try it out because we need to do something there and we need to try something." (Representative of political party)

Another general criticism accompanying the activity of free schools is the assumption that they are going against the public school system:

> "Still, kids can, parents can decide, 'well I can put my kid in this school, I can put my kid in this school', so we're not making it in, you know, 'if you're in that school you're totally against the, you know, public school system'. That's not the idea. But that's what a lot of people think we're doing, you know, a lot of people think that. They think 'well, if they are a private school, well they're against the public school system.', which is not

true, but of course, I was, you know, skeptical perspective against the public sector in that perspective, of course, it makes sense." (Employee)

The partial solution that the Charlie management found in order to deal with these tensions was to move away in their communication from the positioning as a private school:

"I believe that Germany, in Germany private schools are being perceived as something relatively elitist, that is why we don't call ourselves usually private school, when we say free school then people think rather of Waldorf schools." (Founder)

Presenting themselves rather as a free school places an emphasis therefore on the different educational approach, rather than on the financial dimensions associated with a private school. The main argument of Charlie however in tackling the criticism is related to their unexpected target group and their lack of financial dependence on tuition fees which gives them more credibility and appreciation, as it eliminates the elitist suspicion, as well as the financial profit one.

Charlie has different levels of engagement with different education providers. The relationship with primary schools is important due to the recruitment process for their future students, whereas the interactions with other public or private secondary schools are more reduced because of their different educational approaches and goals. Still, over time the focus of Charlie on connecting with other free providers has increased, as the management has identified common themes and challenges in establishing a new school also with other free providers. Charlie is also part of more well-known educational networks that facilitates their access to resources.

3.2.2. The public sector

This educational institutional setting in Germany is in fact supportive of organizations such as Charlie due to the legal framework available for free schools. Still, the regulatory difficulties of opening a free school prevent a lot of initiatives from doing this and thus a lot of educational programs remain at the level of educational projects:

"So this is, Berlin is, I would say, in this regard friendly towards establishing schools. On the other hand, I must add if you compare it to a segment in the free market you are subdued to a crazy amount of regulation. So what for instance is very difficult is to

> receive the class approvals for the teachers and this is a big, big obstacle and there you have the same requirements like for a public school. And everybody knows that public school teachers also teach other subjects which is not accepted in a free school. These classes are not calculated and they you have a real problem. So this is a very regulated, which in the end prescribes you which staff you must hire." (Founder)

Part of the difficulty of opening a free school in Germany is also the limited political support that these organizations benefit from:

> "That's true, I would also say this about Germany in general. I also think that in Berlin we have an incredible situation in which the senator says 'we now have enough free schools.' So the senator obviously doesn't know that ever since 1945 the Basic Law stipulates that each citizen has the right to set up a free school. There cannot be too few or too many private schools, this is a basic right." (Founder)

This goes to show the very strong focus on public educational facilities and the limited openness from legislators towards alternative providers.

Charlie was however well positioned in this regard, as it focused on an unusual target group for a private school and this attracted support from most political parties:

> "Apart from this with politics, I must say, independent of party, a lot of openness and goodwill, also visits from various politicians that took time to visit us, I found that super. So there is an awareness there, so I would qualify what we did also under civic, social engagement, and this is there and this was also honored. And of course there are a few critical voices, but even in SPD there are many that say: "ok, with your approach, you can also call a free school good." Because the SPD is in general very critical towards free schools." (Founder)

The main stakeholders that Charlie interacted with in the public sector was the Berlin Senate, that ultimately needs to approve the school opening after all requirements have been fulfilled and the local public agency that also coordinates city planning in the district and thus is in charge with the approval of the building in which the school will conduct its activity. Besides the technical requirements that Charlie needed to fulfill in order to get approval to function, the relationships they formed within the public system were also essential for the process:

> "And we have over time made a lot of contacts in politics because of clearly a political benevolence is always nice, or at least some acceptance is necessary sometimes somewhere and this is how it actually was. We had people in decision-making positions that we could approach, thank God and that could force a singular case solution for us. And without these contacts the schools wouldn't exist or it would be someplace else." (Founder)

The institutional conditions and difficulties that Charlie faced were however common to other initiatives looking to establish schools. This underlines that the experience of Charlie is also representative for other free schools in Germany:

> "So the challenges that Charlie had are relatively typical for founding a school. There is little Charlie-specific there and most of it is typical for founding a school." (Advisory board member)

3.2.3. The social entrepreneurship field

The connection of Charlie with the social entrepreneurship field in Germany relates to their participation in a support program in 2013. The scholarship that the initiative won as part of this program allowed them to elaborate their idea and actually open the school one year later. The relationship with the program and the network has not continued intensely however after the scholarship period ended:

> "Very concretely with the social entrepreneurship support network there is not a lot of contact anymore. So invited here but not like, as they would accompany us somehow further, no. Mr. B, I think, was there, there was now and then a meeting about a founder or something. So they are available and they are of course happy about each one that makes it, from the scholarship holders, that becomes fully fledged, of course they are interested and they always have an open ear but there was no systematic assistance." (Founder)

The organizational focus has switched more strongly to the activity domain:

> "Because then actually the issue pushes in the foreground. So I think this exchange was for us very important, as we were still in this hardcore start-up phase, when we had to build everything, where priorities change every 3 months, this is now over. (laughs) Exactly, now some quiet came and we are very happy that we can focus on the issues and

also on improving the quality of the work. And this is why this slid in the background at the moment." (Communication manager)

The social entrepreneurship field has remained relevant for the organization as it facilitates consulting opportunities for the organization:

"So exchange is always important. And there are also always people in the social entrepreneurship support network that are counseling us. So we've met somebody now again with whom we can talk exactly about these questions, who also offers to accompany us pro bono and on this level this network continues to be important." (Communication manager)

In 2015 Charlie also joined another social entrepreneurship support program that offered them a scholarship and consulting on developing the organization. McKinsey & Co. consultants involved in this program are helping Charlie develop the next steps for the organization and fine tune especially their financial reporting procedures:

"There is truly the need for counseling in the finance area and most of all in the representation of finances, this was the main point and then of course this federal selection in the Chancellery is appealing, you can sell this communication-wise very well. This would have fit in the communication strategy. But it was also motivated by content, especially in this financial area." (Communication manager)

The labeling as a social enterprise is secondary in importance for Charlie compared to them being recognized and appreciated as a school. Their connection to the support organizations in the social entrepreneurship field and their acceptance and utilization of the label is one aspect of their fundraising strategy and even in this sense not one of their main priorities. Building legitimacy as a well-performing school is their core focus:

"That is why the question appears if Charlie really is a social enterprise or simply an establishment but in the classical…the foundation of a school with all the difficulties and innovations that are connected to it." (Educational program representative)

At the same time though, Charlie is also one of the organizations most frequently mentioned as success stories of the support programs and of alternative ways of providing educational service, which keeps them connected to this organizational field

as well. Even though the organization does not engage in this field as strongly as it did in the beginning, it leaves the door open for all sorts of opportunities and collaborations that might arise.

3.3. The organizational development process of Charlie

In achieving organizational and financial viability in the educational sector in Germany, Charlie focused on a few areas of activity that will be detailed below.

3.3.1. Problem approach

Definition of the problem addressed

Charlie addresses the issue of inequality of chances in the educational system, as well as more indirectly that of employability of youngsters coming from lower socio-economic backgrounds. They adopt an approach that goes beyond performance in the educational system and connects this with social mobility perspectives of students.

What differentiates Charlie in the educational sector is their strong advocacy for the capacities of their students, regardless of their financial and social disadvantages. The organization raises the issue of inequality in the educational system and how this has a broader and more long-term social impact under the form of unemployment and low social mobility:

> "Exactly, I also think this is fundamental, Charlie is looking to address a huge social deficit. I am convinced that as members of society we cannot afford and allow that 20% of young people are in unemployment and they don't have this confidence (…), this doesn't work anymore. We need to make sure that each person has the possibility to practice a profession, to generate corresponding work income and through this not only to notice their own life opportunities (…) but to also participate in the funding of our welfare state and community. Otherwise it doesn't go well. I am convinced of this and that is why this is for me a task for the future. So Charlie is looking to find and show to the best of their abilities the way in which it could work better for youth from difficult situations, to support them, to take them on board so that they are able to complete their studies and then to start professional education and our hope is that the one or the other could also get the university entry diploma." (Main donor)

Through its activity the organization is also looking to highlight the dimensions of the current architecture of the educational system that are problematic or insufficiently adapted for the needs of students coming from disadvantaged backgrounds. Through their program they also wish to address these shortcomings and disseminate their solutions if proven successful:

> "So at least my understanding is that this is what Charlie actually wants. So they want to help the students in District A, clearly but with the understanding that the reason why they have to do something completely new is that in this entire school system particular things don't function, that is why there's the need for this change and that is why the consequence is to say 'we want to be a lighthouse or an example and we would like to be partners for other schools that want to work similarly or that set the same goal for themselves.' That's why this would be very coherent, I would say." (Educational program representative)

> "And whatever our finding will be we want to of course to also function as a multiplicator. In order for the impact to not remain limited to the school but to flow in the educational debate. Because of course, if we really get an idea here of how educational advancement could work better, then we want everybody to know about it. (laughs)" (Communication manager)

Designing the social services

What is innovative about Charlie is its custom-made comprehensive curriculum build around the specific learning needs and multicultural background of the students. The founder wishes to demonstrate they are just as capable as any other students and that they can perform just as well, given the appropriate support and learning conditions that are a lot of the times not provided by state schools:

> "So the idea to run a private school for the ones that have the least connection to prevention care (…) is a paradox. Yes, a private school is rather something that escapes, something that escapes from society and to see this exactly the other way around and to say that public education does not help with the problem and we are doing now a private school, so a free school, a private school also in Berlin for children with a migration background in District A, I find this unheard of and cool." (Advisory board member)

Additionally, she also wants to demonstrate that a private school does not have to be an elitist institution that only the privileged can attend but that it should rather be a place where alternative solutions are being provided for the needs of the students:

> "That is why they need to make it clearer and stronger to the public and to politics that it is a really special school that has nothing to do with classical private schools, quite the opposite. Its civic engagement is looking to address social deficits and to contribute to finding a solution. And this should be made clearer." (Main donor)

Even Charlie staff is struggling with their role in a context in which free public education was meant to serve all categories of students:

> "I mean, like ask yourself, why can't the state put up schools especially for those neighborhoods? You know, I mean, we pay tons of millions of dollars for this education system, we have an education system that a lot of countries in the world are dreaming of but we still cannot put that education into work in those areas that need it the most. So why not? Why does it have to be us to do that? But I mean, why not do it then? If we see that there is a lack of state response to that problem, why not set up the different alternatives and say 'well, if they can't do it, why don't we try to do it?'" (Employee)

The emphasis falls therefore on the alternative solutions that the school finds in terms of curriculum development. Apart from the regular classes such as German, math and natural science that any other schools – public or private - offers, the curriculum incorporates courses such as intercultural learning, future (where students discuss and present their visions for their future) and regular field trips to various companies in order to discuss future employment perspectives. There is therefore a clear focus on connecting school training with future employment perspectives even in the way the curriculum is structured.

Students enjoy the schedule and feel that they are better understood at Charlie compared to other schools:

> "A student moved to District C and then we said 'we really like having you but wouldn't it really be better for you, you will find a school there.' 'No, I was never in a school where the teachers take me seriously and where I feel so seen.' She travels 2 hours to get here and 2 hours back. Every day. And she doesn't come late every day at 10 to 9. Yeah, this is unbelievable." (Founder)

The parents are also enthusiastic about the program and feel that Charlie enlarges the perspectives of their children through their educational approach:

> "And I also told my daughter, of course we had conversations and I told my daughter that a private school and a state one are in principle not comparable. State schools, my God, are not bad, I never meant to say that, but in private schools particular things can function quite differently. It works differently there. They can offer other type of support because they have the resources for that. They of course also need to follow the teaching plan just like the state ones, this is clear, but it functions differently. And private is always, I think, a tiny bit better, especially when you also have children that have some problems with the school or in general, I just found it better." (Parent)

Still, due to the fact that they are still a small and new school, Charlie needs to invest energy in recruiting students and making itself known among their target group. They are in touch therefore with primary schools and families potentially interested by their educational offer and they conduct intense promotion activities and information sessions in order to convince the children and their families to join the school. Charlie staff needs to actively present the school in primary schools and at the same time maintain a balanced presentation of the school that does not drive the families away because of too much promotion:

> "At the same time we also know that not everybody in a district such as District A registers from the beginning but rather that we need to approach them. And this is at the moment the phase of my work, to go to primary schools, to go to other schools, to make Charlie more present, to promote it on all levels to the extent possible so that we don't give the feeling we are an advertising industry because the students that we want won't come then either." (School principal)

It is relatively difficult for Charlie to reach their target group because the parents of these children are not necessarily the ones with the capacities to get informed and invest time in choosing the best school for their children.

> "So parents should make an informed decision regarding secondary school for their children. The thing is though that if we really want to have the students we want to have, then these are not necessarily the parents that have the education or especially the

capacities to understand this decision with all its consequences. It's especially about the capacities." (Founder)

This is also the reason why recruiting students still requires effort on behalf of Charlie although their target group is of significant size and the issue they address so pressing. In the future, as they become more well-known and develop a reputation, the school expects that the demand for a place in the school to be greater than the places available. In this situation the team will have to develop a selection process for the children and families but at the moment this has not been discussed yet.

Although most of the children and families are satisfied with the school, there were also four cases in which parents were not pleased with the work done at Charlie and some of them also decided to leave the school. These were however more isolated cases that developed due to different understandings of the role and approach of the school in supporting the children. Charlie is overall looking to engage the parents and the children more in the decision-making processes and the governance of the school, in order to be able to better respond to their needs and wishes through the programs they develop.

3.3.2. Ensuring compliance

The activity of free schools in Germany is also highly regulated and supervised, so Charlie needed to invest significant amounts of time and effort to ensure that they comply with the regulation in place. Two areas of compliance stood out: the conditions for teachers in the school and the ones related to the building in which the school functions.

