Social Entrepreneurs' Perceptions of Experienced Failure in Finland

Interpretative Phenomenological Analysis

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Abstract

The purpose of this study is to increase knowledge regarding failure within social entrepreneurship. We want to investigate the perception of failure of social entrepreneurs. To discover the experiences of the participants we have used the interpretative phenomenological analysis. We have conducted and analyzed three in-depth interviews. The data was collected from entrepreneurs/CEOs, who had experienced a failure within the social enterprise. Two of the failures were financial and one participant experienced a social mission drift. The participants were running organizations that had the status of social enterprise. Based on literature search, we defined five elements of social entrepreneurship: individual, organization, environment, mission and learning. We aim to understand how the participants consider these elements in relation with failure, either social mission drift or financial failure.

The findings suggest that the elements of social entrepreneurship are in reciprocal relation to the failure. Accordingly, for example, the individual has an effect to the failure and failure has an effect to the individual. This has been analyzed with a framework created and we have discover how the elements contribute on failure and how the failure will affect the elements. The only element where the reciprocity was not visible was learning but we do not consider this to prove it since the study is not longitudinal.

There are several theoretical implications of the study. This study increases knowledge on the social entrepreneurs' perception of failure. The theory about social entrepreneurial failure is developed further in socioeconomic and geographic context of Finland, where the status of social enterprise is defined in legislation. Since social entrepreneurship has different characteristics in different schools of thought divided geographically, the implication possibilities within the European school of thought is evident.

Practical implications of the study can be identified as development of knowledge of social entrepreneurship in Finland. We have identified several problems relating to the government's mission to employ disabled and long-term unemployed. It is considered by the all the participants that the legislation does not serve the phenomenon and should accordingly be developed. The study contributes by displaying the experiences of the social entrepreneurs. In developing social entrepreneurship this is crucial, since improvement is difficult to achieve without understanding the faults. The study will pinpoint the problematic issues. By developing social entrepreneurship the study contributes improving the quality of life of disabled and long-term unemployed who the Finnish government tries to help through social enterprises. In addition to the development within governmental level, the study contributes to the individuals, who are planning to establish a social enterprise. The study helps them to consider the issues, which have been experienced by other social entrepreneurs.

Keywords: social entrepreneurship, perception of failure
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1. Introduction
In this chapter, we present the background and reasons why we conducted this study. Then we introduce the theoretical points of departure explaining why social entrepreneurship deserves its own research field. We will continue to discuss the definitions of social entrepreneurship and failure. Then we will introduce the purpose of the study and discuss the method and research question. We move on to explain the contributions and the disposition of this study to the academic research as well as the practical applications. Finally, we indicate the de-limitations.

"Success is not final, failure is not fatal: it is the courage to continue that counts."
- Winston Churchill

Whatever we decide to work with, we aim to success. All of us have failed sometime and we will not stop failing. We agree with Winston Churchill that the courage to continue is what counts. We consider that courage to continue comes from the perception on the failure.

1.1. Background of this study
In a world of poverty, natural catastrophes, world hunger, ill-developed infrastructures for proper waste recycling, global warming and inequality of men and women, to name a few problems, social entrepreneurship has become a viable phenomenon. These problems are not only the problems of the developing countries, but a country like Finland has its own challenges too. In the traditional view of business, the primary reason for making business one can think of is profits. In social entrepreneurship money making is not the only reason, and often not the first motivation and mission. Like Finland, many countries' governments have harnessed social enterprises to tackle the problems they have been unable to solve (Bacq & Janssen, 2011). One of the challenges is unemployment and for example, in Finland, which is the context we have chosen to study, there were 112 200 long-term unemployed in March 2017 (Findikaattori, 2017).

There are two officially used definitions for social entrepreneurship in Finland. The definitions, which we will explain in more detail below, are more narrowly focused compared to the definitions presented by academia. In this study, we will concentrate on the type of social entrepreneurship in Finland that is defined in the legislation. The eligible enterprises are registered. We are of Finnish origin and both find the thought of social mission combined with entrepreneurship very fascinating. We think social entrepreneurship in Finland is an intriguing field to explore and develop further, therefore we have chosen this topic for our master’s thesis. The amount of registered social enterprises has decreased from 160 in 2012 (Kluukkeri, 2012) to 39 in 2017 in Finland. According to Kluukkeri (2012) the Ministry of Economic Affairs and Employment has noticed the malfunction of the law on social enterprises and is willing to develop it. As business administration students pursuing our master's degree, we hope to one day benefit from this study by possibly becoming social entrepreneurs ourselves. Failures of both conventional and social enterprises seem to have gotten fuel to their fire since the financial crisis of 2008. This becomes evident from the decreased amount of social enterprises registered. The entrepreneurs and CEOs are the ones that have to deal with the daily routines and the reality that the Finnish legislation imposes. With this study, we want to understand how the failure in social entrepreneurship is perceived by the entrepreneurs or CEOs and give them a voice.
1.2. Theoretical points of departure

Here we will present the theoretical points of departure in the literature concerning the research topic we have chosen. In the entrepreneurship literature, there has been debate on whether social entrepreneurship is a distinctive enough research field to be handled as independent from other types of entrepreneurship literature. Social entrepreneurship has many different definitions and this has led researches to realize how dispersed and ill-unified the research on social entrepreneurship is. (Mair & Martí, 2006; Phillips et al., 2014) The term social entrepreneurship was not used before 1990 in Europe, and in the US not before the early 1990’s (Bacq & Janssen, 2011; Defourny & Nyssens, 2010, p. 33), which gives the reader hints of newness of the field. However, social entrepreneurship can be seen as a unique concept that has its own, distinctive characteristics, which include the mission, motives and challenges. (Dacin, Dacin & Matear, 2010, p.42) As Peredo & McLean (2006, p.56-57) state: “Social entrepreneurship may call for quite different standards of evaluation when compared with standard forms of entrepreneurship.”

Because they believe in the distinctiveness of social entrepreneurship, Dacin et al. (2010) encourage further research to explore social entrepreneurship based on theories derived from other forms of entrepreneurship to investigate how they apply to the phenomena with the social context. Their view is based on the classification, which describes four different types of entrepreneurship. Those include: conventional, institutional, cultural and social entrepreneurship. Dacin & al (2010) then show how social entrepreneurship indeed possesses unique characteristics. Mair & Martí (2006, p. 40) argue that knowledge on the phenomena can only be improved by using a variety of theoretical lenses as well as a combination of research methods. Rather than providing an extensive list of perspectives, social entrepreneurship as a research field benefits more when its considered as a phenomenon that has different sides that vary according to the socioeconomic and cultural environment (Bacq & Janssen, 2011; Mair & Martí 2006).

Social entrepreneurship and social entrepreneur as concepts are multidimensional and are used vaguely since it has gained popularity (Abu-Saifen, 2012, p. 22; Bacq & Janssen, 2011; Peredo & McLean, 2006). The inadequacy of unambiguous definition complicates the research of the topic. For example, according to Abu-Saifen (2012, p. 22) social entrepreneur tailors his/her activities to create social value. He suggests that the social entrepreneur has no or little intention to create personal profit but to fulfill the social mission. Abu-Saifen finds a difference between social entrepreneurship and profit-oriented entrepreneurship. As comparison, Peredo & McLean (2006, p. 64) agree on the creation of social value but in addition they include that social entrepreneur has capacity to recognize and take advantage of opportunities to create that value, employs innovation, accepts an above-average degree of risk in the business as well as is unusually resourceful and undaunted when facing scarcity of resources.

When considering how social entrepreneurship literature has developed, we found a study called “The multiple faces of social entrepreneurship: A review of definitional issues based on geographical and thematic criteria”, where Bacq & Janssen (2011) present three prominent schools of thought in social entrepreneurship literature. They found that two very different approaches to social entrepreneurship exist in the US and in Europe there is yet another approach. The American Social Enterprise School of thought’s focus is on income generation in conducting a social mission whereas American Social Innovation School focuses on establishing novel means in solving social problems or satisfying
social needs. In Europe, the definitions are either about the concept or the legal aspects of social entrepreneurship. Furthermore, the conceptual definitions have been emphasized in European academia. They further explain that there are definitional differences and they are due to these different contextual factors. Therefore, they suggest that contextual factors should not be ignored in the research of social entrepreneurship. (Bacq & Janssen, 2011)

Zahra et al. (2009) take another view on the matter and they categorize social entrepreneurs in three distinctive types. The types vary when it comes to the search process of social opportunities, determining their impact on the broader social system and how they gather resources needed to pursue the opportunities. Ethical issues also vary among these types. Zahra & al (2009, p. 529) further argue that the different characteristics may have an impact of the managerial needs of the social venture. Zahra & al (2009) also strongly call for social enterprises to keep the social mission, that is creating social wealth as they determine it, as the primary mission and they discourage any activities that merely pursue economic wealth. Dacin & al (2010) disagree on this point, because they think that creating social value is often closely related to economic outcomes, which will help producing financial resources that are then used to achieve social missions. They do however agree upon the fact that focusing on social rather than economic outcomes aligns with an agenda of identifying and promoting successful social entrepreneurs.

Social enterprise as an activity is commonly equated with social entrepreneurship (Peredo & McLean, 2006, p. 57). There are other terms and concepts that have been used in association with social entrepreneurship. Social innovation and not-for profit organization serve as examples. There is, however, one distinctive character that social entrepreneurship has, which is the focus on social wealth creation. It differs from conventional business’s focus, economic wealth creation. (Mair & Martí, 2006, p. 39; Zahra & al, 2009; Dart, 2014, p. 415) In their study, Dacin & al (2010) gathered 37 definitions in their review of social entrepreneurship. Most of them include the term mission and it is used in connection with social aspect. Dacin & al (2010, p. 42) explain that the focus on social mission in definitions allow the research examine activities through which individuals and organization achieve specific outcomes.

Because we have chosen to conduct our research in the country-specific context, we now discuss social entrepreneurship in Finland. In Finland, there are two different kinds of official terms that describe social entrepreneurship, namely “sosiaalinen yritys” and “yhteiskunnallinen yritys”, which create the specific characteristics of social entrepreneurship in the country. In this thesis, we concentrate on the “sosiaalinen yritys”. The term social enterprise (sosiaalinen yritys) is defined in Finnish legislation (Finlex 1351:2003) and according to it "the purpose of social enterprise is to create jobs in particular for the disabled and long-term unemployed." It entails that at least 30 per cent of the employees of a social enterprise are to be disabled or long-term unemployed. The social enterprise must also be registered to a social enterprise register maintained by Ministry of Economic Affairs and Employment. This is in accordance with the findings of the review conducted by Bacq & Janssen (2011), which concludes that in Europe social enterprises are often defined in legislation. In our study, we will concentrate on the concept of social entrepreneurship requiring employment of disabled and long-term unemployed but both definitions will be further explained in chapter 2.
In the mainstream of entrepreneurial literature there are motivations for better understanding the entrepreneurial failure and what can be learned from it (Singh, Corner & Pavlovich, 2007; Dacin & al, 2010; Olaison & Meier Sørensen, 2014) Olaison & Meier Sørensen (2014) explain that in some of the streams in entrepreneurship literature it is acknowledged that understanding failure helps developing entrepreneurial practices and even public policies to better facilitate entrepreneurs. They continue to justify this with the logical conclusion that if the reasons behind entrepreneurs' failure are known, the success/failure ratio could be increased. According to Sitkin (1992) it is often easier to pinpoint the reason for failure than explain success, which makes failure analysis a powerful mechanism to resolve uncertainty.

The word failure can be associated with the performance of the business, and in this case, the social enterprise. Failure and success are two sides of the same coin and should not be separated. Failure and success are difficult to define within the field of social entrepreneurship. Mair & Martí (2006, p. 42) state that assessing the social performance and impact is one of the biggest challenges in the research of social entrepreneurship. According to them it is still an open question how measures can be used to give a numeric value to the performance and impact of social entrepreneurship. Many consider this as a very difficult task. Zahra et al (2009, p. 529) agree there are no accepted, reliable and valid measures of social wealth. Generally, failure in social enterprises is divided into 'financial failure' and 'mission drift' (Dart, 2004; Bielefeld, 2007, p. 79; Copestake, 2007, p. 1725). Dart (2004, p. 140) proposes that research on social enterprise failure is more considering 'mission drift' than 'financial failure'. Duncan and Teasdale (2012, p. 140) on the other hand believe that 'financial failure' occur more often when considering social enterprises but sufficient literature is still inadequate.

Mordaunt and Cornforth’s (2004, p. 227) research on non-profit organisations considers how failure of organization within third sector is difficult to conceptualize. This is because in addition to/instead of the economic goals the organization has social goals. The failure is constructed in economic terms but at the same time it is a relative issue. Failure of enterprise is affecting more people than just shareholders of the enterprise. Failure of social enterprise is also affecting the objects of the social mission. Social mission is emphasized also by Dacin et al (2010, p. 51), who explain that social entrepreneurs give importance to their social mission and are passionate about it. They note that also other types of wealth creation than social wealth creation should be included in the research because ignoring them might distort the evaluation of critical outcomes, that still play an undeniable role in social entrepreneurial success. The research regarding failure of social enterprise conducted so far is not sufficient in academia and more research is required (Dacin & al 2010, p. 51; Low & Chinnock, 2008, p. 221; Chemelik, Musteen & Ashan, 2015, p. 98; Mordaunt & Cornforth, 2004, p. 233; Duncan & Teasdale, 2012, p. 140).

The study will concentrate on the perception on failure. The perception of individual is in a relation to what is considered as failure (Kollmann, Stöckmann & Kensbock, 2017). Cacciotti (2016, p. 320) argues that fear of failure is a part of entrepreneurial process. Simmons, Wiklund and Levie (2014, p. 501) argue that failed entrepreneurs are not likely to establish another entrepreneurial venture. They are more likely to pursue other career
options. One of the influential issues is the stigma of failure (Shepherd & Haynie, 2011, p. 182; Lee, Peng & Barney, 2007, p. 267). According to Shepherd and Haynie (2011) the negative perception and self-image is stronger if the entrepreneur identifies him-/herself strongly to the organization.

In our study we will apply Gartner's (1985) framework for describing new venture creation, which has four dimensions: individual, organization, process and environment. Social mission is distinguishing social enterprises from other enterprises (Peredo & McLean, 2006; Dees, 1998) and accordingly we will replace the dimension 'process' with social mission within our own framework. The focus of the study is failure. we will add dimension 'learning', since according to Argyris (1995), failure is the prime source of learning. Our framework will also contain the different types of failure: social mission drift and financial failure. We want to understand whether the above mentioned elements and failure have relation and whether it is reciprocal. Next, we present the research gaps.

1.2.1. Research gaps
The identified research gaps relate to the social enterprise failure which has been mostly researched on purely non-profit organizations, and the branch of research is still nascent (Dacin & al 2010, p. 51; Low & Chinnock, 2008, p. 221; Chemelik, Musteen & Ashan, 2015, p. 98; Mordaunt & Cornforth, 2004, p. 233; Duncan & Teasdale, 2012, p. 140). Taking into consideration that social entrepreneurship includes other types of organizations than only non-profit (Mair & Marti, 2006, p. 39; Abu-Saifan, 2012, p. 26), a gap in literature is evident because there are other types of social enterprises than just non-profit ones. Furthermore, there is paucity of research that seeks to explain the individual's experience on venture failure (Cope, 2011, p. 604). Cope (2011) also points out that the current research lacks grounding theoretical discussions in rich qualitative accounts.

Another identified gap relates to the many definitions and conceptualizations that exist in the social entrepreneurship literature (see e.g. Bacq & Janssen, 2011). As the variation has been identified to go along different schools of thought that can be classified geographically (Bacq & Janssen, 2011), research should take the different contextual factors into consideration (Bacq & Janssen, 2011; Mair & Marti 2006). We have only found very few studies about failure in social entrepreneurship in Finland, which indicates that there is lack of research on the topic (see Kostilainen & Pättiniemi, 2016).

1.3. Purpose
The purpose of this study is to increase the knowledge on the phenomenon of failure in social entrepreneurship. The context is limited to the work integration social enterprises in Finland. By studying failures, we want to explore what social entrepreneurs and the government as legislator can learn from the phenomenon of failure. This has also been called for as a research field that needs more attention by Dacin & al (2010, p. 51), Low & Chinnock (2008, p. 221) Chemelik, Musteen & Asha (2015, p. 98) and Mordaunt & Cornforth (2004, p. 233).

We want to explore how the entrepreneur perceives the failure and how he/she considers the failure affected him/her and what kind of effect he/she had on the failure. In addition, we want to know how entrepreneurs, who experienced different type of failure perceive
that experience. Is the perception of the participant different if the organization faced a social mission drift or financial failure?

We want to concentrate on the personal experiences of the entrepreneurs. This allows us to get a clearer picture about the perception of failure, which does not have clearly established guidelines in the social entrepreneurship literature. (Duncan & Teasdale, 2012). We pursue to discover the perceptions of failure by discussing the experiences of failed entrepreneurs/CEOs. Because entrepreneurial failing is a phenomenon, which is experienced in different ways depending on the individual, we decided to use interpretative phenomenological analysis (IPA) (Smith, Flowers & Larkin, 2009) to understand the experience from the perspective of the entrepreneurs/CEOs. The participants of the study are failed entrepreneurs or CEOs who have managed an organization, which has had a status of social enterprise and registered in social enterprise register maintained by Ministry of Economic Affairs and Employment in Finland. We will use the theoretical frameworks derived from conventional entrepreneurship research and literature due to the limited number of frameworks of the phenomenon in social entrepreneurship context in specific.

1.3.1. Research question
To be able to meet the purpose of our study, we have formulated the following research question:

How is failure perceived by failed social entrepreneurs?

1.3.2. Contribution to social entrepreneurship literature
The study aims to contribute to the social entrepreneurship literature on some levels. By conducting our research carefully and presenting reliable and credible results, we hope to contribute to the research of social entrepreneurship in the following ways:

1) The study is concentrating on Finnish social entrepreneurship, which contributes to the research by locating the phenomenon into socioeconomic and geographic context.
2) The study will contribute to the theory development of social entrepreneurship, by applying the elements of entrepreneurial venture creation, suggested by Gartner (1985), we can add to the understanding of the phenomenon of failure in social entrepreneurship context.
3) With the help of the framework we can indicate the possible reciprocal relation between the elements and failure.
4) This study will add on to the understanding of the perception of entrepreneurs of reasons behind failure of social ventures.

1.3.3. Contributions to practical application of knowledge
1) This study will help individuals who are planning on to take up social entrepreneurial activities to succeed in their mission. We hope to create knowledge that helps them to learn from the failures of other social entrepreneurs.
2) Taking into consideration that in Finland the government’s actions to promote social entrepreneurship have not been as successful as hoped, this study can provide insight on the problems perceived by social entrepreneurs and thereby to provide problematic issues to work on. This can point out how to develop the legislation. This may in turn help the government to enable the employment of
the disabled and long-term unemployed and thereby the lives of those individual as well.

1.3.4. **De-limitations**

We have decided to limit the participants of the research so that every organization has had a social entrepreneurship status. Even though the definition of social entrepreneurship in the Finnish legislation is more restricted and narrower than in academia, this choice is a deliberate decision. As mentioned before, we want to develop social entrepreneurship in Finland by adding the understanding of the topic. In order to become a social enterprise, the organization has to register itself and fulfil certain requirements. We decided to investigate social entrepreneurship as it is considered by the Finnish legislation and society as it gives clear guidelines in participant selection. Other reason for this is that in Finland, being part of the European school of social entrepreneurship, presented by Bacq & Janssen (2011), most activities regarding social entrepreneurship do evolve around the legislation. We will not concentrate on the Finnish culture and the cultural perception towards failure. There are two men and one female participants within this study but we have decided to limit the research regarding traits concerning gender.

1.3.5. **Disposition of the study**

**Chapter 1:** Introduction.
**Chapter 2:** Theoretical frame of reference. In this chapter, we present the theory related to this study and eventually the proposed framework used as analysis and categorization tool.
**Chapter 3:** Methodology. In this chapter, we present both the scientific method and the practical method.
**Chapter 4:** Findings. In this chapter, the findings are presented in analysed form as it is required by the method chosen: Interpretative phenomenological analysis (IPA). The analysis is done like described in the methodology-chapter.
**Chapter 5:** Discussion and conclusions. The discussion ad conclusions are also presented together like it is common in IPA studies.

In the following chapter, we will introduce the theoretical frame of reference for this study.
2. Theoretical frame of reference
In this chapter, we present the theoretical frame of reference for this study. While conducting a literature review, we found that the individual entrepreneur, the organization, the (social) mission, the environmental factors and learning are elements that play a crucial role in success and failure of social entrepreneurship. Failure in social entrepreneurship can be of two sorts: social and financial. The literature suggests that failure can affect the elements of social entrepreneurship. Thus, based on the literature, we propose that the elements of social entrepreneurship and failure is reciprocal.

The disposition of this chapter is the following: We first present entrepreneurship as a field of research and then discuss social entrepreneurship and then present what failure means in the social entrepreneurship context. Next, we present the mentioned elements of social entrepreneurship and how failure affects them and vice versa. Lastly, we present our proposed framework based on the literature review. To discuss about failure, we need to discuss also about success, since they should be considered as a pair. However, Sitkin (1992) considers that it is often easier to pinpoint the reason for failure than explain success, which makes failure analysis a powerful mechanism to resolve uncertainty.

2.1. Social entrepreneurship
Before discussing of social entrepreneurship, the concept of entrepreneurship needs to be scrutinized. What constitutes as entrepreneurship is a disagreed issue and it lacks scholarly consensus (Peredo & McLean, 2006, p. 57; Dorado, 2006, p. 2). There are several scholars who have contributed to the research by introducing different schools of thought. Accordingly, scholars define entrepreneurship and the core characters of the entrepreneur in different ways. Next, we will introduce some main theories within the field and differentiate them from the others. In their book, Hébert & Link (2009) present the history of entrepreneurship research. According to them, Schumpeter is one of the most influential researchers, but his definition of an entrepreneur is very specific and other kinds of definitions have been made. According to Schumpeter (1934) an entrepreneur is primarily an innovator who makes a change in the market place. According to him, the change can take in place through introduction of a new or improved good, a new method of production, opening a new market, exploitation of a new source of supply or carrying out of a new organization of any industry. McClelland (1967) on the other hand describes an entrepreneur to be a person with a need for high achievement, risk bearer and energetic in his/her actions. The works of Kirzner have been important to the entrepreneurship literature as well (Hébert & Link, 2009, p. 88), and his main point is that entrepreneur is an arbitrageur (Hébert & Link, 2009, p. 8; Abu-Saifan, 2012, p. 23).

Other definitions found were for example the one from Carland, Hoy & Carland (1984). Carland et al., (1984) suggest a separation between entrepreneurs and small business owners. It is also suggested that small business owners’ main purpose is to achieve personal goals and gain income. In addition, the venture can be considered as an extension to the personality of the owner. On the other hand, an entrepreneur is considered as an innovative individual who establishes a business to create profit and growth. He/she is also a strategic thinker. (Carland et al, 1984, p. 358) This Schumpeterian perspective on entrepreneurship limits entrepreneurship greatly and we consider entrepreneurship in a broader sense. Davidsson (2005, p. 6) wants to portray the phenomenon of entrepreneurship as micro-level behaviour which can have very important macro-level implications. Also, he emphasizes that it is the supplier who is the entrepreneur, not other
elements that still may affect the outcome in the market. Davidsson (2005, p. 6) suggests a following definition for the phenomenon of entrepreneurship, where entrepreneur drive the market process in one or more of the following ways: “1) They provide customers with new choice alternatives, potentially giving some of those customers more value for their money. 2) They stimulate incumbent actors to improve their market offerings in their turn, which increases efficiency and/or effectiveness of those actors. 3) If successful, they attract other new entrants to the market, thus further increasing competitive pressures towards improved efficiency and effectiveness.” Shane and Venkataraman (2000, p. 224) remind that even though entrepreneurship as a field has been researched plenty it is lacking conceptual framework to create consistency. Social entrepreneurship as a part of research in the field of entrepreneurship is also lacking consistency and next, we move on to the definitions of social entrepreneurship.

Dorado (2006) suggests that there should be caution when translating the research finding of other types of entrepreneurship into social entrepreneurship context. According to her, there is a lack of evidence if the results can be generalized to also apply to social entrepreneurship. This becomes evident especially when one considers the well-substantiated finding of entrepreneurship that there is a connection between the business opportunity identified by entrepreneurs and their backgrounds. When interpreted broadly to social context, this would mean, that when a social problem is brought to the attention of an entrepreneur, it might provide them an advantageous position to identify a business opportunity that is connected to the solution of the problem. However, some not-for-profit organizations are struggling to generate a cash-inflow based on the background in a specific social problem. (Dorado, 2006, p. 2)

Hill, Kothari & Shea (2010) researched how the literature on social entrepreneurship has evolved. They found four different schools of thought in social entrepreneurship research in the results of their literature review: Entrepreneurship, Social, Governance and For-profit non-profit. They found that the existing social entrepreneurship literature is almost only based on case-studies or it is conceptual. The biggest school of thought, among the articles that were researched, were of the Social school of thought. The emphasis on social impact is the common nominator throughout this literature. Also, social outcomes and solving social problems are in the center of discussion in this school of thought. There is no consensus, however, how social value will be created. Some texts connect social entrepreneurship with social responsibility. (Hill et al. 2010, p. 9-12) It is the most complex school of thought when it comes to coherence of concepts. In this school, the scholars see creating a business as action that has a specific objective: meeting social needs.

In the analysis of most used words in social entrepreneurship literature by Hill et al. (2010), the word entrepreneurship was one of the most influential concept. It is a school of thought in which some authors reflect upon it as a process of community and economic development, social innovation, social venture creation, non-profit enterprise creation and social entrepreneurship. The texts about entrepreneurs as individuals relate to this stream of literature, and they concentrate on the drive, beliefs and values based on personal experience. The word business has been used in contexts that try to use the conventional business theories in social entrepreneurship context, and some see social entrepreneurship as a form of entrepreneurship that differs only in the focus rather than in theory. There are, however, some texts that consider the social commitment as a determinant of success, and social networks as a tool to succeed. (Hill et al. 2010, p. 13-
The Entrepreneurship school emphasizes the creation of social ventures by entrepreneurs looked through the lens of entrepreneurship and management theories. In this school, there are more quantitative analysis than in other schools. I.e. individual values, firm size social capital and social relations are measured. (Hill et al. 2010, p. 17-18)

The Governance school is more interested in the effective, community-influence governance and management of social enterprises in a variety of settings. It does not have as broad focus as entrepreneurship but not as narrow as the process of venture creation. It is the concrete management issues that are addressed, like those of stewardship or governance. For-profit non-profit school of thought concentrates on the potential of commercial non-profit hybrids or businesslike non-profits, as well as their management.

