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Le rôle du capital humain dans l'échec des entreprises sociales.

(The role of human capital on the failure of social enterprises)

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“Do not judge me by my successes, judge me by how many times I fell down and got back up again.”

Nelson Mandela

**To my parents, my late maternal grandparents
and aunt Goreti**

For having taught me the value of education.

Abstract

Until now, just a few studies have scrutinised failure of social enterprises. Most authors focus their theoretical assumptions and empirical evidence about these organisations on the successful cases, from an idealistic and optimistic perspective. Yet the exploration of failed cases provides valuable and rich information regarding organisational practices and performance. Therefore, practitioners and academics must look at failure as one of the possible outcomes of operating within complex organisational and environmental contexts. Individuals and their attributes are vital assets for organisational performance. Several studies, in different fields, evoke the human capital theory to frame and explain organisational failure, but little is known with regard to social enterprises.

By adopting a pragmatist's worldview and a qualitative approach, the current study seeks to understand the role of human capital in the failure of social enterprises. First, the causes of failure are explored. Secondly, the role of human capital within is analysed. This is done throughout an extensive systematic review and analysis of empirical data collected in Nelson Mandela Bay, South Africa. The results of both parts of the present research converge. Organisational failure is characterised by multidimensionality, complexity and interconnectivity. Moreover, by combining all the results, it was possible to outline the framework of organisational failure of social enterprises, encompassing both internal and external environments, which are in constant interaction. Only one study specifically refers to human capital among charities. None of the studies directly scrutinise the role of human capital in the failure of social enterprises. Yet attributes of this theory, such as skills, knowledge, and experience, are discussed among the studies as a factor contributing to the failure. Similarly, the interviewees point out several human capital elements when speaking about their organisational failure. Hence, the results show that human capital components play an important role in the failure of social enterprises.

Taken the above, it is possible to draw and advance scientific knowledge through the scrutiny of the cases of failure. It is not only an important theoretical asset to academics, but also to practitioners in order to improve their performance as well. Moreover, this thesis helps to sustain the necessity of investing in human capital, as it brings a positive impact to the individual her/himself, to the organisation and to society.

Résumé

Jusqu'à aujourd'hui peu d'études ont analysé en détail les échecs des entreprises sociales. En effet, la plupart des auteurs concentrent leurs recherches théoriques et empiriques sur la réussite de ces entreprises, dans une perspective idéaliste et optimiste. Pourtant l'étude de ces échecs fournirait des informations riches et précieuses quant aux pratiques organisationnelles et à la performance de ces entreprises. Aussi, professionnels et universitaires devraient considérer l'échec comme une possibilité du fait de la complexité de ce type d'organisation et de son environnement. Les individus et leurs attributs participent à la performance de leur organisation. Ce capital qui émerge de leurs attributs est un avoir vital pour la performance de l'organisation. Plusieurs études, dans différents champs, évoquent la théorie du capital humain pour structurer et expliquer l'échec organisationnel, mais très peu d'entre elles ont traité des entreprises sociales.

En adoptant une approche pragmatique et qualitative, la présente étude cherche à comprendre le rôle du capital humain dans l'échec des entreprises sociales. Grâce à une revue systématique de la littérature et à une analyse de données empiriques collectées à Nelson Mandela Bay, en Afrique du Sud, nous avons dans un premier temps, analysé les causes des échecs. Dans un second temps et sur les mêmes bases théoriques et empiriques, nous avons étudié le rôle du capital humain sur les origines de ces échecs. Les résultats de ces deux approches convergent. Les déterminants de l'échec organisationnel sont caractérisés par leur multidimensionnalité, complexité et interconnectivité. En combinant tous ces résultats, il est possible de dessiner les grandes lignes des échecs organisationnels des entreprises sociales, en prenant à la fois en compte les environnements internes et externes qui sont en constante interaction.

Il n'existe qu'une seule étude traitant spécifiquement du rôle du capital humain dans les organismes à but non lucratif et aucun article ne se penche directement sur le rôle du capital humain dans les échecs des entreprises sociales. Pourtant, les attributs de la théorie du capital humain, comme les compétences, connaissances et les expériences, sont des éléments soulignés dans les études et des recherches sur les facteurs contribuant à l'échec des entreprises sociales. Conformément à cette littérature, les interviews effectuées dans le cadre de notre travail mettent en lumière des éléments de la littérature sur le capital humain en rapport avec leurs échecs organisationnels. Ceci nous permet donc d'affirmer que la composante capital humain joue un rôle important dans l'échec des entreprises sociales.

Il est donc possible de tirer des informations de l'étude des cas d'échecs qui permettent de faire avancer les connaissances scientifiques. Celles-ci ne sont pas uniquement théoriques et destinées à des universitaires mais aussi pratiques et utiles pour les professionnels afin d'améliorer leur

performance. Enfin, cette thèse soutient l'idée de la nécessité d'investir dans le capital humain, car celui-ci a un impact positif non seulement sur les individus eux-mêmes, mais aussi sur les organisations et la société en générale.

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CHAPTER 1

INTRODUCTION

In this chapter, we introduce the general background to the thesis, explaining why we chose the role of human capital in the failure of social enterprises as the topic. The reasons are twofold: firstly, to add to the (scant) body of empirical evidence that exists regarding the causes of the failure of social enterprises and the role of human capital in such failure; and, secondly, to enhance the existing theoretical understanding of social enterprises and contribute to more effective and efficient practices. Subsequently, we discuss the theoretical background to the study, specifically the categories and attributes of human capital, as well as the concepts of failure and social enterprises. These theoretical lenses underpinned the selection of the research methodology and sampling methods applied in this study.

As we conducted the empirical research in Nelson Mandela Bay, South Africa, hence, we present demographical and socio-economic information about the city and the country. In addition, we briefly mention the South African education system, to aid the reader's understanding of a number of sections in Chapter 5 (Human Capital). Finally, we present the aim and objectives of the research, as well as the outline of the thesis.

1.1 General considerations: why this topic?

The research focused on the role of human capital in the failure of social enterprises, illuminating the role that the individual's capacities, skills and knowledge play in such failure. Most literature on social enterprises focuses on successes and/or best practices (Dacin, Dacin, & Matear, 2010) portraying an optimistic and idealistic image (Scott & Teasdale, 2012). Yet social enterprises often cease their operations and close their doors (Chell, 2007; Dees, 1998; Haugh, 2005). Little research has concentrated on the factors contributing to the failure of these organisations, and consequently a learning curve has been slow in developing (Scott & Teasdale, 2012). However, we propose that studying failure carries several benefits, results in valuable learning and helps organisations to improve their practices. Studying failure not only contributes to developing theory, but also provides important insights to the practitioners on the ground, as can be verified in entrepreneurial and business literature (Amankwah-Amoah, Boso, & Antwi-Agyei, 2018; Cope, 2011; Lee & Miesing, 2017; Shepherd, 2003; Shepherd & Kuratko, 2009; Ucbasaran, Shepherd, Lockett, & Lyon, 2013; Ucbasaran, Westhead, Wright, & Flores, 2010).

Various authors have called for more research on the failure of social enterprises. Haugh (2005) specifically says: *“Research that investigated causes and consequences of social enterprise failure, and identified strategies to avoid failure, would be extremely valuable for the practitioners and communities served by social enterprises”* (p. 9). Likewise, Zahra, Gedajlovic, Neubaum and Shulman (2009) have indicated the need for establishing the personal or structural factors that enhance success or lead to failure, and if the factors that lead to failure in non-commercial social enterprises are different from the factors that cause the demise of commercial social enterprises. Dacin et al. (2010) underline the benefits that may be gained from interrogating the sources of failure, mainly through focusing on the skills that entrepreneurs use to combine multiple missions and opposing institutional logics. By focusing on the causes of failure, researchers can unlock insight into the factors that contribute to the sustainability of social enterprises. In their review on research on social entrepreneurship, Gras, Mosakowski and Lumpkin (2011) highlight that one of the themes that strongly emerges is *“understanding the effects of cultural contexts on successes and failures in social entrepreneurship”* (p. 41).