The educational degrees that the teachers had to have completed in order to receive the approval to teach were unclear for Charlie in the beginning:

"And it turns out that you need a master's degree in order to receive the teaching approval in the end. And this was not clear beforehand, the criterion wasn't there before. It was not on the table." (Communication manager)

The requirements for the school building were also complex, as it needed to fulfill all security conditions as a public school:

> "In the beginning we had to have classes someplace else for 6 weeks. During the summer there was a shortage of fire safety doors in all of Germany, I don't know if you've heard, everybody that built knew about it and these are also unspectacular things, I always get disappointed when I see them, these doors are actually not that impressive, but you can't teach students in a school where there are no fire safety doors. And because they couldn't deliver them for 6 weeks, we needed to, so luckily we had it in the rental contract, our advisory board looked a bit over the contract and Mr. E negotiated the contract with us and luckily he negotiated (…) that in case this building cannot be finished until the deadline the landlord is obligated to provide us with another space." (Founder)

The interactions with state agencies have been of particular importance in the establishment period of the school. The bureaucratic structures were difficult to navigate as there were numerous stakeholders that needed to be taken into account and approached:

> "And this is also the problem, that they not only have to do with the administration, with the Senate education administration but also with the district, because the district was responsible for all these building things. Then it wasn't clear for a long time where they'll actually move and which obligations they have to fulfill in regard to a school. And this means they needed to communicate simultaneously with these agencies and this was, what would have been nicer or would be nicer is if you could land in one place and not have to communicate with the state Berlin, as well as with the district and within the district again with different institutions. I think this is very difficult." (Journalist)

Lack of coordination between public agencies was also problematic for Charlie, especially in regard to the school building:

> "A huge problem was the building and also the approval for the building. In particular City Planning, there were the Construction Agency and the City Planning which haven't communicated at all and this almost led to the failure of this project shortly before the end, 7 weeks before the start the City Planning suddenly came and said: 'In the place where you want to build the school you cannot do it due to city planning regulation because there are also apartments here and there can be conflicts between students and neighbors in the hallway and this doesn't work.'" (Founder)

Political skills were required for the founders in order to gain all the approvals for the school. Maintaining a good relationship with political representatives was part of their

work in ensuring that they receive the approvals needed and that they benefited from their support:

> "We looked for example at state level that we at least approach the spokesmen of the parties for education policy and at district level also a lot with the district school committee and then in the end it was decided about the building not in the School Department, School, Youth and Sport or however it's called but rather in the Agency for Economy, Order and Construction. And we were lucky that we somehow did still get to them through various channels." (Founder)

With the support also of individuals working in the public agencies, Charlie managed to fulfill all requirements or to find compromise solutions that would still allow them to legally function. Finding the right people in the public sector was mentioned as playing an important role for the organization in finding solutions to all the regulatory requirements:

> "We are looking for them in the agencies because there are people there too, I enthusiastically reached the conclusion. So there are some that really think strongly in a public administration away but there really are also people and if we are luck we find for each issue a conversation partner. So we have high hopes now for the appointment with the School Council because we have heard from different places that this should be a very nice man, so the kind of person that functions similarly to me." (Founder)

Overall however, the founder concludes that the demands that free schools need to fulfill are legitimate and that the difficulties in complying with them also came from the lack of experience of the team rather than the unreasonable conditions of regulators:

> "I find the requirements for building a school legitimate and correct and there was nothing there where I thought I find it inappropriate or whatever, quite the opposite, honestly, the requirements for founding a school are straightforward, we created too much work for ourselves there, we handled some things in too much detail." (Founder)

Another way of responding to expectations from stakeholders and signaling compliance was through the legal form choices of the organization. Charlie was first founded as an entrepreneurial company with public benefit status (*gUG*) because it was the legal form that required the lowest amount of start capital and was in this way the easiest to register. The organization decided in 2016 to change legal forms and become a *gGmbH*,

because the owners of the new school building considered this legal form more trustworthy in terms of governance structures which are more clearly stipulated by the law:

> "And this is, in these contract negotiations also regarding renting contract, I think, there are two objects that are vacant and one landlord and owner said the a *GmbH* legal form offers him more security, that he would like this more. And then in the end, as GmbH you are obliged to have half of your start capital as reserve funds and this is of course in case of insolvency for the creditor, 1.000 EUR and 12.500 EUR is a difference, whether it is existential can be debated but it is a difference. And this makes a difference, makes a point also in the public appearance, we have been told this time and again. But we decided against it in the beginning because we had no money and this is what the *UG* form represented, in the financial situation it is like this, so until the middle of the school year, so as I left, the first school year was completely funded and there is also accordingly money there to do the transformation in a *GmbH* because the start capital can be used and spent. Not until the last cent but it is thought for investment." (Founder)

The fact that this legal form is more strongly regulated than other non-profit legal forms in Germany illustrates the inclination towards control, supervision and risk reduction that resource providers in this sector appreciate.

The legal form is of little importance for the organization however and is mostly used as signaling device for financial stability that attracts potential partners and funders:

> "Because people that deal with companies from the outside and think about doing business with us, for them it is like '*UG* yeah, nice, this can be founded with 1 EUR, do you even have money?' And *GmbH* is like, and honestly speaking from inside I think it doesn't matter if we are a *UG* or *GmbH* but from the outside it's a huge sign of financial solidity and this is how this minority society of the landlord sees it. He told me 'if I put you on a grid to see if you are a trustworthy tenant or not then you get a lot of warn signals for the *UG*.' Yeah, nice, if this is how his grid shows it, then he should have it." (Founder)

More than the actual legal form, the public benefit status is essential both for funders and Charlie in order to ensure that the organization has the appropriate fiscal channels to receive donations and other type of funding:

"So for us this would be a fundamental condition that the organization has a public benefit status and this would only work as an *UG*. Because we are focused on donations and honestly I'm also not so sure with the fiscal conditions but it must be in any case, the organization needs to be anchored in the public benefit sector." (Funding organization)

3.3.3. Engaging with established providers

Connecting with other providers and networks in the educational system has been essential for Charlie and its development. Before setting up a completely new school, the founding team looked to partner up with existing structures that were focusing on the same target group:

"And in the first time we concentrate on aspects of where it is possible, where are the people that we want to address and is it imaginable that it will happen in Berlin. So they decided not to go to District B, they go to District A and they go to the Initiative A and (…), this was something around for their first intention was to convince them to do it with Charlie. Their own projects and they had no, Initiative A had no structure and no idea. They are just grabbing ideas and put them in a subvention perspective. And the first 3-4 months we tried to get an access to the Initiative A which is viable and brings the project forward. The Initiative A has big political power with the local area, for they organized about 1000 Turks and parents and they promised everything. And after Founder 2 and Founder realized with the, after discussion with the School Administration that the Initiative A is not capable of doing one process step after the other, so they are a crowd, not a crowd intelligence (laughs) and they have no management capacity. They are also very insecure about their own funding, so they need other (…) to get further funding but they are not so interested in realizing it and the quality that Founder and Founder 2 wanted. And we switched (…) to say ok, forget the Initiative A, you have to do it on your own and you have to get the support from the School Administration and we have to seek, to look for other local representatives who are supporting. This was a critical moment for the Initiative A as the former CDU (…) and others who were very influent and only with the help of the School Administration who had a clue about the competence of Founder 2 and the management background of Founder it was possible to build a parallel structure (as a vocation). And then they had luck to get the first building." (Social entrepreneurship support organization representative)

As establishing a partnership with the Initiative A did not succeed, the founding team looked for alternative solutions. They established a partnership with one of the biggest

and most well-known foundations running and coordinating free schools in Germany. This partnership was based on the idea that the network could facilitate their access to public resources. In order to be able to receive a higher amount of state reimbursements, Charlie signed an agreement with the foundation prior to opening the school. Since the foundation is a well-established provider of educational services and runs its own free schools in Germany, it was able to access higher amounts of state funding from the beginning. Otherwise, Charlie would have had to wait for 4 years to be able to do so.

In the eyes of the Berlin Senate therefore, the partner foundation is the official carrier of the Charlie school and they are the ones legally and financially liable for its activity. In practice, Charlie is in charge with all the operations of the school and has a relatively loose relationship with the foundation. As the founder explains, this situation is tolerated by the authorities and basically represents using a legal loophole to access more public funding:

> "We used the legislative loophole with the providers and this was knowingly and easily accepted and we can be very thankful for this." (Founder)

In return for the support they are providing Charlie, the partner foundation keeps 5% of the state funds that are allocated to the school for administrative issues such as reporting and maintaining contact with the Berlin Senate:

> "So the Partner Foundation has a statutory mandate that says bearing of education facilities either their own or carried and this is how Charlie came to us. Charlie depends, we are no love marriage, if you want, we are a marriage of convenience and the Berlin school legislation says that when you found a school, you have 3-year waiting period, unless you go under the umbrella of an approved school carrier, which is the Partner Foundation." (Partner foundation representative)

Besides the financial advantages in the collaboration, Charlie and the foundation also benefit from each other's expertise and insights, although this is an aspect that developed later in the partnership:

> "But still it is very interesting for us to work together with Charlie, from our perspective, so we don't have to take over the operations of this school, nobody can force us to but we still do it with pleasure because private schools need to do other things to, in the sense of

how can we facilitate the access to such school to all, preferably all children because they can't all pay school fees and maybe they don't even want to. And that is why it is very interesting for us to do this. And in our opinion, we also want that everybody who is interested can benefit from partner foundation programs. So also the children that don't even know that the partner foundation programs exists. So if the offer is not taken up that is something else. But the offer should at least be available also in District A and in other regions." (Partner foundation representative)

"What becomes more intensive now is this Partner Foundation network (…) and I notice this again strongly because we've been now suddenly cooperating for the past 2 weeks with the School A, which is also in the Partner Foundation association, their teachers are also leaving and we must all cover these subjects and there's 13 of them and you can't get the teachers who have approvals for 7 subjects and whom you have here 3 weeks before (…). And now we are sharing teachers. And this works really, really well. (…) And this is getting more intensive now." (Founder)

It is important to stress that Charlie continues to implement its own custom-made curriculum and that it does not adopt the pedagogy of the partner foundation. It maintains therefore complete autonomy in designing their educational approach.

As mentioned before, the recruitment process of the students is very important for Charlie and collaborations with primary schools are also essential in this regard:

"Yes, other organizations. There is for example the primary school that is here nearby. They are also totally interested in us. I presented us there in November as potential secondary school of choice and there was a teacher there who was so happy and who said that he has the feeling now that he's no longer working in vain. So he works for 6 years with the students and then they go to such a school and then it's all over and now he has a feeling that maybe some of them come to us and then it continues for them and this is good. This is a compliment with no comparison. So there is interest and possibilities but it is not so distinctive. There are individual school principles that the Founder meets and with whom she has exchanges but I think it will become even more. The more the content will also get more space here, the more exchanges will there be too. But at the moment this is not our focus." (Communication manager)

Another important collaboration for Charlie is with the network of the wide-spread educational program that the founders were part of, due to the strong connection of the

founder to the network. The partnership with the educational program is related both to teaching resources, through the fellows of the widespread educational program that join Charlie and to financial resources and visibility, as the network sometimes intermediates contacts between Charlie and potential partners:

> "Founder and Founder 2 both worked for the Post, this is also one of our main sponsors, they have very strong contact as an organization with our alumni and they have been following this with interest, especially in Berlin to found a school is something massive and special and I also invited the Founder to our sponsors' day last year. The second that I organized, it was also something that I developed for Educational Program, it was part of my assignments to develop such a format and I asked her to speak as an alumna there, what do fellows do after they have gathered 2-year experience in schools, what happens with that. And she was the example that she stays in the educational system and revolutionizes it, she is trying to also actually implement the experience that she gathers in the form of creating a school in her understanding with another alumnus." (Educational program representative)

The support that the founder feels she is receiving from the educational program in Germany and its wider international networks also has to do with the difficulties of setting up a new school particularly for children from difficult socio-economic backgrounds, whereas in the network of the partner foundation the schools work with children coming from rather advantageous backgrounds. The founder does recognize however, that Charlie needs to be more present in the German educational sector among other free schools in order to also learn from their experience and be more appealing to potential funders. This is also a change of focus that was visible throughout the study.

Developing the partnerships and connections with a variety of stakeholders was a process accompanied by internal developments in the organization as well. The differences between the type of work required by teaching in a school and by administratively running a school have been a continuous struggle for Charlie throughout this research. Charlie distinguished in the beginning of the study between the social enterprise as a fundraising entity and the school itself:

> "So yes, the question is how you define social enterprises. And it is definitely an entrepreneurial aspect behind it because Charlie itself as carrier of the school, it serves as

a pseudo-carrier and the complete organizational and resource questions in the background get cleared basically by the *UG* since the school itself doesn't have a legal form." (Founder)

This internal division was visible for externals as well and to some extent surprising, as the interest the organization generated was related mostly to the activity of the school:

"So this difference so to say between Charlie as social enterprise or as back-up office or however one wants to describe it and the school, so that there are two different institutions at some point, at that point this was not, it was for a long time not clear to me and it was also not communicated. (…) So I thought for a long time this is identical. This is the school, the social enterprise is the school and the school is the social enterprise. And I became aware really late that this is not the case." (Journalist)

With time though, the communication strategy around these two entities changed, as the founders observed that the confusion among externals was detrimental to their development:

"And yes this was in the beginning a bit, because we always looks for money first for the *UG* and then for the school and people always wanted to know what is it for. And over time, also in a lot of conversations it seems, this was an acknowledgement that the founder brought in where she said, hey, and also Mr.D advised us then, he is also in the advisory board, put this all together because in the end it's one thing, because the *UG* doesn't do anything else apart from doing the preliminary work for the school. And this is how it is now too, so it's not differentiated anymore on the homepage, it is basically the school and then behind the back-office in end effect, if you will, and of course they are working with other topics than the school and this is also good like this." (Founder)

Their still unstable structures and practices of the organization in the beginning of the study underwent significant changes. In the fall of 2014 there was somewhat of a division between the staff working on acquiring funding and making sure the school fulfills all the legal, safety and administrative requirements of the state and the staff working in the school with the children. The situation was not made easier also due to the fact that the two teams were physically separated, with the school functioning in a different building than where the headquarters office of the organization was. Although

this tension was strongly felt at a management level, there were also voices among staff that did not perceive this differentiation as problematic for the organization:

> "So we don't view ourselves so separated. So we see ourselves as a big team with different task fields. Yes. So mine is very strongly focused on team management within the school and organization in agreement with the state Senate and all the other stakeholders in the school domain. The colleagues in the social enterprise have mainly special tasks that have limited connection to the classes but have a lot to do with the school. And I think you can observe clearly that a school is more than just classes, there is a building in question, in the meantime we need to take care of a building for next year. A lot of it is administrative process to clarify." (School principal)

The situation improved once the organization moved to a new building in the summer of 2015 where all staff can work together. The substantial change that was made though was that of organizational structure and processes, the flows between the teams being changed. There is much more communication at the moment between the staff working on communication, fundraising, finances, etc. and the teachers for instance and the role of the founder has changed from being primarily the manager of the organization also representing it externally, to being more directly involved in the activities of the school and the development of their pedagogical concepts. This was reflected in the fact that the founder is now officially also the director of the school and also in the fact that she delegated a significant amount of tasks and responsibilities to other team members towards the end of the study. There was therefore a focus on ensuring that the exchanges between teams are much more fluid which led to the creation of a better common understanding among team members.

Additionally, the recruitment processes have been adapted so that there is a better fit between staff, the organizational culture and the mission of Charlie. The recruitment team clarified the selection criteria that would serve this purpose. This was also facilitated by the fact that after the first school year there was a high fluctuation in staff, partially also due to the internal conflicts between the administrative and teaching staff in the organization but also because of the difficulties in identifying staff compatible with the philosophy of the organization:

> "And this is something that I really want to have. When you notice, yes, the second state exam is nice because it makes things easier but what I actually want is somebody with a background in the Educational Program who also has coaching experience and who can support teaching personnel because I have also done this for a while and I can do it but only when I really focus on it." (Founder)

> "So now we also conduct interviews really differently. In the sense that we make it clear for people that of course teaching the subject is important for us too but we are a school under construction. And we also want to define new structures for how a school can function well and if you are an especially enthusiastic teacher and you want to really focus on your subject then it is great that you chose the teacher profession but this doesn't match with us. We are a school under construction, here you need to shape the whole organization and there's this saying that we always use – we have difficult students, we always have too little money, too little staff, too little space and still we manage to do this somehow. (…) Because for some teachers thinking along these requirements is a bit difficult." (Founder)

As the organization continues to grow, the need of restructuring processes also arose. If in the beginning the founding team wanted to create an organization without hierarchies, in 2016 the team realized the need to introduce a middle management level that can coordinate the three teams that were formed:

> "So we have increased incredibly now, we have 25 employees at the moment and we need to look what functions now, how do we organize ourselves so that it works. And that is why now there is a process underway to introduce a middle management level, we didn't want this before but now we have the impression that this is the easiest way to keep working and be functional and later you can still look at how it can move forward. But this is on this level of consolidation or transition between start-up and…" (Communication manager)

Charlie therefore operates with a pedagogical team, a networking and communication team and a personnel and organization team. There is still need for clarification of tasks and processes between teams but the change was welcomed by staff in the organization and is meant to simplify processes internally, as well as interactions with external stakeholders.