Community is a word that was found in some streams of social entrepreneurship literature by Hill et al. (2010). It localizes the concepts under the “social” and emphasizes the role of stakeholders. Community/enterprise, community/organizations and community/development are all common word pairings. The latter often has a focus on community economic development and it is also closely related to sustainable development in economic, environmental, social and community terms. According to Hill et al. (2010) many authors suggest that social entrepreneurship’s difference to conventional entrepreneurship lies in the increased interaction with and accountability to a wide range of stakeholders involved in business generation and governance. (Hill et al. 2010, p. 12) In addition, both Social and Governance schools also emphasize the role of stakeholders and the impact they have on the entrepreneurial process. It is suggested that their involvement is so intense that it changes the entrepreneurial process fundamentally. The focus on social wealth creation of the Social school implies that the metrics and the people involved are different compared to conventional entrepreneurship. (Hill et al. 2010, p. 21)

To summarize, social entrepreneurship is a term that has been used in many contexts and its use include a variety of meanings (Abu-Saifan, 2012, p. 22; Bacq & Janssen, 2011; Peredo & McLean, 2006). To be able to accurately collect and analyse data, we need to discuss what is considered as social entrepreneurship and what makes it distinctive. According to Peredo & McLean (2006, p. 57) the term’s use falls under two continua, where one is the social element and the other concerns the entrepreneurial component. They also point out that there is a variety of perspectives on both points. Therefore, it is a valid question to ponder upon what makes social entrepreneurship social and what makes it entrepreneurship. (Peredo & McLean, 2006, p. 57) To understand what social entrepreneurship is, Peredo & McLean (2006) suggest considering the two words separately. Next, we will discuss the crucial characteristics of social entrepreneurship as suggested by Peredo & McLean (2006).

2.1.1. The entrepreneurship perspective

Mair & Martí (2006, p. 39) elaborate that not-for-profit nature of social entrepreneurial activities has been emphasized in the social entrepreneurship literature. They argue though that social entrepreneurship can equally work on a for-profit basis as well. This is based on their research which suggests that the choice of set up, in both, not-for-profit and for-profit initiatives, is dictated by the nature of social needs addressed, the amount of resources needed, the scope for raising capital and the ability to capture economic value.
One emphasis in the social entrepreneurship literature is the focus on operating sector and/or the processes and resources used by social entrepreneurs. The analysis on the primary activities of the social entrepreneur by Zahra et al. (2009) take part on this emphasis. (Dacin et al. 2010, p. 41) Dorado’s (2006) typology can also be considered as a part of this emphasis (Dacin et al. 2010, p. 41), but it can be considered as its own typology as well. Dorado (2006) suggests three distinctive types of social ventures. There are non-profit organizations which start a business to finance their social service operations. The second type is for-profit organizations who define their mission to have a double bottom line, meaning that both social and financial missions are pursued. The last type is a cross-sector initiatives which engage non-profit, for-profit and/or public organizations to collaborate to solve challenging social problems. This typology seems to be based more on the organizations, not on the entrepreneurs themselves, like Zahra et al.’s (2009).

Non-profit social entrepreneurial ventures are considered entrepreneurial because the founders have traits and they adopt behaviors that are identified with entrepreneurs. Non-profit social entrepreneurial ventures are different from an entrepreneurial venture when it comes to the governance. Non-profit entrepreneurial ventures do not have owners and they don’t share dividends. For-profit social entrepreneurial ventures are somewhat different. They blend business and social goals in their operations. Also referred to as “double bottom-line organizations” by (Dees 1998), these enterprises have similar governance structures as entrepreneurial ventures to secure profits. Cross-sector social entrepreneurship ventures also use strategies that are associated with entrepreneurship. They usually mobilize private sector resources and incubate many organizations to create a joint venture to address a social problem. These ventures are often short-lived, and the profit is not the primary goal but to fulfil the social need. (Dorado, 2006, p. 8)

Another way of defining social entrepreneurship is based on the processes and resources social entrepreneurs use when they enter a venture (Dacin et al. 2010, p. 41). Dorado (2006) compare not-for-profit organizations to for-profit organizations. Even though not-for profit organizations’ aim is not to produce profit, they are less dependent on donations because they are entrepreneurial. For-profit organizations with social goals on the other hand may have more resources to begin with to pursue their social mission. (Dorado, 2006, p. 4-7) Another example of this kind of emphasis, like mentioned in the introduction, can be found in Mair & Martí’s (2006) study. They define social entrepreneurship in terms of social wealth creation in contrast to economic wealth creation. In contrast with defining SE in terms of individual’s characteristics, some authors have focused on classifying social entrepreneurs based on different patterns of their entrepreneurial activities. An example of this is Zahra et al.’s (2009) typology: Social bricoleur, social constructionist and social engineer.

2.1.2. The social perspective
According to Peredo & McLean (2006, p. 59), the social part in social entrepreneurship handles the social entrepreneur’s aim to increase social value. They further discuss the strength of the goals in comparison to those of profit oriented and how they influence the selected type of organization: non-profit or for-profit. Dees (1998, p. 3) describes social entrepreneurs as follows: “Social entrepreneurs are one species in the genus entrepreneur. They are entrepreneurs with a social mission.” This distinction in mission is therefore the
social part of social entrepreneurship. The mission is further discussed in the Element 3: Mission-part of this chapter.

Based on the literature review, we can conclude that there are many definitions and conceptualizations for what is considered as social entrepreneurship. For the purposes of this study, we take the view of Abu-Saifan (2012, p. 25): “The social entrepreneur is a mission-driven individual who uses a set of entrepreneurial behaviours to deliver a social value to the less privileged, all through an entrepreneurially oriented entity that is financially independent, self-sufficient, or sustainable.” We find this definition to be consistent with the importance of mission in social entrepreneurship, agreed upon by many scholars (see for example Zahra et al., 2008; Dees, 1998 and Bacq & Janssen, 2011).

In the definition of Abu-Saifan (2012, p. 25), social enterprises can be either non-profit or for-profit. His definition is based on four statements: 1) Social entrepreneurs are mission-driven and dedicated to serve the mission of delivering a social value to the undeserved. 2) They act entrepreneurially through a combination of characteristics that distinguish them from other types of entrepreneurs (discussed in the Element: Individual-part of this chapter). 3) They act within entrepreneurially oriented organizations that have a strong culture of innovation and openness. 4) They act within financially independent organizations that plan and execute earned income strategies. (Abu-Saifan, 2012, p. 25)

Table 1 below illustrates the definition.

<table>
<thead>
<tr>
<th>Non-Profit</th>
<th>For-Profit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Social entrepreneurs</td>
<td>Entrepreneurs</td>
</tr>
<tr>
<td>Non-profit with earned income strategies</td>
<td>For-profit with mission-driven strategies</td>
</tr>
<tr>
<td>Mission growth</td>
<td>Profit growth</td>
</tr>
<tr>
<td>Dependency</td>
<td>Self-sufficiency</td>
</tr>
</tbody>
</table>

2.1.3. Social entrepreneurship in Finland

Defourny & Nyssens (2010, p. 34) explain that in the Nordic countries, there has been a division of responsibilities between the state, the business sector and the civil society. They further explain that the welfare state is expected to deliver welfare to the society, but due to changes in public policies, with the strong cooperative tradition these countries have, some cooperatives started to take a new form as producers of welfare instead of being purely part of business sector. According to the study of Bacq & Janssen (2011, p. 380-381), there are at least three prominent schools of thought in social entrepreneurship literature. They explain that in Europe, the definitions are either conceptual or legal. The EMES definition leaves room for the different legislative peculiarities that each European country may have. The definition is summarized as: “Social enterprises are not-for-profit private organizations providing goods or services directly related to their explicit aim to benefit the community. They generally rely on a collective dynamics involving various types of stakeholders in their governing bodies, they place a high value on their autonomy and they bear economic risks related to their activity” (Defourny & Nyssens 2010, p. 43).
According to Defourny & Nyssens (2010, p. 37), Finland is one of the countries that define social entrepreneurship in the law. As a distinction to the EMES definition the definition of social enterprise in Finland does not require the organization to be not-for-profit. Defourny and Nyssens (2010, p. 37) further explain that in Finland, there are public schemes targeting work integration social enterprises. As stated before in the introduction, we will concentrate on that sub-category of social enterprises, work integration social enterprises. The requirements are stated in the Finnish law which of we present an extract in appendix 1. To fulfill the requirements for registration as social enterprise the organizations has to comply the following:

1. employ disabled or disabled and long-term unemployed;
2. the amount of employed disabled or disabled and long-term unemployed is to be at least 30 %;
3. produce goods and services on a commercial principle;
4. pays all its employees, irrespective of their productivity, the pay of an able-bodied person agreed in the collective agreement, and if no such agreement exists, customary and reasonable pay for the work done.

Moreover, the registration requires that the applicant organization has not acted contrary to law or good business practice in a material way. Neither it has not default on taxes, social security contributions or other payments to the State; or pension, accident insurance or unemployment insurance contributions (Finlex 1351:2003).

In addition to the abovementioned registration, there is officially used Finnish term social enterprise (yhteiskunnallinen yritys), which is created by the Association for Finnish Work (2013). It is a brand that informs that the enterprise in question has been established to promote a social goal and most of its profits are channelled towards advancing social good. The primary criteria for receiving the Finnish Social Enterprise mark for branding are 1. to have primary purpose and objective to contribute social good. 2. to use most of its profits to contribute social good in accordance to the business idea. 3. the openness and transparency of business activities. (Association for Finnish Work, 2013) The greatest differences between the two terms are that the Ministry of Economic Affairs and Employment qualifies only enterprises that employ the long-term unemployed or disabled. Additionally the Ministry of Economic Affairs and Employment may grant these enterprises financial benefits. The social enterprise (yhteiskunnallinen yritys) brand created by the Association for Finnish Work (2013) is to inform stakeholders of the social mission, which can be broader than merely employing the misfortunate. The definitions of social enterprise in Finland are rather limited compared to the ones proposed by academia. Next, we will discuss the different elements of social entrepreneurship.

2.2. Elements of social entrepreneurship
In this study, we want to find out how the elements of social entrepreneurship affect failure and how the failure affects them. We used Gartner’s (1985) frame work for describing new venture creation, where individual, organization, process and environment are the main dimensions, as a base to categorize the results of this study. As pointed out by Bacq & Janssen (2011, p. 381), this can be useful to the social entrepreneurship research. However, the literature search revealed that mission distinguishes social entrepreneurship from other forms of entrepreneurship (see e.g. Peredo & McLean, 2006; Dees, 1998) and that entrepreneurial failure literature suggests
that failure is a prime source for learning (Argyris, 1995; Cope, 2005). Since our topic is about failure in social entrepreneurship, altering the framework by Gartner (1985) by replacing processes with mission and learning seems suitable. Sharir & Lerner (2006) used the same four dimensions to examine the success of social entrepreneurship. In our study, we apply those same dimensions, but also consider mission and learning as separate dimensions.

2.2.1. **Element 1: Individual**

Some of the definitions of social entrepreneurship focus on the characteristics of individual entrepreneurs (Dacin et al. 2010, p. 38). Those include issues relating to motivation, the opportunity recognition abilities and enacting change through inspirational leadership skills. Also the ability to gather resources is relevant. (Tan, Williams, & Tan, 2005) Dacin et al. (2010), however, argue that this kind of emphasis might bring bias to the research because this type of studies are often case studies based on social entrepreneur individuals who are identified to be successful. Because the matter has however got attention, we want to point out some of the personal factors of entrepreneurs. When discussing the entrepreneur as an individual, certain aspects should be considered. Entrepreneurs’ traits, skills, and motivation are significant direct or indirect predictors of venture growth (Baum & Locke, 2004).

Entrepreneur as an individual has been the emphasis of some streams of literature and entrepreneurs have been described in many ways. Schumpeter (1934) talks about entrepreneurial change and the main takeaway is that an entrepreneur is an innovator. Kirzner (1973) on the other hand concentrates on the entrepreneur’s ability to recognize and act on market opportunities. Kao & Stevenson (1983) note that entrepreneurship is about creating value by recognizing those opportunities. McClelland (1961, p. 390) adds the aspect of risk bearing to the characteristics of an entrepreneur.

Social entrepreneurs are entrepreneurs but they do have some unique characteristics that should be noted. Abu-Saifan (2012) analysed what characteristics do the profit-oriented entrepreneurs and social entrepreneurs have in common and which ones do they not share. He found out that high achiever, risk bearer, organizer, strategic thinker, value creator, holistic and arbitrageur were words only used for conventional entrepreneurs. Mission leader, emotionally charged, change agent, opinion leader, social value creator, socially alert, manager, visionary and highly accountable were terms characterizing social entrepreneur (Abu-Saifan, 2012, p. 25). Abu-Saifan (2012, p. 25) points out that both types of entrepreneurs are innovators, they are dedicated to their mission and they are initiative takers. Both types also are leaders and alert to opportunities. Persistent and committed are also words that are used to describe both types. (Abu-Saifan, 2012, p. 25)

The unique characteristics of social entrepreneurs all relate to their priority to fulfill the social mission. (Abu-Saifan, 2012, p. 24) Bornstein (1998) describes social entrepreneurs as mission leaders who are totally possessed with their vision for change, have strong ethical fiber and who will break a path to address social needs. Dees’ (1998) describes social entrepreneurs as change agents who are highly accountable for their activities. Other unique characteristics of social entrepreneurs include: Opinion leader, socially alert, manager, and visionary. (Abu-Saifan, 2012, p. 25)

Based on the note that personality traits may serve as a catalyst influencing the risk taking and decision making, Koe Hwee Nga & Shamuganathan (2010) researched how personal
traits affect social entrepreneurship. They found out that agreeableness has a positive impact on all aspects of social entrepreneurship (social vision, sustainability, social networks, innovation and financial returns). Openness affected financial returns and social vision in a positive manner. Conscientiousness affected sustainability and financial returns positively. The authors also discuss the age of the person as a factor that influences the probability to take up social entrepreneurial activities. Koe Hwee Nga and Shamuganathan (2010, p. 276) suggest that older individuals have higher entrepreneurial tendencies, since they are financially more stable and are more experienced compared to the younger individual. On the other hand younger individuals are often more educated. (Koe Hwee Nga & Shamuganathan, 2010)

The role of entrepreneurial skills is discussed in the literature. Baum & Locke (2004) researched how traits, skills and motivation affect subsequent venture growth. They talk about new resource skill, which is the ability to acquire and systematize the operating resources needed to start and grow an organization. Entrepreneurs’ new resource skill includes the ability to acquire financing, assemble a team, acquire facilities and equipment, and set up systematic operations to exploit a new business idea (Baum & Locke, 2004). The authors found that entrepreneur’s passion, resilience and new resource skill affect the venture growth through communicated vision, goals and self-efficacy.

Motivation of the entrepreneur is considered as a factor that affects the success of a venture (Shane, Locke & Collins, 2003, p. 258). Based on the proverb that a person cannot win unless he/she plays, Shane et al. (2003, p. 258) conclude that the success of an entrepreneur depends on his/her willingness to become entrepreneur. The authors suggest that human motivations influence the entrepreneurs’ decisions in the evolutionary process of entrepreneurship; evaluating opportunities, pursuing resources and designing mechanisms of exploitation, because those decisions also depend on willingness to “play” the game. Need for achievement, locus of control, vision, desire for independence, passion and drive are general entrepreneurial motivations, and combined with the task-specific motivations of goal setting and self-efficacy, all together affect the entrepreneurial process (Shane et al. 2003, p. 274).

Understanding the failure’s impact in entrepreneurial initiatives can be difficult. An investment made in one opportunity or entrepreneurial initiative may pay off by resolving issues surrounding with other opportunities, even if the first one was a failure. (McGrath, 1999, p. 15) Bielefeld (2009, p. 83) points out that social enterprises should achieve organizational alignment, both internal and external, to be able to deliver social value.

Sanchis-Palacio, Campos-Climent, & Mohedano-Suanes (2013) studied how degree of management professionalization in social enterprises affects social effectiveness. They found that social enterprises’ level of management professionalization did not differ greatly from those of conventional SMEs. However, their research showed that the use of strategic tools has a significant effect on business performance. Social and economic success of social entrepreneurship depends on budgeting, management planning and most importantly strategic planning (Sanchis-Palacio et al., 2013, p. 552). Even though the study was from the organization’s perspective, Sanchis-Palacio et al. (2013, p. 553) note that the lack of training the human resources in the use of strategic tools, particularly the management staff, may cause low business efficiency of social enterprises. This is when it comes to personal skills.
When considering what kind of affect failure has to a person, theories of emotions are discussed. According to Shephard (2003) there appears to be an emotional relationship between self-employed and their business. Shephard compares the loss of business to a loss of a loved one, since the psychological emotions experienced are same. Research on self-employed people suggest that the loss of business can generate negative emotional response of grief, which can interfere individuals learning process from the failure. Accordingly learning from failure is not automatic (Shephard, 2003, p. 319). Research scrutinizes the process of grief recovery and how it can reduce the emotional interference of the failed individual. This enhances individual's ability to learn from the business failure. (Shephard, 2003, p. 319).

Research by scholars Singh, Corner and Pavlovich (2007) concentrates on coping with and learning from entrepreneurial failure. They discuss and compare different aspects of coping and learning. The different aspects are the economic aspect and the social, psychological and physiological aspects. According to Singh, Corner and Pavlovich's (2007, p. 342) propositions 1. "a large percentage of problem-focussed strategies employed when coping with venture failure will address the economic aspects of entrepreneurs’ lives." 2. "the use of problem-focussed coping in a venture failure will enhance an entrepreneur’s financial management skills in a subsequent venture." 3. "in addition the use of emotion-focused strategies of reframing and personal re-examination when dealing with an venture failure will increase an entrepreneur’s self-knowledge when starting a subsequent venture."

Shepard (2003, p. 233) takes the idea further along by introducing a dual process of coping business loss. Dual process unites loss-orientated with reformation-oriented approaches and generates an efficient combination to handle the grief and also learn from the business failure (Shephard, 2003, p. 233). This will be discussed further in learning section. To summarize, motivation, opportunity recognition, abilities, the characteristics of social entrepreneurs, personality traits, skills affect the performance of social enterprise. Failure can affect the individual's emotions and even hinder learning. Next, we introduce the element of organization.

**2.2.2. Element 2: Organization**

Dacin, Dacin & Tracey (2011) point out that concentrating only on the individual social entrepreneur cause bias and it dismisses the activities of organizations that have social mission. That is why we consider the organization as an affecting factor to failure. When defining the organizational factors, we consider various elements, which might have great effect on whether organization succeeds or fails. To untangle this multidimensional matter, we have adapted 7-S framework created by Waterman et al. (1980). We decided to adapt this framework because the interactions of the elements are emphasized.
Structure: Waterman et al. (1980, p. 19) simplify the structural thought of organisation as “Structure divides tasks and then provides coordination.”. According to Johnson et al. (2014, p. 434-442) there are five basic structure types: 1. Functional structure concentrates on dividing responsibilities according to the organization’s primary specialist roles. These roles can be for example sales or marketing. 2. Divisional structure is considered as separate divisions based on products, services or geographical area. An example of divisional structure is the European division of export. 3. Matrix structure combines different dimension simultaneously. An example could be European division of sport equipment export. 4. Multinational/transnational structure combine local responsiveness with global coordination. 5. Project-based structure includes creating the team, undertaking the work and dissolving. These structures can only work with efficient informal and formal systems (Johnson et al., 2014, p. 445).

Systems: The systems are often forgotten when considered powerful tools of the organization but Waterman et al. (1980, p. 20) remind that systems can enhance the organizational effectiveness considerably lot. Johnson et al. (2014, p. 433) consider the essence of systems as supporting and controlling people as they carry out structurally defined roles and responsibilities. Johnson et al. (2014, p. 445) create division between control systems, planning systems, cultural systems, performance targeting systems and market systems. Control systems are subdivided into control over input and control over output systems. This division indicates whether the control is concerning the resources (input control systems) or the results (output control systems). In other words control systems are monitoring the other systems. The practice of control can vary from indirect to direct and organization generally use a mix of the controls. (Johnson et al., 2014, p. 445). The planning systems are to plan and control the allocation of the resources and monitor their exploitation. Planning systems consider the strategic planning, the financial control and the strategic control. (Johnson et al., 2014, p. 448) They continue further discussing about cultural systems and propose that they are aiming to standardise norms of behaviour within the organisation in line with considered objectives. The recruitment,
socialisation and rewarding are included into cultural systems of organization. The performance targeting systems are focusing mainly on the outputs of the organisation. An example of these could be revenues or in especially social enterprises case created social value. (Johnson et al., 2014, p. 450) Finally Johnson et al. (2014, p. 452) consider market systems to "typically involve some formalised system of 'contracting' for resources or inputs from other parts of an organization and for supplying outputs to other parts of an organisation".

**Strategy:** Waterman et al. (1980, p. 20) consider strategy as the possible actions responding the changes by customer, environment or competitors. It is the planned way on providing better value to the customer. Waterman et al. (1980, p. 20) summarize it as the route to competitive success. Johnson et al. (2014, p. 540) use the definition of long-term direction of an organization. They elaborate that there are three levels, where strategies exist: the corporate-level, business-level and operational level strategies. The strategies on these levels need to be aligned for the organization to be efficient (Johnson et al., 2014, p. 7).

**Staff:** Waterman et al. (1980, p. 23) define the staff element as the people working in the organization and the development of them. They elaborate further the definition with a spectrum with it's hard and soft ends (Waterman et al., 1980, p. 23). Accordingly the recruitment system, reward/rewarding, pay scales and formal training programs can be considered in the hard end. In the other hand socialisation, motivation, behaviour and morale belong to the soft end of spectrum. (Waterman et al., 1980, p. 23)

**Skills:** In one aspect skills and staff are linked together, since skills are mastered by the staff. Anyhow the element also considers the capabilities. The capabilities have larger aspect to skills. They are a combination of different varieties, which are embedded in the organisation. (Johnson et al. 2014, p. 455) For example the combination of resources like computer programs, the skills of people and the organizational culture will create a unique capability.

**Style:** Waterman et al. (1980, p. 23) wanted to emphasize the way things are done. They concentrate on the two elements of style. They introduce managerial/leadership style and corporation's style. In other words individual style and the reflection of organizational culture. Johnson et al. (2014, p. 454) remind that managerial or leadership style can have an effect on organisational culture. In addition to neutral effect it can result both positive and negative. These two elements of style have a reciprocal relation by effecting on each other.

**Superordinate goals/shared value:** The superordinate goals or the shared value refer to the overarching goals or the purpose of the organization, which includes the mission, vision and objectives. Together they create the purpose of the organization. In the 7-S framework by Waterman et al. (1980, p. 18) superordinate goals/shared values are in the middle of the figure, since all the other elements of the organization should support it. (Johnson et al. 2014, p. 455).

Johnson et al. (2014, p. 433) suggest that together structure, systems and strategy create the configurations of the organisation, whereas Waterman et al. (1980) consider the organization with a larger perspective by creating 7-S framework (figure 1). 7-S framework highlights the importance of interdependent elements in organization and their
relations. In addition to Johnson et al.'s (2014, p. 454) definition of configurations (structure, systems and strategy) Waterman et al. (1980) defined style, skills, staff and superordinate goals as elements. As introduced above the superordinate goals have been referred as shared values lately (McKinsey, 2008). Waterman at el. (1980) created the framework to illustrate the elements, their reciprocal relations and the importance of their compatibility and harmony. Every element should be aligned with other six elements. What Johnson et al. (2014, p. 433) consider as configurations (structure, strategy and systems), can be considered as hard elements of the 7-S framework. On the other hand the style, skills, staff and superordinate goals can be considered as soft elements. Waterman et al. (1980) highlight the importance of the alignment and harmony between the reciprocal elements of S-7 framework. The misalignment can accordingly lead into a failure. Waterman et al. (1980, p. 25) consider that especially the superordinate goals/shared values are neglected by several organizations they have worked with.

During the same year as the 7-S framework was published, Nadler & Tushman (1980) introduced the congruence model, which also highlights the relation with organizational components. The model consists of four different organizational components, which are task, individual, formal organizational arrangements and informal organization. The congruence can be considered as the consistency or fit between the aforementioned components. Congruence is measuring how well the components fit together, which in turn will affect the output. (Nadler & Tushman, 1980, p. 45).

Low & Chinnock (2008) point out that the governance can affect the failure of social enterprise. Like in conventional enterprises, in social enterprises too, the boards can misuse the assets of the organization for their own good. In their case study, Low & Chinnock (2008) presented evidence of social enterprise board members restricting employees’ involvement in the governance of the enterprise. The authors suggest that the involvement of stakeholders, employees being one group, is crucial to maintain the legitimacy of the status of social enterprise. They suggest that democratic participation of stakeholders should be the aim of a (non-profit) social enterprise when governmental funding is involved. The authors rise the question whether the legal models are enough to keep enterprises on the right track. Sanchis-Palacio, Campos-Climent and Mohedano-Suanes (2013, p. 542) have discussed about organizational difficulties the social enterprises face from the perspective of management and which possibly lead to failure. Social enterprises often suffer from weak human resources and human resource management: the strategic management and professionalization are weak links.

Social mission drift effects the organization by threatening the raison d’être by losing the social mission and they fail to achieve the social goal (Ebrahim, Battilana & Mair, 2014, p. 82). Sridharan, Dickes and Royce Caines (2002) discuss social impacts of financial failure. They emphasize how the employees of the case organization lost their jobs and retirement savings. Bankruptcy laws differ country by country, but even if it was possible to continue operations after bankruptcy, like in the U.S., most organizations cease theirs immediately or after one year, the latest (Morrison, 2007, p. 389).

However, the board of the organization plays a crucial role in failure and turnaround of the organization. Uncommitted board, ineffective governance structure and conflicting interests of the board members and executives are all factors that makes the turnaround process more difficult. (Mordaunt & Cornforth, 2004, p. 233) Organizational form is a choice to make for the social entrepreneur (Johnson et al., 2014, p. 317). Whether the
form is non-profit with some earned income, non- or for-profit with equal concerns for social and financial ends or for-profit with some emphasis on social responsibility, the social enterprise can be formed on different logics. (Abu-Saifan, 2012; Bielefeld, 2009, p. 72). All in all, structure, systems, strategy, staff, skills, style and superordinate goals/shared values, the congruence of them and the involvement of stakeholders affect the company performance. The failure affects the organization by changing the mission or by ceasing the existence. Next, we will introduce the element of mission.

2.2.3. Element 3: The mission
The nature of the mission is crucial when considering social entrepreneurship. Bacq & Janssen (2011, p. 383) state that the objective of a social enterprise can be expressed in terms of the success of its social mission and that the mission definition is at the core of the social venture creation process. A mission statement describes what the organization does. It describes the business the organization is in and how it makes a difference. (Johnson et al., 2014, p. 108) When considering social enterprises, we need to look into what their mission constitutes of and the reasons behind it. The core of the social mission seems to be, like Dohrman, Reith & Siebold (2015, p. 129) state: “Social entrepreneurs as founders combine resourcefulness with a social mission to create a sustainable change in society.” Johnson et al. (2014, p. 317) note that the mission of social entrepreneurs can include two parts; the end objectives and operational processes.