Failure is a common occurrence in both market and non-market organisations. It emerges from definable causes, and therefore a profound comprehension of these causes may help prevent future failures (Bruno & Leidecker, 1988). Authors that analyse business and entrepreneurial failure have pointed out several reasons for failure that can be accommodated under a variety of approaches (Amankwah-Amoah, 2016; Mellahi & Wilkinson, 2004). Certain authors prefer to use a single indicator, such as the liability of newness, smallness, or number of competitors (Hannan & Freeman, 1988; Singh, Tucker, & House, 1986; Stinchcombe, 1965). Others call for an aggregation of different indicators and theories under the same comprehensive framework (Amankwah-Amoah, 2016; Habersang, Küberling-Jost, Reihlen, & Seckler, 2018; Mellahi & Wilkinson, 2004). The number of studies focusing on organisational failure in the for-profit sector has increased in recent decades, characterised by a certain complexity, dispersion and fragmentation. As to the non-profit sector, most scholars use the same theoretical backgrounds as their counterparts in the business sector (Bielefeld, 1994; Hager, Galaskiewicz, & Larson, 2004; Helmig, Ingerfurth, & Pinz, 2014; Mordaunt & Cornforth, 2004). As the number of publications in the non-profit literature increased, scholars began to call for a deeper examination and understanding of the specificities of failure (Helmig et al., 2014). As mentioned, the little research that does exist on the failure of social enterprises tends to be fragmented and dispersed in nature, so there is still little understanding of the factors that impede the development of these organisations. In Chapter 2 (Systematic Review), we examine the causes of the failure of the non-profit and social enterprise sector.

As mentioned above, failure has a multitude of causes that fit into the organisational and/or environmental settings, although some authors emphasise the constant interaction and dependency between these settings. Concerning the internal setting, certain authors prefer to adopt the resource-based approach, which includes a human resources perspective, and to apply the human capital theory (Carter & Auken, 2006; Headd, 2003; Pennings, Lee, & Van Witteloostuijn, 1998). Both analytical frameworks place humans at the centre of the organisation, taking into consideration their personal characteristics, such as skills, knowledge and abilities. We cannot separate individuals from their stock of skills, knowledge and expertise in the way that we can separate them from their financial and physical resources (Becker, 2008). Thus, these attributes affect organisational dynamics and performance (Crook, Todd, Combs, Woehr, & Ketchen, 2011). As of yet, we know very little about the effect that human capital may have on the failure of social enterprises. It is wise to be cautious when generalising the conclusions of the business and entrepreneurial sector into the social enterprise field, due to the peculiarities of the latter organisations. This means that the subject requires much further analysis, as just one study has focused on the failure of social enterprises using a human capital approach (Bennett, 2016) and very few others refer to the importance of skills and capacities (Bruneel, Moray, Stevens, & Fassin, 2016). Haugh (2005) emphasises that research that explores the relationship between skills and competencies and organisational performance is useful in order to clarify the needs and skills needed to manage social enterprises.

1.2 Theoretical grounding

In this sub-section, we explore the theoretical lenses used in the present study (Figure 1). Firstly, we explain human capital theory and we define the main attributes for further analysis. Subsequently, we review the concept of failure and its main causes. Here, the initial focus is on business literature, since much of research on non-profit entities is grounded in this literature. From this literature, we establish the inclusion and exclusion criteria for the selection of social enterprises in this study. Furthermore, we discuss the conceptualisation of social enterprises, and we specifically indicate the notion used throughout the research. As stated, this is a brief discussion only, since we present a more detailed analysis of the causes of failure of social enterprises and the role of human capital in Chapter 2 (Systematic Review).

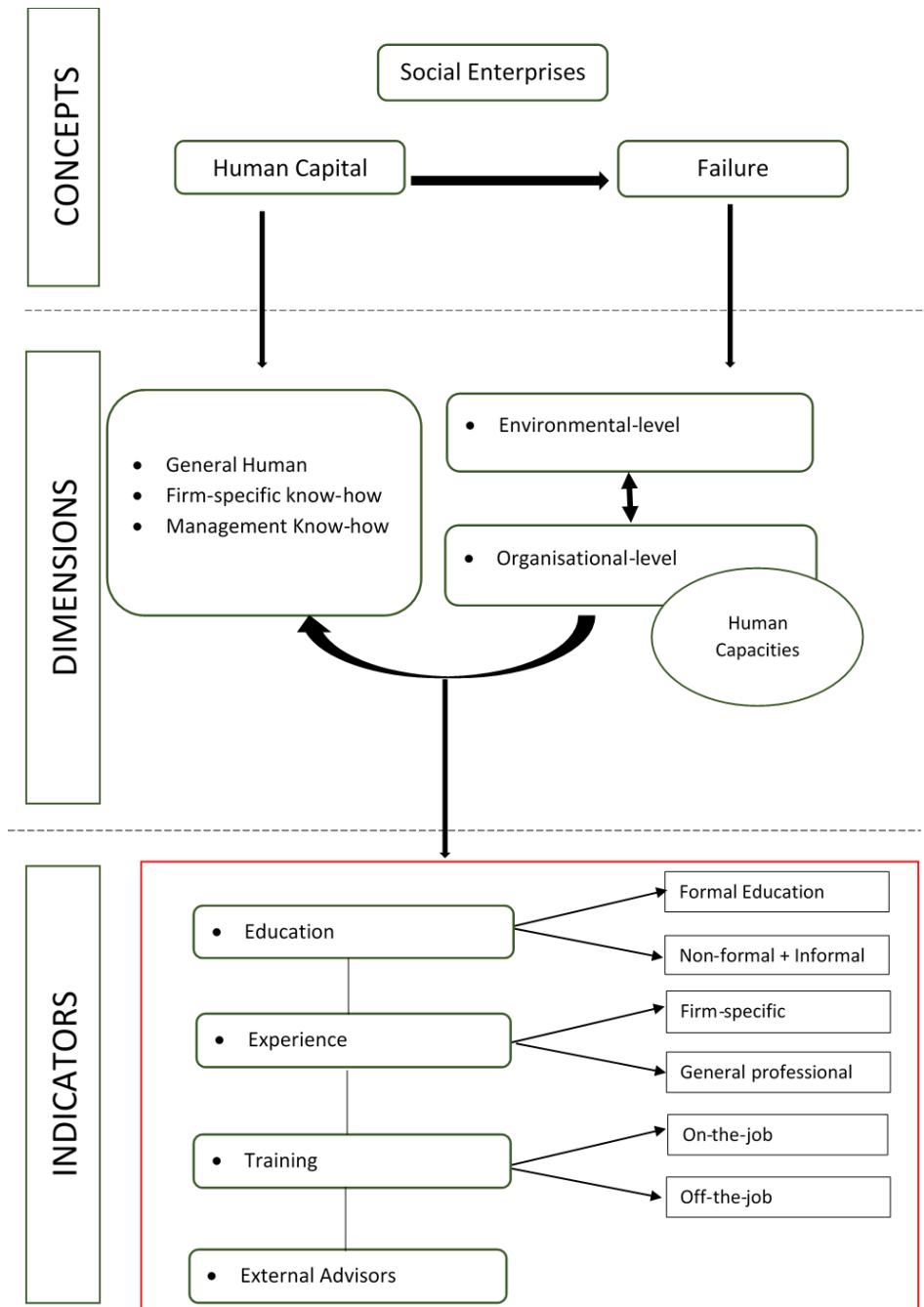


Figure 1 - Conceptual framework

1.2.1 Human capital

1.2.1.1 Understanding human capital

The concept of human capital has its origins in economic literature. Over the years, it has also become a central concept in other disciplines and areas of study, including firm theory, human resources management, strategic planning, entrepreneurship and psychology (Blair, 2011; Bosma, van Praag, Thurik, & de Wit, 2002; Cooper, Gimeno-Gascon, & Woo, 1994; Nyberg & Wright, 2015; Ployhart &

Moliterno, 2011). This absorption by other disciplines broadened and strengthened the concept, but at the same time, splintered it into different re-conceptualisations, terms and assumptions (Nyberg & Wright, 2015). Over the years, a transformation of the original ideas regarding the human capital theory has been observed. As discussed below, the concept firstly and narrowly focused on the individual's abilities that created value in the marketplace, but over time, the authors refocused it to a unit level, emphasising the aggregation of individuals' abilities (Ployhart & Moliterno, 2011).