Overall, engaging with established structures was essential for Charlie in order to open the school and ensure the continuity of its program. One of the consultants working with Charlie in the start-up phase explains the importance of connectivity for the organization:

> "So the key resource was, I don't know the English expression at the moment, die *Anschlussfähigkeit* (connectivity). So they are no solists, they are an orchestra. School is an orchestra. And the *Anschlussfähigkeit*, they can understand what does a school administration is willing to do if they have a partner and they won't do it on their own for they cannot do this, they cannot tell the *Beamten* (civil servants), the workforce you have to work in this or another space. You need people who are interested, intrinsically motivated to do it. And well, you feel the power and you see a chance to combine it with your own pedagogical intentions. First bottleneck, school administration, second was key resources. Are they able to plan for 2 years? And third have access to the community they will reach. And in these 3 fields they are doing very well (…)" (Social entrepreneurship support organization representative)

3.3.4. Financial processes

Charlie relies on a financial mix in order to fund its activities. Apart from the public funding it receives and the small amount of fees that the families pay, the organization has a strong focus on fundraising private donations as well:

> "So there are different aspects in the case of Charlie. If you only look at this finance plan then it's clear that they will be oriented for many years towards funding from donations and volunteering and so on and so forth. Still, a sustainable model has become possible because they receive from the state certain funds as a recognized provider. Moreover, they have also added this godparent model and I also think it's very smart to collaborate with companies and say 'if you give us 1000 per year then you support a child for an entire year' and then I also heard from Charlie that during Christmas time a lot of them say 'ok, then let's do this godparent sponsorship instead of buying a present or to make Christmas donations'. And these are ideas that social enterprises have and that are very, very smart and that also bring money in so that they can at one point finance themselves through these models. And I think, lastly, theoretically there are also these school fees as a revenue source that they can also use. I know, I looked at it in the beginning and I know that they approached this very professionally. In that you also see ok, these are the revenue sources, these are the expenses and this is how it looks in 2-3 years. So it is also

very professionally done. What you don't find in other associations." (Foundation representative)

Charlie is currently highly reliant on donations in running its operations but does set out to primarily fund its activity through state reimbursements. The Berlin educational legislation stipulates that any private education institution needs to have gone through a first complete educational cycle in order to receive 93% of the personnel costs that the state awards per student in state schools. Before the completion of the cycle, private schools receive only 25% of these available funds, thus having a strong need to complement funding from other sources. This constraint was at the basis of collaboration with the partner foundation.

There are also other public funding programs emerging that Charlie is eligible for. In 2016 they could access even more public funds through the Bonus program:

"It is nice that the Bonus-Program now has also been expanded for free schools. I don't know if you know the Bonus-Program, it is for schools in difficult situations in Berlin, so if you have more than 50% or even 75% of students exempt from paying for teaching materials, which gets decided based on financial criteria, then you get so and so much per year and this increases for us every year because this is also dependent on the number of students that you have."(Founder)

Still, even by receiving a higher amount of public funding, Charlie needs to fundraise and cover the costs for the other staff members, as well as administrative costs for the school. If public schools benefit from the coverage of these costs through public funds, in the case of free schools additional sources of revenue are needed. This is why Charlie invests strongly in developing and maintaining good relationships with their donors and partners and develops new fundraising strategies for the future as well. These strategies also involve selecting the less demanding donors in terms of their reporting efforts:

"The topic communication is very important because of the fundraising. Fundraising is very important because the state grants cover around a quarter of our costs. So just our biggest donor is giving considerably more money than the state." (Founder)

"We have a lot of luck in the sense that we rigorously sort out who has too high demands. (…) everything where good money comes from is totally uncomplicated. So clearly we need to pick them up at some point and prepare a presentation but you deliver it to the

> others too. And everything that was annoying we said we won't do it anymore and these were also small contributions." (Founder)

Despite of the importance of the partner foundation for the functioning of the school, the founder relies more on the educational program in which she started and the international network associated to it for input and support in terms of educational issues, as well as for potential donors and partners. Three of their main donor relationships are a result of the founder's involvement in the network of the educational program in which she was a fellow. The advisory board members are also engaged in attracting additional donors by activating their own personal networks and by maintaining a close connection to the supporters of the organization.

Regarding the fees paid by the families, the parents are pleased with the differentiated payment system that the school adopts:

> "Here it is a bit different because as I said the parents that receive unemployment benefits II or what's the name of the other one, living money or another support from state in this sense, have to pay only for the food. But I have to say, this is actually not a problem at all, BECAUSE I need to pay the money for food at a state school also, this is not for free, yes. Whether here or there plays no role because I need to, these are all-day schools, yes, I need to pay for food there exactly like here just with the difference that we pay maybe a bit less than other children. And the parents that, there are a few parents here that are a bit better off, they pay a bit more. But always, always in correspondence with what they can pay. Yes. This doesn't mean therefore that they need to pay 300 EUR but they can't pay after all, so the child must go but rather they are really making an effort to find a solution that actually functions for everybody. And I find this really excellent." (Parent)

Seven out of the 51 families are paying school fees and all of them are covering the lunch costs for the students.

Although Charlie also developed a business plan in the beginning of their activity with the help of business consultants in the social support organizations, it remains unimplemented. The founder is relatively skeptical about its utility, especially due to the lacking instruments in the German context that the plan is built on:

> "So we have a business plan based on social impact bonds and, right, I think also somehow cooperation with training operations that pay for it at some point since our students are so capable for trainings. Everything is in the cabinet, everything is calculated. I don't really believe in it. So, I don't know if you know the social impact bond model. In principle these savings that come later, exactly, there is now one in Germany. We are open for it but there is something concrete, it's in the cabinet, it's one and a half years old. I personally don't believe in it. Not forever. But not in the way it is there now. In 6 years this and that, so like that. And now I'm excited to see what we develop." (Founder)

The fact that Charlie does not make use of the business plan developed as part of the scholarship offered by a social entrepreneurship support network is strongly connected to the mismatch with the infrastructure used by the state and the instruments that actors from the social entrepreneurship field are looking to develop. The social impact bonds as a financing mechanism have only been piloted in Germany in 2014 and no clear perspective has emerged on the usefulness and desirability of the instrument on a larger scale. Despite the fact that these instruments are used in Anglo-Saxon countries already, the setup of the German welfare sector is not yet encouraging for these initiatives:

> "The state covers long-term more and then you need to look, you need to also think about some business models. Although I must say we withdrew from making such a business plan. It can be that we still need to present it like this. But we wasted so much time with it in the beginning. We have, no clue, I can look in the back if we still have one. We have perfectly elaborated 100-page business plans where it is explained exactly how the social impact bonds function which would finance us because we are saving the state a lot of money. So a *Hartz IV* recipient costs the state yearly 18.600 EUR and three quarters of the youth here live in *Hartz IV* households and the probability, especially with a Turkish-Arabic background, when you look at the statistics, is relatively high that they later also become *Hartz IV* recipients. And then they cost 18.600 EUR per year. And, yes, with us a year in school costs less. So this could, so just this and savings in health care etc. These are all wonderful models but the question is if agencies cooperate. And now we don't have the capacities for it." (Founder)

The financial strategy of Charlie therefore at the moment is strongly connected to key individual donors that want to commit with significant sums of money to the school:

> "So there is a new donor in this huge range which is extremely pleasing because Mr. D was before the only one that was donating a six-figure sum per year, now we have another one that donates in the six-figure range per year, this is great (…) Simply financially I'm not concerned at all, we have fundraised with the Christmas event the whole budget for this school year, this means that we're now starting to fundraise for the third year with full power." (Founder)

At the time of the study most of the financial resources of Charlie were provided by a professional contact of the founder that was also strongly engaged in supporting the educational program in which the founder was initially engaged. The donor strongly believes in the mission of Charlie and in the team that works in the school and this is why he committed with a significant sum so that the school can be opened. Additional donors have been attracted, however the relationship with this donor remains of particular importance for Charlie and the founder.

Another key supporter of Charlie is one of the foundations which is mostly involved in supporting social entrepreneurship in Germany. They have supported Charlie financially from the beginning and are also one of the most important promoters of their work through their events and in-kind contributions as well:

> "I mean, what you can notice here is that we are getting everything that we could get for free, for free. So if we'd make the effort to list the value of everything that we are using here on a daily basis, then it would look differently but somehow all the facilities as in-kind donations, they don't appear here of course. (showing the budget)" (Founder)

Charlie plans to keep adding new classes to the school every year. In order for them to be sustainable they would need a total of 8 classes (2 for each grade) in the school. That would allow them to fund the organization primarily through state reimbursement and rely less on private donations long-term. Nevertheless, fundraising remains a priority for the organization in the meantime:

> "We are all of different opinions here too. Although I don't think it's that much different anymore. So we are funded approximately one year in advance. This is from my opinion an unbelievable performance for a tiny social enterprise (…) more than half from donations because companies, foundations, individuals, this is all here somehow. And the advisory board members and the shareholders see it exactly like me. The fundraising

team anyway. Historically speaking there was also the perspective in our organization that before we take on a student we should have their whole school track funded. To my mind, this comes from a misunderstanding of how fundraising works. So something always comes in. And what I find impressive is our account status over more than 12 months." (Founder)

3.3.5. Symbolic processes

As in the case of Alpha and Bravo, Charlie places emphasis also on symbolic resources that proved them legitimacy and further access to financial resources.

Charlie was from the beginning very engaged in communication activities regarding their work. Although at times it was hard to balance their everyday activity and setting up the school with the interest of journalists in their activity, the ultimate result is an impressive coverage of their work at both national and local level:

"So there are countless inquires from entire Germany, but Charlie is an observed project Germany-wide. And the press inquiries and of course enormous, they tell me. But now they can't let somebody else in although they all come. They need to find themselves first." (Foundation representative)

"It was nice to observe that they had no media experience. And that they also fluctuated between: Yes, yes, we do want the journalists around us and on the other hand: Hm, we also don't want the parents, to scare the future parents and the future students. So there you could notice they are not professionals. But I can totally understand it because for them there are other more important things than professional media work. This hasn't bothered me." (Journalist)

Communicating about the school is a strategic activity of the organization that aims to contribute to achieving financial goals:

"So it is indeed like this that in case of doubt, when there are shortages, regardless of which kind, financial or time-related, in case of doubt communication is for us always for fundraising. This is always, it trumps everything else. And the rest is a bit opportunity and wiggle room in the sense that we look which possibilities we have to dock on to something." (Communication manager)

Maintaining attention towards the unconventional setup and activity of the school is also a way of attracting support:

> "And also the event next week is an expression or an element of this public relations work. That we aggressively say 'hey, we exist for 2 years almost already and 3 years ago people said that it is impossible what we want to do here, a private school funded through donations, how crazy!' And to say again now 'hey, we exist and it works.' Of course we need donations again and more donations, so keep on donating but also to reflect on what is already working well and what we observe." (Communication manager)

Table 9 provides a short overview of the press material with a focus on Charlie published between 2012 -2016.

Table 9. Media appearances for Charlie

Year of publication	Media appearances	Publisher focus
2012	2 articles national level	2 appearances issue domain
2013	10 appearances • 1 national television appearance • 1 article local level • 8 articles national level	• 1 appearance social entrepreneurship • 9 appearances issue domain
2014	38 appearances • 3 national radio appearances • 7 articles local level • 28 articles national level	• 4 appearances social entrepreneurship • 34 appearances issue domain
2015	9 appearances • 2 national radio appearances • 1 article local level • 6 articles national level	9 appearances issue domain
2016	8 appearances • 1 article local level • 6 articles national level • 1 national radio appearance	• 7 appearances issue domain • 1 appearance social entrepreneurship

Without conducting an in-depth content analysis of the media appearances, it is visible from the overview of the media sources in which Charlie is being mentioned that they are depicted as an innovative school rather than a social enterprise focusing on education.

This strengthens the observation that interactions with the social entrepreneurship field were especially important at the time of the establishment of the organization and diminished over time. Charlie is currently using its connections to the social entrepreneurship field in order to maintain its visibility and to engage with other potential resource providers. Whether they take part in panel discussions in the Bundestag or at events organized by foundations supporting social entrepreneurs in Germany such as the BMW Foundation, Charlie uses these opportunities to establish itself in the educational sector and to access resources. For instance, at one of the events attended as part of the field research where Charlie representatives were panel speakers, I could observe a discussion among team members regarding the best approach to potential funders in the room. This back-stage discussion highlighted the strategic use of these events and gatherings for developing future connections and partnerships for Charlie.

Through their participation in various events the team also realizes that they can address different issues of interest in different fields that can ultimately allow them to access more resources and establish themselves in the education field:

> "On the one hand there is the social start-up direction that we can serve and on the other hand teaching development but also in principle agenda-setting for equality of chances in education in a broader sense." (Communication manager)

As they can demonstrate their goal achievement only in a few years when the first class finishes the secondary cycle and continues with the next educational level, Charlie has not yet received a significant amount of awards compared to Bravo and Alpha. Still, it was designated in 2016 as a winner in the *Deutschland - Land der Ideen* competition, which the other two organizations also won. This prize is therefore one of the first signals recognizing the innovation potential of Charlie as a social enterprise in regard to equality of chances in education in Germany. It is that more important as the recognition comes from a group of public, business and civil society actors that

contribute to the award program thus signaling increasing legitimacy for an initiative like Charlie in the German social sector.

The founder acknowledges however the need for a stronger focus on political connections for the organization that can facilitate also decision-making processes in regard to Charlie. Due to the limited capacities of the organization this is a direction that requires development in the future:

> "Yes, we need to conduct more maintenance of relations in the political landscape, really, because this is how it works in Berlin. We don't have the capacities for this. We've done it a bit and luckily in the right places but not in all where we had to do it, it's difficult because we have something to do both with the state and the district but we can't focus on everybody." (Founder)

3.4. The overall approach of Charlie

The way in which Charlie established itself as an organization was strongly anchored in an enthusiasm generating approach (Hoggett and Bishop, 1986), as it gathered support from a variety of stakeholders by triggering their interest and emotional involvement in the problem that they were looking to address. Charlie took advantage of the favourable regulation in the German educational system which allows the founding of free schools to develop its own custom-made solution to the issue, thus differentiating itself from the solutions developed by public schools. Applying the model of a private school to an acute social problem and moving it therefore away from the elitist understanding it currently has, Charlie challenged the status-quo of the role of private and public schools in the educational sector. A challenging phase of the organizational development was ensuring compliance to the regulation free schools are subject to. Building operational and financial viability is an ongoing process for Charlie and is strongly reliant on collaborations with a variety of stakeholders. Although its performance is still difficult to assess as an educational cycle has not yet been completed, Charlie has benefited from significant external attention and recognition that translate into increasing legitimacy for their activity.

Chapter V

The three social enterprises in comparative perspective

The previous chapters have illustrated the characteristics of the social service provision system in Germany, as well as the way in which three social enterprises developed their operations in this context. The current chapter will focus on a comparative analysis of the three organizations and the interplay between them and their context, in order to develop a better understanding of how they strategize in this environment.

1. The highly institutionalized field of social service provision

To begin with, the institutional dimensions highlighted in Chapter III were also reflected in the empirical data for each of the case studies. All three organizations experience the German social provision system as highly institutionalized with regard to their concrete activity domain. These perceptions correspond directly to the institutional dimensions previously highlighted.

The first characteristic of high institutionalization was a high degree of regulation. All three organizations have to function within a strictly specified regulatory framework: for Charlie it is related to acquiring teacher licenses and security approvals for the school building; Alpha is subject to the legislation regarding the payment of beneficiaries and work contracts for project-based deployment of employees, while Bravo's activity falls under legislative purview of the Youth Agency. Despite some confusion arising from the complicated distribution of responsibilities between public agencies, all three organizations had to respect legislative and regulatory aspects that were clearly established and strongly enforced.