Hai & Daft (2016, p. 284) explain that the social mission can be very fragile in organizations. Organizations like hybrid organizations have both social and financial goals, where the social one is stronger. The social mission includes creating social impact in the society and efforts to solve social or environmental problems. The social mission brings benefits to the hybrid organization. In recruitment processes, it may bring increased interest towards the company, because social mission has become increasingly important in the values of employees, especially millennials. It can also help raising investments. (Hai & Daft, 2016, p. 284-285)

Zahra et al.’s (2009) typology of social entrepreneurs classifies the mission and scope of social entrepreneurs. Social Bricoleur is built on Hayek’s (1945) work. It refers to an entrepreneur who is motivated to address the social needs and acts upon opportunities that rise from them, on a local level. He/she has resources and expertise on the local level. They act on small scale, often episodically. They are needed because the knowledge about social needs and the abilities to address them are often dispersed. Social Bricoleurs work as agents in recognizing the social needs which often are very difficult to detect from afar. Social Bricoleurs help maintaining social harmony in the local community. They are at the right place at the right time, and they possess skills that bigger players do not have, which make them powerful. They are however, hard to locate for the researchers due to the local knowledge the Social Bricoleurs operate on. They are often not in the radar of governments and the media. Organizations that give their support to social entrepreneurs that emphasize scalability, often do not appreciate the accomplishments of Social Bricoleurs. (Zahra et al. 2009, p. 523-524)

The second type of social entrepreneurs is the Social Constructionist. It based on Kirzner’s (1973) work, which describes entrepreneurs as addressing customer needs that have not yet been served, with innovations. When conventional/commercial entrepreneurs seek for profits by identifying and exploiting market opportunities, the Social Constructionist typically concentrate on creating social wealth. This kind of
entrepreneurs’ advantage stems from their unique ability to find and pursue opportunities that generate social wealth. This is done through creating and reconfiguring the processes executed to deliver goods and services, which is different from Social Bricoleurs’ local knowledge application. (Zahra et al. 2009, p. 525) Social Engineers act on a bigger scale, because they often want to correct systemic problems within the social systems. Social Engineers act as the main innovators and dive change by destroying systems that do not work and replacing them with more socially efficient ones. This usually brings challenges to the Social Engineers because their actions threaten the interests of established institutions. The ability to harness popular support and political capital are the weapons to fight against the resistance. (Zahra et al. 2009, p. 526). Next we present some findings from the literature how to successfully integrate social and economic goals.

**How to successfully integrate social and economic goals**

Hai & Daft (2016) and Mort, Weerawardena & Carnegie (2002, p. 80) talk about a conflict of the two missions in hybrid organizations: financial and social. There are personal assumptions, beliefs and values which construct those missions. Those life values of individuals are often the ones that cause the conflicts. (Hai & Daft, 2016) Stevens, Moray & Bruneel (2015) found out that higher levels of social mission imply lower levels of economic mission and vice versa. They speculate that the mind sets and organizational routines encouraging social mission may be utterly different from those needed for achieving economic mission. This then will bring challenges to the day-to-day management of the organization. (Stevens et al., 2015, p. 1069)

Hai & Daft (2016) talk about *commercial profit logic* which entails selling products and services for economic gain. Also, distributing profit to shareholders is crucial and they have the control of goals and operations. Competitive advantage is pursued to maximise profits. The other logic in hybrid organizations is *social welfare logic*. According to it the services and products are created to respond to local societal needs and the economic resources are means to serve the purpose, not the goal. In the social welfare logic, legitimacy is achieved through contributing to social mission. The stakeholders, not only shareholders, have high participation and representation in the company’s operations. (Hai & Daft, 2016, p. 284-285)

The two logics clash in a hybrid organization on a daily basis and balancing them is the major challenge these organizations face. Profit goals exceeding social goals, despite the original emphasis on social welfare, is a problem that organizations are dealing with. It is a matter of dealing with the pressures of various stakeholders as well as shareholders. (Hai & Daft, 2016, p. 286-287) Hai & Daft (2016, p. 287-289) suggest that employee buy-in to the social mission is crucial. Actions such as paying employees well, treating them and other stakeholders as family, training employees on the fundamental principles of the company and transparent leaders about company finances increase the buy-in. The buy-in can be affected already in the recruitment process. Hiring people who are sympathetic towards the company values and offering them incentives that help them maintain a certain lifestyle are forms of securing suitable work force. (Hai & Daft, 2016, p. 287-289)

Another way of securing the viability of social goals is to keep the vision alive in the minds of key stakeholders (Hai & Daft, 2016, p. 286-287). They state that one aspect of it is an authentic story that is communicated to the customers and employees. Also the employees should be integrated to the operations in accordance to what is the main
ideology of the organization as they will act as the messenger of the organization (Hai & Daft, 2016, p. 286-287). Hai & Daft (2016, p. 288) explain that hybrid organizations are struggling to gain market share and they face pressures to mimic the values and systems of the companies they do significant business. The authors therefore call for carefulness in the hybrid organization’s leaders’ choice of cooperation partners including customers, suppliers and employees. A company can encourage its suppliers to become more transparent about their values and choose one that best suits to the organization’s own values. Filling a small niche in the market is another way of practicing selectivity. This means that the company can serve a niche market that supports the social goals in its nature. Also operating in a niche that is more economically secure, will take off the pressure of succeeding financially. (Hai & Daft, 2016, p. 288)

Hai & Daft (2016, p. 288) explain that due to its newness, the pool of potential employees to maintain a balance between social and financial goals is relatively limited for hybrid organizations. Hiring employees that are unexperienced in realizing either of the mission is one way to deal with this. This kind of employees can then be trained to deal with balancing the dual logics. It is more costly but allows the organization to mold the employee into its values and overall goal. Yet another way of balancing the two goals is to choose the right legal structure. This article is from the USA where many of the states have recently recognized a specific type of enterprise, a benefit corporation, which legally recognizes positive societal and environmental impact as well as profit as the organization’s goals. (Hai & Daft, 2016, p. 288-289) To summarize, the social mission plays a crucial role in social entrepreneurship and it can be very fragile when it comes to balancing it with financial mission. The scope of the social mission can vary. Next, we present the element of environment of social entrepreneurship.

2.2.4. **Element 4: Environment**

No company operates in a vacuum, which is why we chose to include environmental factors in the theoretical frame of reference. Edelman & Yli-Renko (2010, p. 848) state that entrepreneurs’ perceptions of opportunity are affected by the dynamism of the environment and the environment influences the behaviour of the entrepreneurs through their interpretations. Johnson et al. (2014, p. 33) explain, that the organization operates on markets where competitors will have an effect to the organization. Austin, Stevenson & Wei-Skillern (2006, p. 9) point out that compared to commercial/conventional enterprises, social enterprises do not get either rewarded for superior performances as readily nor do they get punished for inferior performances as readily. The markets are in a certain industry or a sector which is included in the macro-environment (Johnson et al. 2014, p. 33). The authors consider politics, economics, social influences, technological influences, ecological stands and legal aspects as part of the macro-environment.

Austin et al. (2006, p. 8) note that social entrepreneurship has at least macro-economy, taxation and regulations and sociopolitical environment in common with conventional entrepreneurship, and that are equally as important contextual factors. Austin et al. (2006, p. 9) note that although the critical contextual factors of social entrepreneurship are corresponding with those of commercial entrepreneurship, the context of a social entrepreneur is different due to the influence of the interaction of mission and performance measurement systems.
Governments and their laws have an impact on social entrepreneurship. Bacq & Janssen (2011, p. 387) state that in Europe the research has presented social entrepreneurship as a homogeneous phenomenon, but there are national legal differences when it comes to field of activities and statutes or modes of governance. The authors note that social enterprises have been acknowledged as tools for governments. In Finland, the government has integrated the definition of social enterprises to the legislation and together with governmental benefits, it is used as a tool to increase employment for the disabled and long-term unemployed (Finlex 1351:2003).

Griffits, Gunry & Kickul (2013) found in their study of social entrepreneurship in 43 countries, that socio-political variables accounted for approximately 76 percent of variance of social entrepreneurial activity. Furthermore, they found that gender equality and religion influenced the social entrepreneurial activities significantly. They also found that neither the level of altruism nor the general level of well-being with respect to the quality of life in the nation had any effect on the level of social entrepreneurship. The economic factors (including i.e. tax rate, corruption and educational level) seemed to have very little significance to social entrepreneurial activities (Griffits et al., 2013, p. 350).

Social enterprises have many stakeholders. Those include government, clients, members, donors, employees and special interest groups. (Mort, Weerawardena & Carnegie, 2002, p. 80) In fact, stakeholders have a different role in social entrepreneurship than in commercial entrepreneurship because the stakeholders are considered on a more equal footing (Mort et al. 2002). When trying to balance the both goals of the organization, social and financial ones, the organization needs to take all the stakeholders’ interests into consideration (Dacin et al., 2011). Smith & Woods (2015, p. 190) state that managing stakeholders is important for social entrepreneurs in order to acquire resources. They also note that stakeholders have a role on each stage of the social entrepreneurial process.

When considering the effect of the environment to social enterprises, we found that the formal institutions have a relatively stronger impact on social start-ups than on regular types of start-ups. Public expenditures and favorable regulatory quality are factors that especially positively affect the ratio of social start-ups/regular types of start-ups. (Hoogendoorn, 2016, p. 287) This does not exactly communicate the environment’s effect on failure, but considering the study of Shane et al. (2003), which concludes that the success of an entrepreneur depends of his/her willingness to become entrepreneur, we can argue, that public expenditures and favorable regulation can affect the willingness and therefore indirectly affect the success of the venture.

According to Kostilainen & Pättiniemi (2016, p. 328) national policies and regulations may either facilitate or hinder the social enterprise’s development. The authors point out in their conference paper that work integration social enterprises (a sub-category of social enterprises; the enterprise is supported by the government for the employment of disabled and long-term unemployed) have a better chance of success if they fit into and reinforce the local employment and business eco-system. In Finland, the late payments of government subsidies have caused trouble to work integration social enterprises because it affects the company liquidity (Kostilainen & Pättiniemi, 2016, p. 328).

The lack of access to financing is a real problem in social entrepreneurship. Legal forms of the enterprise may impose restrictions that limit the access to capital markets, which is a strong barrier to growth (Hoogendoorn, van der Zwan & Thurik, 2011, p. 4-5, Coburn...
Defourny & Nyssens (2010, p. 49) explain that the specific governance structures of social enterprises in Europe have the twofold objective: 1) To assure democratic control and/or participatory involvement of stakeholders (in the tradition of cooperatives). This adds constraints to the profit distribution. 2) Those guarantees often act as an approved signal for public authorities to support the social enterprises.

Sharir & Lerner (2006) found in their study that the acceptance of the idea of the venture in the public discourse was among the variables that affects the success of a social venture. The value attributed to the venture’s activities in the prevailing cultural and social norms regulates the chances of the venture being accepted (Sharir & Lerner, 2006, p. 13). Zahra et al. (2009, p. 526) agree and state that popular support and political capital are especially needed when it comes to Social Engineer-type of social entrepreneur. It is because they destroy systems and cause social upheaval (Zahra et al., 2009, p. 526).

The failure of the social enterprise affects the wider community it operates in because the community will suffer from loss of vital services (Low & Chinnock, 2008, p. 210). We can also argue that the failure of a social enterprise affects the government, because for example, in Finland the government has had to re-evaluate the policy of subsidising registered social enterprises who employ handicapped and long-term unemployed (Kluukkeri, 2013). In the newspaper article Kluukkeri (2013) reports that instead of expected thousands of people employed, the registered social enterprises in Finland have only employed a few hundred. According to her, some of the subsidies has been used on faulty purposes. One challenge the governmental institutions have met is that the social entrepreneurs are struggling with the special needs of the employees and this has caused a need for supporting services offered to the social entrepreneurs (Kluukkeri, 2013).

All in all, the macro-economy, taxation, regulations and other governmental actions, socio-political factors, stakeholders and financing can affect the performance of the social enterprise. The failure of social enterprise affects the community surrounding it. Next we present the element of learning.

2.2.5. Element 5: Learning

Argyris and Schön (1978) introduced the theory of single and double loop learning. Single loop learning includes goal and actor will pursue to achieve it. Double loop learning does not just pursue to the goal but also questioning it and acting accordingly. Argyris (1995) have analysed learning with another axis and created a framework with four different levels of learning: the individual, group, inter-group and organizational levels, which will be briefly introduced. He suggested the source of learning can be found from errors. Accordingly, Argyris (1995, p. 20) considers that learning occurs when the errors are detected and corrected. In addition to the above mentioned four levels of learning, we will introduce literature on entrepreneurial learning. Entrepreneurial learning can be considered as individual learning but several scholars (Fiol & Lyles, 1985; Cope 2005; Hietanen & Järvi, 2015) have been discussed entrepreneurial learning as its entirety.

Individual learning: Parboteeah, Hoegl and Muethel (2015, p. 292) have been researching on the effects of team creativity, team external cooperation and team meta-knowledge into the individual learning. They came to the conclusion that team creativity and team external cooperation has positive impacts towards individual learning (Parboteeah, Hoegl and Muethel, 2015, p. 292). Kolb (1984, p. 235-236) introduced experimental learning cycle, which includes four stages of learning: 1. concrete experience, 2. observations and
reflections, 3. formation of abstract concepts and generalizations and 4. testing implications of concepts in new situations and accordingly starting the cycle again with concrete experience. Kolb continues further that learning requires a process to be efficient. The four-stage cycle creates individual cognitive development (Kolb, 1984, p. 235).

Group learning: Group learning occur within organizations. According to Argote, Gruenfel & Naquin (2001, p. 371) learning at group-level require another way of thinking if compared to individual level. Continues further that social behaviour is interdependent and dynamic. There are several things like the group size and expert roles affecting the process of learning (Argote, Gruenfel & Naquin, 2001, p. 379). Even though group learning is important part of the organization, we consider that group learning is not the most essential concept for our study, and we will not discuss more about it.

Inter-group learning: Bierly and Hämäläinen (1995, p. 214) discuss how work groups can and should learn from other groups within the organization. This way of learning is also called inter-functional learning (Bierly & Hämäläinen, 1995, p. 214). The learning can occur as formal and informal communications. To make inter-group learning as efficient as possible the organizational culture should encourage to communication and knowledge sharing (Bierly & Hämäläinen, 1995, p. 214). We consider inter-group as interesting aspect but we will not discuss more about it, as it is not an essential concept for our study.

Organizational learning: Fiol and Lyles (1985, p. 804) consider that organizational learning is at least as important as the individual learning and remind that organizational learning cannot be described as the sum of each individuals’ learning. The organisational learning systems are developed and maintained in a way, which does not only influence the immediate members. They are afterwards transmitted in a cumulative way to others by the organizational histories and norms. (Fiol & Lyles, 1985, p. 804). According to the model by Levitt and March (1988, p. 319) organizational learning is considered as "routine-based, history-dependent and target-oriented". Levitt and March (1988, p. 322) do not highlight the experiential learning as Kolb (1984) does, since the learning based on trial and error will create competency traps, which are likely to lead into maladaptive specialization. On the other hand they emphasize the ecologies of learning including learning to learn and learning from each other's experiences (for example competitor's). This is done by encoding the outcomes of experiences and accordingly prepare and adapt routines if equivalent experience occurred (Levitt & March, 1988, p. 329). Accordingly, to achieve as efficient and adaptive results from learning, the organizations should concentrate on imprecise learning.

Entrepreneurial learning: According to Cope (2005), there are two pertinent phases of entrepreneurial learning. The first is learning prior to start-up and the second is during entrepreneurial process. Assessing the learned skills requires reflecting the relevance of past experiences and also to evaluate the readiness of entering entrepreneurship. Conceptualising the preparedness to start a business can be seen as a reflection the entrepreneur’s cumulative learning, also called “learning history”. The learning history will affect the “learning task” which is realized after the establishment of the business. The learning task should be seen as a dynamic, contextual and cumulative process in its nature. Learning can be classified as higher level or lower level learning. Higher level learning, referring to creating the capacity to do things differently, can be seen as a result
of critical events. (Cope, 2005, p. 377-380). Fiol & Lyles (1985, p. 808) agree and state that in order to unlearning, higher-level learning and re-adaptation to take place, there must some kind of crisis or shock. Next, we will move on to discuss the literature of failure.

2.3. Failure

2.3.1. Failure definitions

As seen above, the descriptions of entrepreneurship and social entrepreneurship are not simple and sole. Accordingly defining failure of/within an enterprise is challenging too. To discuss failure of enterprise, the success of enterprise must be discussed as well. Beaver (2003, p. 115) suggest the definition of success of SME to be measured as the capacity to sustain the lifestyle business established. This is also measuring the independence of the entrepreneur (Beaver, 2003, p. 115). The Schumpeterian perspective from the beginning of 20th century on successful enterprise is tied to financial measures: economic growth and innovation (“new combinations”). Among others, Maidique and Zirger (1984) have identified factors success within innovations of U.S. electronics. They have identified market knowledge, support of the management towards to the product, customer interaction, early market entry and planning of the process as factors contributing to success and failure (Maidique & Zirger, 1984, p. 201). Hopkins (1981) agree with factors discussed by Maidique and Zirger (1984) but has identified additional factors regarding failure and success. He considers the difficulties concerning organizational structure and responsibilities having a major impact on the performance. The Schumpeterian perspective concentrates on the personality and behaviour of the entrepreneur and suggests it contributes to the performance, whether success or failure, massively. McClellan (1967) contributes to this perspective with the research on how entrepreneurs and non-entrepreneurs psychological differences are significant. Low and MacMillan (1988) take another perspective and suggest that concentration on the person creates a bias.

Bouchikhi (1993, p. 560) created a constructivist framework for understanding the entrepreneurship performance and he suggests that entrepreneur’s personality and behaviour and environment by constraining and facilitating are in reciprocal relation with each other. He continues further that additionally there is the possibility of chance effecting the process. This process creates the outcome, which is success or failure, which effects this the further processes (Bouchiki, 1993, p. 560). One could say failure (and success) are something what the entrepreneur defines it to be. The company does not have to go bankruptcy to fail: failure can be defined as liquidating assets or as falling short of declared projections (Olaison & Sørensen, 2014, p. 196). When comparing to social enterprise the failure or success of conventional enterprise can be evaluated exclusively financially. Now, we will discuss how failure is understood in social entrepreneurship.

Scott and Teasdale (2012) researched on collapsed social enterprises. They discuss differences of failures in social entrepreneurship in comparison to conventional entrepreneurship. The conventional enterprise meets generally financial failure, which can be defined with different quantitative methods for example as bankruptcy or falling behind financial targets. In addition to financial failure, social enterprise might also
experience mission drift (Dart, 2004). Bielefeld (2007, p. 79) defines mission drift as a situation, where activities to meet financial goals begin to dominate or change social mandates. Copestake (2007, p. 1725) elaborates the definition a bit further as “unplanned or hidden changes of preferences, which is also endogenous (i.e., a response to past performance): less rational than a conscious (even if contested) change in preferences, but more than total ignorance of actual performance outcomes.” Also, other scholars (Fowler, 2000; Jones, 2007, p. 299) verify that social enterprises (in these cases non-profit organizations operating on third sector) are in great danger of risk of mission drift. Nonetheless the mission drift is not specific to social enterprises (Ebrahim, Battilana & Mair, 2014, p. 82). Scott and Teasdale (2012, p. 140) actually suggest that financial failure seems to encounter more often social enterprises than social drift but sufficient research does not yet exist. Depending on how the entrepreneur measure their success, the importance of the social mission might vary. Zahra et al (2009) encourage to thrive for the social mission as a priority to avoid any ethical issues concerning the ends and means of the venture.

According to Ebrahim, Battilana & Mair, (2014) there are several reasons for mission drift. The balance between creation of social and commercial value is difficult, since the survival of the organization might require financial concentration. This is how priorities change and organization concentrates on commercial values and ability to sustain the operations. Accordingly, the organization might lose sight of the original values and purpose (Ebrahim et al., 2014, p. 82). The case study Duncan and Teasdale (2012, p. 151) have conducted concerns a case of financially failed social enterprise (non-profit organization operating on third sector). One of the former employees had stated that the “The only crime [the CE and deputy] committed was ruling with their hearts instead of using their business management skills.” This sentence demonstrates the attitude that consider social entrepreneurs as heroic individuals. This attitude has been discussed and argued by many social entrepreneurship scholars. Seelos and Mair (2005, p. 244) discuss on how social entrepreneurship depends on specific and scarce individual characteristics. They continue further that about attempts of characterizing the social entrepreneur typically portray a “social hero with entrepreneurial talent” (Seelos & Mair, 2005, p. 244). Dacin, Dacin and Tracey (2011, p. 1205) confirm the idea and propose that much of the literature regarding social entrepreneurship focuses on the entrepreneur individually. They continue further that the literature tends to characterize the individual as heroic by presenting inspiring and powerful stories of successful entrepreneurs, who are celebrated and will save the world. This leaves no room for failure or the attitude is as heroic as with successful social entrepreneurs. As considered before Zahra & al (2009, p. 529) suggest that the three entrepreneurial types and their characteristics might have an impact on success and accordingly to failure. Nevertheless, they also emphasize the need for distinct managerial styles within these entrepreneurial types (Zahra & at (2009, p. 529).

The research regarding failure of social enterprise conducted so far is not sufficient and the academia and more research is required (Dacin & al 2010, p. 51; Low & Chinnock, 2008, p. 221; Chemelik, Musteen & Ashan, 2015, p. 98; Mordaunt & Cornforth, 2004, p. 233). The failure of social enterprise is challenging to conceptualize. In addition to the quantitative financial failure the reason for this lies within the abovementioned social mission. The social mission can be more crucial than the financial profit. (Dart, 2012, p. 140). This is the greatest distinction between conventional and social entrepreneurship. Since social entrepreneurship is rather nascent research area, the research on failure of social enterprises is mostly built on qualitative case studies. Several of these studies are
concentrating on non-profit organizations, which is delimiting and restricting concept for our research by creating bias. Anyhow, they provide valuable information on failure of the social enterprises.

According to Coburn and Rijsdijk's (2010) case evaluation on success factors of social enterprises in Scotland they consider individuals creating a thriving social enterprise require similar success factors than those of private sector. Accordingly, social enterprises are supposed to be successful businesses in a similar way as conventional enterprises. The report further suggest that failure of social enterprise is often related on size, lack of resources, finance and funding issues, a lack of qualified staff, inadequate premises and cash flow difficulties (Coburn & Rijsdijk, 2010). Dorado (2006, p. 9) points out that conventional enterprises can be valued exclusively on financial terms while social enterprises cannot. Kostilainen and Pättiniemi (2016, p. 320) discuss how the major problems regarding social entrepreneurship in Finland are "1. the efficiency, 2. quality requirements, 3. competencies and 4. profitability." They consider the demands of the quality and effectiveness are ever higher whereas the possibilities to reach these demands are fewer. Kostilainen and Grönberg (2013, cited in Kostilainen & Pättiniemi 2016, p. 232) consider that success is possible if there are the positive state of willingness from all the stakeholders, personal capabilities, networks and professional backgrounds of managers. Next, we will discuss the perception of failure, as it is focal to our study.

### 2.3.2. Perception of failure

Perceptions of failure can play a role in future entrepreneur’s life even before taking up entrepreneurial activities: In their study Kollmann, Stöckmann and Kensbock (2017) found out that the activation of fear of failure through obstacles during the entrepreneurial process is a central psychological mechanism that effects the nascent entrepreneur’s subsequent entrepreneurial activity. They include perceived loss of financial resources, perceived loss of customer demand, perceived loss of social support, feasibility and desirability as mediators to the activation of fear of failure. The obstacles in the study are resource-oriented, market-oriented, and social-capital-oriented obstacles. Cacciotti et al. (2016, p. 320) state that fear of failure is a part of the entrepreneurial process, on contrary to view that it would only be a barrier to entrepreneurship (see e.g. Henderson & Robertson, 1999).

Shepherd and Haynie (2011) studied the stigma of entrepreneurial failure. They suggest that entrepreneurs who experienced bankruptcy are more likely to have negative self-views if they identified strongly with the organization, if the environment and organization was favourable in the situation so that the entrepreneurs blamed themselves for the bankruptcy, and/or there were no or few similar other people with whom to share information about the stigma of bankruptcy. In the framework, Shepherd and Haynie (2011, p. 182) suggest that impression management strategies, namely avoiding specific stakeholders, changing the opinions of specific stakeholders and seeking specific stakeholders, also affect the self-view after an entrepreneurial failure.

Zacharakis, Meyer and DeCastro (1999, p. 8) found out that lack of management skills, poor management strategy, lack of capitalization, lack of vision, poor product design, key personal incompetent, poor utilization of debt, poor venture capitalist/shareholder cooperation, poor product timing and poor external market conditions are considered as general failure determinates by entrepreneurs. They also found that entrepreneurs in their
study attributed the failure of other new ventures to those in charge of these ventures at a considerably higher rate than for themselves. Sserwanga and Rooks (2014, p. 271) found out that if a repeat entrepreneur attributes the failure internally, to a lack of ability, they are less successful in the following ventures. Mantere et al. (2013) studied how organizational stakeholders use narratives in their psychological processing of venture failure. They suggest that entrepreneurs consider the focus of responsibility to be either personal, collective, other actors or non-human causes. The function of the narrative attribution in grief recovery can take the form of either loss or restoration of self-esteem. The function of the narrative attribution in self-justification strategies vary depending on the focus of responsibility and they are either internal or external.

Developing the attribution theory, Bettman and Weitz (1983) suggest that people are likely to ascribe their failure to external causes rather than blaming themselves. Franco and Haase (2009) confirm and state that in their study the small and medium enterprise owner-managers have a strong attributional bias to the cause of failure. Zacharakis et al. (1999) point out that if SME owner–managers attribute their problems to external factors independently from the real origins, they admit that they cannot control the success or failure of their firms. To sum up, the perception of failure in the form of fear for it can affect the subsequent entrepreneurial activity. Failure can be stigmatized, and the self-view after failure of an entrepreneur is theorized to depend on the extent to which he/she identifies with the organization. The perception of failure affects the future career plans and narratives are used for psychological processing of the venture failure.

2.3.3. Learning from failure
When considering failure, the concept of learning from failure quickly arises. Sitkin (1992) argues that failure is an essential prerequisite for effective organizational learning and adaption. Some failures can be better anticipated than others. Sitkin (1992) calls failures that are the most effective on fostering learning intelligent learning. It is a result of planned actions that have uncertain outcomes. These actions leading to failure are carried out with enthusiasm and take place in domains that are familiar to allow learning. (Sitkin, 1992, p. 243) There are four goals which form the prerequisites for intelligent failing: 1) To focus on processes rather than outcomes; 2) to legitimate intelligent failure; 3) to achieve and sustain individual commitment to intelligent failure through organizational culture and design and 4) to emphasize failure in management systems rather than individual failure. This is what Sitkin calls strategic failure. (Sitkin 1992, p. 246) McGrath (1999, p. 13) agrees with Sitkin (1992) as the failure should be turned into strategic process. McGrath (1999, p. 13) emphasize how the tendency to observe failure as something negative creates a pervasive bias in entrepreneurship theory. Failure should be considered in more positive perspective, since failure benefits the organization as a learning experience. This is because when organization fails, it is easy to indicate why it happened. On the other hand indicating the reason of success is more difficult. (McGrath, 1999, p. 28; Sitkin, 1992).