The economist Pigou first introduced the term 'human capital', in 1928. However, it was the work of Schultz (1961) and Becker (1962) that saw the term being disseminated worldwide among different scholars. Schultz (1961) emphasises the direct expenditures on education as a deliberate investment to achieve better job opportunities. Becker (1962) in his treatise, explains the role of education and training in increasing individuals' skills and knowledge, thereby also explaining the differences in wages and salaries among workers. Looking even further back, Say (1971) (originally published in 1821) indicates that humans obtain skills and abilities at a cost, which has an impact on their productivity, and consequently, they must be considered as a capital. Moreover, human capital is well associated with the division of labour theory, defined by Adam Smith (1976) (originally published in 1776), who by differentiating between workers on the basis of by tasks encouraged them to develop the specific skills and capacities required to achieve the best performance. This author highlights "*the acquired and useful abilities*" (p. 282) of individuals as a source to generate revenue and/or profit.

Based on the above, human capital is the short term for the stock of knowledge, skills and abilities that resides within individuals; it can be innate or acquired through investment in formal and/or informal learning, on-the-job training and experience (Becker, 1962, 1964, 1993; Schultz, 1961). As Coleman (1988) emphasises, continuous changes in a person brings and consolidates skills and capabilities that, in turn, enable her/him to improve performance and productivity. The author indicates that human capital is intrinsically associated with change and growth. Becker's (1964) definition of human capital suggests a differentiation between investment and outcomes. On the one hand, individuals invest in human capital through education, training and work experience, which may or not lead to the assimilation of knowledge and skills. Other authors corroborate this assumption (Becker, 1964; Davidsson & Honig, 2003; Mincer, 1974; Schuller, Preston, Hammond, Brassett-Grundy, & Bynner, 2004; Schultz, 1993). On the other hand, the outcomes (or assets) of human capital consist of the actual acquisition of knowledge and skills that are applied to tasks (Martin, McNally, & Kay, 2013; Unger, Rauch, Frese, & Rosenbusch, 2011). Authors have developed psychometrical models, techniques to assess the cognitive abilities and their relationships (Kozlowski & Klein, 2000; Ployhart & Moliterno, 2011). The need to assess the human capital embodied in a person is based on the notion that even if

we invest in her/his education and training, this may not ensure the development of the required cognitive abilities, nor the capacity to put them into practice.

Blair (2011) adds other features to the human capital definition, stating, *“human capital is the shorthand (...) to skills, knowledge and capabilities of the workforce of a firm, or of the population of a country, as well as the organisational arrangements and networks of relationships those people have formed that enable them to be more innovative and productive”* (p. 49). This definition reveals an emphasis on the members of a firm, and the organisational dynamics among these members. This is due to the increasing attention paid to the human capital construct, transcending the individual-level itself to gain a more unit-level focus (team, department, organisation), mainly in management and organisational studies (Mahoney & Kor, 2015; Mayer, Somaya, & Williamson, 2012; Wright & McMahan, 2011). Some authors refer to this re-conceptualisation as ‘human capital resources’. As we discussed above, at the individual-level, human capital includes the personal skills, knowledge and abilities that can bring positive outcomes for that person and to the marketplace. At the unit-level, human capital consists of the *“aggregate accumulation of individuals’ human capital that can be combined in a way that creates value for the unit”* (Wright & McMahan, 2011, p. 11). This means that at the organisation-level, human capital includes the individual and collective knowledge, skills, abilities and other characteristics (also known as KSAOs) of the organisations’ employees (R. W. Coff, 2002). It emerged mainly among strategic human resources authors, since they visualise the human element as a benefit to leverage organisational outcomes (Nyberg & Wright, 2015; Wright & McMahan, 2011) and competitiveness (Grant, 1996; Lepak & Snell, 1999). In this sense, human capital has been viewed as part of the intellectual capital or intangible assets of firms (Ahonen, 2009; Hitt, Biermant, Shimizu, & Kochhar, 2001; Marr & Moustaghfir, 2005).

We follow this line of thought in the present study: human capital was understood not only at the individual level, but also at the organisational level, examining the levels of education, training, work experience and skills of the members that composed the studied organisations. Yet, we refer to the term ‘human capital’ - not ‘human capital resources’. In the following lines, we discuss the different categories or typologies of human capital.

1.2.1.2 Categorising human capital

From Table 1 below, it is possible to verify that scholars divide the human capital theory into different categories in order to define specific indicators to be measured empirically. We should emphasise that this study did not exhaustively and systematically research the categories, and therefore, might not have integrated all categorisations made so far. In this thesis, the focus was on the most widely used categorisations. It was Becker (1964) who in his seminal work proposed the first categorisation

between generic and specific on-the-job training. Subsequently, other authors also began to categorise human capital according to different attributes and indicators. The categories do not change drastically across the authors; rather, what is evident is a continuous improvement and construction according to the field and the analysis intended. Some of the authors aim at understanding the human capital of entrepreneurs (Bruderl, Preisendorfer, & Ziegler, 1992; Cooper et al., 1994; Dahlqvist, Davidsson, & Wiklund, 2000; Gimeno, Folta, Cooper, & Woo, 1997). While others focus on the Chief Executive Office (CEO) and managers (Castanias & Helfat, 1991, 2001), or the organisational members and the relationships that derive from their interactions (or the skills interactions) (Molloy & Barney, 2015; Teece, 2009; Teece, Pisano, & Shuen, 1997).

Most of these authors retain the notion of general human capital, which relates to the knowledge and skills that are applicable to a broader range of contexts, activities and/or firms. It is more widely applicable and transversal to different areas, enabling individuals to perform generic tasks that are common to a wide range of firms (Castanias & Helfat, 1991, 2001). General human capital helps workers to raise their productivity, not only at a current firm, but also at other firms (Lazear, 2009). Regarding the indicators of general human capital, the authors diverge somewhat (Cf. Table 1). Specific human capital is the expertise directly related to a specific context, activity and/or firm. This type of human capital raises the productivity of workers at their current firm (Lazear, 2009), since it supports them to perform highly specialised tasks and make informed decisions that better fit the organisation's strategy and context (Mahoney & Kor, 2015). It loses value when transferred to other contexts and firms (Raffiee & Coff, 2016). Becker (1962, 1964) also says that these types of human capital are difficult to distinguish empirically. Following this line of thought, Sherer (2011) argues that this distinction only happens in theory, because in practice it is more a continuum, since individuals have a combination of both types of human capital.

Authors have also opted to refine these two categories into other categories and/or to create new ones. Of particular interest to the case at hand, are the categories defined by Cooper et al. (1994) for considering specific management know-how and industry-specific know-how. We acknowledge that the authors created these categories to verify the success or failure of new ventures, and thus, focusing solely on the entrepreneurs. However, it seems to us, that we can enlarge the indicators to an organisational-level. So being, we adopt and refine the categories, and indicators to our conceptual model and goals. According to Cooper et al. (1994) the general background of employee covers three factors, namely their level of education, gender and race. The second attribute referred to by the abovementioned authors is management know-how, which can be a key factor in a venture's success or failure. Individuals acquire managerial knowledge tacitly through indirect learning, such as observing, studying and making business decisions, as well as through management experience.