The social enterprises referred to the strong supervisory role of the state in the implementation and compliance of the regulatory frameworks, as well as the limited flexibility of the stipulations. Even though the organizational realities of the social enterprises are maybe different than the ones of established providers in terms of organizational structure, size, capacity and staff roles, the regulatory frameworks present little adaptability to these conditions. This is illustrated in the experience of

Alpha of finding a solution for the salary payment of the consultants, as well as in the experience of Charlie with the fire protection regulation for the school building. In both cases there were no exceptions allowed for the organizations and they needed to find creative solutions in order to be compliant.

Secondly, the embeddedness of the welfare associations in the social service provision model was mentioned by the organizations. This is related both to the preferential role of the welfare associations as most important social service providers in Germany and the strong political connections between the welfare associations and the state agencies. As non-members of the welfare associations, the social enterprises are outsiders of informal decision-making processes that have an influence especially at local level. Furthermore, at federal level, the influence that the welfare associations have in the policy-making process is reflected in legislation that is tailored to the characteristics and needs of the welfare associations and their members at local level. The social enterprises are still underrepresented in these decision fora and they also have a weaker voice since they have more limited coverage of services in the welfare sector.

All these aspects are especially visible in the case of Bravo, which aims to take part in policy formulation both at local and federal level but has limited capacity and space of intervention compared to the welfare associations. Alpha also acknowledged the sheltered work inclusion workshops of the welfare associations as being the main integration facilities targeting their beneficiaries and working in close connections to state structures. In the case of Charlie, the schools run by welfare associations have a more peripheral role than public schools and other free schools such as the ones in the network of the partner foundation of Charlie. The organization highlights however the weak orientation of state structures towards alternative education providers, which mirrors the general focus of state agencies towards more established organizations.

Therefore, despite the change in formal institutions towards alternative providers, with legislation supporting the increased opening of the market, the informal connections between established providers and state structures still guide a lot of the processes in the social sector.

Strongly connected to this is the third institutional dimension that characterizes the German social provision sector and that influences the organizations. This is related to the stable financial resource flows between the state and the social service providers. The historical setup of the model has at its bases the transfer payments from the state to the free providers. The informal connections and collaboration patterns between state agencies and established providers can affect the distribution of funds in the sector. This aspect was particularly highlighted by Bravo, who in some cases confronts itself with lack of or limited financial support from state structures at local level as a result of them not belonging to established welfare providers.

The financial resource flows are also based on some conditions regarding the development degree of the providers which also sets advantages for more established providers. This was illustrated by the case of Charlie which could not access a higher amount of public funding as it had not completed a full education cycle.

Finally, the high stability of cognitive schemes regarding social service provision was emphasized by the organizations. This is more concretely related both to general attitudes towards beneficiaries of services and to the general understanding of how social services should be provided and by whom. Representatives of all three organizations explained how the beneficiaries they work with are perceived rather as particular people that need special structures and support from the state in their lives. Thus, the people on the autism spectrum are perceived as people with special needs, the families in need of support are generally problematic and the children falling behind in school lack the intellectual capacities and the will to succeed.

Regarding the actual social services, the state together with more established providers also decides on the categories of people that should be eligible for the services, as well as the type of support they should be offered. In this understanding, people on the autism spectrum could work in sheltered workshops, the families should be supported by the Youth Agency and the welfare organizations it mandates and the children from disadvantaged backgrounds should be supported through special programs in public schools or in vocational schools. The fact that the social enterprises propose different directions of action in this regard is perceived as unusual by the general public, more traditional service providers and state structures regulating social service provision.

The funding system of social services is also built around the idea that public benefit matters should be coordinated and controlled by the state. The new-style social enterprises also have some difficulty due to their explicit focus on business models at the core of the organization (especially in the case of Alpha and Bravo). Since traditionally in Germany business and social affairs are two very independent and separated social pillars, the fact that social enterprises want to explicitly blur this separation is facing them with criticism and skepticism from other social actors.

Overall, the experience of the three social enterprises confirms their embeddedness in an environment with a high degree of institutionalization. The previous analysis highlighted the conditions that the social enterprises perceive as being connected to a high degree of institutionalization. These perceptions echo the four characteristics of a highly institutionalized environment featured in Chapter III. The data structure (Gioia et al., 2012) regarding the institutional context which resulted from the cross-case analytical process is depicted in Figure 12.

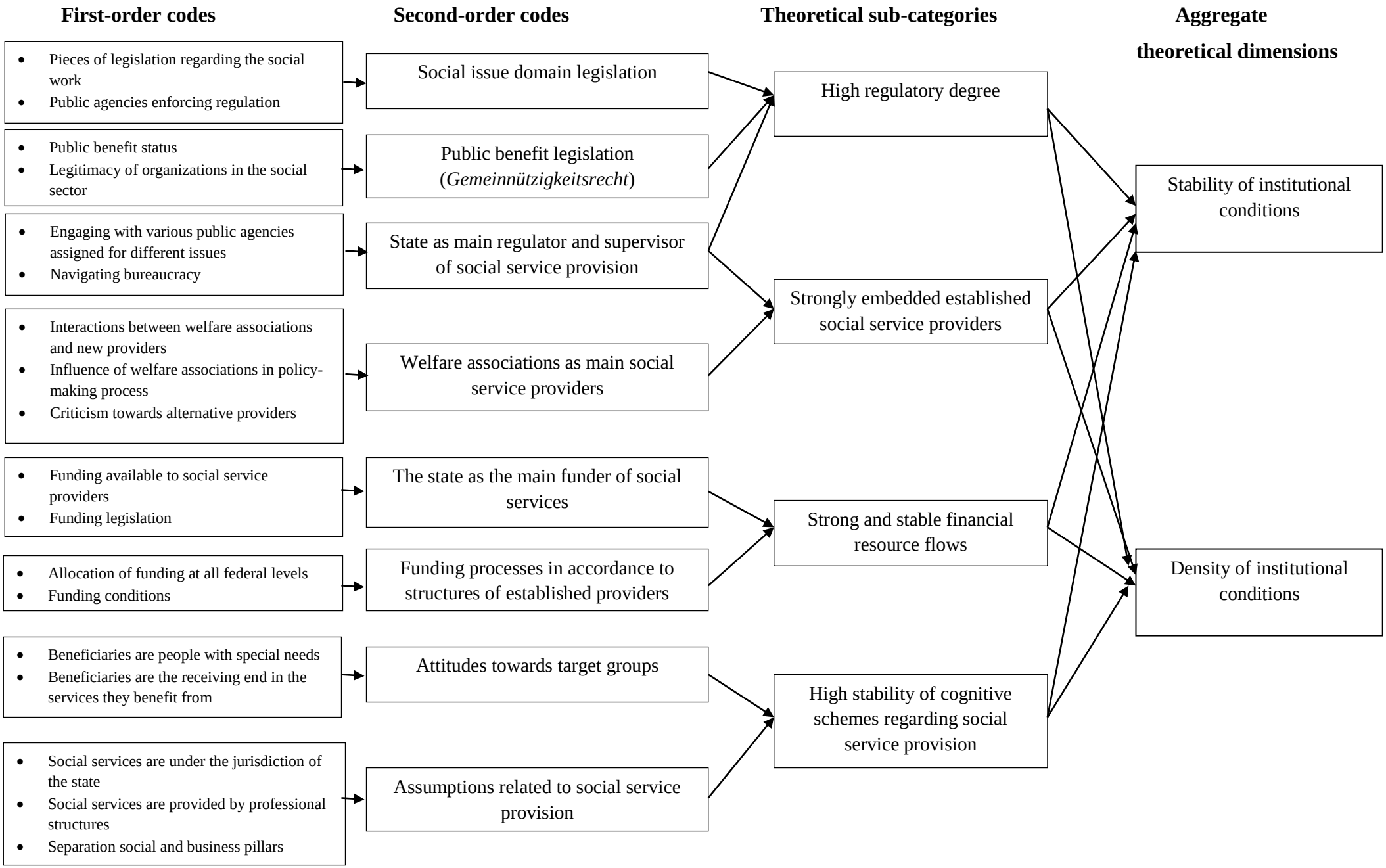


Figure 12. Data structure institutional context

2. Responding to expectations and setting goals

The stability of their environment, as well as the density of the institutions present that characterize social service provision in Germany lead to other actors in their fields to have certain expectations from the new entrants. These actors are the general public, organizations operating in the same fields (part of the welfare associations or not) and public agencies coordinating and supervising their activity. Based on the four dimensions highlighted above, the standard expectations towards the activity of the social enterprises would be to build its operations according to the regulatory and legislative framework, to operate by primarily using state funding, to be a member of a welfare association and operate under its conditions and finally, to provide social services already validated by the state and other welfare providers to the categories of beneficiaries traditionally included in the offer of these services.

We see however that the three organizations do not completely fulfill these expectations from their institutional environment. This is surprising, as their survival and success would be more probable if they operated according to the legitimized structures and processes in place in the social service sector. The appropriate support structures for them would be in place, the conditions they had to fulfill would be clearer and the access to beneficiaries and resources would be much facilitated.

For example, had they been completely conforming to the traditional social service provision model in Germany, the three organizations would have functioned in the following ways. Alpha would have focused on training and rehabilitating people on the autism spectrum while only afterwards employing them in the organization that would have operated on a more sheltered market. Most probably Alpha would have joined one of the German welfare associations in order to have legitimacy, support and stable access to financial resources. The organization would have been funded primarily through public funds and by respecting the prescriptions of the Social Code would have been a legitimate actor in working with people with disabilities. Things would have been similar in the case of Bravo. The organization would have functioned under the umbrella of a welfare association, thus having direct access to public funding on all federal levels with a reduced amount of effort. The organization would have focused on caring for families identified as problematic together with the Youth Agency and other

local authorities and would have done so only with the help of certified professionals in the field of social work. Bravo would have benefited from a legitimate status as a social service provider due to the affiliation with the welfare association and due to the clearly regulated services it would have provided. Thirdly, had it been adopting an already established model of education provision, Charlie would have set up a private school primarily funded through the fees paid by the families of the children attending the school. This school would have been managed by the welfare associations or other more established educational networks which would have provided it with a certain degree of legitimacy. It would have also adopted an already established pedagogy – either the mainstream one used in public schools or an established alternative one such as Montessori or Waldorf or some other model used by free schools run by the welfare associations. Another option for Charlie would have been to simply develop a complementary educational program available in public schools for children coming from a disadvantaged background without setting up a completely new organization.

And still, the three social enterprises actively choose to separate themselves from these more established functioning models and set up different structures and processes for themselves.

The core reason for this is that they want to address the social issue that interests them in a different way than the institutionalized approach offered by other welfare providers. Maintaining their independence in the provision process and wanting to implement their new solution to the social issue is the equivalent of remaining outside of the structures of the established providers for the social enterprises. This is a choice that all three founders have consciously made in order to ensure their freedom in developing the organization and activity according to their vision.

Still, this decision leads to more difficult access for them to public funding and to decision-making structures, as well as to legitimacy as social service providers. Under these conditions, and in order to address these difficulties in access, the social enterprises are pursuing the following organizational goals: ensuring sufficient demand for their alternative services from beneficiaries, maintaining autonomy from the welfare associations and other established providers, ensuring financial sustainability for the organization and building legitimacy for their activities. The analysis of the three case

studies will therefore focus on these goals that emerged from the inductive analysis and that are directly connected to the organizations navigating their environments and not on the social goals that the organizations set out for themselves. At this stage, it is difficult to evaluate the social goal achievement of the social enterprises and this is also beyond the purpose of this research.

3. The strategizing areas of Alpha, Bravo and Charlie

In order to achieve the four goals identified above the social enterprises engage in strategizing activities. Although the three organizations are very different on a wide range of dimensions, we see them developing similar areas of strategizing that will be discussed in more detail below.

To start off, all three social enterprises ensure on the one hand compliance with some institutional requirements, while also diverging on other dimensions from established social service providers. Maintaining this balance between compliance and divergence lies therefore at the core of their strategizing activities.

In terms of compliance, social enterprises have to come in line with the regulation in each of the social sectors in which they are active. The regulation is related either to funding the organizations or to concretely delivering services in the current framework. Thus, Alpha complies with the regulation from the Social Code (*Sozialgesetzbuch II, III, V, IX*) concerning the type of work that the consultants can do and also with regulation focusing primarily on the business sector such as equal pay and deploying employees project-based. Similarly, Charlie complies to regulation regarding the authorization of teachers as well as the regulation related to the school building. Finally, in its implementation of the program Bravo needs to take into account the procedures of the Youth Agency in protecting children. This compliance to regulation also makes the organizations eligible for state funding and is essential for the organization to be able to operate.

Another way of ensuring compliance by the social enterprises is related to the expectations regarding the type of organizations active in their specific issue domain. The social enterprises partially address these expectations through their choice of legal form. For Alpha it was essential to be setup as a limited liability company to be taken

seriously by clients on the IT consulting market, whereas for Bravo a limited liability company with public benefit status was necessary to be able to access necessary public funding and to also have credibility as a player in social service provision. For Charlie the change of legal forms was useful in terms of more legal security for their resource providers, although this was not signaled as a central issue for other stakeholders of the organization. The choice of legal form thus becomes an important signal for potential partners and resource providers and is also a way for the social enterprises to respond to at least some of the expectations from their environment in regard to the type of organization that they are.

Still, Alpha, Bravo and Charlie diverge significantly on a number of issues from other established service providers and also from the expectations of other actors in their environment. This permits them to address the broader concerns of the way in which they engage with their beneficiaries, while at the same time allowing space for demonstration of the relevance and benefits of alternative approaches in designing and delivering social services.

The solutions that Alpha, Bravo and Charlie propose for the issues they identified are core to their strategizing process and determine a significant part of their organizational choices over time, as they wish to also be autonomous in implementing their solutions to the social problems. Compared to the established providers and the state, all three organizations have a different understanding of the social issue they address and thus a different approach to developing a solution for it. While Alpha and Charlie focus on particular characteristics of their target groups, Bravo focuses on emerging needs of their target group. People on the autism spectrum become therefore experts in the IT domain, children from disadvantaged backgrounds become interested students and the demographic changes affecting families are brought to the forefront and stigma is eliminated.

The different understanding of these social issues gets transformed further on in developing alternative services for the beneficiaries and thus finding a niche left uncovered by traditional welfare providers. Here the three social enterprises focus on different aspects of social service provision. Alpha focuses on accessing new markets for these services, in this case the IT consulting market. Bravo introduces new agents of

delivery for these services by working with volunteers instead of professionals and Charlie develops a completely new content for the service, through the custom-made and adapted curriculum. These alternative ways of addressing the needs of the target groups and their strong reliance on the appropriate identification of these needs are generating the interest of their beneficiaries and subsequently the demand for the services of the social enterprises.

Another strategizing direction for the social enterprises is related to their engagement with other established social service providers. Although they all stand to some degree in a competitive relationship with established providers, they also collaborate to different extents with them. Here the approaches of the organizations are more varied. Alpha strategically adopts an avoidance strategy (Oliver, 1991) towards the integration workshops of the welfare associations providing work integration services to people on the autism spectrum by operating in a totally different sector, on the free market. It does however maintain closer contact to networks for people on the autism spectrum, in order to increase their recruiting pool. Bravo on the other hand developed a tight collaboration relationship with the welfare associations by integrating its program into their service offer and by repositioning members of the welfare associations as customers for their programs. They thus build on the existing social service infrastructure and co-opt (Oliver, 1991) established players into their program. Charlie develops a loose collaboration relationship with other free schools networks based primarily on the opportunity to access higher amounts of funding and to gain know-how related to running a private school. This is a way for them to use a bargaining tactic (Oliver, 1991) when it comes to state demands and also make use of legal loopholes that plays to their advantage and that of the free school network. Charlie also collaborates with public schools in an informal and loose way in order to recruit its beneficiaries. The common thread in all three organizations is that they have a certain degree of engagement with other service providers in their activity domain, from a very limited one to a very tightly interconnected one. This illustrates the fact that even though Alpha, Bravo and Charlie remain autonomous from established structures in designing and delivering their services, they do need to find a coexistence solution with other providers in the field.