The outcomes of learning from failure in entrepreneurship is difficult to measure (Yamakawa & Cardon, 2015, p. 799). According to the study of Yamakawa & Cardon (2015, p. 813), the entrepreneur’s perception of how much is learned from failure is affected by how the individual associates the cause of failure. Internal unstable ascriptions include for example the entrepreneur’s lack of skills. External stable ascriptions are the ones that the entrepreneur cannot affect because they are environmentally bound. The
The best opportunity for learning from failure is said to be when the knowledge is applied to a new venture (Shepherd, 2003). Yamakawa & Cardon (2015, p. 814) agree and add that by critical reflection of the perceived causes of failure with quick action to venture again based on the reflection helps to increase the potential learning following the initial failure. In their study, they found out that the older the entrepreneur, the less she/he perceived to have learned from failure. When the reason for failure was found in external, stable factors, the entrepreneurs perceived fewer learning opportunities, regardless the time between ventures. (Yamakawa & Cardon, 2015, p. 814)

Shepard (2003) came to conclusion that individuals learning process from failure can be impossible due to the emotional response of grief experienced. He suggests that learning from business failure becomes possible when there are adequate information on the reasons why business failed. Revising and understanding their knowledge on assumptions about the consequences of previous assessments, decisions, actions and inactions (Shepard, 2003, p. 320).

The level of grief interferes the process of learning: the higher the level of grief is, more difficult it is to process the knowledge and learn from failure. According to Stroeb and Schut (1999, p. 212) loss-oriented approach concentrates on the process of grief and individual might seek out for help to discuss about the grief. In the end of the process the individual will break the emotional bonds to the lost object. The restoration-orientation is based on avoidance and proactiveness of secondary sources of stress arising from the loss (Stroeb and Schut, 1999, p. 214). As an example in losing business individual might avoid meeting with former business contacts and concentrate on searching for new job.

To work through the grief process over lost business, Shephard (2003, p. 322) suggests dual process of grief recovery. The dual process of the grief recovery is a regulating mechanism, where individual exploits both loss-oriented and restoration-oriented approaches to gain the benefits of both but avoid the disadvantages like physical and mental exhaustion and suppression. According to Shepard, the mechanism may lead to quicker recovery of the grief and more efficient processing of the information about the loss of the business. These matters enhance the individual’s ability to learn from the failure. Shephard (2003, p. 323) further suggests that process of grief recovery should begin with loss-oriented approach and continue to restoration-oriented approach. This way the focus is first on information of business loss and further shifts to other aspects of life (Shephard, 2003, p. 323).

In conclusion, there are individual, group, inter-group, organizational and entrepreneurial learning can take place. Failure is an opportunity for learning to take place, but it can be hindered by the emotional response to venture failure. Next, we will present a suggestion for a framework that concludes the theoretical frame of reference.

2.4. Framework

Based on the literature review we conducted, we have developed a proposition for a framework, which includes the elements of social entrepreneurship that affect failure’s occurrence in social entrepreneurship and two different types of failure, as seen in figure 2. Most importantly, we propose that the relationship between the elements and failure is reciprocal. Based on the literature review, we have identified five elements. Our proposed framework is in accordance with the one suggested by Gartner (1985). Individual
element includes the individual’s characteristics, traits, motivations and skills, among other things. **Organizational** element describe the social enterprise as an entity, not only one individual. This element includes systems, strategies, structures, staff, skills, superordinate goal and style.

**Environment** is an element that includes for example markets and competitors, industries/sectors and macro-environment. We have also identified that stakeholders and governments play a crucial role in social entrepreneurship. In Gartner’s (1985) work, one of the elements is Processes. We have modified this and suggest that **Mission** and **Learning** should be handled as separate elements. The mission of a social enterprise is crucial because it differentiates social entrepreneurship from conventional entrepreneurship (Abu-Saifan, 2012, p. 25). The mission in social entrepreneurship is of specific kind, because it often includes both social and economic goals, and management of them can be challenging (Stevens et al., 2015; Hai & Daft, 2016). So far, the final element is learning. It refers to personal and organizational aspects of learning. Adding Learning can be justified by the notion that it is part of the entrepreneurial process.

Failure in social entrepreneurship context includes two different kinds of failure (Dart, 2004; Duncan & Teasdale, 2012, p.140; Bielefeld, 2007, p. 79; Copestake, 2007, p. 1725). Therefore, we have chosen to divide the element of failure into two: Social and financial failure. It will be taken into consideration in the analysis part. This framework will be used as a tool for categorizing and analyzing the superordinate themes that have risen from the analysed data and the findings will follow the structure of the framework.

![Figure 2 The reciprocal relationship of elements in social entrepreneurship and failure.](image)

This framework help us to analyze the data and fill it with reality and discover how the elements will contribute on failure and how the failure will affect the elements. Next, we will discuss about methodological stances of the study.
3. Methodology

In this chapter, we first discuss our research philosophy, move on to argue why we chose to use qualitative method, introduce the interpretative phenomenological analysis research method and the participant cases.

3.1. Research philosophy

3.1.1. Ontology

Ontology answers the question: “What is there in the world?” The existence of people, the relationship between them, society and world in general are the concerns of ontology. (Eriksson & Kovalainen, 2008, p. 13) Saunders, Lewis & Thornhill (2009, p. 110) point out that ontology concerns the nature of reality. There is a division of ontology into objectivism and subjectivism, and it reflects how the conception of reality is understood (Eriksson & Kovalainen, 2008, p. 13; Saunders et al., 2009, p. 110). Objectivism, which is very common in quantitative studies, assumes that the social world exists as a distinctive and separate reality, independent from of people and their actions and activities (Eriksson & Kovalainen, 2008, p. 13; Saunders et al. 2009, p. 110). Subjectivism, also commonly referred to as constructionism and interpretivism, assumes that social actors produce social reality through their interaction (Eriksson & Kovalainen, 2008, p. 14, Saunders et al. (2009, p. 111). Social actors can perceive different situations in varying ways as a consequence of their own view of the world. Their behaviour can affect the other’s view of the situation as well (Saunders et al. 2009, p. 111). Saunders et al. (2009, p. 109) point out that pragmatism advocates for the importance of research question and allows the epistemology, ontology and the axiology to vary. Accordingly for example mixed method study would be following pragmatism stance and would not be appropriate for our study.

In our study, we assume that social actors (i.e. social entrepreneurs, their customers, stakeholders, legislators) interact and affect each other’s actions, therefore we assume the constructionist/interpretivist ontology. For example, if one believes the legislation is made as a reflection of the society’s actions, objectivism would not be suitable, because it does not recognize the interaction between the legislators and the subjects of the legislation. Social entrepreneurs take up social entrepreneurial activities because they want to create social wealth (Abu-Saifan, 2012, p. 22), and they want to solve problems that the society has (Hai & Daft, 2016, p. 284-285). We assume that social entrepreneurs interact with the people who have problems in the society, the problems the social entrepreneurs want to solve. Without the interaction, the social entrepreneur would probably not have taken up such entrepreneurial activities. We assume that through their interaction they create a social reality. We also expect that social entrepreneurs have certain views of the world, which makes them act accordingly and those actions affect for example the legislation. We assume that we as researchers interact with the participants and therefore we participate in the creation of a social reality. We assume that if we were different people in the interview situation the result could have been different. Also, the interaction between us, the researchers, can affect the result of this study.

3.1.2. Epistemology

According to Eriksson & Kovalainen (2008, p. 14) epistemological claims answer the questions: “What is knowledge and what are the sources and limits of knowledge?” Saunders, Lewis & Thornhill (2009, p. 12) point out that it refers to what is acceptable knowledge in a field of study, and it is the researcher’s point of view. Epistemology too
can be divided into objectivist and subjectivist views. While the objective view acknowledges the possibility that an external and theory neutral world exists, the subjectivist assumes that there is no access to the external world beyond our own observations and interpretations (Eriksson & Kovalainen, 2008, p. 14).

Once again, we take the subjectivist view, which entails that knowledge is only available through social actors (Eriksson & Kovalainen, 2008, p. 15). In our study, we are interested in the perceptions of the social entrepreneurs/CEOs of social enterprises, and we believe that only they can tell what the reality is in their point of view. We think that each social actor has their own perceptions of the world and the phenomenon of interest, which does not necessarily match a set rule that should apply to everyone. In Finland, there are certain conditions that do not apply somewhere else in the world and the understanding of the world might differ. This applies that knowledge can be accessed through the people of interest, the social entrepreneurs in our case.

3.1.3. Axiology

Axiology refers to judgements of value in the context of social enquiries (Saunders et al., 2009, p. 116). Saunders et al. (2009, p. 116) suggest it is important to consider it because the researchers demonstrate their values at all stages of the research process. The authors also point out that in interpretative research, the research is value bond and researchers are part of what is being studied. It implies that the researchers cannot be separated from the research itself and therefore the it is subjective. This is true in our study too, because we acknowledge that we have a significant role in the outcome of the study. The chosen method (which will be explained in detail further below) is strongly interpretative. Our backgrounds and beliefs mold how we interpret and make sense of the world which then influences the interpretations we are making in this study in the analysis. We are both from Finland and we were interested in studying the phenomenon in Finland. The topic of social entrepreneurship itself contains values and we feel positive about social entrepreneurs. We still tried to handle our study in as neutral way as possible by taking our values into consideration. Additionally, we acknowledged that we have preconceptions but as Master students we try to refrain from their effect on the study.

3.1.4. The choice of qualitative methods

The purpose of this study is to find out the perceptions of failure of social entrepreneurs in Finland and thereby to develop social entrepreneurship by increasing the knowledge and understanding about failure. As presented in the introduction and theoretical frame of reference, the chosen field lacks theoretical advancement. The lack of sophisticated theory development of a mature discipline makes a valid reason to require more exploratory and theory generating research, rather than empirical testing (Marschan-Piekkari & Welch, 2004, p. 8). This is one of the reasons why we chose to conduct a qualitative study. The other option would be quantitative methods, which tend to try to explain, test hypotheses and analyse statistics (Eriksson & Kovalainen 2008, p.5).

Qualitative methods take a more holistic approach to the research object and allows it to be studied in its context (Marschan-Piekkari & Welch, 2004, p. 8; Eriksson & Kovalainen, 2008, p. 5). As Dacin et al. (2010) calls after for context specific research in social entrepreneurship, we see qualitative methods suiting our purpose the best. Qualitative research seeks to understand meaning and beliefs, which goes beyond the measurement of observable behavior (Buckley & Chapman, 1996, p. 243). We indeed want to find out beliefs and meanings of failure in social entrepreneurship and that is why
we choose qualitative methods. We do not aim to test variables, like quantitative methods would let us, because they are not known to us and therefore with qualitative methods we aim to explore what can be discovered.

3.2. Research approach
In this study, we aim to forward knowledge about the world, and in more specific, the perception of failure in social entrepreneurship by induction. According to Eriksson and Kovalainen (2008, p. 22) and Saunders et al. (2009, p. 126), induction refers to proceeding from empirical research to theoretical results. The other basic approach is deduction and it refers to deducing hypotheses from existing theory and testing them with empirical data (Eriksson & Kovalainen, 2008, p. 22; Saunders et al., 2009, p. 124-125). Our study does not aim to test hypotheses, which would imply deduction (Eriksson & Kovalainen, 2008, p. 22; Saunders et al., 2009, p. 124-125) because the topic has not been researched widely and it is important to gather more insights. Even though we have created a framework in this study, it is only used as a categorizing and analysis tool for the collected data. The third approach is abduction which refers to “the process of moving from the everyday descriptions and meanings given by people, to categories and concepts that create the basis for understanding or an explanation to the phenomenon described” (Eriksson & Kovalainen, 2008, p. 23). Even though it could be suitable for our purposes, it has been defined to generate hypotheses (Eriksson & Kovalainen, 2008, p. 23), which is not our aim after all. Therefore, induction is our choice for the research approach.

3.3. Research design
In this study, we aim to understand the phenomenon of failure in social entrepreneurship better. Saunders et al. (2009, p. 139) state that exploratory study can help see the phenomenon in a new light and it is particularly useful since we need to clarify the understanding of the phenomenon. According to the authors exploratory studies are useful in a situation where there’s uncertainty of the precise nature of the problem. It is said that in exploratory studies the researchers must have open minds to allow new information to rise. This usually means that the focus is initially broad but is narrowed down during the research process. (Saunders et al. 2009, p. 140) Even though failure’s occurrence in entrepreneurship has been researched already, we take a different stand through researching the social entrepreneurs/CEO’s understanding of the phenomenon. Based on literature search, it is something that has not been researched before.

Other approaches are namely descriptive and explanatory studies. For descriptive studies, it is important to have a clear picture of the phenomenon prior to start collecting data (Saunders et al. 2009, p. 140), which would not suit our purposes. This is because we could identify a research gap about the phenomenon. Even though we could build a proposition of a framework, it is mostly based on scarce literature where some of which is from the conventional entrepreneurship literature, which is not specifically related to social entrepreneurship. Another approach is explanatory research. It is to establish causal relationships between variables. (Saunders et al. 2009, p. 40) As we only have proposition of elements that may affect the phenomenon, not specified variables, this does not suit our purposes.

3.4. Research strategy
According to Eriksson and Kovalainen (2008, p. 7) there are several ways to conduct qualitative business research; case studies, ethnographic research, grounded theory, focus groups, action research, narrative research, discursive research, critical research and
feminist research. Case studies can provide a holistic knowledge about the research topic and they contain multiple sources of data (Eriksson & Kovalainen, 2008, p. 117; Saunders et al., 2009, p. 145-147). We did not choose this strategy because our interest is the perception of the participants which can be best studied by collecting data from themselves. We also think that to explore the topic, strictly qualitative method would be more suitable. Ethnographic research on the other hand concentrates more on studying the culture (Eriksson & Kovalainen, 2008, p. 137). Saunders et al. (2009, p. 149) explain that it is about describe the social world of the study subjects in the way they would explain it. Even though there are some aspects to it that would benefit our study, it is very time consuming and requires the researchers to be immersed into the world of the study subjects completely.

In grounded theory research, the theory will emerge from the data (Eriksson & Kovalainen, 2008, p. 154) and Saunders et al. (2009, p. 149) point out that it is theory building through induction and deduction. However, we do not aim to build theory per se but to explore the topic, so we did not choose grounded theory strategy. Focus groups refer to collecting data from a group of participants discussing the topic (Eriksson & Kovalainen, 2008, p. 173). We did not choose it for our strategy because we are more interested in the personal experience and we believe that data can be better collected on the sensitive topics concentrating on one person at a time. Action research is described as close collaboration with the research object and his/her practical problem solving being part of the research process (Eriksson & Kovalainen 2008, p. 193). This does not suit the purpose of the study either and thus, this strategy was not considered. In narrative research the point is to analyse people’s stories, and discourse analysis concentrates on the very linguistic level of people’s talking (Eriksson & Kovalainen, 2008, p. 211 and 210), which could be interesting to apply in our study, but we were able to find a better suitting strategy to fit our purpose; Interpretative phenomenological analysis, which will be explained in detail in the next section. Finally, we do not think critical research or feminist research would suit our research purposes either. This is because critical research does not fully agree to constructionist philosophy but argues that there are permanent elements (Eriksson & Kovalaine, 2008, p. 263), which we are disagree on. Feminist research has a feminist agenda which we do not have. Therefore, we have chosen another strategy, which is explained in the following sub-chapters.

3.4.1. Interpretative Phenomenological Analysis

Interpretative phenomenological analysis (IPA) investigates how individuals make sense of their experiences (Pietkiewicz & Smith, 2014, p. 8; Smith et al., 2009, p. 1). In other words, the researcher is trying to make sense on how participant makes sense of his/her experience (Smith et al., 2009, p. 1). IPA is a dynamic form of study, where the researcher influences the extent to which they get access the participant’s experience and through interpretation, how they make sense of the subject’s world (Pietkiewicz & Smith, 2014, p. 8; Smith et al. 2009, p. 1). Smith et al. (2009, p. 1) emphasize the situation of significant life experience and how it effects the flow of everyday life. When considering the subject of our research, we consider that failure in social entrepreneurship is definitely a significant life experience.

According to Smith et al. (2009 p. 43) there are four different approaches to qualitative research: grounded theory, phenomenology, discourse analysis and narrative analysis. Since our research is about the phenomenon of perceptions on failure, our approach is also phenomenology. In our research, we have chosen IPA to be our method because we
want to investigate how social entrepreneurs perceive failure. This is logical, since we have first decided the phenomenon we are investigating or as Smith et al. (2009, p. 43) expresses it “we are aware what the job is” and afterwards we will “decide, which is the right tool”. Our phenomenon is the failure within social enterprises and our tool to research it is the interpretative phenomenological analysis. Cope (2011, p. 604) points out that there is a paucity of research that seeks to articulate failure on the level of individual’s experience and ground theoretical discussions in rich qualitative accounts. IPA originated in psychology but is increasingly used within disciplines in the human, social and health sciences (Smith et al. 2009, p. 1).

IPA is based on three different philosophical approaches. One of them is phenomenology, which Smith et al. (2009, p. 12) define as philosophical approach that studies human experience. To be more precise, phenomenologist wants to understand on what the experience on being a human is like. Saunders et al. (2009, p. 116) add that phenomenology refers to the way in which humans make sense of the world around them. Hermeneutics is the second philosophy that IPA is based on. It is a theory of interpretation which stems from interpreting biblical texts. (Smith et al. 2009, p. 21) According to Eriksson & Kovalainen (2008, p. 20) hermeneutics refers to the necessary condition of interpretation and understanding as a part of the research process which takes place in all research. Also referred to as interpretivism (Eriksson & Kovalainen, 2008, p. 20), hermeneutics aims to set a difference between conducting research among humans and objects (Saunders et al. 2009, p. 116; Eriksson & Kovalainen, 2008, p. 20). Smith et al. (2009, p. 27-28) present the hermeneutic circle to be a part of IPA analysis. The authors explain that it refers to non-linear style of thinking, which means that to understand “the whole” one must look to “the part” and vice versa. They further explain that in IPA this means that during the analysis part, it is useful to go back and forth with the parts and analyse them in different manners to understand the whole. The third major influence on IPA is idiography. As idiography concentrates on the particular, it is the opposite of making general laws of human behaviour. (Smith et al. 2009, p. 29) It is said that in IPA this appears on two levels: The commitment to particular shows in the sense of detail and depth of analysis; and IPA is committed to understand how a particular phenomenon is understood by particular people in a particular context.

Smith et al. (2009, p. 2) explain the experience as small as feeling the warmth of the sun on the skin or the adrenaline after training. On the other hand, it can also be as massive as death of a child or living in the middle of a war. The interpretative phenomenological analysis is used to understand extended experience with great significance on participant’s life. Smith et al. (2009, p. 4) continue further that experience can be short or take a long period of time and be positive or negative. We aim to exploit the method of IPA to understand how failure is perceived to affect different elements of the social enterprise and how the different elements of social enterprise are perceived to affect the failure. IPA fits the purpose of this study well, because we indeed want to find out what do the experiences of failure in social entrepreneurship entail. The literature search suggests that the entrepreneur has a significant effect on the social enterprise’s success and they are significantly invested in the enterprise’s everyday life, so we consider them as prime informants of their reality. Their reality is after all in the centre of the success and failure of the social enterprise’s in which the social entrepreneurs are involved with. Smith et al. (2009, p. 46) emphasize that when conducting IPA, the aim of the research is to focus on the participants experience or understanding the phenomenon. In the case of our research we aim to understand how the entrepreneur/CEO experiences and
understands the phenomenon and failure’s effects on social enterprise and its different elements. We also want to find out how the entrepreneur/CEO perceives the effect of these elements on the failure. Smith et al. (2009, p. 42) emphasize that when conducting IPA one should not be theory-driven but open-minded, since the phenomenon should be understood from the participants’ perspective. Accordingly, the researcher needs to suspend the preconceptions of any kind. If the preconceptions cannot be suspended it is beneficial to be aware of them.

3.5. Data collection
When considering a phenomenological approach, there are certain suggested data collection methods. The aim of the research is to understand the experience from the participant’s perspective and therefore diaries and in-depth interviews are the best tools to reach the target (Smith et al., 2009, p. 56). These tools will introduce the researcher feelings and thoughts aroused by the phenomenon. As we could not expect that the participants had written a diary of events that happened years ago, in our research, we decided to conduct in-depth interviews instead of using diaries for practical reasons. As IPA was unknown to us before this study, we decided to conduct one pilot interview for practice purposes only. By conducting a pilot interview, we could refine the interview guide. The pilot interview participant was about to start up social entrepreneurial activities but was very early in the life-cycle of the organization and had not experienced either financial nor social failure so far. However, it gave us the opportunity to orient ourselves in the subject and it allowed us to reflect upon our and the participant’s behaviour in the interview situation.

Our aim was to collect rich data and we approached several failed social entrepreneurs. Eventually, we could conduct three in-depth interviews to understand the phenomenon from the perspective of entrepreneur/CEO. The interviews were conducted face-to-face, in a place that was convenient for the participant. The place for the interviews were also chosen so that it provided a quiet and safe environment for the participant to talk about his/her experiences. Both authors were present in all interviews. All interviews were conducted in Finnish language. We chose to do so because both authors are native Finnish speakers and so were all the participants as well. Marschan-Piekkari & Reis (2004, p. 227) explain that if the participants have the opportunity to answer in their mother tongue in the interview it benefits the study in many ways. The authors further explain that the choice of language in interview situations plays a recognizable role since in interview situations there is an opportunity to acquire additional culture-related information by clarifying potential misunderstandings. Marschan-Piekkari & Reis (2004, p. 240) conclude that linguistic equality (researcher and participant share mother tongue) produces the best outcomes in an interview.

The semi-structured form of interview allows a more in-depth approach and to ask questions in a convenient order. (Pietkiewicz & Smith, 2014, p. 11) The lengths of our interviews were: interview 1) 1 h 33 min, interview 2) 1 h 13 min and interview 3) 44 min. We acknowledge that the 44-minute interview was on the shorter side in length and not as rich in content. However, we think it produced a different view that is very interesting to this study and we were able to understand the participant’s point of view, so we decided to use it as data. Smith et al. (2009, p. 59) suggest that making and using an interview guide facilitates comfortable interaction in the interview. We made one that included 13 open ended questions and some probes relating to them, as shown in appendix.
4. We also asked ad hoc questions when the participants explained something that was not prepared in the interview guide. After the pilot interview, we were able to make changes in our interview guide.

In the beginning of the interview we told the participant that we expect him/her to speak and we take more of a listener’s role, like Smith et al. (2009, p. 64) describe the interview situation. We did try to make the situation as comfortable as possible by telling about ourselves and trying to make the participant tell about his/herself to provoke conversation. Smith et al. (2009, p. 48) suggest having some theory-driven questions within the interview but considering them as secondary, because they are answered only on an interpretative level. In addition, the questions might not be answered at all due to the open nature of the method (Smith et al. 2009, p. 48). We asked descriptive, narrative, structural and contrasting questions, as Smith et al. (2009, p. 60) recommend. We also asked evaluative, circular and comparative questions and used prompts and probes to get more of in-depth data, as Smith et al. (2009, p. 60) suggest. As the authors also suggest, we avoided over-empathic, manipulative, leading and closed questions during our interviews (see appendix 4). Because the phenomenon is analysed from participant’s perspective, it is important that the participant decides what will be covered.

Each interview was transcribed according to the recording made on computer and tablet software. A particularly detailed transcription is not needed because the content of the participant’s account is the data of interest (Smith et al. 2009, p. 74), so we conducted in verbatim transcriptions. As we speak Finnish as our first language, we decided to transcribe them in Finnish and analyse in Finnish as well. Then the emerging themes were translated into English as well as the quotes shown in the Findings and analysis chapter that showcase our analysis. We consider our linguistic capabilities to be sufficient to translate the extracts into English as we have gained a very good command of English in the Finnish school system and by studying, reading and producing academic texts at Umeå University.

### 3.5.1. Selection of participants

Smith et al. (2009 p. 49) emphasize that the participants are selected in the basis that they are able to give that access to their perspective regarding the phenomenon. To be able to gather suitable data to answer our research question, we decided to choose participants who meet the following criteria: 1) They are/have been social entrepreneurs/CEO of a social enterprise. 2) They have experienced either financial or social failure as a social entrepreneur/CEO of a social enterprise.

Pietkiewicz & Smith (2014, p. 9; Smith et al. 2009, p. 43) explain that in IPA there’s no rule for the sufficient number of participants. The authors point out that: 1. the depth of analysis of a single case study; 2. the richness of the individual cases; 3. how the researcher wants to compare or contrast single cases; and 4. the pragmatic restrictions one is working under, are the factors that influence the number of interviewees. When it comes to the quality and complexity of most human phenomena, IPA studies benefit from a small number of cases and a concentrated focus it provides (Smith et al. 2009, p. 51). According to Reid, Flowers and Larkin (2005, p. 22) IPA challenges the traditional linear relationship number of participants and value of research. Smith et al. (2009, p. 51) suggest three to six cases as a rough number for a suitable amount for cases in a student project. Smith et al. (2009, p. 52) recommend three cases as a default size for a Master-level IPA study. According to them it allows the researcher to conduct a detailed analysis.
of each case but also to compare the cases and develop a micro-analysis of differences and similarities. Even single case studies have been published (Pietkiewicz & Smith, 2014, p. 9), and they can be especially powerful (Smith et al. 2009, p. 51). According to Smith et al. (2009, p. 51), with small sample size the researchers learns a great deal about the particular people and their response to a specific situation.

IPA researchers aim to have a homogenous sample because the similarities and differences are usually analyzed within a group that has been defined as similar in accordance with important variables (Pietkiewicz & Smith, 2014, p. 9; Smith et al. 2009, p. 3). Even so, the homogeneity is not necessary but Smith et al. (2009, p. 49) consider that the research question should be meaningful for the participants. Accordingly, the sample we have collected is homogenous, since all the participants have experienced failure in either financial or social aspect. The extent of homogeneity of the sample is discussed by Smith et al. (2009, p. 49) and if there is a lot of variation, it is also possible to divide the sample so that it can be understood from different perspectives. With our research, one could consider the division between the entrepreneurs and CEOs but we consider that these participants will produce rather similar perspective. Random sampling is considered inappropriate because in IPA there are so few participants. Therefore, the participants are selected purposely (Pietkiewicz & Smith, 2014, p. 10).

There are many enterprises, which we consider as social enterprises as academia defines them. However, some of these enterprises are not allowed to use the term social enterprise in Finland because of the legalized definition. As discussed earlier, the companies, which use the definition, must fulfil the Ministry of Economic Affairs and Employment-given requirements to be registered as social enterprise and accordingly authorized to use the definition for example in marketing. If the organisation does not fulfil the requirements it must be removed from the register. Accordingly, the register itself does not provide us the possible participants.