Moreover, the authors contend that having parents who owned businesses themselves, would enhance an individual's managerial expertise. They also consider that professional advisors or the involvement of partners generates and enhances organisational know-how. The third category is specific industry know-how, which refers to the particular expertise of a business domain. This specific knowledge also stems from previous experience in the same or a similar business. It can be tacit and can be derived from investment in relationships with customers, suppliers or stakeholders. The authors include a fourth category, namely financial capital. However, this category was not included in this study, as our intention was not to measure the financial assets of organisations. Taken the above, we focus on the following indicators to measure human capital in this study:

- General

- o Levels of education

- We opt not to include gender and race indicators in this study. Our intention was not to draw conclusions regarding the differences in human capital according to these indicators, mainly in a country with an extreme sensitivity to the race indicator, due to its history of racial segregation.

- Management know-how

- o Training (on-the-job and off-the-job training)

- o Experience (general professional experience)

- o External advisors, board members and supervisory committees

- We decided not to include the indicators 'parents that own businesses', as the aim was not to focus on the profiles of the social entrepreneurs.

- Firm-specific know-how

- o Experience in a specific domain (non-profit organisations and social enterprises)

- o Relationships with customers, suppliers or stakeholders.

Table 1 - Categories of human capital

Authors (Year)	Categories of human capital	Definitions, indicators and attributes
(Becker, 1962, 1964, 1993)	1. General	The author refers specifically to on-the-job training
	2. Specific	
Human capital and firm dissolution		
(Pennings et al., 1998)	1. Industry-specific	Knowledge regarding a specific industry (in this article, accounting) that cannot be completely transferred; it is developed through professional education and industry experience.
	2. Firm-specific	Knowledge about organisational specificities; for example, unique routines and procedures that have limited value outside the firm in which they have been developed.
Human capital and entrepreneurship		
(Bruderl et al., 1992)	1. General	Years of schooling; years of work experience
	2. Specific	Industry-specific experience; self-employment experience; leadership experience; self-employed fathers
(Cooper et al., 1994)	1. General background	Knowledge that can lead to higher productivity and access to network resources (example: education, gender and race)
	2. Management know-how	Entrepreneur's previous experience of general management tasks (tacit knowledge acquired through indirect learning or by performing management tasks); parents owned their own business; external advisors and partners
	3. Industry-specific know-how	Understanding how the business sector works; establishment of relationships with suppliers, competitors and customers
(Gimeno et al., 1997)	1. General	Factors expected to increase individual productivity (wide range of job alternatives)
	2. Specific	Applicable to one specific domain
(Dahlqvist et al., 2000)	1. General	Education, gender, ethnic minority
	2. Management know-how	Parental role model, entering from outside the workforce or non-profit organisation background, level of management experience, professional advisors, the presence of partners, start-up experience and participation, start-up training

	3. Industry-specific know how	Experience in a specific industry, start-up motivation and performance
(Bosma et al., 2002)	1. General	Age; education; experience as an employee
	2. Industry-specific	Experience in a specific industry
	3. Entrepreneurship-specific	Experience in business ownership; Experience in activities relevant to business ownership
(Isaksen, 2008)	1. General	Work experience; management experience; education
	2. Specific	Business ownership experience; parental self-employment/business Ownership; business similarity (similarity between previous job/business and current business)
Human capital and strategic management		
(Castanias & Helfat, 1991, 2001)	1. Generic (or general)	General skills, knowledge and abilities that can be transferred and are applicable to a variety of firms and industries
	2. Firm-specific	Skills, knowledge and abilities that are only useful to the firm in which that capital is developed; therefore not transferable
	3. Industry-specific	Transferable across the same industry
(Bailey & Helfat, 2003)	4. Related-industry	Skills, knowledge and abilities that can be transferred from an industry to another but within the same field.
(Mayer et al., 2012)	3. Firm-specific	Specific knowledge of the department, team or firm itself
	4. Industry-specific	Transferable across the same industry
	5. Occupational	Knowledge and skills related to a profession or field, applicable across a variety of industries (law, accounting, software engineering)
(Molloy & Barney, 2015)	1. General	General mental ability (Schmidt and Hunter, 2004) and conscientiousness (Ryan and Ployhart, 2012)
	2. Firm-specific	Individuals build it only while performing their task on the job; most value to the firm
	2.1. Required firm-specific	Knowledge required to perform satisfactorily the tasks outlined in the job description
	2.2. Discretionary firm-specific (Morris et al. 2014)	Individuals engage in extra-roles behaviours

	3. Co-specialised	Develops on the job as individuals learn about and gain expertise in working with the firm's resources. Sharing human capital between individuals (team human capital) (Teece, 2009)
(Campbell, Coff, & Kryscynski, 2012; R. Coff & Raffiee, 2015; Lazear, 2009; Mahoney & Kor, 2015)	Firm-specific	Mahoney and Kor (2015) --> experiential knowledge of the particular resources of one firm; co-specialised capabilities, systems and routines; collective shared knowledge; explicit and tacit knowledge of the key constituents and stakeholders of the firm

1.2.2 Failure

1.2.2.1 *Understanding failure*

Bruno, Leidecker and Harder (1987) and Bruno and Leidecker (1988) developed one of the first extensive works on firms' closure. Subsequently, other authors attempted to understand the causes, processes and impact of failure, as well as any lessons to be learnt from it (Walsh & Cunningham, 2016). Authors have defined failure differently and used various terms interchangeably, such as organisation mortality, organisational death, organisation exit, bankruptcy, decline, retrenchment, downsizing and failure (Mellahi & Wilkinson, 2004). Besides the multiple terms in use, there is also not consensus on the definition of failure (Kücher & Feldbauer-Durstmüller, 2018; Mellahi & Wilkinson, 2004), mainly due to its relativity (Anheier & Moulton, 1999) and subjectivity (Walshe, Harvey, Hyde, & Pandit, 2004). The different definitions reflect the aspects that are more important for the specific authors' research. For example, Cannon and Edmondson (2005) define failure simply as the *"deviation from expected and desired results"* (p. 300), while Marks and Vansteenkiste (2008) defined it as the *"the actual demise of the organisation when an entire company goes out of business... the organisation completely ceases to exist"* (p. 810).

Scholars must be particularly careful when translating these definitions to the non-profit and social enterprise sectors, mainly due to differences in missions, cultures and environments. Walshe et al. (2004) state that it is more difficult to measure failure in non-profit and public organisations. In particular, authors must be aware of the key importance of social goals for these organisations and the possibility that they may be closed following the achievement of their missions - which cannot be considered as failure (Fernandez, 2008). We deepen our discussion of the failure notion regarding social enterprises in Chapter 2 (Systematic Review).

1.2.2.2 *Failure causes*

Over the years, researchers have endeavoured to understand the causes and processes of business failure, yet they did not focus on defining an integrative framework (Amankwah-Amoah, 2016). This being, studies on failure multiplied without maturing (Mellahi & Wilkinson, 2004). Mellahi and Wilkinson, in 2004, and more recently, Amankwah-Amoah, in 2016, conducted systematic reviews on research regarding the causes of failure, while at the same time, bringing consistency to a complex and fragmented phenomenon.

Most of the scholars roughly group the causes of failure into internal (endogenous) and external (exogenous) factors (Amankwah-Amoah, 2016; Habersang et al., 2018; Mellahi & Wilkinson, 2004).