When looking at the financial strategizing processes of the three organizations it becomes clear very fast that they operate relying on different revenue models. This is partially connected to their focus on acquiring public funding for their services. Although all three of them have automatically access to public funds, only Bravo and Charlie actively target public sources as part of their revenue model. Alpha wishes to be a self-sustainable business and even though it also benefits from some state funding as it is functioning as an integration enterprise, it does not rely on this funding in running its operations. On the other hand, Charlie relies to the most extent on public funding as part of their revenue model (currently and in a more long-term perspective) and this is also the primary reason for collaborating with established educational networks in running the school. Although Bravo would strongly benefit and wish for more public financial support, it does not place it at the core of their financial model, as there is no structural funding for organizations like them outside of the welfare associations. Bravo and Charlie thus experience particular difficulties in acquiring public funding, either due to the lack of strong political ties compared to the welfare associations at national and local level, or to the insufficient development of the organization to access the highest amount possible according to the legislation respectively.

This leads the organizations to pursue also other funding sources in order to become financially sustainable. All three social enterprises thus develop a funding mix based on business revenues generated on the market, social sector sources such as grants and donations and public sector sources. They do have different emphases however. Alpha adopts a business model based to a high extent on business revenues, to a low extent on public sector sources and does not work with social sector revenues, as this is also impossible due to regulatory limitations. Bravo develops a business mix model, in which market-generated revenues and social sector revenues are equally highly emphasized and where public sector revenues are of smaller importance. Charlie adopts a social mix model in which the public sector and social sector revenue sources are the most important and the business revenues in the form of the school fees are least emphasized. A brief overview of these alternative funding models is available in Table 10.

Table 10. Alternative funding models for the three social enterprises

Sources of funding	Alpha	Bravo	Charlie
Market-generated revenues (investment, sales and fees)	High	High	Low
Social sector sources (grants, donations)	N/A	High	High
Public sector sources (transfer payments, grants)	Low	Low	High
Alternative funding model	Business model	Business mix model	Social mix model

As part of these alternative funding models, all three organizations also develop a long-term financial partnership with an organization that supports them in their development. The role of this organization is partially similar to that of the state for the welfare associations, as it compensates this stability and availability of funds for the alternative social service providers. The case studies develop these partnerships with very different organizations based on their operational model and the sector in which they operate. The main partner of Alpha is therefore an impact investment fund that can help the organization establish itself on the IT market. Bravo collaborates with a foundation strongly involved in the field of family support programs and services, while Charlie relies on individual donors that are passionate about the educational sector and its issues in Germany.

Apart from the different financial models that they employ, the three social enterprises also rely on symbolic resources to gain legitimacy in their highly institutionalized context. Their focus on symbolic processes varies once again for the three new-style social enterprises. If Bravo invested a significant amount of effort in this area since the beginning by acquiring political endorsements and adopting a political approach to

developing partnerships for the organization, for Charlie and Alpha the concentration has been more reduced but not absent. All three organizations strategically engage in media communication, as well as in attending public events in the fields in which they are primarily active. These activities contribute to their access to financial resources, as well as to the building of a reputation in regards to the services they provide.

There is differentiation between the active approach of Alpha, Bravo and Charlie towards symbolic resources and the ones that they receive from external actors through awards and prizes that they have little control over. If in the case of Charlie this type of recognition is not very visible yet since they are in a more incipient phase of their development, for Alpha and Bravo these awards translate into increased legitimacy in their activity domains, through recognitions offered by stakeholders in all the fields in which they are active. The symbolic capital that the organizations gain actively or through these awards facilitates their access to beneficiaries, funding and state support.

The above-mentioned strategizing areas of Alpha, Bravo and Charlie resulted from the cross-case analytical process which is depicted in the data structure (Gioia et al., 2012) in Figure 13.

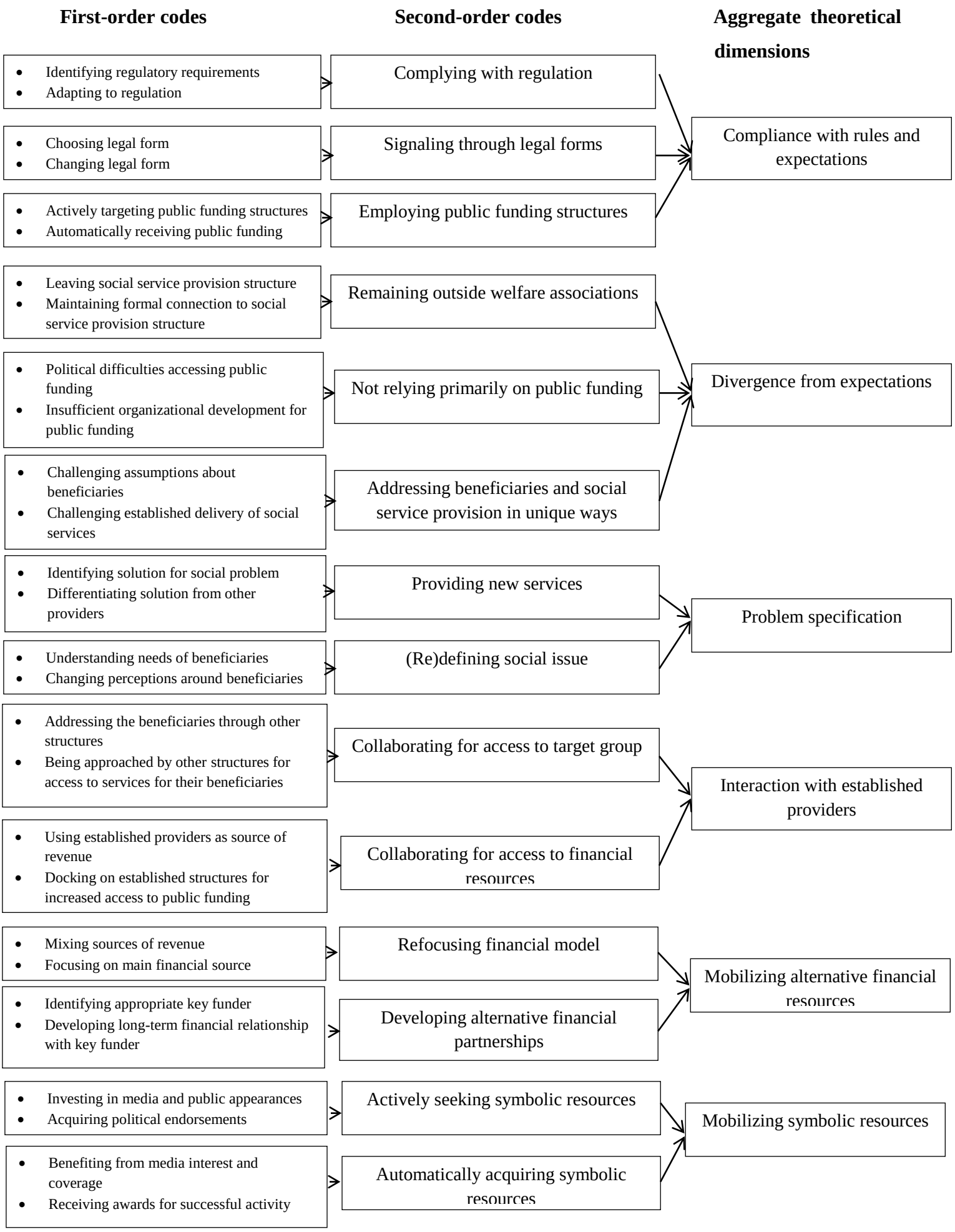


Figure 13. Data structure organizational dimension

As we can see Alpha, Bravo and Charlie present similarities in regards to how they navigate their institutional context and still maintain their individual approaches in achieving their goals. Their strategizing processes have components that relate to the main dimensions of the highly institutionalized context that they are facing. These components are their response to regulation, their problem specification, their interaction with established providers in their activity domain, mobilizing financial resources and mobilizing symbolic resources. Table 11 summarizes the main strategizing directions of the social enterprises and their particular ways of acting in these directions.

Table 11. Strategizing areas of social enterprises

Institutional dimension	High degree of regulation	Welfare associations as main social service provider		State as the main funder for social service provision	Understanding of beneficiaries and social service providers
	↕	↕	↕	↕	↕
Area of strategizing /Social enterprise	Response to regulation	Problem specification	Interaction with established providers (Oliver, 1991)	Mobilizing financial resources	Mobilizing symbolic resources
Alpha	Compliance	Characteristics of target group New market	Escaping	Business model Impact investor as main funder	Active media communication Awards
Bravo	Compliance	Developing need of target group New agents of delivery	Co-opting	Business mix model Foundation as main funder	Political endorsements Active media communication Awards
Charlie	Compliance	Characteristics of target group New content	Bargaining	Social mix model Individual donor as main funder	Active media communication Awards

The cross-case analysis highlighted the fact that the way in which the social enterprises achieve their goals and manage the expectations from the highly institutionalized environment is through a balance of compliance and divergence. While the organizations respect institutional prescriptions such as legislation and regulation affecting their activity, they also diverge from the institutionalized model of social service provision in Germany by introducing new programs and solutions addressing the needs of their beneficiaries, by not becoming full members of the established social service providers and by not relying primarily on public sources of revenue.

In order to manage this balance between compliance and divergence the social enterprises focus on particular areas of strategizing that are connected both to the institutional dimensions relevant for their activity and to the organizational goals they need to achieve in order to operate according to their organizational mission. Although each social enterprise approaches these areas of strategizing in its individual way, the four strategizing areas are common to all of them. A visualization of the connections between institutional dimensions, organizational strategizing areas and organizational goals is depicted in Figure 14.

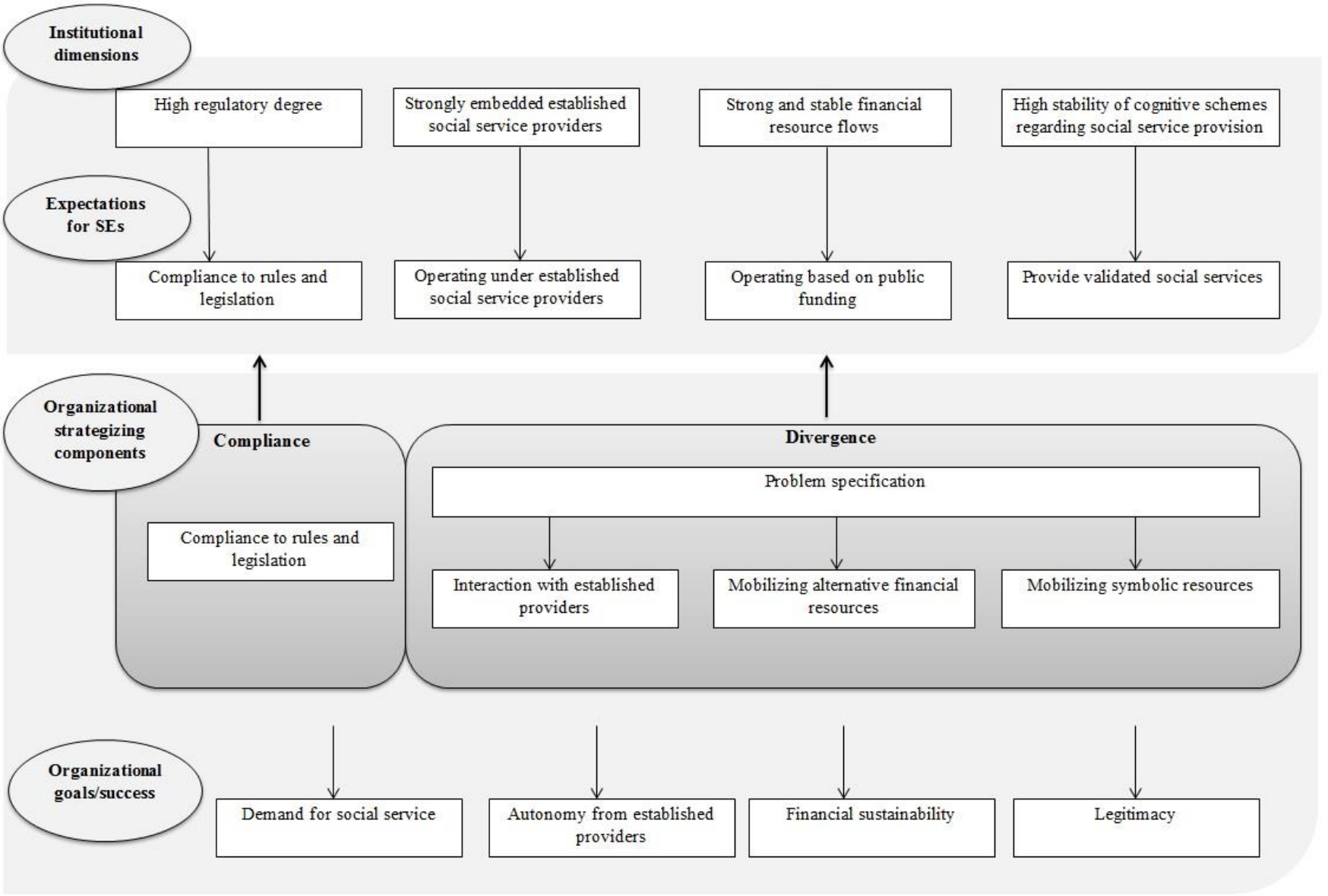


Figure 14. Interplay of institutional dimensions and organizational strategizing areas

The individual approaches of the social enterprises towards the four main strategizing areas also stem from the different overall anchors that they employ in their decision-making and that were depicted in each individual case study: Alpha focuses primarily on a market approach, Bravo has a political approach and Charlie organizes around enthusiasm triggered by the social issue it addresses. Figure 15 illustrates graphically the interplay of the strategizing areas for the organizations.