To ensure that we find participants that have experienced failure, we decided to find participants using the register of social enterprises in Finland as a tool. By comparing registered enterprises in year x to registered enterprises in year z we could identify companies that were no longer in the register. We do not to disclose the years in register to maintain the anonymity of the participants. We take the deregistration as a strong implication that the company is either bankrupted or has experienced mission drift, that can be classified as a social failure (Dart, 2004, p. 140). Another way we came across participants was through an informant who had previously researched social enterprises in Finland and was aware of social enterprises that had experienced failure. Those enterprises have been in the register at some point.

Next, we will introduce each case/participant by describing them in a general manner. The participant’s view on social entrepreneurship in Finland and their motivation to get involved in it is explained.

**Table 2 Participant information**

<table>
<thead>
<tr>
<th>Case/participant</th>
<th>Status of the participant in the organization</th>
<th>Gender of the participant</th>
<th>Age of the participant</th>
<th>Legal form of the company</th>
<th>Industry/domain of the organization</th>
<th>Organization’s / participant’s active years in the organization</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>CEO</td>
<td>Female</td>
<td>45-65</td>
<td>Cooperative</td>
<td>Various service industries</td>
<td>11/9</td>
</tr>
<tr>
<td>2</td>
<td>CEO</td>
<td>Male</td>
<td>45-65</td>
<td>Ltd</td>
<td>Various service industries</td>
<td>7/7</td>
</tr>
<tr>
<td>3</td>
<td>Entrepreneur &amp; CEO</td>
<td>Male</td>
<td>45-65</td>
<td>Ltd</td>
<td>Manufacturing</td>
<td>13/3</td>
</tr>
</tbody>
</table>
3.5.2. Participant introductions

Participant 1
Case 1 participant is a 45-65-year-old woman, who was in charge of a social enterprise status granted cooperative as a CEO for nine years, until it went bankruptcy. Accordingly the cooperative experienced a financial failure. The cooperative acted in various service domains and its mission was to help society at a local level by hiring people who are disabled or long-term unemployed. The cooperative also conducted or was involved with various projects that aimed to solve more specific problems, like trying to prevent certain groups of the society from becoming marginalized. The participant has a broad background when it comes to professional education and work experience and it had led her to be involved with another cooperative. That cooperative became one of the founders of the cooperative in this case. She got involved in the cooperative as she was asked to consult the cooperative in its founding phase on which legal form it should be founded with. The cooperative applied and got granted with the status of social enterprise before the participant was hired as CEO. The cooperative was lacking a CEO who could work fulltime and the participant was selected as the CEO two years after founding.

Participant 1 empathizes with the disabled and long-term unemployed and wants to help them to find employment. We could see, that her personal social mission was rather strong. She sees value in each individual and also can imagine the situation form the individual’s viewpoint. The participant did mention that she had seen the hardship of unemployment “with her own eyes” and therefore it is important to her to create jobs with low requirement level to allow people to get back to the “normal life”. The organization used many social wealth indicators as measures of company performance: the atmosphere in the company, the personal development of the hired (previously long-term unemployed) and number of staff, as it directly depicts how many people got helped through employment.

The participant is well-informed on the laws, regulations and opportunities concerning social entrepreneurship in Finland. She thinks social enterprises are needed in the society because the best way for the long-term unemployed to get rehabilitated is to provide them with real, value creating work instead of secondary activities in government’s employment support centers. Her view is based on helping the individual but she also thinks it is much more profitable for the society is the long-term employed and disabled get to work in a real company, which also provides taxes for the government. Employment through social enterprises in her opinion may reduce healthcare costs and it truly gives a chance to rehabilitate the long term unemployed and disabled to become valuable citizens. Participant 1 thinks that there are obstacles in the society for social enterprises to work in their full potential, which should be removed to allow maximum social wealth to be created.

Participant 2
The participant of the second case is a 45-65-year-old male, who was the CEO of a Limited company for seven years. He was the CEO of the company for it's whole seven-year life until it went bankruptcy. The company used to work for several different industries. The company was built and owned by several municipalities and other public agents. The municipalities in question were also clients of the company’s certain services. The social mission of the company was to employ disabled and the long-term unemployed people. The company employed marginalized people, who were able to work but had
problems to find a suitable position. Accordingly, the company offered positions with low requirement level of education and experience. The company aimed to bring these people "back to the society" with the ideology that working and earning money is rehabilitating.

However, the company suffered a financial failure. Before the organisation went into bankruptcy the CEO had planned to develop a new service in the industry of social services. Unexpectedly the company lost a major subcontract and one of the operations had to be run down. Since subcontractor was the biggest client, the revenue was declined severely. The CEO discussed the matter with the owners, who did not want to invest more in the company. The CEO filed the company to bankruptcy, because the owners had failed to support the company and he felt there was nothing else to do. However, after the procedure of bankruptcy the receivership was able to make the organization profitable. Participant 2 considered wrong and foolish not to invest in the company, which would revive with relatively small investment. Especially since the organization created both economic and social value by employment and cutting costs of social expenditure and additionally producing services to the owners themselves. The participant 2 emphasized how the bankruptcy effected heavier the former employees than himself. This is because of his age and the fact that he has a good record of studies and employment whereas the former employees might not have either.

Before the position as CEO in the company the participant 2 has been working in several industries but considers he conducted his career in the finance sector. He is active in politics and well-educated, since has been educating himself forward during breaks from employment. He values the merits concerning societal status. He considers that economic mission is at least as important social mission within social entrepreneurship. It is important to understand the strategic knowhow to be successful. He suggests that it is important to measure the social mission in both economic and social measures. The participant 2 indicated measures like the amount of employees, their employment after the bankruptcy, the atmosphere, the active years of the company, and a large area of operation as measures of success. In his point of view the social entrepreneurship can be compared to conventional entrepreneurship. He considers that society assumes that social entrepreneurship is just using the support of government for the enterprises but wants to emphasize that this is not accurate. He considers that the passion and will to do good is not enough to manage a profitable company. In addition to strategic know-how the participant 2 also has passion to create a good tool to create new jobs and help people to find a job and rehabilitate from challenging life situation, if needed. After the experience participant 2 considers that the social entrepreneurship according the legislation of Finland does not serve the ideology the best possible way and is willing to develop it. In his point of view it is important for the whole society to take care of social responsibility but the social enterprise status does not increase social value the way it was supposed to.

Participant 3
Participant 3 is a 45-65-year-old male, who has his background in manufacturing. He also owned a retail business for several years before he bought the company of this case. In between he was employed in manufacturing industry until he found the opportunity to buy the business which is of interest in this case. The company had started as a cooperative, owned by an association, and it had a strong social mission to employ disabled and long-term unemployed. Before bought by participant 3 and his business
partner, the organization form was changed into limited company and the status of social enterprise was applied and granted.

Participant 3 does not have a strong personal social mission and he bought the business with the motivation to obtain financial rewards. He explains that the business was financially in a bad shape and it needed severe reshaping to become a viable business. The company employed people whose employment was subsidized. From the beginning, participant 3 had the idea of running the part of business down that involved the people with employment subsidy because that part of the business was simply not profitable. He explained that he did not have anything against employing them, but as an entrepreneur he had to make sure the business would survive financially and to be sure all responsibilities were met. We describe the personal social mission of participant 3 to be passive but also positive. This is because he did not actively want to increase the number of subsidized employees in the company and was mostly concerned about financial side of the business, but he also recognizes that there are people who could be helped through social entrepreneurship and society needs to help them. He also still employs four people whose employment is subsidized. However, the status of social enterprise was lost because the amount of the subsidized people was less than 30% of the employees.

The ultimate reason, why the participant 3 had to terminate some employment contracts of the people whose employment was subsidized was that the municipality had decided to stop paying the subsidy, as it considered the employees to be rehabilitated. Then the newly unemployed would receive unemployment money from the state, and the municipality would save money. The participant considered the input of those employees to still be restricted or low and he could not afford to pay them the full salary, as they were previously paid.

Participant 3 thinks that there is not a clear difference between social entrepreneurship and social work. As an example he gives that many social enterprises as defined in Finland do not produce anything really valuable and the subsidized employees manufacture something simple which does not cover costs. However, he still thinks that social entrepreneurship in Finland could be a good tool to find employment for the disabled and long-term unemployed. They make a big cost for the society and though social entrepreneurship that cost could be smaller. Participant 3 considers everything through the benefit and disadvantage, when it comes to the company’s viability but also to the society’s interest. However, the participant thinks that there are hindrances set by the officials that won’t allow the entrepreneurs to engage in social activities as they also have to run a business that should aim for profits. Participant 3 thinks that taking care of the disabled and long-term unemployed is important but it cannot be the responsibility of the entrepreneur alone, the official need to participate too.

After presenting our interview participants, we will next describe how we conducted the analysis.

3.6. Analysis

3.6.1. Interpretative phenomenological analysis

When analyzing interpretative phenomenologically collected data the researcher's aim is to immerse in the data/trying to step into the interviewees shoes (Pietkiewicz & Smith, 2014, p. 11). This is because the target is to understand the interviewees sense making of
the phenomenon under investigation and also the researcher's sense making. Pietkiewicz and Smith (2014, p. 12) have created a suggestion or analyzing the data but they also remind that it is not a definite recipe for the analysis. To help immersing his-/herself into the data Pietkiewicz and Smith (2014, p. 12) suggest several reading and listening times. In addition to this researcher should make notes on the data and the prevailed atmosphere during the interview. After this researcher continues working with notes, not the transcript and notes are transformed into themes. Pietkiewich and Smith (2014, p. 12) suggest that “the researcher aims to formulate a concise phrase at a slightly higher level of abstraction, which may refer to a more psychological conceptualization.” The next level consists of considering the connections between the themes and clusters of them (Pietkiewicz and Smith, 2014, p. 12).

There are many possible ways to analyze data in IPA, and most of them can be challenging for a researcher conducting an IPA research for the first time (Smith et al, 2009, p. 79-81). Smith et al. (2009) present a step by step guide for conducting an IPA analysis. As we, the authors, are conducting an IPA study for the first time, we have decided to follow these steps in our analysis:

**Step 1: Reading and re-reading**
This step helps the researcher to immerse his/herself to the original data. It ensures that the participant becomes the focus of the analysis. (Smith et al., 2009, p. 82) We listened to the recordings while reading the transcripts, as recommended. This part is about slowing down the habitual propensity for reduction and synopsis in a “quick and dirty” manner (Smith et al., 2009, p. 82). Like Smith et al. (2009, p. 82) recommended, we read the transcripts many times as it allowed us to develop a model of the overall structure of the interview and locate richer parts of it. Like the authors recommend, we wrote down some of the most striking initial observations as it helped us not to cloud our minds with what should be noted and what is important in this part of the analysis.

**Step 2: Initial noting**
Smith et al. (2009, p. 83) explain that this step may merge with the step 1. The authors explain that it is about making notes about anything that seems to be interesting while keeping an open mind in the analysis. As recommended, we identified specific ways of talking or understanding of the issue and produced comprehensive and detailed notes and comments. The authors point out that the analyst should make a close analysis to avoid superficiality and that in this part, the notes should be descriptive and focus on the phenomenon. We made notes that described the things that matter to the participant and the meaning of those things to the participant. A more interpretative noting developed as it concentrated on the language used and thinking about the context of the participants’ concerns. We used three different types of comments: Descriptive comments, linguistic comments and conceptual comments, as Smith et al. (2009, p. 84-88) suggest. We wrote down the initial notes in MS Word-document of the transcription as comments.

**Step 3: Developing emergent themes**
In this part, we simultaneously reduced data while keeping the complexity of it. We looked at our initial notes and looked for the emerging themes, as Smith et al (2009, p. 91-92) encourage to do. Our focus was on finding discrete chunks of transcript and breaking down the narrative flow. As Smith et al. (2009, p. 91-92) explain, the original whole of interview becomes a set of parts, but they will come together in the end of the
analysis as a new whole. The authors continue explaining that the analyst should find the most crucial pieces of information, which we did by discussing the initial notes together. The themes reflect the participant’s original words and our interpretation of them. We wrote down the emergent themes in the transcription Word document as answering comments to the initial notes that best illustrated the emerging theme and at the same we listed the emerging themes to a new Word-document to be able to see them together.

**Step 4: Searching for connections across emergent themes**
Smith et al. (2009, p. 92) explain that as in the previous steps the themes are in chronological order, this step involves a development of charting or mapping of how the themes fit together. We discarded some initial themes according to the scope of the research question. We did this step by writing each emerging theme on separate Post-it notes and by moving themes around to form clusters of themes, along the suggestions of Smith et al. (2009, p. 96). Some of them were parallel or understandings were similar and placed them together and those that did not match in any way were placed separately. We abstracted the data, polarized it and numerated it the data as a part of the analysis, like the authors suggest and thereby created higher level themes.

In this step, we also categorized the themes into the elements according to our framework. So, the framework was used as a tool to categorize the perceptions of the participants. This will be explained in more detail further below.

**Step 5: Moving to next case**
As we are conducting multiple case interviews, we need to analyse all of them. Smith et al. (2009, p. 100) explain that in this step, it is important to honor the individuality of the case, which means that the next case should be treated on its own terms. It is important to let new themes emerge from the following cases too. We considered this and sometimes reminded ourselves to focus on the case in question solemnly.

**Step 6: Looking for patterns across cases**
When all the three cases were analysed separately, we set the themes of each case onto a table and looked for patterns across cases. In this step, we also reconfigured and relabelled some themes. This step was evident even when writing down the results in this report as we could better see that some themes belong to some superordinate theme, a common nominator for all. Like Smith et al. (2009, p. 101) explain, the themes can be presented in tables, and we present tables which indicate which participants agreed to which theme. We also present a table in the end of the Findings-chapter which includes all the superordinate themes and the perception of failure.

3.6.2. **Categorization of the findings**
With the following categorization, we explain why the themes presented in the findings section are presented in this element. In addition, we will justify with theoretical perspectives why each theme belongs into the element in question.

**Individual**
These themes relate to the individual element on some levels. As motivation, opportunity recognition abilities and inspirational leadership skills are considered as individual aspects influencing the company performance (Dacin et al. 2010, p. 38), we categorized the themes "Personal motivators" "Social merits motivate action", "Financial merits motivate action", "Empathy and willingness to make a difference motivate", "Lack of
success leads to declining motivation", "Employees’ trust towards oneself is a personal success" and also the theme "Fearlessness after failure". Belonging to the element Individual. Based on Shane’s et al. (2003, p. 258) notion that the success of an entrepreneur depends on his/her willingness to play, which depends on the motivations to take up entrepreneurial activities, we consider it important that especially social merits motivate action. This could indicate that if the participant is motivated by social merits, it affects the social performance of the social enterprise. Even though participant 3 was motivated by social merits, he was significantly more motivated by financial merits, and we can see, that this has led to the social mission drift. "Participant’s input’s significance in the company’s performance" is the individual’s judgement of his/her actions’ influence in the company performance and it reflects the participant’s, in other words, the individual’s influence, and is thus justified to be categorized in the Individual element. 

"Stigma of failure" is handled as the stigma on an individual and is therefore categorized in this element.

Personality traits also relate to the company performance (Koe Hwee Nga & Shamuganathan, 2010), and "Naïveté" is therefore categorized as an factor relating to individual. The empathy aspect in the theme relating to motivation is also a personality trait. "Participant’s responsibility of employees" is also considered to be relating to individual as the sense of responsibility is a personality trait. Many of the themes relate to the emotional response of the individual to failure, which Shephard (2003, p. 319) has described, like for example the theme "Feelings". The themes "Desire to forget some personal negative experiences" and "Stress" reflects what Shephard (2003) has stated about entrepreneurial failure’s effect on individual: emotions may interfere learning. "Strong personal social mission and experienced unfairness led to bitterness" reflects the individual’s immediate emotional reaction to failure as well as the theme "The experience of finality leads to feeling of being lost." The theme "Thinking about the possible state of organization today causes hopeless" longing shows the individual’s emotional reaction too. We consider the theme "Pride of meeting social goals" as value statement of the individual and is therefore categorized as theme under the element individual.

Organization
Next, we explain why the following themes are presented in this element. According to the 7S-framework, created by Waterman et al. (1980), structure, systems, style, staff, skills, strategy and superordinate goals form an organization. Nadler & Tushman (1980) as well as Bielefeld (2009, p. 83) point out that congruency between them is needed in order to make the organization work well and produce (social) value. We consider the theme "Importance of business know-how" to depict staff and skills. The theme "Measures of success" we consider relating to systems and strategy. The theme "Improving the independent livelihood of employees" can be considered as the superordinate goal of an organization but it is very strongly linked to the staff aspect too. Also, the theme "Naïveté of board members" describes the staff. Low & Chinnock (2008) discuss the role of governance in social enterprises and that the board members have an influence on the organization. "Agility of organization" describes the structure and the skills, probably strategy too. Example of this is that participant 1 and 2 described how they stood in for key employees who were prevented from working. The structure was flexible enough for this to happen. The strategy, regardless whether it is deliberated or not, also allows this.
"Lack of support from owners" can be seen to relate to the superordinate goal, or better the lack of it. It is rather evident that it is about the organization, especially when it comes to structure and strategy because the structure might require a certain level of support but the lack of it influences the organization greatly. Also, the strategy cannot be realized if there is lack of organizational support. "Lack of marketing" on the other hand is more about the systems, which do not produce marketing operations on a sufficient level. The themes "Accumulation of problems" as a theme can be considered as external to the organization, but however, the accumulation of problems is something that the organization suffers from. The strategy may aim for it or maybe the strategy has drifted to allow the clients so much power.

Mission
Here we explain why the following themes are presented with this element. In this element, all the themes we categorize into it contain the idea of mission. In the light of the study by Stevens et al. (2015), which found that strong social mission implies weaker economic mission and vice versa, any mission-related themes are of interest. Therefore, the theme "Social mission can be used as justification when accused with poor financial performance" is interesting in this category. The themes "Social mission vs. Financial mission" "Strong social mission" and "Strong financial mission" reflect the strength of each mission.

Scott and Teasdale (2012), Dart (2004), Bielefeld (2007) and Copestake (2007) describe social mission drift as unplanned and financial goals start to dominate in the organization. The theme "Passive social mission" contributes to the mission drift and therefore belongs to the element of Mission. Ebrahim et al. (2014) describe that the balance between social and financial missions is difficult to obtain and maintain. The theme "The society's assumption of social entrepreneur having a strong social mission" relates to this problem directly.

Environment
In this section, we explain why the following themes are presented in this element. We have categorized themes that relate to external factors to the organization to be part of the element Environment. According to Griffits et al. (2013) socio-political factors affect the variance of social entrepreneurial activity. Bacq & Janssen (2011, p. 387) state that there are national legal differences when it comes to social entrepreneurship in Europe, even though it is usually presented as a homogenous phenomenon in academia. The themes "Unfairness of governmental policies towards organizations with social mission" and "The legislation sets restrictions that prevent potential social entrepreneurs from starting up social operations" reflect the local legislation and are important when studying failure in social entrepreneurship in Finland. Austin et al. (2006, p. 8) agree that taxation, regulations and sociopolitical environment are influence the social enterprises.

The theme "Stakeholders’ state of willingness" and "Powerful clients" are themes about stakeholders, which Mort et al. (2002, p. 80) describe to have an important role for social enterprises. The previously mentioned themes in this element handle the effect of government, which is an important stakeholder to social enterprises (Mort et al., 2002, p. 80), thus its categorization into the element Environment is justified. The themes "Effects on the employment rates and public health care expenditures of the society" and "Society’s negative reaction to the status of social enterprise" reflect the society’s impact on the organization and its performance, and vice versa. Even though one could argue,
that the organization is part of the society, these themes reflect the external actors’
influence. In the same vain, the theme "Collaboration with other social enterprises" reflect
the organization’s relationship with external actors.

Learning
We explain why the following themes are presented with this element. We have
categorized the themes into the element Learning as they describe actions or thoughts that
have changed as a result of the failure. Fiol & Lyles (1985, p. 808), Cope (2005, p. 377-
380) and Argyris (1995) talk about learning as a result of a critical events. The theme
"The will to develop social entrepreneurship" has arisen after the critical event of the
bankruptcy. In Argyris’ (1995) categorization they fall into the category of individual
learning.

In Argyris’ (1995) categorization of learning, the themes "Development of business
skills" and "Through social entrepreneurship one cannot maximize financial benefits" fall
into the category of organizational learning. However, the division between
organizational and individual learning is somewhat unclear in our results as the themes
are the result of individuals’ accounts. Those themes can also be individual learning.
Anyway, the categorization into the element Learning is justified.

In the next section, we move on to discuss the ethical considerations of this study.

3.7. Ethical considerations of the study
According to Saunders et al. (2009, p. 183-184) ethical concerns affect the planning of
research, seeking access to organizations and individuals, data collection and analysis as
well as reporting. They also note: “In the context of research, ethics refers to the
appropriateness of your behaviour in relation to the rights of those who become the
subject of your work, or are affected by it.” Eriksson and Kovalainen (2008, p. 72) point
out that it is not enough to increase credibility by mentioning in a research report that
ethical considerations were covered. According to them the researcher must be aware
about the ethical aspects and act accordingly from the beginning of a research project.
Therefore, we now discuss the ethical considerations of our study.

One of the most important ethical considerations in research is to assure that there will be
no harm caused to the participants (Saunders et al. 2009, p. 186; Eriksson & Kovalainen,
2008, p.72) We made sure of this by obtaining consent from the participants with a signed
form of consent and preserving confidentiality, as Saunders et al. (2009, p.186) suggest.
Smith et al. (2009, p. 53) note that the researchers need to evaluate how much talking
about sensitive issues might constitute as harm for the participants. Because our topic
might be sensitive to the participants as they might encounter grief, we pay attention
especially to the manner the interviews are conducted to avoid causing unnecessary stress.
While conducting the interviews we approached the most likely sensitive issues in a
respecting manner and if any noticeably hard topics arose, we tried to let the participant
tell about them and perhaps softly ask any further questions.

According to Saunders et al. (2009, p. 179) and Eriksson & Kovalainen (2008, p. 71)
providing a clear account of purpose and type of access required is part of the ethical
considerations of a study to secure informed consent. In this study, we considered this
when we called the possible participants and explained them what is the purpose of the
study and which university’s students we are. The initial sampling method was also
explained. We explained we would like to interview them and upon agreement we made an appointment for interview. The expected duration for an interview, 1-2 hours, was told to the participant. Saunders et al. (2009, p.179) also point out that sending an email is recommended after the initial contact, outlining the proposed research and its requirements. We sent emails and asked for a permission to record the interview for later analysing. We told about the analysis method IPA and explained that the recordings will only be accessed by us and are strictly for the purposes of this study. We also provided the name of our thesis supervisor when more information was requested.

We also ensured that anonymity, privacy and confidentiality were enforced, like Eriksson and Kovalainen (2008, p 73) and Saunders et al. (2009, p. 185) recommend. We discussed the participants without revealing their name to outsiders. The transcription was done by coding any names that reveal information about the participant’s identity, area of operation, collaborative partners and so forth. The names of the participants are not revealed at any point.

3.8. Literature search
In this study, we aimed to use sources that are of high quality and credibility. That is why we used peer reviewed journals as the main source. According to Eriksson and Kovalainen (2008, p. 46) the literature search can be done in two ways; using key words or searching for citations of prior research in sources. We conducted the literature search by using both ways. The key words for searching prior literature were: social entrepreneurship, social mission, failure in social entrepreneurship, social entrepreneurship research, perception of entrepreneurial failure and so forth. We used Google Scholar and databases provided by Umeå University Library, like Emerald Insight and EBSCO, to identify important sources. We evaluated the sources also by how many times they had been cited to, which Google Scholar provides information on. However, as the field of social entrepreneurship is rather young, we did not discard some publications even if they had not been cited to many times.

3.9. Evaluation of the quality of this study
Validity measures how well does the data set generated from this research approach reflect the phenomenon it is meant to cover (Anderesen & Skaates, 2004, p. 469). When talking about validity in qualitative research, Andersen & Skaates (2004, p. 464) point out that: “It is an obligation for all scientists to conduct rigorous studies, regardless of their research tradition.” Andersen & Skaates (2004, p. 469) explain that the choice of research strategy is closely related to the researchers’ epistemological stand which is affected by the general ontological beliefs of the researchers. It is important to consider all of them because many errors are the result of an improper match between data types, data collection and interpretation strategies (Andersen & Skaates, 2004, p. 469; Eriksson & Kovalainen, 2008, p. 290).

Eriksson & Kovalainen (2008, p. 290) explain that evaluation criteria developed for assessing quantitative research do not necessarily fit qualitative research. The authors explain that there are three ways of using evaluation and assessment criteria in qualitative research: 1) Adopting the classic criteria of good quality research (reliability, validity and generalizability). 2) Adopting alternative but common criteria. 3) Abandoning the idea of common evaluation criteria for qualitative research approaches.
In this study, we have decided to use criteria introduced by Yardley (2000), which represents the third. This choice was made based on the recommendation of Smith et al. (2009, p. 179-180). They argue that these criteria avoid the pitfall of being simplistic or prescriptive, as some other criteria tend to do. According to Smith et al. (2009, p. 179) these criteria are broad ranging and offer many ways of establishing quality. The authors explain that these criteria can be applied to most of the qualitative theoretical orientations. Sufficient sample sizes, reliable measures, objective findings or replicable outcomes are not applicable in qualitative methods (Yardley, 2000, p. 218). Therefore, Yardley (2000) presents her characteristics of good qualitative research, namely Sensitivity to context, Commitment and rigour, Transparency and coherence and Impact and importance.

**Sensitivity to context** entails the researchers’ awareness of relevant literature and previous related research and awareness of socio-cultural setting is important too (Yardley, 2000, p. 220). The author explains that for research done in i.e. phenomenological philosophy it is desirable to have a fairly extensive grounding in the philosophy because the awareness helps the researchers to develop a more profound and far-reaching analysis. Yardley (2000, p. 21) argues that the extent of involvement of the participants needs to be considered carefully, because it entails a crucial aspect of ethics in the study. This relates to how much the interpretation of participants is allowed, which is essentially how much power is given to the participants. For this study, we conducted an extensive literature search and we aimed to cover all main bodies of literature related to this topic. As social entrepreneurship is a rather new and dispersed field of study, there were many aspects to be considered. We also needed to base some of the literature review on the conventional entrepreneurship literature. As the study is exploratory in its nature, the literature review works as a guideline but not as strict rules. However, we educated ourselves well in the matter of social entrepreneurship before continuing into the following stages of this study. As we conducted this study in our native country, we consider both researchers were well aware of the socio-cultural setting. We further developed our understanding of social entrepreneurship by conducting a practice interview before the actual data collection. In the Research philosophy-part of this chapter we explain the philosophical stand point of this study. For an IPA study the purpose of the researcher is to understand the participant’s view. In this study, we chose not to let the participants to go through our interpretations, because it is supposed to be our interpretation and we think they could have a biased opinion of their own actions, words and communications. We did send them the transcript of their interview to allow them to check through it.