However, failure does not derive from one static factor, but rather from an interaction of organisational and environmental factors (Amankwah-Amoah, 2016). Moreover, authors underline different theoretical lenses, which researchers use to comprehend the reasons behind failure, which can be classified as a deterministic and the voluntaristic (Kücher & Feldbauer-Durstmüller, 2018). Theoretical and methodological differences sustain these two schools of thoughts that have evolved separately. The deterministic view includes the industrial organisation and organisation ecology standpoints, in which the manager is constrained by the external forces of the surrounding environment, having little power over it. The industrial organisation perspective state that failure stems from turbulent demand structures, changes in costumers, competition, etc. The voluntaristic view comprises organisational studies and organisational psychology, and suggests that the actions, inactions and perceptions of the organisation's members affect its path. Regarding the non-profit sector, studies on the causes of failure, as mentioned above, largely follow the same theoretical background used in the business sector. Yet, as research is scant, the conclusions are still fragmented.

1.2.2.3 Criteria to define failure on the ground

In order to facilitate the process of sampling when on the ground, we opt to define a set of inclusion and exclusion criteria according to the understanding of failure and the research goals. The inclusion criteria are the following:

- The definitive closure due to the impossibility of meeting its social and/or financial goals. Specifically, when the social entrepreneur, managers and/or board of directors are 'forced' to close down the operations of the enterprise due to financial and/or social unfeasibility.
- When the social enterprise did not show any activity for a minimum period of three months, even if after that period the social enterprise restarted with the same goals and terms¹.

The exclusion criteria are the following:

- Target of a restructuration process aiming at redefining action strategies to accomplish responsibilities to the stakeholders (turnaround), without ceasing the activities.
- A fixed-term project, which means that the enterprise was meant to exist solely for a certain period in response to a specific need and/ or event.
- Merged and/or acquired by another organisation.

¹ Some organisations may fit what Meyer and Zucker (1989) call permanently failing organisations.

- Achieved its social goals: closing because of success, not failure.

1.2.3 Social enterprises

1.2.3.1 *Understanding social enterprises*

The term 'social enterprise' surfaced in academic debates in the 1990s, and these enterprises have multiplied since then (Borzaga & Defourny, 2001; Defourny & Nyssens, 2008, 2010). Social enterprises can be found in various forms, places and contexts and arise from different segments of society (Borzaga & Defourny, 2001; Young, 2008). Initially, academic debates focused primarily on the characteristics of the sector in Europe and the USA, taking different trajectories and leading to conceptual specificities. In Europe, social enterprises formed the very heart of the third sector and were mainly associated with the cooperatives movement. It encompasses a broad range of organisational forms of enterprises that fit within the third sector (also called the social economy sector) such as non-profit organisations, associations, cooperatives and mutual societies (Defourny & Nyssens, 2010, 2014).

In the USA, social enterprises and social entrepreneurship activities emerged together. In 1993, the Harvard Business School launched the 'Social Enterprise Initiative', considered a key stepping-stone in the field (Defourny & Nyssens, 2010, 2014). In this country, there are two major schools of thought: the earned income school and the social innovation school (Defourny & Nyssens, 2010, 2014). The earned incomes school of thought considers social enterprises as non-profit organisations that are primarily market driven, focusing on business expertise and strategies to earn revenue independently from grants, subventions, funds, etc. (Kerlin, 2006). The social innovation school of thought views social entrepreneurs in the Schumpeterian meaning of the term. This means that the focus is on the social entrepreneur as a change-maker who brings social innovation to different fields (Defourny & Nyssens, 2010, 2014; Young, 2008).

In South Africa (See sub-section 1.3.1 for more details), social enterprise trajectories carry characteristics of both sides of the Atlantic. On the one hand, a social enterprise is a type of organisation that exists within the social economy sector, yet with other distinctive features, such as a business mindset. On the other hand, a social enterprise constitutes activities that emerge from entrepreneurial processes (Littlewood & Holt, 2015a) and may opt for for-profit status, such as small, micro and medium enterprises (SMMEs) (Claeyé, 2017).

The meaning of social enterprise evolved through time, shaped by institutional factors (Borzaga & Defourny, 2001; Kerlin, 2006; Nyssens, 2006), and dependent on cultural, historical and geographical

contexts (Teasdale, 2012; Teasdale, Lyon, & Baldock, 2013). Social enterprises are not a new type of organisation, but rather an evolutionary form that derives from the development of other organisations, such as non-profit, voluntary organisations, and cooperatives (Nyssens, 2006; Young & Salamon, 2002). A key justification behind this consideration refers to the marketisation of the non-profit sector, in which these organisations adopted a more business-like mindset to generate revenue, while simultaneously pursuing a strong social mission. This combination lends social enterprises the distinctive feature of hybridity (Battilana & Lee, 2014; Battilana, Sengul, Pache, & Model, 2015; Doherty, Haugh, & Lyon, 2014; Tracey, Phillips, & Jarvis, 2011). However, merging dissimilar institutional logics, and potentially conflicting ones, is not an easy task to manage in order to achieve sustainability (Battilana et al., 2015).

The growth of the sector and the concomitant increasing of academic debates also saw the proliferation of notions and terms. Several authors started to mix different terms, thus bringing some confusion to the conceptualisation of the term. Various stakeholders involved in the field also contributed to this fuzziness by introducing a diversity of terms and definitions. Consequently, scholars and other stakeholders often use interchangeable terms such as social enterprise, social entrepreneurship, social venture, social business, community-based enterprise, and so on. It is not our intention to discuss, in the present research, similarities and variances to what regards the definition of social enterprises. Therefore, we use the broadly accepted ideal-type indicators of EMES² to position ourselves, as well to support us in identifying the social enterprises on the ground. The EMES approach, defined by Defourny and Nyssens (2014), stems from an extensive dialogue among several disciplines and takes into consideration the diverse national backgrounds of European Union (EU) members. The indicators are also applicable outside the European context in, for example, developing countries, as may be verified by the emergence of recent research (Bidet, Eum, & Ryu, 2018; Claeys, 2016; Ellis, Ratanawaraha, Diskul, & Chandrachai, 2012; Pratono, Pramudija, & Sutanti, 2016).

Defourny and Nyssens (2014) divide the nine indicators into three sub-sets, with economic and entrepreneurial, social and governance dimensions.

Economic and entrepreneurial dimensions of social enterprises

- (a) A continuous activity producing and selling goods and/or selling services
- (b) A significant level of economic risk
- (c) A minimum amount of paid work

² EMES is a European Research Network, created in 1996. It is composed of several established academic research centres and individual researchers worldwide. The main goal is to build a body of knowledge around social enterprises.

Social dimensions of social enterprises

- (d) An explicit aim to benefit the community
- (e) An initiative launched by a group of citizens or civil society organisations
- (f) A limited profit distribution

Participatory governance of social enterprises

- (g) A high degree of autonomy
- (h) A decision-making power not based on capital ownership
- (i) A participatory nature, which involves various parties affected by the activity.

In this study, the terms social enterprises, social entrepreneurs and social entrepreneurship were accepted as carrying the following meaning: A social enterprise derives from the initiative of one or more social entrepreneurs, and/or from an organisational process that aims to adopt a business approach to generate revenue, while not neglecting its social focus. A social enterprise is the organisation itself; the social entrepreneur is the person that had the vision/idea to engage in an entrepreneurial initiative, which led to the creation of the social enterprise. A social entrepreneurial process is the procedure/practices in which the social entrepreneur or the relevant organisations opted to engage in order to become a social enterprise.

1.3 Research setting

1.3.1 South Africa

In 1994, South Africa transitioned to a constitutional democracy, leaving behind the apartheid era. The government ruling the country until the democratic transition implemented a system of separate development for the different racial groups in the country, creating segregation and inequality in all levels of society. Inequality is still very prevalent today, despite the policies introduced to significantly reduce the levels of poverty since 1994 (World Bank, 2018b). This means that twenty-four years after the end of apartheid rule, significant socio-economic gaps still exist between White and Black Africans and Coloured people³. For two decades now, the South African government has tried to improve the living standards of millions of South Africans through the implementation of various measures. However, these were not sufficient, and in some cases even inadvertently further entrenched the inequalities (Sulla & Zikhali, 2018). Moreover, enormous disparities in terms of earnings between White, African and Coloured South Africans are still noticeable. As Salisbury (2016) reports, White

³ The classification is the one still used by the South African government to denote the different sets of ethnic groups contained within its borders.