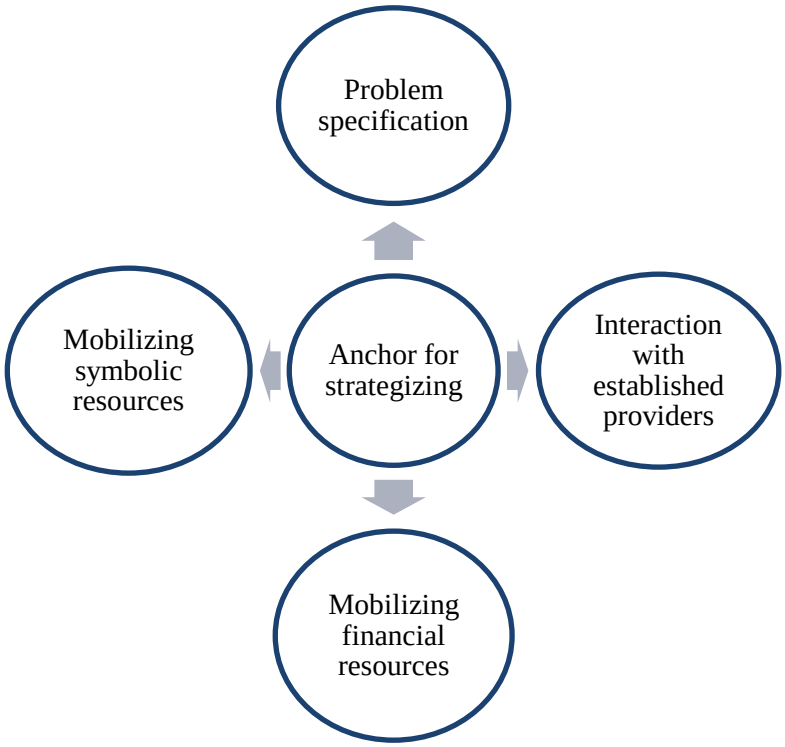


Figure 15. Configuration of strategizing areas for each social enterprise

By looking at the cases of Alpha, Bravo and Charlie the study aimed to better understand how new entrants in the social service provision sector in Germany, and more particularly new-style social enterprises, manage to achieve their goals in this highly institutionalized environment. The high degree of institutionalization is related both to the stability and the density of formal as well as informal institutional arrangements in this setting. The analysis started from four main institutional dimensions that characterize the German social service sector and that affect the activity of the social enterprises either directly or indirectly through the expectations they raise for them. The analysis thus revealed that the organizations look for a balance between compliance and divergence from these institutional prescriptions. Their wish to adopt a

different approach to the social problem they want to address in an autonomous way generates the need for them to engage in strategizing processes that allow them to reach those goals while being aware of their institutional constraints and opportunities. Four strategizing areas stood out in the analysis that were approached to some extent in particular ways by the organizations based on specific institutional logics that anchor the decisions and the activities of the organizations in their particular activity domains.

Chapter VI

Discussion

1. Theoretical contributions

This study contributes to the complex and long-held discussions around the interplay between institutional contexts and organizations – how they influence each other, what are the limitations of each and what this means for social orders (Strauss, 1978) and the evolution of societies.

This debate around structure and agency (Giddens, 1979) is not something new. Various scientific areas have dealt with the issue, from classical organizational theory (Selznick, 1948; Dobbin, 1994) to political economy (North, 1990) and sociology (Berger and Luckmann, 1966; Krinsky and Mische, 2013). Neo-institutional theory has also extensively discussed how institutional pressures affect organizational life (Meyer and Rowan, 1983; Zucker, 1977) and how on the other hand organizations aim to change institutional arrangements (Barley, 2008; Lawrence et al., 2013; Battilana, 2006; Mair et al., 2016).

Regarding the interplay between institutions and organizations there are various explanations provided so far: in order to cope with their institutional environments organizations become over time more and more similar to other legitimate ones (DiMaggio and Powell, 1983), they can on the other hand operate according to different institutional logics (Thornton, 2004) and also combine them thus becoming hybrid organizations (Mair, 2010; Battilana and Lee, 2014). Organizations can also actively aim to change institutions in their environments to fit their goals therefore challenging current institutional prescriptions (Mair et al., 2016; Mair et al., 2012a).

The current research adds to the debate and to the previously mentioned explanations through three main aspects: a clearer specification of the type of field in which organizations operate, a depiction of their simultaneous compliant and divergent behavior, and an explanation of their strategic areas of actions in order to succeed in their environment.

1.1. Specification of a highly institutionalized field

To begin with, the study highlights that the type of context matters for the way in which organizations strategize in their environments. The social service provision field in Germany is representative of a highly institutionalized field, with a high stability of institutional arrangements, as well as density of institutions that organizations are faced with. These institutions are related to actors, processes or patterns of interaction between actors, normative and regulatory dimensions, as well as taken-for-granted assumptions regarding these aspects under the form of cognitive schemes.

The density of institutions is a result of both formal and informal arrangements. Even though the German social service provision system has been undergoing some changes and increased liberalization also towards for-profit providers for instance, the informal patterns of interaction between actors, as well the understanding and assumptions related to who should provide social service and how have remained largely unchanged. In the setting studied, the tensions that organizations experience are due to a mismatch between the formal institutions guiding the welfare system which are meant to ensure pluralism and the more deeply embedded norms and cognitive schemes that guide the interactions between actors in social service provision. This creates a complex environment (Greenwood et al., 2011), in which new entrants such as the social enterprises need to take into account a variety of both formal and informal institutional demands.

Compared to the institutional complexity (Greenwood et al., 2011) and institutional pluralism (Kraatz and Block, 2008) discussions developed in other studies, the current research is looking to pinpoint to more concrete institutional dimensions that affect the social enterprises, thus departing from a rather abstract institutional logic perspective. Although I acknowledge the relevance of the logics perspective also in the way organizations develop their strategizing components, I look to generate a more in-depth understanding of how complexity and pluralism manifest themselves. On the one hand, I highlighted four institutional dimensions that lie at the core of the social service provision sector in Germany, thus looking to bring concrete institutions back into the discussion around institutional complexity. On the other hand, by also briefly characterizing the multiple sub-fields in which social enterprises operate and the way

the stakeholders in those fields also develop different expectations and understandings of the activity of Alpha, Bravo and Charlie, I look to add concreteness to the concepts of institutional logics, institutional complexity and institutional pluralism and focus rather on the dynamics between organizations in fields.

The findings thus respond to calls from the literature regarding a better specification of the types of fields organizations operate in and their importance for the trajectories of these organizations (Zietsma et al., 2017). In this case, understanding what elements from a highly institutionalized field affect new entrants contributed to pinpointing to the main strategizing areas of these organizations.

The characteristics of the highly institutionalized environment echo other descriptions of these settings in the literature (Perkmann and Spicer, 2007: 1104; Greenwood et al., 2002; Maguire et al., 2004). The findings confer an empirical depiction of characteristics previously specified in the literature at a more abstract level. They are strongly based on the perceptions of organizations regarding the high degree of institutionalization of their environment. In the German case, the analysis of the field characteristics revealed both the stability and density of regulation, cognitive schemes, as well as the importance of the field-dominating organizations (the welfare associations and their members) which work closely with the state based on clearly established patterns of interaction financially and in terms of supervision. Compared to emerging or mature fields, a highly institutionalized field has thus a higher degree of resistance and high stability of institutional arrangements. We also observe fewer negotiations around understandings of certain institutional logics in the field between organizations, less real struggles over power positions, as it is very clear who the powerful organizations are and that the change in hierarchy is very difficult.

These findings thus emphasize the need to build upon the lived experienced of organizations in order to more accurately understand and theorize about their environments. The current study adds an empirical dimension to the theoretical definition of a highly institutionalized field by focusing on specific characteristics of this field as they are perceived by the actors in their activity.

If other studies have focused on the way in which organizations generate change of these highly institutionalized fields (Greendwood and Suddaby, 2006; Gomez and Bouty, 2011), this study makes no claims about the change generated in the social service provision field by the three social enterprises. Instead, the highly institutionalized environment used as a setting for the study serves as a particular lens that sheds light on specific organizational reactions and strategizing processes. The stability and density of the institutions in the social service provision sector translate into a range of institutional expectations for the social enterprises studied. The findings show how some of these expectations are fulfilled, or partially fulfilled, while some are actively resisted. This brings us to the second main contribution which is related to the dual focus of the social enterprises on compliance to and divergence from the institutional dimensions they are subject to. This finding highlights the fact that even in the most institutionalized contexts some degree of divergence can be identified.

1.2. Simultaneous compliance and divergence

Based on early insights of neo-institutional theory, we would expect that in a highly institutionalized environment the pressures to comply are very strong and that organizations would join established actors or mimic their activity in order to gain easier access to resources and legitimacy (DiMaggio and Powell, 1983). Raynard (2016) also argues that complexity absorbing tactics on behalf of organizations is more effective when the field is settled and mirroring the field to gain legitimacy serves organizations better in contrast to complexity reduction strategies which are more useful in contexts in which there is no consensus around prioritization and jurisdiction of different institutional logics. In this case however, we see social enterprises striving for autonomy from the welfare associations and in offering their alternative services. This represents concretely a way for them to actively diverge from institutionalized norms and cognitive schemes regarding the understanding of social problems and beneficiary groups, as well as more legitimate and established social service providers.

What is of utmost importance however is that divergence does not exist in pure form in highly institutionalized environments. It is also coupled with a certain degree of compliance. Here too, the actual institution is important. We thus see social enterprises

complying with the regulatory requirements in their activity domains but strongly diverging from institutionalized understandings of social challenges and ways of providing social services. The findings thus show a more moderate understanding of the ways in which new entrants achieve their goals in their environments. They do not blindly comply with the institutional prescriptions but they also do not immediately attempt to modify these prescriptions according to their views. New entrants can comply with certain institutional arrangements and conditions and consciously choose to diverge from other ones in order to achieve their goals. The German social service sector also presents possibilities for the social enterprises to operate according to their organizational vision. By using legal loopholes or developing partnerships with organizations that share their perspective, Alpha, Bravo and Charlie manage to remain creative in their organizational approach without having the need to engage in broad-level policy change. This speaks to the opportunities that organizations even in highly institutionalized environments benefit from. We therefore echo studies that have focused on both pressures and opportunities for organizations in their institutional contexts (Mair et al., 2012a; Almandoz et al., 2017; Binder, 2007), discussing also the windows of opportunity that organizations make use of in their institutional settings.

These findings speak therefore also to the long-lasting interest of sociologists to understand deviance as a type of behavior, from the work of Durkheim (1951) to the one of Merton (Merton, 1964; Merton and Nisbet, 1976). The simultaneous focus on compliance and divergence of social enterprises seem to strengthen Durkheim's claims around the normality of deviance in any social system. It also directly speaks to Merton's deviance typology, as we see the organizations either accepting or rejecting different institutional prescriptions that they are subject to. However, if Merton separated the modes of adaptation of social actors, the current findings emphasize their complementary nature. As these additional theoretical avenues have emerged as a result of the inductive analysis, they will be more carefully considered in further research.

Returning to the idea of institutional logics, the concept of hybrid organizing (Mair, 2010; Battilana and Lee, 2014) looked to depict the way in which organizations incorporate competing demands from their environment in order to deal with the

institutional complexity in their environment. Complementing this, public administration literature looks also at how hybrids emerge from combining different governance mechanisms (Seibel, 2015), while the civil society literature understands hybrid organizing from the perspective of combining traditional practices with new elements of organizational practices in a setting (Minkoff, 2002).

The findings complement this perspective by suggesting that hybridity can also be understood as a mix of compliance and divergence from specific institutions, thus departing from the perspective that organizations implement scripts provided by particular logics in their environment. In a highly institutionalized environment this way of hybrid organizing ensures a certain degree of legitimacy for the organization, while also allowing it some degree of organizational autonomy.

However, what differentiates the findings from previous studies is that they do not start by looking at logics that organizations need to enact but rather at particular institutions that affect organizations operating in alternative ways. The responses that these organizations then devise for different institutional constraints are more varied that the decoupling/compromise options that for instance studies like the one of Pache and Santos (2013) on French work integration social enterprises put forward. These responses are not necessarily clear or strict prescriptions of institutional logics and they entail an important component of agency on behalf of the organization. Pache and Santos (2013) also discuss the way in which organizations perform selective coupling without explicitly addressing the field level and the relationships between organizations that can influence the selective coupling decisions. I look to address this through the specification of the institutional conditions that lead to the responses of the social enterprises in this context.

The experiences of Alpha, Bravo and Charlie in the German social service provision sector are a reflection of the art of balancing compliance and divergence in this context. This fine equilibrium is achieved through strategic actions in four key areas. The strategizing activities of the organizations also give the idea of a balance between

compliance and divergence more concreteness and this is the third main contribution of this research.

1.3. Strategizing areas of new entrants in fields

The analysis showed that the strategizing processes of the social enterprises are rooted in different institutional logics that the organizations adopt (Mair et al., 2012). Despite these logics being very different, the main strategizing areas for the organizations are the same and together they generate a configuration of actions that help the organizations achieve their goals in their highly institutionalized environment.

To start with, the problem specification is the main strategizing area that also sets the basis for the other components. The way the organization approaches a social issue and the mission it builds around providing an alternative solution to it is what differentiates new-style social enterprises from other social service providers. Compared to the traditional framework of thinking about social services which is based on an established, standard format of provision, social enterprises start from questioning the basis of social service provision which is the social issue it is aiming to address. They therefore start with a solution for the social issue in mind, rather than with a different kind of offer of a social service. This finding speaks to the literature on social enterprises describing the organizations as innovators in their fields (Seelos and Mair, 2017) and focuses once again on the importance of the approach towards social issues for social enterprises (Mair et al., 2016). It also speaks to previous concerns in the literature regarding the limited explicit connections between the institutional context and the solutions that organizations develop for social issues (Lawrence et al., 2014). By highlighting what differentiates the solutions developed by Alpha, Bravo and Charlie from other established solutions for social issues in their context, as well as the institutional constraints and opportunities that they face in the process, I looked to respond to these concerns.

The second area of strategizing important for the organizations is the interaction with established providers. This can take a variety of forms and underlies the need for any organization to engage with other organizations and actors in its field in order to be able

to operate. This idea has been highlighted in the literature regarding negotiations (Strauss, 1978; Strauss, 1982), as well as in the neo-institutionalist literature through concepts referring to interactions between organizations (Park, 1967; Barley, 2008). This finding provides additional understanding to the concepts of inhabited institutions (Hallet and Ventresca, 2006) and negotiated orders (Strauss et al., 1963) and highlights the fact that organizations do not operate in complete voids (Mair et al., 2012a). What is more, we see in this direction that organizations have a more differentiated understanding of interacting with similar organizations. They are able to simultaneously place themselves in a collaborative position, as well as a competitive one towards other established organizations thus bringing our understanding further regarding markets or quasi-markets for social services (Grohs, 2014) that underlie the competitive aspect of the interaction. New entrants in a field therefore need not necessarily be in an antagonistic position compared to other more established actors but they rather find ways of constructively engaging with these actors also based on their own terms and interests.

The third area of strategizing is related to mobilizing financial resources. Strongly connected to the general approach that anchors the activity of the organization, as well as to the type of solution developed for the social issue, the way in which the three organizations build their financial models in order to reach sustainability reflects their strategic approach to the resources available to them. The findings around the way in which the three social enterprises mix various sources of funding to reach sustainability echoes the bundling perspective related to resources from the strategic management literature (Sirmon et al., 2007). At the same time, the fact that the social enterprises identify key financial partners that can complement the limited focus and support of the state speaks to issues of power and interests accompanying resource mobilization which has been highlighted by the resource-dependency theory (Pfeffer and Salancik, 1978). What the findings show is that the ways in which organizations go about it is strongly connected to other areas in which they strategize, thus making this only one component towards organizational success (Mair et al., 2016).

Finally, Alpha, Bravo and Charlie mobilize symbolic resources as part of their strategizing process. The focus on legitimacy building through these symbolic resources

accompanies all other areas of strategizing for the organization to survive. Especially in highly institutionalized environments it is important to be seen and recognized in order for all the other three strategizing dimensions to also strengthen. At a more fine-grained level the findings highlight the difference between symbolic resources that the organization has the capacity and willingness to pursue, as well as the resources that the organization benefits from externally, as a result of its activity being recognized by other actors. This strategizing area highlights the importance of additional resources for organizations – this echoes previous work done by social movement theorists (Fligstein and McAdam, 2012) but also the core message of neo-institutionalism which places legitimacy as the currency between actors in a social setting. The current findings elaborate on the concrete steps that organizations can take in order to respond to cognitive and socio-political legitimacy constraints in their specified environment (Aldrich and Fiol, 1994).