**Commitment** refers to the researcher’s competence and skills to use the research method and immersion in the relevant data (Yardley, 2000, p. 221). As in IPA the immersion to the participant’s world is crucial (Smith et al. 2009, p. 82), we transcribed the interviews and listened to them multiple times. We were not familiar with IPA as a method before, so we made and effort to fully understand the process, as described in this chapter above. **Rigour** refers to the resulting completeness of data collections and analysis. It includes the adequacy of the sample, its ability to produce sufficient data needed for comprehensive analysis. Completeness of interpretation, as part of the rigour research, in phenomenological analysis should show as the effective use of prolonged contemplative and empathic exploration of the topic together with sophisticated theorising. (Yardley, 2000, p. 22) In this study, we chose the participants carefully. Because it is recommended to have a homogenous sample in IPA study (Pietkiewicz & Smith, 2014, p. 9; Smith et al. 2009, p. 3), we made sure that all participants had encountered and experienced the
The phenomenon in question, failure in social entrepreneurship. This means they could produce data that is relevant for our study. The analysis was done carefully by both of us, the researchers, which should increase the completeness of interpretation.

Transparency and coherence is about the clarity and rationality of the description and argumentation. In qualitative research the report should construct a version of reality, as it is the function of a story, including a research story. Coherence refers to the fit between the research question, philosophical perspective adopted, research method and analysis. (Yardley, 2000, p. 222) We designed this study so that it would be easy to understand and coherent in every way. The research question focuses on the perceptions of the participants, as recommended by Smith et al. (2009). In this report, we aim to depict the research process as accurately as possible to allow the reader to understand the reality we lived in during this project. We made this study transparent by describing the data collection process and the coding rules in detail and by presenting quotes of the participants to illustrate our analysis, as recommended by Yardley (2000, p. 222). Because we take the social constructivist stand, Yardley (2000, p. 222) argues that it is important to reflect how our reflections, assumptions and actions affect the outcome of this study. We acknowledge that we did have some assumptions of what the participants would say before the interviews for example, but by acknowledging it, we can argue that we are aware of them and we can take it into consideration in the analysis part.

Impact and importance refers to the usefulness of the research, which can ultimately be only assessed in relation to the objectives of the analysis, the applications it was intended for and the community for whom the findings were deemed to be relevant (Yardley, 2000, p. 223). In this study, we developed a proposed framework which was edited after the analysis, and therefore we could contribute to the academia. With this project, we believe we can help the social entrepreneurs in Finland by examining the phenomenon of failure.

In the next chapter, we will present the findings of this study.

4. Findings
In this section, we present the findings of the study categorized according to the framework we have proposed previously in the report. We want to point out that while analysing the data, we first analysed data as suggested by Smith et al. (2009), looking for superordinate themes. We then categorized the themes according the proposed elements. First, we will introduce the superordinate themes, which are supported by all participant and second, we will present following superordinate themes, which are supported by two participants. In the end of this chapter, there is a table that summarizes the perception of failure of the participants.

4.1. Element 1: Individual
In the following table, we present the findings that we have categorized to belong to the individual element. Subordinate themes are bolded and the themes that illustrate them are in italics. The table illustrates to whom of the participants a theme is applicable.
Table 3 Superordinate themes in the Individual element

<table>
<thead>
<tr>
<th>Theme</th>
<th>Participant 1</th>
<th>Participant 2</th>
<th>Participant 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participant’s input’s significance in the company’s performance</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Stigma of failure</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Participant’s responsibility of employees</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Employees’ trust towards oneself is a personal success</td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Feelings</td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Strong personal social mission and experienced unfairness led to bitterness</td>
<td>x</td>
<td>x</td>
<td></td>
</tr>
<tr>
<td>Stress</td>
<td>x</td>
<td>x</td>
<td></td>
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<tr>
<td>Desire to forget some personal negative experiences</td>
<td></td>
<td></td>
<td>x</td>
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<tr>
<td>The experience of finality leads to feeling of being lost</td>
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<tr>
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<td></td>
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<tr>
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<td>x</td>
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<tr>
<td>Social merits motivate action</td>
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<td>Financial merits motivate action</td>
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<tr>
<td>Empathy and willingness to make a difference motivate</td>
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<td>Pride of meeting social goals</td>
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<td>Lack of success leads to declining motivation</td>
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<td>Naïveté</td>
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Next, we present the perceptions of the participants with extracts from the transcriptions that illustrate our line of thought.

**Participant’s input’s significance in the company’s performance**

We found that each participant considered that their input had a significance when considering the performance of the company, both social and financial. The common nominator was the state of willingness that the entrepreneur has. The participants described that they tried to prevent the failure from happening. In all cases, the participants tried to convince the stakeholders, the ones that distributed financing, that they should keep on doing so because the social wealth would be best created through the social enterprise. However, we could notice slight differences in the intensity of the
willingness which we interpret to depend on the participant’s passion to create social wealth.

Participant 3 explained how he tried to make the employment office officials to understand that continuing the employment subsidies would be in the best interest of the municipality. As his personal social mission is weaker as the others’, we could see that he put less effort in trying to persuade the employment office officials. Participant 1 has a strong personal social mission and she went further in her efforts to influence the decision makers as it directly affected the company’s social performance. She describes how she contacted the Ministry of Economic Affairs and Employment and the local employment office to make suggestions in order to make collaboration easier. In her words, she emphasizes that she did not only try but actually took action to make a difference:

P1: “Somehow, I tried to..., well, not just tried, I did contact the ministry and the public officials but they always answer the same as the employment office...: the cases are always discretionary and depends on the case.”

Participant 2 felt he could not have saved the organization from bankruptcy as it was more the decision of the owners not to give the needed (relatively small) amount of money, but he explained how he tried to make them understand how it would be totally absurd to run down the business. His action to save the company after the main subcontract had been lost was to develop a new income stream from a new line of business, but it could not be pursued because the owners did not help the company financially over the hard times. The following quote illustrates the participant’s ideas and actions:

P2: “There were good ideas and thoughts: I was developing an idea of a social, or actually social and health-side thing, to start up a home service business unit...” “I tried this kind of a deal that we could have added the amount of contracts of the care taking service for the municipality housing. We could make annual contracts as the amount of jobs needed to be done was known”

In this quote, the participant wants to showcase how he really wanted to continue the development of the company and despite hardships he believes these actions could have saved the company. As a conclusion of the theme, all the participants carried active operations to prevent the failure. They also consider that their actions were preventing from failure.

**Stigma of failure**
A theme in common for all participants was the stigma of failure. It was considered to occur as a result of failure. The participants felt that the society imposes a stigma on them. The participants showcased it in different ways. Participant 1 considers that he society condemns bankruptcy as it is something less desirable and shameful. This was illustrated in her words with which she explained that a certain business was run down, not bankrupted, as running down business would be something more desirable than bankruptcy: “In 2006, one member organization (of the cooperative), the X, stopped their operations. It was not filed in bankruptcy but it was run down.” These words give the impression that in the participant’s view bankruptcy, as a proof of incapability of the entrepreneur or CEO, is worse than decision of running down a business, where the decision is still in the hands of the business owner.
Participant 3 on the other hand felt judged by the society as his company lost the status of social enterprise. He thinks that taking social responsibility is a duty of every actor in the society, not just the responsibility of one actor. As losing the status was due to the municipality stopping paying the employment subsidy and therefore the decreasing amount of subsidized employment in the company, participant 3 feels that it was not his fault to lose the status.

P3: “At that point, the percentage of subsidized employees in the company is practically forced to go below the minimum and that was the triggering factor that led to the removing of the status of a social enterprise. So, it’s like, we didn’t seek for that but we were condemned to lose it. That one must remember. We could still be in the register of social enterprises if the percentage could have been like 20, we still have four subsidized employees working.”

With the words “That one must remembered” participant 3 wants to draw attention to the fact that he did not seek to be removed from the register. This signifies that he considers it a little bit shameful because he feels the need to explain and point out that it happened because of external factors. We found that participant 3 thinks that social mission is appreciated by the society and losing a status that is a proof of it is therefore is a little bit shameful. However, the participant did not seem to be very strongly affected by the shamefulness, but he was still sorry that the collaboration between the company and municipality employment services did not work out.

Participant 2 seemed to consider the stigma of failure through both described ways. As his worldview is very much based on the importance of status, the participant is concerned about the effect of the bankruptcy on the status, in other words, how it was seen by others. This was evident through using words that signify profession, status in an organization and reflection of one’s role in the society. Throughout the interview, he emphasized how the owners lack of willingness to participate led to the bankruptcy. We find that participant 2 considers his status in the society intact because he was not the one to blame for the bankruptcy. For this reason, we believe that participant 2 thinks bankruptcy is stigmatized in the society, but it does not affect him. He also finds the loosing of the status of social enterprise along the bankruptcy as something that will be looked down on, but once again it will not affect him since he does not think it was his fault. As a conclusion, all participants perceived the stigma of failure, but the implications on them varied.

**Participant’s responsibility over employees**

All participants reflected the responsibility they have of their employees. Participants 1 and 2 had a stronger personal social mission and they felt burdened by the fact that the companies were filed in bankruptcy and employees lost their jobs. Employing disabled and long-term unemployed was after all the mission of those companies.

Participant 1 describes it: “Well, sometimes it wasn’t very much fun to go to work, let’s put it that way. Sometimes it felt like nothing goes right but luckily there were some experiences of success too. It was tough in a way because I had to do decisions about the lives of other people, not only about my own. It was challenging in that way.”

Hard times also affected the motivation to go to work in a negative way, as participant 1 described in the previous quote. Participant 2 wanted to make sure that the employees get
paid and we could notice fatherly sentiments towards the employees. He also spoke about the toughness of being in charge alone, which happened when one of the foremen of the company retired and the participant had to supervise the work on his own. This implies that it is significant that he had to carry the responsibility alone. We do not think he expected to share the responsibility of CEO with anybody but as the foreman’s workload was added to the CEO’s tasks, it became heavy.

Employees’ trust towards oneself is a personal success as a theme illustrates the responsibility of employees as succeeding in it can be measured through employees’ trust towards oneself.

Here participant 2 describes some events: “Those working men that I had employed, there’s not even one who wouldn’t say: ‘Hiya (participant’s nickname)’, they always called me by my nickname,... ‘Hiya (participant’s nickname), we had a company alright!’ And I say: ‘Yeah, didn’t we!’ And some of them are actually working (nowadays), which is a very good thing. There’s this one fella, with whom I have become acquainted with, or well, we got acquainted with each other through other ways. So, listen to this, he is now employed as a workplace steward at the congregation of X town. And he started as a grave digger.”

There was another kind of view showed by participant 3, as he considers he carries the responsibility of the employees in the operations of the company. Since the economic situation of the company in case 3 was alarming, the participant thinks it was his responsibility to revive it in order to keep the salary running to the employees. As the formerly subsidized employees were not able to produce enough value, they had to be laid off. So, the participant 3 considers laying off the formerly subsidized employees as a responsible act when it comes to the economy of the company and therefore its employees too.

The participants 1 did not consider the responsibility of employees contributing to the financial failure or social mission drift. Participant 2 agreed that responsibility of employees did not have an effect on financial failure but he considered that the trust of the employees was even preventing the social mission drift. On the other hand, participant 3 considers this theme contributing to the social mission drift, because he considered the responsibility of all the other employees (not disabled or long-term unemployed) strongly and decided to act accordingly to revive the organization. To summarize: In cases 1 and 2, the participants feel responsible for their employees and in when the failure was getting more and more evident, it also affected their motivation and general spirit. In any case the participants 1 and 2 felt proud of the trust built towards them. Anyhow the Participant 3’s sense of responsibility was more towards the employees that can give full input to the organization, not the subsidized.

Personal motivators
All the participants consider personal merits motivating their actions. There were differences between the participants in whether they consider to be motivated by social or financial merits. When considering the worldview of the participants, it was noticeable that financial merits were a motivating factor to participants 2 and 3. Participant 3 thinks that it is appreciated by the society if one achieves one’s goals, therefore he considers it is a personal merit to succeed as an entrepreneur. This became more evident as he speaks about making “the correct decisions as a business owner”.
Participant 3 said: “But I have very clear goals on that matter, that the value of the company value will grow. That I could carry my own responsibilities and there would be development and therefore growth in employment and so. Someday I could get a reward from it for myself.”

Our findings demonstrate that the theme empathy and willingness to make a difference motivate is uniting participants 1 and 2, who have stronger social mission than participant 3. The employees are also considered as customers in case 1. The willingness to create additional social value motivated participants 1 and 2 to give the best possible input to the organization. The following example indicates participant 1's will to help and the sorrow of employees failing to find another position, when they lost their job at the co-operation.

P1: "For example I told them that when you quit with us, and you have a situation that you have a job interview or you are writing an application, you can use me as a reference. I can give my recommendation. I never received those calls." .... "They just couldn't handle it. There were some sort of problems, which we couldn't sort out even while working."

In the case 2, this related clearly to the status of the participant in the society. He spoke about the “societal status” of the subsidized employees, which will turn into positive when employed in a social enterprise. This he also considers as a merit to himself and is motivated by it. He also mentioned his status in different organizations many times and he wanted to point out that he was asked to advise, which would indicate his superior knowledge and experience, also status. Participant 1 was mostly motivated by social merits. She regarded creating a warm atmosphere in the organization as a success, which was a merit for her, and she was proud of it. The following example demonstrate this.

P1: “We had a really good atmosphere at the work place, one could talk about anything. So, it was open that way. I tried to create an open atmosphere and in my opinion I succeeded pretty well.”

The findings indicate that participant 1 considered that lack of success leads to declining motivation. This effected both financial performance and social mission of the organization in a negative way by contributing to the failure.

To summarize, participant 3 considers financial merits motivating, participant 1 considers social merits motivating and participant 2 considers both social and financial as motivating. Motivation which stems from social merits can be seen as contributing to the financial failure whereas preventing the social mission drift. On the other hand, motivation which stems from financial merits might be contributing to the social mission drift but preventing the financial failure.

Feelings
This superordinate theme is supported by notions of stress, grief, annoyance and hot tempered actions as a result of failure. This theme is supported by participants 1 and 2. Participant 1 seemed to be grieving and the event was very stressful for her. The stress was both mental and physical. During the last months of the cooperation’s lifecycle, the participant had to undergo a back surgery, which was partly because she had to do
physical labour to stand in for a retired foreman of the cooperation. Despite of being on a sick leave, she still presented matters in the cooperation’s board meetings. She describes those times as confusing, which was partially because of having strong medication and partially because of realizing the cooperation had to be filed in bankruptcy. The grief was not evident at first but we interpreted it through her general appearance and tone of voice and through how she described the events: as “a struggle for survival”.

Participant 2 was very annoyed about the reasons why the bankruptcy happened. As he blamed the owners, namely the two municipalities, he showed the annoyance towards them in heated discussions. In his own words, he describes how he has acted with hot temper when he socialized with the municipality representatives. The annoyance caused by the owners combined with disappointment triggered him to act.

P2: “Actually, to this date, nobody (in the municipality office) dares to discuss those things with me because they know I will make it uncomfortable for them.”

This quote then acts as proof of feelings, manifested in actions. On the other hand, participant 2 makes sense of the events in a logical manner. His feelings relate more to the fact that he feels he was right and he was violated in a way which is something personal. There were also signals of stress within the memories of participant 2. However, there were very few feelings regarding the bankruptcy. The participant emphasized the importance of business know-how many times and that he has it. He explained that every business decision made and action taken were under the rules of business world, which are thereby totally understandable by everyone who understands those rules. Participant 3 also handles his business decisions with cold logic, and we did not witness any strong sentiments about the social mission drift that had happened in the company.

We found that Strong personal social mission and experienced unfairness led to bitterness is a theme interconnect participants 1 and 2. They have the strong personal social mission in common. Both participants experienced problems that accumulated and eventually the company suffered from the lack of support and willpower of the powerful stakeholders. Despite their efforts to save the company it all came down to fact that there were no possibilities to continue operations. The bitterness of the participants stems from their experience where they felt that bankruptcy would not have to have been the necessary action. Participant 2 sees the lack of financial support of the owners as a gesture of mistrust which he felt was totally groundless. In his opinion, the municipalities were too short-sighted when it comes to financial planning and too scared of losing money, which is why they refused to help the company with an investment. Participant 2 thinks the treatment was unfair and thinks the owners are hypocrites because the social enterprise was working towards common goals- employing the disabled and long-term unemployed.

P2: “It is the shittiest thing, which I already said, that if public organizations start up a business like this, they need to want to do it too. It is pointless to try to explain that a limited company must be profitable and you (the CEO) need to take care of this and that. One must not get upset about the CEO saying: ‘Hey, I need money. We have a deficit in the accounts, will you help?’ If they don’t help, every CEO needs to come to a conclusion. If there’s no support, that’s it.”
The participant 2 showcased his bitterness when he was sending the last bills to the owners, who also bought the company’s services in-house. He admits to sending more expensive bills that would have been necessary. The greatest bitterness struck at the point when the bankruptcy receivership asked the participant 2 to help sorting out the bankruptcy and they were able to make it profitable. This he used as his ultimate proof that he was right and the owners had acted in groundless manner. This we interpret to be the cause of bitterness. The findings also show that even though participant 2 seems bitter, he considers both negative and positive experiences as part of life. He considers that the experience has been a learning experience, which is discussed further in the element of 'Learning'. Additionally participant 2 was considering, where the organization could be if failure had not occurred. Participant 2 got absorbed in the memories and thinking and we could identify a theme thinking about the possible state of organization today causes hopeless longing.

In case 1, the participant is frustrated about the inconsistent treatment that the officials conducted towards the subsidized people but also the different social enterprises. She found that there were regional differences in the enforcement of public policies. Participant 1 empathized the supported employees strongly and found that the officials do not treat them in a way that would best benefit all parties. As she tried to make a difference in this matter she found that the public organizations are very rigid and they seem to work against their own goals. We interpret that the participant felt bitter, because she experienced unfairness and absurdness of the actions of the officials and she could not have changed the situation. Participant 1 spoke in a quiet voice, carefully choosing her words and her bitterness was heard for example in the following sentence.

P1: “At that point, they started asking for bids, but they didn’t ask for bids for longer, like annual contracts plus one year option, but contract by contract. Contract by contract.”

The participant 1 placed a stress on every word that is showed underlined. As the cooperative was unable to carry out contracts by tender, because the employees could not have worked efficiently enough, this led the cooperative to lose its one stream of revenue.

In a similar way contributing to the failure, was the theme the experience of finality leads to the feeling of being lost. The following example demonstrates the negative experiences of participant 1, what she would want to forget.

P1: "But of course there are issues that I wouldn't necessarily want to reminisce. There were those moments... Well there were people, who were very hard to work with. We couldn't compromise in any way. The we just tried to survive the employment time. And those occurred too. Those are issues, what I wouldn't like to reminisce at all.”

The example also illustrates The desire to forget some negative experiences, which were personal, indicates that the experience has been intense and harsh. The strong personal social mission might also complicate the feelings, since due to the personal mission participant 1 was emotionally involved in the organization. The findings illustrate also positive impact of the failure within the participant. We can see in the findings that she considers she became fearless. The following example demonstrates what she has learned from the experience.
P1: “Well at least I am not afraid of anything. You know, when you can get in contact and intervene things. Practically I am not afraid of any kind of situations... And then there's that I can possibly advise others and tell and guide them. And in addition to tell what would do differently."

The theme pride of meeting social goals was supported by participants 1 and 2. The individuals felt pride over the goals met in social mission. Like explained above, it was also a personal merit for participants 1 and 2. Success in projects and standing up for the less privileged are examples of this. Telling the example of the employee who has become a workplace steward is a sign that the participant wants to let others know of his accomplishments.

Participant 1 tells about their social successes: “We had employed immigrants in these projects, to do the fieldwork (helping other immigrants). They found the customers ridiculously well and there were paths of success.”

The pride of meeting social goal is a theme preventing the social mission drift. In addition, despite the failure, the successful operations, which have created social wealth, are valued among both participants with strong social mission.

We consider that participant 3 did not share the feeling of bitterness like the participants 1 and 2 did. We suppose it is because participant 3 does not have a strong personal social mission. All his decisions regarding the business are made purely on benefit/disadvantage base. He did explain that he was slightly sorry when the employment officials decided to stop paying the employment subsidies because they did not understand that it would have been in everybody’s best interests to continue paying it. This then resulted the participant 3 laying off the subsidized employees. We did not detect any bitterness as the decision of laying off the employees did not seem to contain great deals of sentiment.

As a conclusion, participants 1 and 2 resemble each other in the intensity of feelings in amongst the events but participants 2 and 3 resemble each other in their way to approach the failure: logic does not leave space for sentiment, which is also emphasized by participant 3.

Naïveté
The findings indicate that participants 1 and 2 share the quality of naïveté. Participants did not necessarily tell us directly that they were naïve but it can be understood from the description of events. For example, participant 1 mentioned the verbal contracts as a common policy with the municipality who was their client. It seems that participant 1 does not learn the importance of the business knowhow before failure and naïveté is one of the themes contributes to the occurrence of financial failure. One could say that the naïveté of participant 2 is different. It can be discovered in the following exemplifying sentence which indicates that he was slightly naïve before the bankruptcy.

P2: “Maybe I also learned that apparently one rather has to be arrogant than good-natured”.

In both cases, naïveté can also be seen to have occurred after the financial failure. He also decided to revenge the owners, which is another indicator of naïveté. Concentrating on the revenge is probably also creating a kind of social mission drift.
4.2. Element 2: Organization

In the following table, we present the findings that we have categorized to belong to the Organization element. Subordinate themes are bolded and the themes that illustrate them are in italics. The table illustrates to whom of the participants a theme is applicable.

Table 4 Themes in the organization element

<table>
<thead>
<tr>
<th>Theme</th>
<th>Participant 1</th>
<th>Participant 2</th>
<th>Participant 3</th>
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<tbody>
<tr>
<td>Importance of business know-how</td>
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<td>x</td>
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<tr>
<td>Lack of marketing</td>
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<td>x</td>
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<tr>
<td>Agility of organization</td>
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<td>x</td>
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<tr>
<td>Measures of success</td>
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<td>x</td>
<td>x</td>
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<tr>
<td>Improving the independent livelihood of employees</td>
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<tr>
<td>Accumulation of problems</td>
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<td>x</td>
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<tr>
<td>Naïveté of board members</td>
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<tr>
<td>Lack of support from owners</td>
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Next, we present the perceptions of the participants with extracts from the transcriptions that illustrate our line of thought.

**Importance of business know-how**

All the participants agreed that the legislation, operational environment and strategic knowhow is important. Strategic business knowhow is considered an obvious necessity to accomplish success in social enterprise. Accordingly, it prevents both financial failure and social mission drift. *Agility of the organization* was also mentioned as one of the important things when it comes to business know-how. Participant 2 emphasizes that business knowhow is as important in social enterprise as in conventional enterprise.

P2: “Well, there are common rules of enterprises: bookkeeping, financial management, all other legislations. One cannot escape them. Especially with Limited companies. It has to create proceeds, so that the operations is profitable.”... “And the main idea of establishing an enterprise is, which is important for you also to know, that there is a business plan. I conducted a degree of Specialist Qualification in Management and created a business plan then.”

The importance of producing valuable services was emphasized by participant 3 too, which a proper business plan contributes to, like reflected in the quote above. There, the business know-how reflects the ability to keep up with market development which includes monitoring the environment. It is not possible to survive if the products are old-fashioned. Participant 3 considers this as a challenge since the work is professionally demanding. The constant development makes it difficult to produce good-quality products without enough expertise and ability.

P3: “And inevitably in these social enterprises it has drifted towards... How should I say it... Sort of producing secondary products. The personnel, which is working there, well their expertise does not exceed today's industrial demands.”... “And shall we say, that
these products, which this company has also been producing... Let's say especially the products of our industry... It is so fast going forward this thing, that one must hold up-to-date within the development, if one intends to stay in the market.”

*Lack of marketing* as a part of business know-how was reflected upon as something that has contributed to the failure’s occurrence:

P2: “Then there is this the marketing of public image. Maybe I can take that... And I will on my own account that all the same I weren't able to market the company enough.” ... “But we were owned by public organizations, why didn't they market the company?”

In conclusion, business know-how has affected the occurrence of failure and it has been increased as a result of the failure.

**Measures of success**

The findings indicate that all the participants consider measuring the success of the organisation necessary. The measures of the performance also indicate what the participants consider as success. The participants had different approaches when considering success and its measures. The measures can be pointed into the axis of social and economic success. The quality of social interactions and the number of employees are measures. *Improving the independent livelihood of employees* was agreed upon by participants 1 and 2, and it was a measure of success to them. Distinguishing notion of participant 1 is that she also considers the subsidized employees as customers.

P1: “There was this young boy, who was in danger to become marginalized. He came to us throughout another project and we found a planted re-employment for him.”... “He had half a year left of the employment subsidy duration and after that he was employed there. Not immediately permanent job but temporary: longer than some half a year and nowadays he has a permanent job there. So, these paths were good...”

P1: “These paths of employment were great things and everyone was happy about them. And that we had very good atmosphere at the workplace: one could talk about anything”

Participant 3 uses financial indicators to measure success of the organization and he considers success as financial matter. Creating profits was the main indicator but social wealth creation was still recognized.

P3: “But when the company's balance structure wasn't good at all, well, one must remove additional expenses. And if we consider that I have removed those disabled and long-term unemployed and still the production has increased for 20 % and salary expenses have been decreased. So, it has been the right solution from the entrepreneur's and enterprises perspective.”

Participant 2 measures success with both social and economic indicators. The following examples will demonstrate his thoughts. Number of employees, the type of employment contract and employment after bankruptcy were his social measures.

P2: “And well, we reached almost million euros in revenue during the best years. At best, we had almost 30 employees. All the time we employed about at least 12-15 employees. So, one step at the time we could change those temporary employment contracts into
permanent ones. When the fellas were rehabilitated and they understood that this working is rather fun when one even gets paid.”

P2: "And good things happened: our former employees are still today working for our then subcontractor with permanent employment contract. Whatever they do, they are attached to employment. So, one can consider it as some kind of token of success."

To summarize, social measures of success allows the focus to be on the social value creation, not financial, and therefore be contributing to the occurrence of financial failure but on the other hand preventing any kind of social mission drift. The financial measures of success can prevent financial failure but on the other hand contributing to the mission drift. Having both social and financial goals was perceived to be important and to prevent from financial failure, which then allows to keep up the social mission.

Accumulation of problems
Our findings indicate that the problems that were perceived to have led to financial failure had accumulated. Participants 1 and 2 lost powerful clients and problems begun to accumulate rapidly after that. It continued with, namely organisational transitions of stakeholders, changes of personnel and shortage of professional personnel, poor terms of agreements, weak equipment of the organisation and partner and finally loss of state of willingness. The organizations were not able to handle the problems after they had accumulated to be so many. The theme naïveté of board members was one of the factors that contributed to accumulation of problem, brought up by participant 1. The following quote illustrates the problems’ effect on the organization.