South Africans earn, on average, 369% more than Africans and 355% more than Coloured people. Poverty and inequality statistics show a similar trend. The highest level of poverty is among Black Africans, with a staggering 47% (in 2015) living in poverty; followed by 27% of Coloured South Africans; just over one per cent of Indians/Asians; and less than one per cent of Whites. Children are the most vulnerable to poverty. South Africa is one of the most unequal countries in the world given its Gini coefficient of .69 in 2011 (.63 in 2014) (World Bank, 2014). The Human Development Index was .699 in 2017 (United Nations Development Programme, 2018).

South Africa is still struggling with high levels of unemployment, reaching 27.5% in the third quarter of 2018 (Statistics South Africa, 2018c). The youth (15-34 years) are more vulnerable in the labour market, with a staggering 39% not in employment, education and training (third quarter of 2018) (Statistics South Africa, 2018c). They account for 63.5% of the total number of unemployed persons in the country. This trend is associated with the difficulties in creating jobs and with the economic recession of the past three years (Sulla & Zikhali, 2018; World Bank, 2018b). Statistics of South Africa (2018a) have reported a decrease of .7% in Gross Domestic Product (GDP) for 2018. Racial disparities and discrimination are still predominant in the labour market, *“which values the productive characteristics of Africans and Coloured differently than it values those of White”* (Salisbury, 2016, p. 48). Additionally, skilled labour is difficult to find in most skilled and professional fields, showing structural problems that have its roots in the education system (see below for more information on the education system of South Africa).

Based on the aforementioned, the country remains trapped in a cycle of inequality, poverty and high unemployment, that has impeded its economic development. Yet the country also has several potentialities. It is clear from the statistics that it is recovering from the recession felt during the period 2015 – 2017, and is showing moderate growth. The GDP is expected to grow by 1.8% in 2019 and by 1.9 in 2020 (World Bank, 2018a).

1.3.2 Nelson Mandela Bay – Statistical panorama

Nelson Mandela Bay is one of two metropolitan areas in the Eastern Cape Province, encompassing the city of Port Elizabeth. In 2016, the total population of the Municipality was 1,263,051, in which Black Africans constituted the largest group (692,731), followed by Coloureds (271,469), and Whites (165,426). The youth proportion of the total population was 32%. The predominant languages spoken in Nelson Mandela Bay are English, Afrikaans and IsiXhosa (Statistics South Africa, 2018b).

The Municipality had a GDP of R120 billion⁴ in 2016, contributing 2.76% to the GDP of South Africa. The main economic sectors are manufacturing, community services, finance, trade, and transport. The working population in Nelson Mandela Bay totalled 864,000 in 2016, increasing at an average annual rate of 1.40% since 2006. The rate of employment has grown in the last years; specifically, in 2016, 400,000 persons were employed in the formal employment in the Metro, with 59,600 persons employed in the informal sector. Still, the unemployment rate is quite high at 36,4% in the third quarter of 2018, 8.9% above the national rate (Statistics South Africa, 2018c).

The Human Development Index (HDI) of Nelson Mandela Bay is .681%. In comparison with the national HDI, the municipality presents a better level. The GINI coefficient, in 2016, was .63, showing a slow increase over the last ten years. Similar to the national panorama, poverty is quite high in the Metro. In 2016, the population living in poverty was 640,000 - 15.98% higher than in 2006. Poverty is higher among Black Africans and Coloureds (65.1% and 40.6%, respectively), while .6% of White Africans can be classified as impoverished. The poverty gap⁵ was 29.7%. Yet the gap decreased over the last ten years, which shows an improvement regarding the depth of poverty (Eastern Cape Socio Economic Consultative Council, 2017). Additionally, the crime rate in the Metro is also high, although it has decreased by 4.39% over recent years. The statistics place Nelson Mandela Bay as among the urban areas with the highest crime rate in the country, reaching the top three with regard to residential robberies, murder and sexual offences. Besides crime, the population struggle with social issues such as safe and reliable water supply (22%) and housing (12.7%) (South African Cities Network, 2017).

1.3.3 Education system

1.3.3.1 From apartheid to today

Prior to 1994, under the apartheid era, the government implemented and reinforced several policies and legislation, having at its core segregationist components. The then education system favoured government's ideology of racial discrimination, separating learners according to race, which led to disproportioned funding levels and inferior curriculums for non-white populations (Lam, Ardington, & Leibbrandt, 2011; Spaul, 2013a). It was only after 1989 that the government began to review several aspects of the educational system, based on inputs from a number of institutions and prominent individuals. The goal was twofold. At political and ideological level, the government focused on developing a curriculum based on the cultural diversity in the country. At economic level, the objective

⁴ R 120 Billion rand = 7.234.950.000 Euro (converted on the 02/11/2018)

⁵ The poverty gap – Is a ratio that indicates the difference between the mean income of the poor and the poverty line (OECD, 2018)

was to address the labour market gaps by focusing on the vocational component. However, critics believe that the main intention of the government was simply to minimise local and international contestation (Cross, Mungadi, & Rouhani, 2002).

Several initiatives emerged between 1989 and 1994 around the creation of an inclusive educational system and training panorama. The government engaged in conversations with different stakeholders, promoting dialogue and establishing working groups. After 1994, the initial attempts to apply an inclusive framework for education could be observed. The new democratic Constitution of South Africa entrenched citizens' right to universal education, regardless of race or socio-economic status (Shindler & Fleisch, 2007). The first White Paper on education in democratic South Africa was published in 1995 (Department of Education, 1995) and focused on the restructuring of the school curriculum and the formation of democratic structures. In addition, the government began to remove from the curriculum any trace of racial and offensive discourse related to the apartheid era, whether pedagogical or not.

The aforementioned White Paper of 1995 led to the current South African Education System, which has at its core the National Qualifications Framework (NQF). In the same year, the South African Qualifications Authority (SAQA) was established through Act No 58 of 1995. Its mission is to *“oversee the further development of the National Qualifications Framework (NQF) by implementing NQF-related policies, and to coordinate the NQF Sub-Frameworks managed by the three Quality Councils”* (Bolton, 2017, p. xvi). SAQA final goal is to contribute to the development of each learner and to the social and economic development of the country at large. The NQF, implemented in 1997, is a *“Key mechanism for overhauling the racially divided and unequal apartheid education system”* (Allais, 2007, p. 523). It aimed at constructing a democratic and fair education system, in contrast to the Apartheid era's educational policies, which were underpinned by a racially based ideology (Chisholm, 2005b). The NQF represents the development of a single education system for all South Africans, regardless of their colour. It is a comprehensive framework, covering all the levels and sectors of the education system. The NQF has an outcomes-based education philosophy at its core, as reflected in *Curriculum 2005* (Jansen, 1998). Outcomes-based education is a standard set of learning outcomes and related assessment criteria (Allais, 2007), defined at a national level. The outcomes are qualities that learners must have acquired throughout their learning process. The goal behind the implementation of an education system based on the outcomes defined in a curriculum model, was to ensure that the knowledge, on one hand, would not replicate the current power structures, and on the other hand, would enhance the integration of the socially disadvantaged.

The framework has been the target of severe criticism (Allais, 2007; Chisholm, 2005a; Jansen, 1998), causing the South African government to introduce a number of reformulations and amendments (NQF

Act No. 67 of 2008). In 2008, the government published a Bill amending the Act of 2008 (Minister of Higher Education and Training, 2016). The aim was to strengthen the principal act and to correct inconsistencies and gaps. The NQF is composed of ten levels, ranging from NQF Levels 1 to 10 (see the levels in Table 2). NQF level 1 is equivalent to Grade 9 and ABET – Adult Basic Education and Training. NQF level 1 refers to nine years of compulsory schooling. Learners then enter the next phase (Secondary cycle), which ends in Grade 12 with the attainment of a Matriculation Certificate (corresponding to NQF Level 4). Matriculation refers to learners' successful graduation from high school and the achievement of all the requirements to enter university. Learners may opt to follow a technical and vocational path, obtaining a National Certificate (N and NC (V)). Tertiary education, also called post-schooling, ranges from NQF Levels 5 to 10, with a Doctorate representing the highest degree level. Adults may also enrol in Adult Basic Education and Training (ABET) programmes.