The findings regarding the strategizing areas of Alpha, Bravo and Charlie add a new perspective on previous work related to the interplay between organizations and their environments. They highlight that strategizing is composed of different areas of action that put together generate a coherent strategic approach of the organization. This builds upon the insights of Oliver (1991) regarding the different approaches that the organizations can have to their environment. If the previous view on strategizing was rather a spectrum from compliance to active resistance, the current approach suggests that strategizing is composed of a mix of areas anchored in a main organizational approach – market-related, political, stemming from enthusiasm respectively. This leads the conversation towards the way in which organizations simultaneously apply different strategies and tactics depending on their audience or their interaction partners. As is visible in the comparative chapter, the social enterprises adopt different tactics when it comes to the state and to the established providers in the field. As the state has the ultimate control function in all social fields, the social enterprises can only comply with its demands in order to operate. When it comes to established welfare providers though, they have more leeway. This emphasizes the various approaches that organizations adopt regarding different stakeholders, depending on who these stakeholders are and what their power is in the issue domain the organizations operate in. Inter-organizational interactions play therefore an important role in the way in which

organizations engage with their institutional environments. Similarly to the dynamics between individuals and organizations in which creativity of people in the organization influence the responses to different institutional conditions (Binder, 2007), the dynamics between organizations and other stakeholders in their activity fields also play a role in the solutions they develop for navigating their institutional environments.

We also see that different strategizing areas are related to particular goals of the organization, thus strengthening the findings of Pache and Santos (2010) around the importance of differentiation between means and goals in the way organizations interact with their environment. Even though the approach of the authors was based on an institutional logics perspective, we see the distinction being relevant also for a more practice-oriented view of organizations.

The findings thus outline the particular conditions for strategizing of smaller, newer organizations in a highly institutionalized environment. It goes more into depth regarding the actual decisions and forms of strategizing available to new entrants which can differ from the ones that more established and powerful providers benefit from in a certain environment. This contributes to the dialogue between neo-institutionalism and the strategy-as-practice theoretical approach (Suddaby et al., 2013), as the findings highlight the need for differentiation between the types of organizations studied, their positions in their fields and the concrete actions available to them and taken by them in their particular circumstances. This is another way of moving further towards a more in-depth understanding of what lies behind institutional logics and how organizations concretely derive action from them.

The findings speak directly also to the social entrepreneurship literature that has been increasingly growing. This literature has been primarily focused on the social and commercial tensions that these organizations experience, both internally and externally (Battilana and Lee, 2014; Smith et al., 2013) and has discussed them extensively as hybrid organizations. Thus, the literature on hybrid organizations has emphasized the effect that the combination of two logics have on the internal life of the organization and how the tensions between the logics are being resolved, while at the same time also emphasizing the difficulties on the one hand and the opportunities on the other for hybrid organizations to acquire resources from a multitude of stakeholders. The

comparative case studies highlight the fact that the social and commercial tensions are not necessarily the only ones social enterprises experience, especially in an environment where a certain degree and type of compliance is expected. In this case, the tensions related to the established welfare providers and the institutionalized financing and regulating processes between the state and the welfare providers play a more important role in the development of the organizations. It becomes therefore necessary to expand our understanding of the way in which additional requirements from the environment influence social enterprises and that the tensions they experience are not only a result of the combination of seemingly incompatible social and commercial logics.

Furthermore, this study views social enterprises not simply as models of hybrid organizations but mostly as providers of social value and as institutional players. The current study has focused on social enterprises as representative cases of smaller, peripheral organizations and as new entrants in the social service provision system rather than as hybrid organizations. I return therefore to a view on social enterprises more closely related to their mission and the implications of their work for their activity area. The fact that they can also be understood as hybrid organizations plays a limited role in this particular context, as the other established providers can also be depicted as such. What matters more are their ideas around social problems, as well as their institutional opportunities and constraints in implementing these ideas.

Moreover, the findings also contribute to the discussion around social entrepreneurship, as well as other theoretical debates by studying this phenomenon in-depth in a different context. If the literature has dealt in the beginning primarily with entrepreneurial approaches around social issues in developing countries (Mair et al., 2012a; Bornstein, 2007) or in Anglo-Saxon settings (Spear et al., 2009), it has evolved towards understanding social entrepreneurship in different institutional contexts (Kerlin, 2006; Kerlin, 2013). This study adds to the more macro-level research conducted on social enterprises in different settings through a more qualitative and detailed understanding of the dynamics between the institutions in place and the actions of social enterprises. This highlighted more varied strategizing processes of social enterprises and a different position and understanding of them in their activity domains. Switching from a primarily positive and encouraging attitude around their emergence in order to

contribute to tackling social issues, the German context gave a lens into a more reserved attitude around social enterprises and the processes they need to undergo in order to be able to operate in a different type of environment.

2. Expansion to other instances

The cases of Alpha, Bravo and Charlie depict the diversity of organizational structures, processes, activity areas characterizing new-style social enterprises in Germany. Still, when it comes to their approaches to the institutional context, we see all of them combining compliance and divergence and focusing on the four main strategizing areas. The fact that the case studies are so different and still act in the same strategizing areas contributes to the robustness of results and thus to their generalizability.

I see these results as being applicable to other new-style social enterprises operating in the German social service provision sector. In informal conversations conducted with practitioners in the social entrepreneurship field after the completion of data analysis the findings have found resonance also in the actions of other organizations looking to develop alternative solutions to social issues. This is important to stress, as in the case in which organizations aim to deliver social services in accordance to the established models of delivery they do not have to go through the same adaptation processes as the new-style social enterprises. The fact that they specify the social problem in a different way and that they wish to implement alternative solutions for it is what generates the need to manage deviance from established models.

The findings could also speak to the efforts of organizations in other contexts and fields with such a high degree of stability and density of formal and informal institutions. If we are to think for instance about societies with high levels of corruption or settings in which procedural strictness is key to the functioning of the system such as the medical profession or the military, these will always exhibit power imbalance between incumbents and new entrants that aim to establish other patterns of interaction. The incremental approach of these actors can also be based on simultaneous compliance and divergence and then focused on interacting with established structures, mobilizing financial and symbolic resources in order to legitimize their alternative problem specification. The strategizing areas identified in the research can lie therefore in the

incipient stages of attempts at institutional change. Although this is beyond the scope of the current research and the data provides limited possibility of making claims related to long-lasting institutional change, the findings pinpoint to a contestation process of current institutional arrangements that is at the core of any effort towards institutional change (Micelotta et al., 2017; Mair et al., 2016).

Lastly, the findings of this study can speak to various situations in which smaller and peripheral actors are looking to become operational and legitimate in their environments. The strategizing areas highlighted in this study are strongly connected to the particular characteristics of the organizations studied and the fact that they face a different room and possibility of maneuver compared to stronger and more developed organizations in their field. Whether in situations such as civic activism or market entrance for small start-ups, these findings can speak to the way in which smaller and less powerful initiatives can effectively engage with stable environments.

3. Implications for practitioners

The findings of this study are also relevant to the work of practitioners in the social entrepreneurship field in particular in Germany and more broadly to the work of social service providers.

By looking at social entrepreneurship in a highly institutionalized welfare system, we gain a more nuanced understanding of the "disruptive" effects of social enterprises in their social issue domains. Social enterprises do not necessarily have to directly challenge institutional arrangements and look to change them completely but rather they can also partially adapt to them and engage in long-term incremental change from within a functioning social order. This does not discredit the value and the impact of their work but rather gives a more moderate understanding of the large-scale institutional effects that it can have.

The study thus highlights the necessity of social enterprises adapting to their institutional context and maintaining the balance between compliance with institutional demands and organizational innovation (in terms of mission, structures, processes, etc). This is a process that takes time and requires the capacity for organizational learning and flexibility on behalf of the organizations.

There are few take-aways that can be used as points of reflection for practitioners working on social entrepreneurship in Germany but not only. I will address different categories of stakeholders in turn, in order to also speak to their individual interests and involvement with the issue.

Firstly, when it comes to social enterprises themselves, the results of the research show that complying with institutional demands does not mean not being able to maintain autonomy over one's work. It is important to know the difference between conditions and expectations that can be diverged from in the environment and conditions that do not allow this in order to find a balance between what is desirable and what is possible in terms of deviating from the norm. This is also strongly connected to identifying the institutional conditions most relevant to the activity of the social enterprise, as well as the right partners to help them address these demands. Here the importance of social entrepreneurship support networks as a catalyzing field emerged as being important in the beginning. However, as the organization matured and stabilized, the need to connect with other providers and experts in the field of activity proved to be essential. Benefiting from their experience and initiating long-term collaborations with these actors contributes to the lasting development of the social enterprises. Additionally, social enterprises should not underestimate the importance of legitimacy building activities in their work. Despite their new ideas and fresh approaches to social issues, their performance needs to lie at the core of their success and communication efforts, in order to gain acceptance as new entrants in a field.

Secondly, the *social entrepreneurship support organizations* stood out as important in regard to identifying non-mainstream ideas and approaches, encouraging them and facilitating access to resources in the first stages of organizing. Still, the limited capacity of social entrepreneurship as an emerging field and of support structures in the field to sustain the development of the organizations over time in a highly institutionalized context has also been mentioned. Social enterprises need to perform in their activity domains after they evolve from the start-up phase and the support organizations do not respond to this need for the time being. Therefore, building stronger connections with the activity fields and focusing less on building a sub-system for social entrepreneurship in the social sector can allow support organizations to offer assistance for a longer

period of time to new-style social enterprises. These measures will also contribute to the legitimacy building efforts around social entrepreneurship as a way of addressing social issues. Together with the social enterprises, support organizations can be strong advocates for the alternative approaches to social problems. Finally, the support organizations should also adapt the management and business tools they use in their consulting activities to the particularities of the context in which the social enterprises operate. Pure business models or strong market-oriented scaling strategies might not always be the best solution for organizational survival and performance depending on the institutional conditions of the social enterprises. That is why support organizations need to pay attention to the enablers and deterrents in the context affecting the organizations they advise.

The research findings also raise some points of interest for *other established social service providers* in the social sector. The most important of these is the focus on (re-)defining and (re-)understanding social problems. As was visible in the cases of new-style social enterprises, social issues are continuously emerging and changing and service providers need to remain alert in understanding and addressing them. As the complexity of these issues also increases and as more and more social actors engage with them, the focus should lie on collaborative efforts (with new entrants and established providers equally). These efforts should be developed starting from the needs of beneficiaries and with the intention of developing the most appropriate solutions for them. Effective collaborations between social service providers can be built by using the different degrees of experience and the different areas of expertise available in a variety of organizations engaging with a social problem. Additionally, established social service providers could also benefit from the insights around the way in which new-style social enterprises manage divergence. Although some degree of competition exists between these types of social service providers, the new entrants are not focused on disrupting the order that supports established providers but rather on developing and adapting the structures available to their target group. This should be at the basis of a more "live and let live" interaction between different providers.

Funders working with new-style social enterprises are also addressed by this research. The findings highlighted the importance of their long-term commitment to the

organizations they support as a key element for them in reaching sustainability. Moving from a project-based type of funding to a more programmatic approach can allow funders to not only contribute to the development of an individual organization but to also be a part of developing more broad solutions for social issues.

Finally, the research findings speak to *policy-makers* as well. The aspects highlighted by the new-style social enterprises throughout the research process regarding the policy frameworks affecting them pinpoint to some measures that policy-makers could take into consideration. A first point would be the diversification of sources of input and information on social issues and solutions for them in the decision-making process in order to adapt decisions to the needs of complex stakeholders. This translates also into understanding the actual needs of the new entrants and the ways in which they are different from established providers so as to be able to adapt policy frameworks to their needs as well. Policy measures should also incentivize collaboration between older and newer providers by focusing on the solution for the social problem, rather than on supporting one or the other type of social service. What is more, the awareness around entrenched patterns of interaction between public actors and established providers is important, as these can affect the implementation of policies. Lastly, specific support awarded to different social domains can contribute to developing more effective solutions for social problems. By directly addressing the particularities of each social domain rather than devising more general policy frameworks can improve the dynamics between actors in the field and their success in delivering appropriate services.

The previous points are surely not exhaustive for the facets of the stories of Alpha, Bravo and Charlie that can prove to be insightful for other organizations and practitioners in their field of work. It is my hope though that these brief enumerations can serve as a starting point for reflection on behalf of the actors directly involved in securing better responses to social problems and better social services for people.

Conclusion

New entrants in highly institutionalized environments

The starting point for this study was an intriguing development in German social service provision. Although traditionally these services were to a great extent covered by welfare associations and their members and they were developed around clear guidelines accepted by state structures, a new type of social actors started emerging under the form of the new-style social enterprises choosing to remain outside of these established structures and to develop their own alternative solutions to social issues that they identify in German society. The question that arose from this development was related therefore to the way in which these social enterprises strategically engage with their environment, in order to achieve these goals. Looking at this could serve as an appropriate setting to better understand the characteristics of highly institutionalized environments more broadly, as well as how new entrants strategically achieve their organizational goals in these environments.

Starting from understanding the particular institutional architecture of the German social service provision system, we saw that highly institutionalized environments are characterized primarily by stability and density of institutions connected to actors, processes, norms and cognitive schemes. In order to navigate this environment, new entrants simultaneously comply with and diverge from different institutional conditions in order to achieve their goals. The fact that they only partially comply with what is expected of them raises the need for the organizations to manage divergence. They do so by focusing on four main strategizing areas: (i) problem specification through which they differentiate their services from other ones available to their beneficiaries, (ii) interactions with established providers that allow them to benefit from infrastructure and resources in place that these established providers have easier access to, (iii) mobilizing financial resources in order to reach sustainability, and (iv) mobilizing symbolic resources that contribute to building their legitimacy. Taking the most appropriate measures for the individual situation of each organization in each social sector in which they are active, we saw the organizations anchoring their decisions in certain approaches – in the case of the three social enterprises the market, political and

organizing around enthusiasm. This gives coherence to the decisions and actions they take in each strategizing area.

Understanding how social enterprises in this study strategize in the highly institutionalized social service provision sector in Germany speaks to both academics and practitioners interested in this topic. If we are to look at the significant social changes that Germany as a context undergoes, such as the refugee crisis in 2015 and its aftermath, it becomes clear that increasingly more diverse actors are needed in order to manage these situations. This study can inform social enterprises themselves on how to best act in their particular welfare setting and it can help decision-makers support and incentivize appropriate configurations of actors to support them in tackling social challenges. These particular findings can also be partially extended to other social settings in which peripheral organizations need to find the middle ground between their alternative operational goals and the expectations coming from their environment regarding their activity.

The theoretical relevance of this study is that it sheds light on strategic behavior of small, new organizations in a particular type of environment, thus highlighting the fact that the interplay between institutional and organizations conditions directly shapes the room for action available to particular actors in particular social settings. The study sheds light both on the limitations of organizational agency and on the degree and ways in which organizations can overrun institutional prescriptions.

Limitations

As in any research endeavor, this study is also subject to limitations. These limitations are connected to the data, the data analysis, the research design and also the theoretical approach.

To begin with, the limitations regarding data are connected to the type and sources of data collected. The access to data differed between the three case studies, which led to more insight from more stakeholders in the case of Bravo and Charlie compared to Alpha. Furthermore, the analysis of the institutional context was based to a large extent on secondary data rather than on information collected directly from representatives of the established social service providers and state agencies. Although quantitative data

from the SEFORÏS project were used in Chapter III, these were used mostly descriptively and the analysis of the case studies was also based primarily on qualitative data.

Secondly, the study uses the organization as a whole as a unit of analysis. Although internal dynamics and developments were captured in the data collection processes, these were not included in the final analytical stages and the findings. Although it is clear that organizations do not function as a unitary whole and that there is conflict, competition and disagreement between groups and individuals in organizations (Smith, 1966), for the purpose of this study the data was not detailed enough to be able to make strong claims about the connections between these dynamics and the strategic activity of the organization overall. This remains a limitation however, as the intra-organizational level was not fully addressed in the analysis.