P1: “And afterwards there will be chipping and we will know how much there is and accordingly write an invoice. There is 21 days net. So it took two months before we gained money. So we could not operate. We didn't have that kind of backup assets so we could have been able to operate. That just how it was…”

The problems turned into “battle of survival”. In addition to the loss of contracts, the state of willingness of the owners was found problematic and adding on to the pile of problems. Accumulation of problems is perceived to contribute to the occurrence of financial failure within both cases. It also contributed to the social mission drift in case 1 as the participant felt it was irrational to keep up the social operations when faced with such hardships. Lack of support of owners was also reflected upon as an internal problem to the organization.

4.3. Element 3: Mission
In the following table, we present the findings that we have categorized to belong to the mission element. Subordinate themes are bolded and the themes that illustrate them are in italics. The table illustrates to whom of the participants a theme is applicable.
Table 5 Themes in the Mission element

<table>
<thead>
<tr>
<th>Theme</th>
<th>Participant 1</th>
<th>Participant 2</th>
<th>Participant 3</th>
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<tbody>
<tr>
<td>The society's assumption of social entrepreneur having a strong social mission</td>
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<td>x</td>
<td>x</td>
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<tr>
<td>Social mission vs. financial mission</td>
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<td>x</td>
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<tr>
<td>Strong social mission</td>
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<tr>
<td>Strong financial mission</td>
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<tr>
<td>Social mission can be used as justification when accused with poor financial performance</td>
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<td>x</td>
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<tr>
<td>Passive social mission</td>
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</table>

Next, we present the perceptions of the participants with extracts from the transcriptions that illustrate our line of thought.

**The society’s assumption of personal social mission**
All the participants brought up that society assumes that social entrepreneurs have strong personal social mission. To them it seems that entrepreneurs with strong financial objectives are not considered as prospective social entrepreneurs and that the society is expecting a certain mindset from social entrepreneurs. This theme was illustrated in all the participants’ ideas, but the following quote from participant 3 illustrates how it feels like if the entrepreneur does not have a strong personal mission. When participant 3 is asked how he considers the loss of status of social entrepreneurship, he explained that it did not feel like failure.

P3: “Well I guess there was nothing so special. The situation was rather neutral in a way... Because I believe that most of the entrepreneurs consider it in similar way if one hasn't already, let's say mentally prepared to run a social enterprise. But personally, I have always considered it in a way that enterprise must make profit to survive.”

However, this perceived assumption of the society did not contribute to nor prevent from the financial failure or social mission drift. It also was not influenced by the failure of the organizations.

**Social mission vs. financial mission**
All participants have had some sort of social mission. The findings indicate that the role and importance of the social mission in the organization is reflected with the relation to financial mission. The following quote illustrates the social mission in the organization of participant 1. She also states that the soft values are more important than financial success. The quote after illustrates a more balance view, provided by participant 2.
P1: “So, our mission was the employing and supporting there (the ones who need support) and that one would get a grip of their lives. Because some of people there had quite hopeless situations and stories. So that one could get back to so called normal people...”

P2: “If one thinks frankly, then why couldn’t a company like Nokia be a social enterprise? Or Fortum or whatever. That they could take the societal responsibility of employing the disabled and long-term unemployed. It is a completely different thing for them to earn a salary according to the collective labor agreement than loiter around with nine euros a day in a some social work center. This is the point in it (in social entrepreneurship). Well, there are the normal rules for businesses, bookkeeping, financial management and all the rest of the conformities to the law.”

This also results in what is considered as success and what as failure. Succeeding in social aspect is still considered as success even though organization failed. The findings indicate there was a contradiction of social and financial missions. It was said that trying to balance them was very stressful for participants 1 and 2. It was agreed upon by all participants that the employment benefit is needed in order to employ the disabled and long-term unemployed because they cannot produce a sufficient input to match the salary they are paid.

P1: “Well I guess there are all the possibilities to succeed ... but if everything was productive business or services... Without any financial support, it would be rather challenging...”

A theme, which was specific for participant 2, is that social mission can be used as justification when accused with poor financial performance. It implies that social mission and accomplishments regarding it can be used as a justification against any accusations and stigmatization of financial failure. This prevents from social mission drift because the justifications occurred also before the failure.

P2: “Of course when considering politics, the people there are only jealous, rancorous and bitter towards each other. Well of course there were new enemies born but it was easy retaliate there that ‘Well just think about it: Go on! Start hustling!’”

Participant 3 is distinguished from the other participants with his passive social mission. The original social mission in the organization was created by the former owner to employ disabled and long-term unemployed. Participant 3 was willing to continue the employment if the company would receive the employment subsidy. Furthermore, despite the strong financial mission, participant 3 decided to run down the operations little by little, not promptly. In addition to this, there are still disabled and long-term unemployed people working in the organisation. The passive social mission led to the social mission drift.

P3: “Actually losing the status of the social enterprise did not have anything to do with the layoffs of these people. If the subsidies would just have continued...”
To summarize, having a strong social mission contributes to the occurrence of financial failure but prevents the social mission drift. This is the case with participant 1. Furthermore, having a strong financial mission prevents the occurrence of financial failure but contributes to the social mission drift, which is the case of participant 3. Participant 2 has both strong financial and social missions.

4.4. **Element 4: Environment**

In the following table, we present the findings that we have categorized to belong to the environment element. Subordinate themes are bolded and the themes that illustrate them are in italics. The table illustrates to whom of the participants a theme is applicable.

<table>
<thead>
<tr>
<th>Theme</th>
<th>Participant 1</th>
<th>Participant 2</th>
<th>Participant 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholders’ state of willingness</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Unfairness of governmental policies towards organizations with social mission</td>
<td>x</td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>The legislation sets restrictions that prevent potential social entrepreneurs from starting up social operations</td>
<td></td>
<td></td>
<td>x</td>
</tr>
<tr>
<td>Effects on the employment rates and public health care expenditures of the society</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Society’s negative reaction to the status of social enterprise</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Collaboration with other social enterprises</td>
<td>x</td>
<td>x</td>
<td>x</td>
</tr>
<tr>
<td>Powerful clients</td>
<td>x</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Next, we present the perceptions of the participants with extracts from the transcriptions that illustrate our line of thought.

**Stakeholders’ state of willingness affects the organization greatly**

All participants realized that they had some very powerful stakeholders, whose state of willingness affected the organization greatly, sometimes fatally. In all cases, the local employment office was a significant actor in the organizations’ cash inflows, since they paid up to 60% of the salary of the employees in the form of employment subsidies. All the participants reflected the government and local public officials as significant stakeholders. They described that their actions were tied to the law about social enterprises and therefore the government affected them greatly. In fact, the theme *the legislation sets restrictions that prevent potential social entrepreneurs from starting up social operations* was brought up by participant 3 because he perceives the legislation to be effecting on the social enterprises but also potential ones.

Participant 1 describes the interaction with the municipality, who was the main customer: “It was mostly easy to do business with the municipality, as long as they had that sort of
state of willingness. Then they underwent organizational changes and it changes things..."

All the participants felt that there is unfairness of governmental policies towards organizations with social mission because they think the two kinds of organization types with social mission, namely social enterprises and other type of social work institutions, should be treated differently as their operations are significantly different. Regional differences in policies were also detected:

P1: “And if the person is permanently partially able-bodied, so in principle it (employment subsidy) should continue ... but it never continued within this area. We discussed this with other operators around Finland and for example in Kainuu, there was no problem.”

Another powerful stakeholder group to the participants was customers. In two cases the organizations most revenues were collected through one or two customers only, as the operations were mostly B2B. Subcontracts and contracts by tender formed the majority of the organizations’ business. The following quote illustrates the consideration that was needed when dealing with the customers.

P2: “And then there’s the interaction with customers. The entrepreneur is after all in a customer relationship and the customer is always right. I was always very humble when I visited Z (the main contractor). Z doesn’t need to be humble to me but of course I was humble to them because if I got like 600-700 thousand euros from them. And I got to pay my boys their salaries.”

One stakeholder group mentioned was the subsidized employees, which was even called customers by participant 1. The participants reflected differently the role of the employees but the common nominator was that the employees have special needs which need to be attended to or else it affects the company performance. All participants respect the employees as individuals, but the attitude towards them varied from fatherly sentiment to strict evaluation of value production capabilities.

Competitors were also considered as a stakeholder group. It was mentioned that if there were no competitors, the organization could win some competitive tendering, which was considered as a good thing. The nature of the competition was brought up too: Social enterprises cannot carry out contracts by tender that were restricted by time because the workforce is not efficient enough. The competitors were mentioned as a nuisance because they spoke ill of the company online. The competitors have been complaining about the employment subsidies because they claim that it distorts competition which influences the company image and creates pressures on the organization.

P3: “Another thing is that often the other companies’ attitude (towards social enterprises) is negative because they think that that company is competing in the same market place with the support of the society.”

Also, the people who were involved in the starting phase of the organization were mentioned by all participants. Knowing the right people was mentioned to help in the starting phase. As a conclusion, all the participants consider the state of willingness of stakeholders' as contributing to the financial failure, except knowing the right people
could help in the starting phase. This is because they brought up relatively more negative experiences of the stakeholders’ state of willingness than positive. In the case of participant 3 also we also interpret the state of willingness of stakeholders' contribution to the social mission drift.

Effects on the employment rates and public health care expenditures of the society
We found that all participants reflected that the performance of their organizations affects the employment rates and public health care expenditures of the society. If the organization fails, whether it is a bankruptcy or social mission drift, also the society fails in employing the disabled and long-term unemployed, which will directly influence the unemployment rates in the society for example. This was evident to the participants, because they acknowledge the social enterprises to be a tool of the Finnish government to solve the unemployment problem regarding the disabled and the long-term unemployed. All participants have various ideas of how to develop social entrepreneurship in Finland to serve its purpose better.

P3: “Well shall we say that the municipality influenced for their part by finishing the employment subsidy. I did try to rationalize it to them that it is not a wise decision even from their point of view. That is because these people, who then must leave our organization, will not ever get employed in this city again and they will naturally first transfer to the unemployment register and then after 300 days the payment responsibility becomes full for the city.”

P1: “But the benefit to the society may be a lot bigger than the expense (of paying the employment and other subsidies). And when it comes to the long-term unemployed alone, for example, the benefit to the society is a lot bigger when they can work (with the employment subsidy). They pay taxes after all and they burden the public health care services less and so on. This line of thought is really difficult to make understood.”

These quotes reflect the benefit that the government and the public officials potentially loose when they do not support the social enterprises enough, by for example stopping paying the employment subsidies. In the participants’ view the public officials’ actions can prevent the employment of the disabled and long-term unemployed, which will make a greater expense than benefit to the society. The findings indicate that organizations have effected the society through employment, which decreases the social expenditures. By employment the companies built tax revenues to the state. They also agree that the failure has effected the society by increasing unemployment. Being employed has also helped the disabled and long-term unemployed to reshape their lifestyle. For example, according to the participants, alcoholism has decreased greatly. Thus, there were clear financial and social impacts that resulted as a consequence of the failure.

Negative reaction of society to the status of social enterprise
Another superordinate theme in common is how social entrepreneurship is considered by the society. All the participants had negative experiences on how the status of social entrepreneurship is perceived by the society. The negative perception could be seen within different stakeholders, namely competitors, owners, customers, officers of municipalities and Ministry of Economic Affairs and Employment. Participant 3 even considered that there is a sort of "stigma". It still influences the company image even though they are not registered as social enterprise anymore. The quality of the products
is questioned and the competitors think that the status and the subsidies it brings affects the competitions and is therefore unfair.

P3: “...unfortunately I must say that it (the status of social enterprise) is not valuable in marketing. Especially if one manufactures products, let's say, indicated to public market, then one shouldn't advertise a lot about social enterprise. Because it creates an image in the market, that the products cannot be first-class products, if the producers are not specialists.”... “And another thing is also how other companies easily react in a negative way, because they consider that that company is competing in the same market with economic support from the society.” ... “well, I guess it's been only a couple of weeks when I had to convince on client, when he questioned the quality of our products because 'You have the disabled working on the product, so...’”

Social enterprises have connotation of social work centers for employment (Finnish: työkeskus) producing secondary products with rather poor quality in the ears of the society. Participant 3 admits that without knowing what social enterprises do in Finland, he would also think badly of them.

P1: “With the private customers, the status of social enterprise was not beneficial. Because the customers always somehow associated it (the organization’s operations) to social work which wasn’t, so it was a burden in a way.”

Competitors were also found actively badmouthing the company and in this way their reputation was effected negatively. One participant brought up that the subsidized employees need to be more controlled, especially in tasks that require accuracy and responsibility, so that the quality of services can be assured. On the other hand, there was also positive exceptions considering the reactions of the society, although there were very few. As an example, participant 1 discussed competitive tendering regarding the status of social enterprise.

P1: “They were actually looking for a social enterprise. So, they had the social criteria for the competitive tendering, so it was like tailor-made. In the area, there were no other operators, so we won the competitive tendering.”

In conclusion, the participants of the study consider negative reactions of the society as contributor to both financial failure and social mission drift. The negative connotation of the status of social enterprise in the public discourse contributed to the financial failure in case of all the participants and additionally social mission drift of participant 3.

**Collaboration with other social enterprises**

Our findings indicate that all our participants had some sort of collaboration with other social enterprises. However, the level of collaboration and impact is different among our participants. Participant 1 emphasize the impact whereas participants 2 and 3 only mention it shortly. The collaboration took the form of advice giving, encouraging and assisting, and it resulted in, for example, a formation of another social enterprise.

P1: “...when we were operating, there was this cooperation X, which actually went bankruptcy last year. So, they started their operations and applied the status of social enterprise (as a result of our influence).”
The participants perceive that the impact of a social enterprise onto another one can be both negative and positive. As participants 1 and 2 took the role of advisor influencing positively, participant 3 depicted a situation where the interaction of his company and another one resulted in both organizations losing the status of social enterprise. Even though the collaboration might have affected the failure and vice versa, the participants did not reflect upon it and we cannot report their perception of it.

**Powerful clients**

We found out that the organizations of participants 1 and 2 had single clients which were rather powerful. Both participants’ organizations ended up losing their contracts at least partially. The loss of this one powerful client was perceived as one major reason of the bankruptcy. These experiences are perceived differently and discussion on the matter has different tones among the participants. Participant 1 considers that they were betrayed by the other party of the contract whereas participant 2 considers losing contract as normal even though unwanted occurrence in business life. The next example will illustrate the events.

P1: “There was this branch of industry, where we had those unsigned contracts in the beginning” … “Then they started to tender out the contracts. They didn’t tender out long-term contracts, for example for one year or one year and an extra year as an option but the started to tender out all the jobs separately. All the jobs separately. And when we are talking about contracts by tender, a social enterprise cannot do them. We couldn’t work in a pace that would have been profitable.”

The clients did not act out in an expected manner which would be suitable also for their organization. There were expectations because the employment of the disabled and long-term unemployed was in the interest of both parties. The incident of losing a contract with major impact on the organization started an avalanche of problems.

P2: “And so we did these general agreements with our contractor that we will begin with one-year-contracts.”…”The value of the subcontract for us was about 60 % of our revenue. So it was outstanding and it (the loss of the contract) sort of hit us to the ground.”

P2: “Well I tried to build a different kind of plot. So that will try to increase the other branch in a contract based way.”

There were slight differences on how the participants perceived the losing of contract effecting the organization. As participant 1 thought it is the start of the end, participant 2 still actively tried to form other lines of business operations to save the company from bankruptcy.

**4.5. Element 5: Learning**

In the following table, we present all the subordinate themes that we have categorized to belong to the Learning element. The table illustrates to whom of the participants a theme is applicable.
Next, we present the perceptions of the participants with extracts from the transcriptions that illustrate our line of thought.

The findings indicate that learning mainly occurred as an effect of the performance. Not the other way around. The participants were willing to speculate what went wrong and what could have been done differently. In one case, we can identify naïve behaviour throughout the case. This can be considered as lack of learning and effecting on performance.

The will to develop social entrepreneurship
All participants had developed ideas about how to develop social entrepreneurship in Finland. Even though participants had gone through some sort of failure, they were all happy to participate in this study to develop the research. Participant 1 had even participated to multiple studies as an interviewee because she thinks that it is a good way to help developing social entrepreneurship in Finland. We consider this to be because of learning. As the participants had gone through their experiences, they could see what works and what does not. Their ideas relate mostly to how to improve the law about social enterprises, governmental policies, employment offices’ and other public officials’ policies. Participants consider that the legislation should be revised to serve the purpose better.

P2: “You reaching me for this interview... I already understood it then that you are with good intentions, that you want to investigate this topic. And gain authentic and real knowledge on that topic (failure in social entrepreneurship), maybe it’s a good thing in your master’s thesis.”

P1: “There should have been a cross-professional task force: there should be this low threshold social work so that the people could be helped. Projects and schemes are good for that, yes.”

All the participants consider that the society is willing to create social wealth and it is widely appreciated that all the people of the society are taken care of. In any case participants consider that the society, for example in the role of a customer or competitor, does not support the accomplishments of the disabled and long-term unemployed people working in registered social enterprises. This is realized when for example the quality of the work is questioned. The experience has changed the perceptions of the society and the world view: the world is not perfect. Accordingly, the society's willingness to take care of people is not actualized in reality. These attitudes of society are something
participants want to pay attention to. To develop social entrepreneurship the attitudes of
the society must be changed too. The theme in question is actualized for participants 1
and 2 as an implication of both financial failure and social mission drift. Participant 3
experienced the will to develop as an implication of social mission drift.

P2: “The support was lost. The situation is unbelievable: establishing a business but the
owners do not support the company.” ... “Maybe I also learned that apparently one
rather has to be arrogant than good-natured.”

The participants recognize that as social entrepreneurship in Finland is a governmental
tool to employ the disabled and long-term unemployed, it is also the subject of constant
changes of public policies, which made the reality sometimes challenging. Participant 1
expressed even fear of organizational changes in public organizations because it usually
made it more difficult for the social enterprises. It was reported, for example, that the
local employment offices granted employment subsidies for shorter periods in the efforts
of saving money, which was perceived as an attempt to go around the financial
responsibility, and all of this was allowed by politics.

As stated earlier, participant 3 considers that financial revenue is more important goal
than social mission. Participant 3 considers that the experience as an social entrepreneur
indicated him that social enterprise cannot maximize the revenue. He considers that even
with the employment subsidy social enterprises cannot create the best financial profit
possible. This is learned as a result of financial failure that the organization would have
encountered if the participant would not have made the changes.

All participants described that the status of social enterprise has a negative impact on the
marketing mix of the company. To change this, they expect the government to make a
difference between social work and social entrepreneurship. They consider that social
entrepreneurship as a good thing and necessary but they consider the legislation and the
register of social enterprises as negative because it does not work well to carry out social
mission. There are different kind of social support systems to help people with different
kind of challenges. The numerous amount of social institutions and tools challenge the
society with their diversity. The participants consider there should be a clarified
distinction between the tools, so that people will not get confused with them. This is
because some of the tools have negative connotation. According to the participants, the
division of the two different ways to activate the long-term unemployed is too blurred
and partially causes the negative image on social enterprises. Participants 1 and 2 learned
this as an influence of financial failure and social mission drift, whereas participant 3 only
as a result of social mission drift.

The findings indicate that the social motivation of participants 1 and 2 is very strong. The
desire to increase social wealth is driving force of the participants during the experience.
Even though the participants 1 and 2 would not start again after the failure, they consider
social entrepreneurship is important and are eager to develop it. The strong personal social
mission is behind the will to develop the field.
Development of business skills
Two out of three participants found that they had developed their business skills as a result of the process which includes the bankruptcy. One participant realized what she should have known, which can be considered as lack of learning before the failure. The other participant on the other hand, realized the importance of marketing even better after the failure had occurred.

P2: “And then there’s the marketing. Maybe I could, and I do take the blame for not doing enough marketing efforts. To say: ‘Hey, we can do this, we have proofs.’ It was really good scheme with the X (main contractor). It was one of a kind because nobody else was doing anything like that. But maybe I should have glorified it more.”

Here, participant 1 reflects on some verbal agreements:
P1: “There were these verbal agreements on the customer committing to buying our services with 100 000 euros. And the total annual revenue might have been like 130 000, so a very small portion was from private customers. And when these contracts were dissolved, there weren’t enough private customers to support that business.”

The need for systematic business planning was also mentioned by both two participants.

After having presented the findings, we next summarize them.

4.6. Summary of the perception of failure
In the following table, we will present the themes under each element and how it has been experienced to influence the occurrence of financial failure or social mission drift. The cells are filled in by stating the number of the participant if the statement applies to it. In the column called Theme has influenced the occurrence of failure, in both, Financial failure and Social mission drift parts, the case is presented in either green or red colour. Green signifies that in the participant’s experience the theme has prevented from the occurrence of failure, regardless of whether it happened or not. Red signifies that in the participant’s experience the theme has contributed towards the occurrence of failure, regardless of whether it happened or not. In the column stating Failure has influenced the theme, in both, Financial failure and Social mission parts, the numbers are black. This is because stating that something happened as a result of failure will not affect the failure itself anymore, not in preventing nor contributing way. Therefore, the colour black signifies a neutral effect.

Table 8 Summary of perception of failure

<table>
<thead>
<tr>
<th>Theme/Failure</th>
<th>Financial failure</th>
<th>Social mission drift</th>
</tr>
</thead>
<tbody>
<tr>
<td>Theme has influenced the occurrence of failure</td>
<td>Failure has influenced the theme</td>
<td>Theme has influenced the occurrence of failure</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Individual</th>
<th>Financial failure</th>
<th>Social mission drift</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>

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<table>
<thead>
<tr>
<th><strong>Participant’s input’s significance in the company’s performance</strong></th>
<th>1, 2, 3</th>
<th>1, 2, 3</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Stigma of failure</strong></td>
<td>1, 2, 3</td>
<td>1, 2, 3</td>
</tr>
<tr>
<td><strong>Participant's responsibility of employees</strong></td>
<td>2</td>
<td>1, 2, 3</td>
</tr>
<tr>
<td><strong>Employees’ trust towards oneself is a personal success</strong></td>
<td>2</td>
<td>1, 2</td>
</tr>
<tr>
<td><strong>Feelings</strong></td>
<td>1, 2</td>
<td>1, 2</td>
</tr>
<tr>
<td><strong>Strong personal social mission and experienced unfairness led to bitterness</strong></td>
<td></td>
<td>1, 2</td>
</tr>
<tr>
<td><strong>Stress</strong></td>
<td>1, 2</td>
<td>1</td>
</tr>
<tr>
<td><strong>Desire to forget some personal negative experiences</strong></td>
<td>1</td>
<td>1, 2</td>
</tr>
<tr>
<td><strong>The experience of finality leads to feeling of being lost</strong></td>
<td>1</td>
<td></td>
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<tr>
<td><strong>Fearlessness after failure</strong></td>
<td></td>
<td>1</td>
</tr>
<tr>
<td><strong>Thinking about the possible state of organization today causes hopeless longing</strong></td>
<td>2</td>
<td></td>
</tr>
<tr>
<td><strong>Personal motivators</strong></td>
<td>1, 2, 1, 2, 2, 3</td>
<td>1, 2</td>
</tr>
<tr>
<td><strong>Social merits motivate action</strong></td>
<td>1, 2</td>
<td></td>
</tr>
<tr>
<td><strong>Financial merits motivate action</strong></td>
<td>2, 3</td>
<td></td>
</tr>
<tr>
<td><strong>Empathy and willingness to make a difference motivate</strong></td>
<td>1, 2</td>
<td></td>
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<tr>
<td><strong>Pride of meeting social goals</strong></td>
<td>1, 2</td>
<td>1, 2</td>
</tr>
<tr>
<td><strong>Lack of success leads to declining motivation</strong></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td><strong>Naïveté</strong></td>
<td>1, 2</td>
<td>2</td>
</tr>
<tr>
<td>Organization</td>
<td>Importance of business know-how</td>
<td>1, 2, 2, 3</td>
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<td>--------------</td>
<td>---------------------------------</td>
<td>-----------</td>
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<tr>
<td>Lack of marketing</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Agility of organization</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Measures of success</td>
<td>1, 2, 2, 3</td>
<td>1, 2, 3</td>
</tr>
<tr>
<td>Improving the independent livelihood of employees</td>
<td>1, 2</td>
<td>1, 2</td>
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<tr>
<td>Accuracy of problems</td>
<td>1, 2</td>
<td>1</td>
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<tr>
<td>Naïveté of board members</td>
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<td>1</td>
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<tr>
<td>Lack of support from owners</td>
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<table>
<thead>
<tr>
<th>Mission</th>
<th>The society's assumption of social entrepreneur having a strong social mission</th>
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</thead>
<tbody>
<tr>
<td>Social mission vs. financial mission</td>
<td>1, 2, 2, 3</td>
<td>2</td>
<td>1, 2, 3</td>
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<td></td>
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<tr>
<td>Strong social mission</td>
<td>1, 2</td>
<td>1, 2</td>
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<td></td>
<td></td>
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<tr>
<td>Strong financial mission</td>
<td>2, 3</td>
<td>2, 3</td>
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<tr>
<td>Social mission can be used as justification when accused with poor financial performance</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td></td>
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<tr>
<td>Passive social mission</td>
<td>3</td>
<td>3</td>
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<table>
<thead>
<tr>
<th>Environment</th>
<th>Stakeholders’ state of willingness</th>
<th>1, 2, 3</th>
<th>3</th>
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<tbody>
<tr>
<td>Unfairness of governmental policies towards organizations with social mission</td>
<td>1</td>
<td>1</td>
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<tr>
<td>The legislation sets restrictions that</td>
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</table>
In this summary, we conclude the participants' perception of failure. With six superordinate themes, individual is the element with most superordinate themes. The table above illustrates that it is also the element where the reciprocity of the element and failure shows the most. “Participant's input's significance in the company's performance”, “stigma of failure”, “participant's responsibility of the employees” and “personal motivators” were supported by all participants. Additionally, “feelings” is a superordinate theme supported by two of the participants. Themes were perceived to have both contributed to failure and prevent from it.

Organization-element includes three superordinate themes. The importance of business know-how is the only superordinate theme that demonstrates reciprocity with failure. On the other hand, the organizations of participants 1 and 2 were failed in bankruptcy and they do not exists anymore, so the financial failure has affected them only by stopping the existence of them. However, participants 1 and 2 perceived that the organizational factors contributed to financial failure and prevented from social mission drift. The themes “importance of business know-how” and “measures of success” are applicable to all the participants. Additionally, accumulation of problems was supported by two of the participants. Themes were perceived to have both contributed to failure and prevent from it.
In the mission-element there are two superordinate themes. “Society’s assumption of social entrepreneur having strong social mission” and “social mission vs. financial” mission were common themes for all participants. “Social mission can be used as justification when accused with poor financial performance” was the only superordinate theme that showed signs of being affected by the financial failure, and thus creating a reciprocal relation with it and the element as the rest of the themes were contributing or preventing from failure.