The government created nine provincial Departments of Education, all working under the single national Department of Education. The Department of Education is split into Basic Education and Higher Education. The central government provides a national framework for school policy, and the provinces have the responsibility to administer it. Governing bodies are elected to govern schools with a fair amount of autonomy (Spaull, 2013a). Each school defines its own fees; however, the law stipulates that no learner may be denied access to or be excluded from a school based on her/his inability to pay these fees (Shindler & Fleisch, 2007). Besides school fees, a key source of revenue for schools are government subsidies.

1.3.3.2 Current state of education

Despite several large-scale reforms, the South African education system is still dysfunctional, with endemic structural and systemic problems (van der Berg & Hofmeyr, 2018). The legacy of the apartheid education system persists, despite increases in average educational attainment (Salisbury, 2016). The education system continues to reinforce poverty and inequality (Lam et al., 2011; van der Berg & Hofmeyr, 2018). Most Black African and Coloured children, who make up the majority of the learners in the country, still have access to inferior education in underresourced schools, many with dilapidated and neglected school buildings and inferior infrastructure, and consequently perpetuate the poverty cycle (van der Berg, 2008; Yamauchi, 2011). On entering school, new learners already present with learning deficits, which the school system is not addressed to overcome. The learning difficulties aggravate year by year, and the learners fall further behind. Many exit the school system prematurely. The South African education system is not able to transmit the knowledge, skills and values that individuals need to become full, productive and responsible members of society and does not promote social mobility (Spaull & Kotze, 2015). Studies have confirmed that significant differences exist

between the educational outcomes of learners from different racial backgrounds. For example, “82% of white students who were in grades 8 and 9 in 2002 successfully advanced three grades by 2005, compared to 34% of coloured students and only 27% of African students” (Lam et al., 2011, p. 121).

The authors of 2018 World Bank Report (Sulla & Zikhali, 2018) state that ‘near-universal’ access to primary education was achieved, which is a step toward equalising opportunities. However, the dropout rate remains high, even if overall attendance has increased in the country. For the standards of a middle-income country, the number of entrants into tertiary education is relatively low. Moreover, one third of Matriculants eligible to proceed to tertiary education, do not enrol (Sulla & Zikhali, 2018; World Bank, 2018b). It is notable that in households where the heads have some tertiary education, the risk of poverty reduces by about 30%, compared with households where the heads have no schooling. This means that education, together with skills improvement, is key in tackling poverty in South Africa (Sulla & Zikhali, 2018).

The human capital index⁶, powered by the World Bank, rates South Africa 126th out of 157 countries. South Africa shows slightly higher averages than its neighbours show, but lower for its income group (as a middle-income economy). On average, a child in South Africa has completed 9.3 years of primary and secondary schooling by the age of 18. When adjusting the years of schooling for quality learning, the number of years decreases to 5.1 only, showing a learning gap of 4.3 years (World Bank, 2018c). In Nelson Mandela Bay, 359,869 people aged 20 years or more completed Grade 12 (NQF Level 4) (total population: 1,263,051). Between 2011 and 2016, the number of people aged 5-24 years who attended school has increased. The community survey of 2016, shows that, altogether 212,276 people attended primary school; 101,864 attended secondary school; while 19,055 obtained some form of tertiary education (Statistics South Africa, 2018b). The unemployment statistics still show a daunting scenario. Fifty percent of the unemployed do not have Matriculation, while only 35.1% have matriculated (NQF Level 4) (Statistics South Africa, 2018c).

Despite the poor scenario, the country has made good progress, taking into consideration the past and the strategies implemented (Shay, 2017; Spaul, 2013b). Education is a top priority in the National Development Plan (Vision 2030), promoted by the South African government, with the support of international organisations.

⁶ “Human Capital Index measures the amount of human capital that a child born today can expect to attain by the age of 18” (World Bank, 2019, p. 56)

1.3.3.3 NQF and International Standard Classification of Education (ISCED)

The structure of education systems varies greatly around the globe. Several entities are working towards the creation of a unique framework that englobes different educational attainment levels. For example, the European Union (EU) has put measures in place to create a European Framework of Qualifications (EQF). Similarly, UNESCO has developed a broader framework called *International Standard Classification of Education (ISCED)*. ISCED is “the reference classification for organising education programmes and related qualifications by education levels and fields” (OECD, European Union, 2015, p. 9). As may be verified in Table 2, ISCED has nine levels of education” 0 to 8. Level 0 refers to early childhood development, and Level 8 to Doctorate level.

We opt to use the ISCED as a reference for the present study, as it constitutes a broader framework than the EQF. It also has a simpler outline, which may facilitate understanding of the South African education system. Moreover, for the sake of clarity and better visualise the differences regarding the education levels, South African education was divided into only three categories: primary, secondary and tertiary education, also in some instances specifying the types of diplomas, degrees and grades beside the cycle.

Table 2 - Comparison education system South Africa and ISCED

	ISCED		NQF Level	Schooling		Post-school and training (PSET)		NQF Level				
	2011 Level			Department of Basic Education (DBE)		Department of higher education and training (DHET)						
Tertiary Education	Doctoral equivalent level	or 8	10					<ul style="list-style-type: none"> • Doctoral Degree • Doctoral degree (professional) 	10			
	Master's equivalent level	or 7	9					<ul style="list-style-type: none"> • Master's Degree • Master's Degree (professional) 	9			
	Bachelor's equivalent	or 6	8					<ul style="list-style-type: none"> • Bachelor's Degree Honours • Post Graduate Diploma • Bachelor's Degree 	8			
								<ul style="list-style-type: none"> • Bachelor's Degree • Advanced Diploma 	7			
	Short Cycle Tertiary	5	6					<ul style="list-style-type: none"> • Diploma • Advanced Certificate 	6			
Secondary Education	Post-secondary Non-tertiary education	4	5					National N-diploma	6			
	Upper Secondary Education (Grades 10 to 12)	3	4					Further education and training (FET) Phase. (Grades 10 – 12 ; Aged 16 -18 years) <ul style="list-style-type: none"> • National Senior Certificate • Senior certificate 	NC (V), level 4	Senior Certificate Colleges	4	
									Intermediate certificate	NC (V), level 3	N3	3
									Elementary certificate	NC (V), level 2	N2	2
	Lower Secondary Education (Grades 8 and 9)	2	1					<ul style="list-style-type: none"> • General Certificate 		N1	1	
			0					Senior phase (Grades 7 – 9: Aged 13 – 15 years) Ends in Grade 9 with NQF level 1; Grade 8 falls below NQF level 1; Grade 7 is located in primary school	Adult basic education and training (ABET) Level 3			
	Primary Education	Primary Education (Grades 1 – 7)	1						Intermediate phase (Grades 4-6; Aged 10 – 12 years)		ABET Level 2	
Foundation phase (Grades 1-3; Aged 7 – 9 years)				ABET Level 1								
Pre-primary (Grade: R; Aged 6 years)												
	Early childhood education	0										

1.3.3.4 Social enterprises in South Africa

According to Littlewood and Holt (2015a), social enterprises in South Africa originated in 1892, when the first cooperative was established. However, it was only in the 1990s that social enterprises came into the spotlight with the arrival of international organisations, such as Ashoka. Late in the 1990s, when the transition to democracy ended and cuts in international donor funding were experienced, the country started to see a rise in social enterprise activities, along with an increase in government and academic engagement. For example, in 2001, the first trade association was established in the country; in 2005, the government approved the Cooperatives Act; and in 2011, the University of Cape Town launched the Bertha Centre for Social Innovation and Entrepreneurship.