Thirdly, regarding the limitations of the research design, the study revolves around organizations located in big urban centers that have access to more influences and also different types of resources. Organizations in other parts of Germany would probably have other opportunities to deal with their more local context. Due to the German federal system, there are significant differences between local conditions that could influence their strategizing processes.

Finally, the study also has some limitations regarding the theoretical approach. Although comprehensive, the literature review in Chapter I does not cover all the literature streams and theoretical traditions that have focused on the dynamics between organizations and their contexts. The study takes a strong neo-institutional theoretical approach but other theoretical traditions could also contribute to enhance the empirical insights generated. Furthermore, some theoretical areas such as for instance resource-dependency theory, social movement theory, strategy-as-practice or strategic management have only briefly been mentioned and reviewed, as they were not at the core of the theoretical interests of this study. Additionally, due to the focus on providing an overarching view of the theoretical streams addressed in this study, the theoretical background has focused to a very limited extent on empirical studies and their essential contribution to the advancement of theory and focused more on review pieces. Adding a stronger focus on empirical studies could highlight even further the contributions of this

study. Lastly, the strong qualitative nature of this study allowed for developing theoretical insights on mid-range level that permit limited generalizability. In order to broadly test the findings of the current study and strengthen its contributions, further quantitative analyses should be conducted.

Further research avenues and next steps

Starting from the limitations mentioned above, as well as additional insights from the data that were not included in the study due to their limited relevance to the research focus, a number of further research avenues could be pursued.

Firstly, the current study underlines the common strategizing areas that a group of very diverse organizations focus on in spite of their various missions, organizational structures, size, age and general orientation. The focus of the study lies therefore on a "how?" type of question, on the way in which organizations navigate their institutional contexts. There is however also variation in the way in which these organizations approach these strategizing areas and further research could be conducted in order to pinpoint to the explanatory variables regarding this variation. This would allow addressing the "why?" questions behind the ways in which Alpha, Bravo, Charlie and other similar organizations choose to engage with their environment in one way or the other. Theoretically, answering this question could further contribute to understanding diversity in institutional theory and the complex reasons behind organizational choices.

Further studies could also adopt a more process-based approach to theorizing on this matter (Langley, 1999). Further in-depth longitudinal data could shed light on the ways in which the strategizing areas and also the institutional conditions for social enterprises change over time and how these impact the overall trajectory for the organization. This would provide us with a more dynamic understanding of the mechanisms unfolding, as well as a more robust depiction of organizational decision-making in a certain context by accounting for the element of time.

Future research could also concentrate on particular aspects of the activities of the social enterprises that stood out throughout the interviewing process or the analysis. For instance, more attention could be given to the connection between internal dynamics of the organizations and their connection to the strategic directions they take in their

environments. This could bridge the research focusing on purely internal dynamics in strategy-making (Garg and Eisenhardt, 2016) and the one focusing on the external responses that organizations devise in their environments (Oliver, 1991).

Additionally, the role of the entrepreneur is a dimension that should definitely be more prominent in future research. Social entrepreneurs have been offered significant attention in discussions around how they develop the organization and their role in its trajectory but I do however advocate for a less individualistic perspective on these persons and a more dynamic one focusing on the interactions between them, other stakeholders and their environments. Previous studies have focused substantially on connecting the individual with the organizational analytical levels (Binder, 2007) or the organizational and field analytical levels (Greendwood and Suddaby, 2006). This approach would contribute to a connection between the individual and the context and further theorizing on the way in which individuals make sense of their contexts.

Further research can be conducted also on several dimensions related more to field-level developments. One of these research directions could be investigating more in-depth the role of the social entrepreneurship support organizations in the development of the social entrepreneurship field. This could contribute to a better understanding of field-level dynamics especially between members of a highly institutionalized field and an emerging one. Future studies could also focus specifically on the initial stages of setting up the social enterprises and the influence of the support networks in this process. This could speak to the theoretical interests around how organizations are born and who plays an essential role in the incipient stages that usually escape the eye of the researcher.

As this current study has focused on new entrants and the way in which they deal with a highly institutionalized field, it would be intriguing to investigate the ways in which incumbents (Fligstein and McAdam, 2012) operate in this environment and react to the entrance of new players. In the particular German context, looking at the way in which the welfare associations look to maintain the current institutional conditions or to change them according to their interests could serve as a setting to investigate these aspects.

Moreover, theoretical avenues emerging as a result of the empirical cross-case analysis could be further pursued in order to better specify the findings and contributions of this study. For instance, concepts such as compliance and divergence and the work of Durkheim (1951) and Merton (1964) in relation to them can lie at the basis of new inquiries and understandings of the empirical data in this study.

Apart from the research avenues opened by this study, there are also next steps to be taken regarding the discussion, dissemination and applicability of results. A very important next step for this research will be publishing the results and engaging in an intense academic debate around them. Moreover, sharing the results with practitioners will be a key focus. Discussions with the organizations and people directly involved in this research are essential in order to advance the understanding of the results. I will also share the findings with a broader audience of practitioners based on interest and availability in order to generate discussions about different strategizing possibilities in different fields. These discussions will hopefully prove useful for advancing organizational development in the case of other initiatives as well.

All in all, this study has opened up a wide range of future research possibilities and engagement with practitioners that could continue to expand our understanding of the interplay between institutional conditions and organizational action.

Concluding thoughts

This research was strongly motivated by an interest in understanding how organizations with a social mission can become more effective in their work and how together with other stakeholders they can contribute to reducing or even solving complex social problems. I hope that the accounts presented in this study will serve this purpose for practitioners and academics alike.

Great thinkers in organizational theory have kept reminding us of the need to focus on real organizations in the real world. Perrow (1991), Selznick (1996) and Barley (2016) have repeatedly emphasized the need for organizational research to maintain practical and even policy-making relevance. In the words of Selznick (1996: 277), organizational scholars should revive this policy focus that “directs our attention to genuine problems

of institutional life, which may not be the same as the problems that intrigue institutional theorists". The current study was developed with similar thoughts in mind.

I hope this piece of research makes organizations more aware of their strength and capabilities of action, as well as helping them maintain some degree of realism towards the things that they can actually influence. Without saying that they should not try to do what seems out of reach, the findings of this study are a reminder that constraints are also to be worked with. The ultimate purpose of effective social organizations is to serve people and maybe even to develop functioning, sustainable solutions for social problems. The more we know about what it takes to achieve this, the more we can positively influence the lives of beneficiaries. And this is what one can ultimately best hope for.

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Annex I
Interview guidelines **(for interviews with founders)**

Interview round 1 (fall 2014)

Introduction

1. Could you please tell me a bit about yourself? About your professional background and how you started with the organization?

About the organization

1. What is the mission of your organization? What is its legal form?
2. How does your organization function on a day to day basis? What are the main processes?
3. Could you talk a bit about the resources your organization needed in the past 12 months and how you acquired them?

Governance

1. Can you tell me a bit about the way in which decisions are being taken in your organization? Could you give me a concrete example?
2. How do managers and other stakeholders (beneficiaries, investors) influence each other? What is your role in this dynamic?
3. Can you explain to me what the governance structures and processes of your organization look like? What is the composition and role of the board/advisory board?
4. Who do you feel mostly accountable to in your work? How do you ensure accountability of the organization?
5. Could you explain your reporting processes and how they match the needs and interests of your main stakeholders?

Financing

1. What are the most important financial sources for your organizations? Could you describe your financial model?
2. Has this model changed over time? In how far?

3. In how far does public funding play a role in your financial model?
4. How do you report on the financial aspects of your work and to whom?

Institutional context

1. Would you describe the current institutional context for your organization as supportive or constraining? Why? Could you give me some examples?
2. Is there any particular legislation or regulation directly influencing your organization?
3. How does the local, regional or national culture influence people's attitudes towards your organization?
4. Does your organization aim to change particular institutional conditions in your environment? Which ones and why?

Innovation

1. What makes your organization innovative?
2. Could you walk us through some innovation processes in your organization?
3. What are the typical challenges when innovating in your field of work? What are the most important resources for this?
4. How would you describe your organization compared to other organizations in your field of work regarding innovation?

Impact

1. What role does inclusion play in the work that your organization does?
2. How do you measure the impact or the success of your organization?

Wrap-up

1. Is there anything important that you feel we have not discussed so far regarding your organization?
2. Next steps for research collaboration

<u>Interview round 2</u> (spring 2015)

Introduction

1. What have been the main developments in your organization since our last conversation?
    a. For Alpha related to internal team dynamics, financial progress, scaling
    b. For Bravo related to internal team dynamics, national and international scaling, acquiring resources
    c. For Charlie related to internal team dynamics, acquiring resources, engaging with beneficiaries

Team and collaboration

1. Have you experienced any operational changes? How has the dynamic in the team evolved?
2. How has your selection process for staff change/evolve?
3. How does the collaboration with the franchisees/other stakeholders function?
4. How do you ensure the appropriate implementation of your program?
5. How do you differentiate it from other programs available in your field?
6. How do you select your beneficiaries and what impact does this have on your program?

Governance

1. Have your governance structures changed in the meantime? In how far?
2. Why did you decide to change the legal form of the organization?
3. How would you describe your collaboration with the board and with the advisory board? What is their role in the development of the organization?
4. How did you start using the Social Reporting Standard as a reporting tool? In how far is it useful for your organization?

Resources

1. How would you describe your current financial situation and access to resources? Are there any new resource providers?

2. What does the potential withdrawal of your main resource providers mean for the organization?
3. Your organization has one a number of prizes. What do these mean for your organization?
4. What does your participation in public events mean for the organization?
5. How does your organization interact with different political actors in Germany? What does it mean in terms of support and maybe even endorsements?
6. Have there been any changes in the way your organization is affected by legislation or regulation?

Networks

1. Could you tell me a bit more about your relationship with social entrepreneurship support networks? What about other networks that you are a part of?
2. How has your focus on particular networks over time evolve?
3. How has your relationship with the welfare associations evolve over time?
4. How do you position yourself towards other social enterprises in Germany?

Scaling

1. Have you developed the scaling ideas further? What is the current status for this process? (referring both to national and international scaling)
2. How is the scaling process managed abroad? Who are the parties involved and how do they contribute?
3. How do decision-making processes function in regard to scaling?

Wrap-up

1. What are the biggest challenges for your organization now?
2. What does your organization need now in order to develop further?
3. Next steps for research collaboration

<u>Interview round 3</u> (fall 2015)

Introduction

1. What have been the main developments in your organization since our last conversation?

Starting phase of the organization

1. How did your collaboration with social entrepreneurship support networks start? How did you get in contact and how did it contribute to your organization?
2. How did you develop your operational and business model? What was the role of consultants in this process?

Organizational aspects

1. What are the current developments regarding your locations?
2. How have the dynamics in the internal team evolved? Have the dynamics with external partners and stakeholders changed?
3. Have you entered new networks or started collaborating with new stakeholders?
4. Have you identified additional resources providers to cover your needs?
5. Have there been any changes regarding the financial strategy of the organization?
6. Have there been any new developments regarding the scaling process?
7. How do the new governance arrangements function?

Visibility/prizes

1. How useful is for you the designation social enterprise?
2. Have recent prizes influenced the development of your organization and in what way?
3. What is the motivation behind entering competitions and scholarship programs regarding social entrepreneurship?
4. How do you develop your communication strategy for the organization?

Institutional context

1. What do you think interests funders in the German context in particular?
2. How would you assess the availability of resources for organizations like yours in the field?

Wrap-up

1. How would you summarize the year 2015 for your organization?
2. What are the plans for 2016?
3. What are the biggest challenges for your organization now?
4. Next steps for research collaboration

Interview round 4 (spring 2016)

Introduction

1. What have been the main developments in your organization since our last conversation?

Internal developments

1. How have team dynamics evolved?
2. How is the consolidating process for the program in Germany going?
3. How is the international scaling process going? How is the national scaling process going? What are the challenges, what are the opportunities?
4. Have there been any changes in strategies for the internal development of the organization?

Partners and stakeholders

1. How is the current financial situation of the organization? What are the perspectives in this regard?
2. Have there been any changes in the financial strategy for the future?
3. Are there more financing possibilities available for your organization out there now? Which ones?
4. How does the collaboration with state structures and other partners evolve?

5. How has the relationship with the beneficiaries evolved?

Institutional context

1. What are the biggest challenges when you communicate about your organization?
2. How do you see the development of social entrepreneurship in Germany? What is the involvement of the state and other stakeholders?
3. Have you engaged in any advocacy activities regarding your work or social entrepreneurship?

Wrap-up

1. Are there any other developments we have not mentioned that are important?
2. What does your organization need now in order to develop further?
3. Where do you see your organizations in 5 years? What would be the goals?

Annex II

Field events attended

Organizer	Title of event	Date
Social entrepreneurship/social innovation		
Vision Summit 2014	The future of Society and Economy	11.09.2014
European Venture Philanthropy Association	Annual EVPA Conference	17-18.11.2014
Ashoka Germany	Announcement New Ashoka Fellows	10.03.2015
Ashoka Germany	Today's Social Innovations - Tomorrow's Market Shifts	18.05.2015
BMW Foundation	The role of the state in social entrepreneurship	05.03.2015
Vodafone Foundation	Forum Social Innovation 2015	11.09.2015
Technische Universität Dortmund	Soziale Innovation Kongress	20.09.2016
Bundesverband Deutscher Startups, Impact Hub	Social Entrepreneurship in Deutschland gemeinsam voranbringen	26.01.2017
Economics Ministry	Modernising Germany – Innovation Agenda #de2025	17.01.2017
Ashoka Germany	Announcement New Ashoka Fellows	15.05.2017
Pitches		
Social Impact	Social Impact Start Pitch	13.11.2014
Social Impact	Pitch im Plenum - Bundestag event	02.12.2014
Social Impact	Social Impact Start Pitch	12.11.2015

Research events on social entrepreneurship/social innovation		
Bertelsmann Stiftung	Das Rad nicht neu erfinden – Skalierung in Sozialunternehmen	10.02.2015
BBE and Stifterverband deutscher Stiftungen	Sozialisierung der Ökonomie versus Ökonomisierung des Sozialen. Sozialunternehmen, Genossenschaften und ihr Beitrag zur Zivilgesellschaft.	06.11.2015
Other events on the German social sector		
Hertie Foundation	The role of foundations as operative organizations	15.10.2015
BMW Foundation	Innovative Bildungskonzepte in Deutschland – eine Debatte	04.11.2015

Annex III

Coding tree based on first round of open coding

Category	Subcategory	Number of codes
Organizational strategy		**590**
	Governance	128
	Business approach	56
	Impact measurement	7
	Organizational mission	27
	Organizational culture	10
	Political action	12
	Personnel	19
	Internal challenges	15
	Reputation/quality standards	34
	Role of entrepreneur	96
	Scaling	44
	National-local relations	15
Institutional context		**260**
	Positioning	29
	Legitimacy	7
	Welfare associations	28
	Legislation	25
Social entrepreneurship		**105**
	Impact measurement field	5
	Role in Germany	28
	Social entrepreneurship field	10
	Social entrepreneurship definition	2
Interactions		**109**
	Competition	24
	Cooperation	19

Resources		**417**
	Visibility	46
	Endorsement	16
	Legislation/policies	31
	Recognition	15
	Know-how/consulting	69
	Infrastructure	13
	Networks/connections	68
	Financial	120
	Legitimacy	10
Resource providers		**290**
	Social issue domain	13
	Social entrepreneurship field	12
	Type of resource providers	251
	TOTAL	**1771**