Environment as an element includes five superordinate themes. “Stakeholders’ state of willingness”, “effects on the employment rate and public health care expenditures of the society”, “society's negative reaction to the status of social enterprise” and “collaboration with other social enterprises” were applicable to all participants. The table also suggests that the themes that had an effect to the occurrence of failure were contributing to it, not preventing. There were clear signs of the reciprocity with failure within this element as one theme is affected by failure and the rest affect the occurrence of failure.

The theme learning includes two superordinate themes. The themes “development of business skills” and “the will to develop social entrepreneurship” were applicable to all participants. Both superordinate themes were perceived to occur after the failure. Thus, no signs of reciprocity were detected.
5. **Discussion and conclusions**

In this chapter, we discuss our study in the light of other research and will then move on to explain this study’s contributions, limitations and lastly, we will suggest future research directions.

5.1. **Discussion**

The purpose of this study was to find out how Finnish social entrepreneurs perceive failure and thereby to increase the knowledge on the topic. In this study, we aimed to answer the research question “How is failure perceived by failed social entrepreneurs?” by using IPA as the chosen research method.

The **individual** element had most superordinate themes of all the elements. Our results indicate that the participants perceived the individual themes to have both contributed to and prevented from failure. Our data shows that “naïveté” and “participant’s responsibility of employees” were considered to have significance in the occurrence of failure, and can be considered to relate to traits. “Naïveté” was reflected together with business skills, or rather the lack of them. Thus, our study is in accordance with Baum & Locke (2004), who state that entrepreneurs’ traits, skills, and motivation are significant direct or indirect predictors of venture growth. One of the superordinate themes is “personal motivators”, which includes both social and financial merits as well as empathy related factors. Shane et al. (2003, p.258) state that the entrepreneur’s motivations effect the decisions. Our findings are in accordance because the participants, who were motivated by different things (social or financial), reflected their opportunity evaluation, resource pursuit and the designing the mechanisms of exploitation in congruence with their motivations.

We found that the entrepreneurial failure had affected on the participants’ feelings in variety of ways, including sorrow, which is in line with what Shepherd (2003) points out. Regarding the study by Cacciotti et al. (2016, p. 320), which states that fear of failure is part of the entrepreneurial process, we did not find strict evidence of in our data. Fear of failure was not mentioned by the participants, but “stigma of failure” was, which we consider to be a related issue. The participants perceived the society to stigmatize the failure of social enterprises, which was considered to have affected the participants at least on some levels and thus creating pressure to succeed. However, Cope (2011) reported in his study that there are differences on the stigma of failure on societal level and personal level. Our results show that the perception of what caused failure was mostly attributed to external causes. This is similar to the studies of Zacharakis et al. (1999), Franco & Haase (2009) and Bettman & Weitz (1983) who state that entrepreneurs people more likely ascribe their failure to external causes than blame themselves.

Regarding the element of **organization**, our findings show that the superordinate goals/shared values were not supported and therefore the organization was not harmonized. The theme “accumulation of problems”, which includes “naïveté of board members” and “lack of support from owners”, showcase this clearly. When comparing our results with the suggestion by Waterman et al. (1980), which implies that the organization should be harmonious, we found that our participants struggled with this within their organizations. In the 7S-framework by Waterman et al. (1980), structure, systems, strategy, staff, skills, style and superordinate goal are the parts of the organization. It is emphasized by Waterman et al. (1980) that the superordinate goals/shared values should be supported by all the other elements of the 7-S framework: all the stakeholders should support the
superordinate goals/shared values. The notion of Waterman et al. (1980) is therefore in accordance with our findings as the incongruence affected the company performance negatively. Also, the theme “importance of business know-how” which was shown in “lack of marketing” and “agility of organization” show that the participants considered some of seven S:s in connection with the company performance.

Our finding of “naïveté of board members” indicate that there were some problems occurring as a result of the board’s actions, that indeed affected the legitimacy of the enterprise. There is alignment with the study of Low & Chinnock (2008) who discuss the role of board members and the authors suggest that the involvement of stakeholders is crucial to maintain the legitimacy of the status of social enterprise. In our study the themes “naïveté of board members”, “lack of support from owners” and “importance of business know-how” all reflect the venturing team’s influence on the company performance. It is therefore in accordance with the study of Sharir & Lerner (2006) which suggests that the venturing team is one of the variables leading to success of social venture. Also, it is aligned with the previous managerial experience as one of the variables leading to success by Sharir & Lerner (2006). The “lack of support from owners” is also in accordance with Hai & Daft’s (2016) and Mort’s et al. (2002) notions that balancing social and financial missions can be challenging because they conflict with each other. Our findings show that the lack of support from owners reflects the conflict of the owners and CEO in advocating the different missions. The relatively large number of organizational themes can be explained by Carland et al. (1984), who distinguished the small business owners (SBOs) as individuals who establish and manage a business with the purpose to pursue personal goals and provide the income. They also suggest that the business is perceived as an extension of one's personality. Even though two of our participants were CEOs, we consider that the theory of Carland et al. can be applied because they act in entrepreneurial manner and were involved in the founding of the organizations.

Regarding the element of mission, there were two superordinate themes. Our superordinate theme “social mission vs. financial mission” reflects the challenge of balancing them, like Hai & Daft (2016) bring up. Social mission can be very fragile in organizations (Hai & Daft, 2016, p. 284). The mission statements of each participant varied. In figure 2, we present the participants on the line that represents the perceived importance of social and financial missions. Like our findings show, “strong social mission” is applicable to participants 1 and 2. On the other hand, “strong financial mission” is applicable to participants 2 and 3. Also the social mission of participant 3 was “passive social mission”. Even though this study does not aim to compare the cases and nor report findings case by case, but the findings show that the varying strength of social mission effect the strength of the financial mission and thus, the findings of our study are in accordance with Stevens et al. (2015) who state that hat higher levels of social mission imply lower levels of financial mission and vice versa.

![Figure 3 The relative importance of social and financial missions of each participant](image-url)
Zahra et al. (2009, p. 523-524) describe social bricoleur’s mission to be helping people at the local level, taking opportunities and acting on a small scale. They explain that social bricoleurs are needed because they can recognize and address problems which could be difficult to detect from afar. Based on the accounts of the participants of this study, all of them can be considered to be classified as social bricoleurs in the categorization of Zahra et al. (2009), because all the participants operate on local level.

We found that the relative importance of social and financial missions affect the perception of failure. Bacq & Janssen (2011, p. 383) state that the objective of a social enterprise can be expressed in terms of the success of its social mission and that the mission definition is at the core of the social venture creation process. Therefore, if the mission definition is more concerned about financial goals, the perception of failure relates to them. We assessed the perception of failure based on how the participant measures success. Our findings show that if the participant is motivated by financial goals, he/she assesses the failure on financial basis. Accordingly, if the participant is motivated by social merits, he/she assess failure on social basis. This is in line with the study results of Shane et al. (2003) who state that the entrepreneur’s motivations effect the decisions. The theme “social mission can be used as justification when accused with poor financial performance” tells a story of the society demanding an explanation of poor financial performance which is against the findings of Austin et al. (2006) because they suggest that social enterprises do not get punished for inferior performances as readily as conventional enterprises.

Regarding the environment element, our findings show a theme called “society's negative reaction to the status of social enterprise” shows the society's lack of interest in rewarding the social enterprise. It is in line with Austin et al. (2006, p. 9), who point out that compared to commercial/conventional enterprises, social enterprises do not get rewarded for superior performances as readily. However, the like stated before in connection with “social mission can be used as justification when accused with poor financial performance”, our results do not support those of Austin et al. (2006) totally. Our findings show that “society’s negative reaction to the status of social enterprise” contributed to financial and social failure. The acceptance of the idea of the venture in the public discourse is stated to be one of the influencing factors to social enterprise’s performance in the study of Sharir & Lerner (2006). Our findings are aligned with this because the theme was discussed in a form of what the society thinks about social enterprises and their actions in Finland. Even though, in Sharir & Lerner’s (2006) study this refers to the business idea, in Finland the acceptance starts from the idea of social entrepreneurship, which has an official status in the law. The theme also was considered from the view point of whether the products and services are accepted in the market, and therefore the ability of the service to stand the market test, being one of the variables of Sharir and Lerner (2006), is supporting their study.

Our findings show that the participants consider stakeholders as important sources of resources and the relationship needs to be managed, which is in accordance with Smith & Woods (2015, p. 190), who suggest that managing stakeholders is needed for social enterprises to acquire resources. Knowing the right people in the starting phase of the organization was mentioned by all participants which is included in the theme “stakeholders’ state of willingness”. The finding is also aligned with the study of Sharir and Lerner (2006), as they state that social networks is a variable that affects the success of social ventures. The theme also contains that the government and other formal
institutions were very powerful in the organization’s lifecycle. This is aligned with the study of Hoogendoorn (2016, p. 287) because according to her, formal institutions have a relatively stronger impact on social start-ups than on regular types of start-ups through public expenditure and favourable regulations. Both public expenditure and regulations were reflected on by the participants.

In our study, “collaboration with other social enterprises” is a subordinate theme. It was considered both, to have prevented from financial failure and to have contributed to social mission drift. It is aligned with the study by Sharir & Lerner (2006), where long-term cooperation with other organizations was another variable that effect the success of social venture. All participants considered that the end of cooperation with other organizations was part of the accumulating problems the organizations had. The theme “powerful clients” can be reflected on terms how much the participants needed to tend to their needs. The clients were e.g. municipalities. Mort et al. (2002) point out that stakeholders are considered on a more equal footing, and the theme in question illustrates this well. It is also in line with Dacin et al. (2011), who state that social enterprises need to take all the stakeholders’ interests into consideration. In our study, the most powerful stakeholders were the government and clients that were mostly municipalities.

The theme “effects of the employment rates and public health care expenditures of the society” reflects the organization’s performance’s effect to the environment. Kostilainen & Pättiniemi (2016) state that the social enterprises in Finland have better chances for success if they fit into the local employment and eco-systems. Even though the theme is about the organization’s effect on the environment, it describes how well the organization fits in the local systems. Our findings showed for example that there were problems in collaborating with the local employment offices, which confirms the statement of Kostilainen & Pättiniemi (2016).

Regarding the learning element, our results state that learning only happened as a result of failure. Argyris (1995) and Fiol & Lyles (1985) agree that learning may happen as a result of failure. But Cope (2005) describes the entrepreneurial learning to take place in two phases; before starting up entrepreneurial activities and during the entrepreneurial process. This study, however, is not a longitudinal study which means that we did not collect data from the period before the failure occurred. We did not have the opportunity to collect data and analyse what was the accumulated learning of the participants before they started the venture. Because of our research method, IPA, the collected data is the perception of the participants which is then interpreted by us. This study also is designed in a way that cannot address organizational learning, discussed by Fiol and Lyles (1985) and Levitt and March (1988), because in two out of three times the organization of the participants ceased to be after the bankruptcy. The methodology also restricts the account to be only individual’s, which entails that there was little chance of collecting data on inter-group learning, discussed by Bierly and Hämäläinen (1995).

The theme “the will to develop social entrepreneurship” indeed took place as a result of the failure. The developing suggestions were related to external causes, which implies that a lot of the failure was attributed to external causes, which is accordance with the studies of Zacharakis et al. (1999), Franco & Haase (2009) and Bettman & Weitz (1983). Research conducted on the experiences of those who manage failing organizations has been judged as problematic because people tend to accentuate their own agency when describing success and to give overly emphasized relevance to external factors when
describing failure (Wagner & Gooding, 1997, p. 283). The findings seem to be in accordance with Wagner & Gooding’s (1997) study. We noticed that all participants emphasized the external factors that had led to the failure of the organization or social mission drift.

The number of subordinate themes (2) implies that there was only little learning perceived from failure. This is aligned with the study of Yamakawa & Cardon (2015), who state that if the failure is ascribed to be caused by external stable factors, there are less opportunities for learning perceived. However, “development of business skills” is an internal subject for learning and the participants considered to have learned something, thus being aligned with Yamakawa & Cardon (2015).

The theme “development of business skills” can be seen to be in accordance with the cognitive development of individuals suggested by Kolb (1981). The participants had a concrete experience and they made observations and reflections on them. Then they made abstract concepts and generalizations, which are the three first steps Kolb (1981) suggests. The fourth step of testing implications in new situations the author presents is unclear whether it was the case of our participants because we did not get data suggesting that. Neither of the two participants to whom this theme is applicable said they would want to start up a new social enterprise. On the other hand, it is possible they apply the learned things in their private lives or in current positions, but as said, we did not find data to support the fourth step of Kolb (1981).

Regarding the framework used as a tool for analysis and categorizing the findings, we had suggested that there would be reciprocity between the elements and failure. This was found to be true on every element except for "learning". The theme "accumulation of problems", however, illustrates that the participants perceived multiple things together to have affected to the occurrence of failure. Next we will discuss the contributions of this study.

5.2. Contributions

The purpose of this study was to increase the knowledge about failure in social entrepreneurship and in more detail the perception of social entrepreneurs. We have been able to fulfill the purpose by using the suggested framework and IPA as research method by fulfilling the suggested framework with the real-life events and therefore illustrate how the perceptions of entrepreneurs/CEOs relate to theory. As there is a paucity of research on individual's experience of failure (Cope, 2011, p. 604), we have been able to contribute to the social entrepreneurship literature by adding the understanding of the topic. This study was conducted on the Finnish work integration social enterprises, which results in adding knowledge in a specific socioeconomic and geographic context, which is valuable considering the notions that social entrepreneurship has different characteristics in Europe than in the U.S. for example (Bacq & Janssen, 2011). Our study describes the experience of failure of social entrepreneurs, which adds on to the rather scarce knowledge of failure in social entrepreneurship. This study concentrated on the failed social entrepreneurs which then helped to produce data that avoids the bias against learning from failure, pointed out by Dacin et al. (2011). Our study indicates that there is a reciprocity between the social entrepreneurial elements regarding individual, organization, environment and mission and failure experienced. We have also applied theory from other forms of entrepreneurship (Gartner’s (1985) model) and suggested replacing processes with mission and learning. This helped us to better understand the
relation between failure and social entrepreneurial elements. Thus, applying conventional entrepreneurship theory, which is called after by Dacin et al. (2010).

Furthermore, this study illustrates that there are many problems relating to the Finnish government’s mission to employ the disabled and long-term unemployed. Constant changes in the public organizations, negative image of the status of social enterprises, too few of revenues (customers) and balancing social and financial mission were found problematic. By identifying those problems, we argue that the government can design their systems better. By improving the system, we can argue that more disabled and long-term unemployed can find permanent jobs. Also those, who want to become social entrepreneurs in Finland can benefit from our study by taking into consideration our findings.

5.3. Limitations
We want to emphasize that the findings are our interpretation of the participants’ sense making. Accordingly, it cannot be generalized with a positivistic manner. Teasdale et al. (2011) explain that in social entrepreneurship literature there is no consensus of the content and size of the sample population, but researchers have used large datasets. Three participants as a sample size is rather restricted, but according to Smith et al. (2009, p. 52) it is a suitable amount for a Master-level study as it allows in-depth analysis and reasonable ground for making comparisons among the cases. By using a small sample size of three participants who were carefully selected, we were able to produce rich qualitative data to be analyzed, which can answer the research question in a specific context, called after by Dacin et al. (2010). We also argue that with a smaller sample size, we have been able to produce a higher quality research than what it would have been with larger sample size. However, because of small sample size we consider that larger for example mixed method research could be beneficial to further the field. Our sample consists of two CEOs that have gone through financial failure and one entrepreneur/CEO that has encountered social mission drift. As there was only one participant with social mission drift, comparing the participants’ experiences based on the type of failures could not have been made comprehensively.

This study is not longitudinal, which implies that for example the learning element was limited to the participants’ accounts in one point of time. We could not therefore analyze the learning as a process, more than what was interpretable from their accounts. Our suggested framework was not supported to be reciprocal with the element of learning. However, it does not necessarily mean that the learning has not affected the occurrence of failure, but the research design was not suitable to study it. We are novice IPA researchers, which means we had not been involved with an IPA study before. There is a chance that we did not go as deep in the data analysis as possible, or that we misinterpreted some signals and words. However, since we are two researchers, we were able to discuss every piece of information and fill in each other’s gaps and therefore create a joint interpretation. Smith et al. (2009) offer clear guidelines on how to conduct an IPA study, which we have complied with.

5.4. Suggestions for future research
This study was not longitudinal, which implies, like stated in the limitations as well, that learning could not be properly researched as a process. However, literature suggests that learning is a process (see e.g. Argyris, 1995; Kolb, 1984). Therefore, we suggest that the literature relating to failure in social entrepreneurship could benefit from studying the
learning element as a longitudinal process. The perception of what was learned before the failure and what was learned as a result of failure could be then better distinguished. This would imply gathering data before failure's occurrence.

Furthermore, we suggest that comparing the social entrepreneurs in Finland who experienced bankruptcy to those who faced a social mission drift could produce even more insight about the reasons why they face failure. Considering that there was only one participant included who faced social mission drift in our study, conducting more research on them could also produce more insight on the reasons that led to the mission drift.
6. References


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Appendix 1: Act on Social enterprises (Finlex 2003:1351)

No. 1351/2003
Issued in Helsinki, December 30, 2003

Act
on Social Enterprises

By decision of Parliament, the following is enacted:

Section 1
Purpose and definitions of the Act

The social enterprises referred to in this Act provide employment opportunities particularly for the disabled and the long-term unemployed.

Under this Act:
1) the disabled are employees whose potential for gaining suitable work, retaining their job or advancing in work have diminished significantly due to an appropriately diagnosed injury, illness or disability;
2) the long-term unemployed are employees, who before the start of their employment relationship were unemployed jobseekers as referred to in chapter 1, section 7(1), paragraph 5 of the Public Employment Services Act (1295/2002) or in Chapter 7, section 6(1), paragraphs 1 and 2 of the Unemployment Security Act (1290/2002).

Section 2
A social enterprise and the right to use the name social enterprise

A social enterprise is a registered trader who is entered in the register of social enterprises.

Only traders referred to in paragraph 1 have the right to use the name social enterprise for their business.

Section 3
Support for social enterprise

Employment authorities may, within the limits of the national budget, provide support for the establishment of a social enterprise and the consolidation of its operations, if the specific aim of the trading is to employ persons in a poor labour market position. Support can also be provided for some other corporation or foundation for the promotion and development of social enterprise under this Act. The support is further provided by Government decree.

The provisions on employment subsidy granted to social enterprises are laid down in the Public Employment Services Act. The provisions on combined subsidy are laid down in the said Act and the Unemployment Security Act.

Section 4
Entry in the register of social enterprises
A corporation, a foundation or another registered trader may on application be entered in the register of social enterprises under section 3 of the Trade Register Act (129/1979), provided that:

1) it is entered in the trade register under the said Act;
2) it produces goods and services on a commercial principle;
3) at least 30 per cent of the employees in the company’s employ are disabled persons, or at least 30 per cent of all employees are disabled and long-term unemployed (percentage of placed employees); and
4) it pays all its employees, irrespective of their productivity, the pay of an able-bodied person agreed in the collective agreement, and if no such agreement exists, customary and reasonable pay for the work done.

Moreover, the registration requires that the applicant fulfils the following criteria:

1) the registered trader has not acted contrary to law or good business practice in a material way;
2) the registered trader has not defaulted on taxes, social security contributions or other payments to the State; or pension, accident insurance or unemployment insurance contributions.

Employers whose specific aim is to employ persons in a weak position in the labour market are entered in the register of social enterprises separately.

Section 5
Percentage of placed employees

A disabled person and a long-term unemployed person are included in the percentage of placed employees for as long as employment subsidies or combined subsidies are paid towards their wage costs.

In calculating the percentage of placed employees, a handicapped person in subsidized employment under the Social Welfare Act (710/1982) section 27 d(3), who has been referred to a placement by the employment office and for whose employment the local authority pays subsidies to the employer, is equivalent to a disabled person.

Disabled persons or the long-term unemployed who have been referred to a placement by the employment office and towards whose wages no employment subsidy or combined subsidy is paid, are included in the percentage of placed employees for the period for which their employer must pay them wages, in the case of a long-term unemployed person, however, the subsidy period may not exceed one year.

Handicapped persons, who have been referred to a placement by the employment office and for whose employment the employer has received subsidies from the municipality under subsection 2, are compared when calculating the percentage of placed employees at the end of the subsidy period to disabled persons for the period for which the employer must pay them wages.
The percentage of placed employees must always include the employees referred to in subsection 1 or 3. In calculating the percentage of placed employees, any employees whose regular working hours exceed 75 per cent of the maximum working hours in the sector are included. In the case of the disabled the percentage of placed employees, however, includes those whose regular working hours are at least 50 per cent of the maximum working hours in the sector.

Section 6
Register of social enterprises and entry of data

The register of social enterprises is an employer register maintained separately by the Ministry of Labour under section 4(2) of the Act on an information system for the labour administration’s customer service (1058/2002).

Under section 4(2), paragraph 2 of the said Act the register may also include employer-customers’ descriptive data required for the enforcement of this Act, which have not been entered in the labour administration’s information system as services to an employer as referred to in the Public Employment Services Act, and which are not personal data.

Also data referred to in section 4(2), paragraph 5 of the Act on an information system for the labour administration’s customer service may be entered in the register, i.e. identity data for handicapped employees referred to in section 5(2) and (4), including personal identity numbers and information on the support provided and paid by the municipality for their employment.

Section 7
Removal from the register of social enterprises

The following registered employers are removed from the register:

1) whoever so requests;
2) those in whose employ the percentage of placed employees has declined below the percentage of placed employees laid down above, and the registered trader has not employed disabled persons or long-term unemployed within six months so that the criterion would be met again; or
3) those who do not meet the other criteria for entry into the register.

Registered traders are removed from the register if they have received or attempted to receive official support unjustifiably by:

1) submitting false information on an essential point when applying for the subsidy;
2) concealing information which essentially affects the granting or payment of the subsidy; or
3) refusing to provide information, documents or other material which is necessary for the payment or monitoring of the subsidy, or by refusing to assist appropriately in an investigation.

Section 8
Obligation to provide information

Registration applicants must provide the Ministry of Labour with the necessary information on the fulfillment of the criteria referred to in sections 4 and 5 in the manner specified by the Ministry and any other necessary information required for the maintenance of the register.

A registered trader must without delay notify the Ministry of Labour of any changes in the information referred to in subsection 1.

A central or local government and other public corporation official, an insurance and a pension institution, and a pension foundation are obliged to provide the Ministry of Labour free of charge any information required for the enforcement of this Act.

Section 9
Decisions concerning registration

The Ministry of Labour must provide a decision in writing for a refusal of registration or a removal from the register. A registered trader must be given an opportunity to be heard before removal from the register.

The person concerned may appeal the decision for a refusal of registration or a removal from the register as provided in the Administrative Judicial Procedure Act (586/1996). Despite the appeal, the decision of the Ministry of Labour must be observed until a legally valid decision has been given in the matter or the appeal authority otherwise prescribes under section 32 of the Administrative Judicial Procedure Act.

Section 10
This Act enters into force on January 1, 2004

Measures necessary for the implementation of this Act may be undertaken before the Act’s entry into force.

In addition to the disabled and the long-term unemployed, the percentage of placed employees in 2004-2007 includes any other placed employees towards whose wage costs combined subsidy is paid as a combined subsidy experiment referred to in Chapter 7, section 11 of the Unemployment Security Act.

HE 122/2003
TyVM 9/2003
SV 130/2003

Issued in Helsinki on December 30, 2003

President of the Republic
TARJA HALONEN

Minister
Leena Luhtanen
Appendix 2: Form of consent (after Saunders et al. 2009, p. 192)

Form of consent for a master’s thesis study  
Umeå University

Work in progress title:  
Failure in social entrepreneurship

Name and position of the researchers:  
Roosa Salomaa & Salla Kolehmainen, second year master’s students in business administration, Umeå School of Business and Economics, Umeå University

Name of the supervisor of the research:  
Zsuzsanna Vincze

1. I confirm that I understand what the mentioned study is about and I have had the opportunity to ask questions about it.
2. I understand that my participation in this study is voluntary and that I am free to withdraw at any time without giving a reason.
3. I agree to take part in the study.
4. I agree the interview to be recorded.
5. I agree the use of anonymized quotes in publications.

Date:  
Name of the participant:  
Signature:

Date:  
Roosa Salomaa (researcher)  
Signature:

Date:  
Salla Kolehmainen (researcher)  
Signature:
Appendix 3: Translation of Appendix 2 into Finnish
Suostumus tutkimukseen osallistumisesta

Tutkimuksen työnimi:
Failure in social entrepreneurship

Tutkijoiden nimet ja asema:
Roosa Salomaa ja Salla Kolehmainen, toisen vuoden liiketalouden maisteriopiskelijat, Umeå School of Business and Economics, Umeå University.

Tutkimuksen ohjaaja:
Zsuzsanna Vincze

1. Vahvistan, että tiedän, mistä tässä tutkimuksessa on kysymys, ja että minulla on ollut mahdollisuus esittää kysymyksiä siihen liittyen.
2. Ymmärrän, että osallistun tähän tutkimukseen vapaaehtoisesti ja että voin vetäytyä siitä milloin tahansa antamat syytä.
4. Suostun haastattelen nauhoittamiseen.
5. Suostun lausuntojen julkaisemiseen anonyymeinä lainauksina.

Osallistujan nimi: Päivämäärä: Allekirjoitus:

Roosa Salomaa Päivämäärä: Allekirjoitus:

Salla Kolehmainen Päivämäärä: Allekirjoitus:
Appendix 4: Interview guide
Themes: entrepreneur, the story of the company, failure

1. Brief career history: What have you done in your life and career?
   a. Could you please tell us about your professional and educational background?
   b. Have you been an entrepreneur before?
   c. What are you doing currently?
2. Why did you start up social entrepreneurial activities?
3. What do you think about your future career?
4. Could you compare the negative and positive sides of entrepreneurship.
   a. What do you think about social entrepreneurship in Finland?
   b. Could you tell about the challenges in social entrepreneurship?
5. Could you tell the story of the social enterprise? Where did it start and what happened to it?
   a. Could you tell us about the social mission?
6. What kind of successes did the company have?
   a. What contributed to it in your opinion?
7. How do experience the challenges and misfortunes of the social enterprise?
   a. How did they feel like?
   b. What kind of memories do you have of those times?
8. How does the failure/change feel like and how does it influence?
9. What kind of failure/change was it? Social/financial?
   a. Could you tell about the stages of the change.
10. What in your opinion led to the failure/mission shift?
    a. How did the entrepreneurs affect?
    b. How did the organization affect?
    c. How did the mission affect?
    d. How did the stakeholders and the environment affect?
    e. How did learning affect?
11. What happened after failure/hardship?
    a. How did you feel like?
    b. How did you react to it?
    c. How do you think the others reacted to it?
    d. What do you think about the reactions of others?
    e. What happened to the company?
    f. What happened to the mission?
    g. What happened to the stakeholders?
    h. What happened to learning?
12. What do you think could have happened if the failure had not happened?
13. What do you think about entrepreneurship after this experience?
    a. What would you do differently?