Despite the fact that in recent years, academics and practitioners focused on understanding and conceptualising the specificities of this phenomenon in the country, much remains to be uncovered (Littlewood & Holt, 2015a; Urban, 2008). Bosma, Schott, Terjesen and Kew (2016) provide some statistical tracking regarding social entrepreneurship in South Africa. The rates of nascent social entrepreneurs and of individuals already in the operational phase are 1.6% and 2.3%, respectively. Basing his analysis on the data compiled for the Global Entrepreneurship Monitor of 2009, Visser (2011) indicates that South African social entrepreneurs are mainly White males from urban areas, aged 25 to 44 years old. Moreover, according to the abovestated authors, these organisations adopt a range of different profiles, varying from traditional non-governmental organisations, not-for-profit social enterprises, hybrid social enterprises, for-profit social enterprises, and socially committed enterprises. Hanley, Wachner and Weiss (2015) conclude that 49% of South African social enterprises are for-profit organisations, 35% are non-profit organisations, while 14% have opted to adopt a hybrid structure. The main sector of activity of these social enterprises is education and training, followed by culture and arts, ICT and environmental issues.

These statistics show a shyness in the growth of the sector in South Africa, mainly compared to developed economies. Urban (2008) corroborates this moderate development and justifies it by highlighting the 'newness of the concept'. He and other authors, such as Visser (2011), Malunga, Iwu and Mugobo (2014) and Claeys (2017), highlight the lack of institutional mechanisms and of a unified legal framework in place, which has impeded the proper development of the sector, as it brings more fuzziness to an already ambiguous and new concept. Furthermore, according to Urban (2008), the government seems reluctant to engage directly with the sector's stakeholders, considering the entrepreneurs as *innately risky* (p. 347). On the other hand, Littlewood and Holt (2015a) consider that the institutional environment, even with strong limitations, is propitious to the enlargement of the sector. Various stakeholders, including the government, development agencies, non-profit

organisations and traditional businesses, are increasingly being consulted and engaged (Littlewood & Holt, 2015b). Claeys (2017) also sees the lack of a unified framework as an opportunity for social entrepreneurs to explore innovative organisational forms.

The mortality rate of social enterprises in the country is unknown, whereas the non-survival rate of non-profit organisations, cooperatives, and small, micro and medium enterprises (SMME) is well acknowledged (Urban, 2008; Urban & Naidoo, 2012; Westoby, 2014). The statistics show a daunting scenario mainly in regard to cooperatives, with failure rates above 70% across all the provinces of the country (Department of Trade and Industry, 2012). At a national level, 88% of the 31,989 formally registered cooperatives in 2010 have failed. At a provincial level, specifically in the Eastern Cape, this rate rises to 93% (Department of Trade and Industry, 2012). SMMEs do not show such negative rates; yet the number still exceeds the 50% bar (Ladzani & van Vuuren, 2002; Urban & Naidoo, 2012). The abovementioned authors point out several reasons for this dramatic panorama. For the cooperatives, the causes can be traced to the lack of a supportive environment and mentorship, internal conflicts and lack of cooperation, and poor management. Regarding SMMEs, the authors Ladzani and van Vuuren (2002), and Urban and Naidoo (2012) identify as contributing factors lack of preparation and failure to budget properly the costs of running a business, as well as a lack of managerial and entrepreneurial skills. Still more research is needed to deepen the understanding of the factors leading to failure in this sector.

Authors consider the sector under-researched, even if academic publications regarding it have increased in the last years (Claeys, 2016, 2017; Littlewood & Holt, 2015a; Urban, 2008, 2015; Urban & Kujinga, 2017; Urban & Teise, 2015; Visser, 2011)). Also, the Global Entrepreneurship Monitor provided data on the South African social entrepreneurial setting, as subsequently analysed by Bosma et al. (2016). In addition, South Africa is part of the *International Comparative Social Enterprises Models* (ICSEM) research project. By using a comparative lens, Hanley et al. (2015) conducted an analysis of the field among four developing countries. Moreover, in 2018, two academic centres in South Africa involved in the social enterprise compiled a report on the 'state of the art' of the sector (Gordon Institute of Business Science, 2018).

1.4 Aims and objectives

The purpose of this research is -

To understand the role of human capital in the failure of social enterprises

We plan to achieve this by conducting a systematic review of the literature published to date, and by conducting an empirical research in Nelson Mandela Bay, South Africa. We defined three objectives, which are the following:

- (1) To understand the causes of organisational failure, and to develop a framework by consolidating the findings of the systematic review and the empirical results of the data collected in South Africa.
- (2) To verify the differences regarding the human capital of failed and successful social enterprises; and,
- (3) To establish the role of human capital in the failure of social enterprises and to understand which attribute of human capital may play a more significant role.

1.5 Thesis outline

Chapter 1 – Introduction

In this chapter, we start by highlighting the theoretical standpoints that structured the present study. So being, we briefly discuss the human capital theory, the concept of failure and social enterprises and the conceptual framework. Then, we introduce the setting of the empirical research, that is, South Africa, and more specifically, Nelson Mandela Bay. As one of the attributes of human capital refers to the levels of education, which we take into consideration in this study, we find it important to provide a brief summary of the education system prevalent in South Africa.

Chapter 2 – Systematic review

The systematic review emerged from a necessity of positioning ourselves within a specific theoretical framework regarding the failure of social enterprises. Thus, we review the knowledge produced to date focusing on the non-profit and social enterprises sector. For this, we define three main questions: a) what is organisational failure, b) what are the causes of organisational failure and, c) what is the role of human capital in the organisational failure. After conducting the search in the databases and selecting the studies, we provide the answer to these questions.

Chapter 3 – Methodology

In this chapter on methodology, we present the research paradigm that underpins the research, and we justify our motivation for the choice of a pragmatist worldview. Moreover, we discuss the benefits of having chosen a qualitative study and the subsequent methods for the data collection. We explain

our sampling process, specifically snowball sampling, as well as the specificities of entering and gaining access to the field, and the ethical issues related to it. This is followed by a description of the techniques used to analyse and to make sense of the data, in particular thematic analysis and the comparative design. We conclude the chapter by discussing the necessity of ensuring quality in a qualitative study, and thus, we present an auto-assessment according to some criteria defined.

Chapter 4 – Causes of failure

Chapter 4 is the first of the two chapters with the empirical results. Here we describe and analyse what the participants of the research considered as causes of failure. We start by referring to the general aspects of the chapter. Then we distinguish between internal and external causes. For each category (theme) that emerged, we add a visual map to enhance clarity.

Chapter 5 – Human capital

We present in Chapter 5 all the relevant attributes of human capital. It is composed of six sections, specifically, level of education, experience, training, external advisors, the board of directors and supervisory commitment and, skills and knowledge. In each section, we first describe and explain the failed social enterprises, and then we do the same for the successful social enterprises. The final part of the chapter is a general comparison of both failed and successful social enterprises.

Chapter 6 – Discussion, contribution and conclusion

The goal of this chapter is to discuss the research results and interconnect the theoretical lenses analysed in Chapter 2 with the results of the empirical data presented in Chapters 4 and 5. We introduce the causes of failure, and we examine the role of human capital in it. After it, we redesign the failure framework presented in chapter 2, by including the evidence collected in South Africa. By this, we attempt to integrate the several causes and bring clarity to a complex and multidimensional phenomenon. In addition, we present the contribution to theory and practice, the limitation and future research avenues.

CHAPTER 2

SYSTEMATIC REVIEW

The aim of this systematic review is to identify the studies conducted on the role of human capital in the failure of social enterprises and to summarise and assess the results. We start this chapter by discussing the definition of the term systematic review, its principles and the use of it in management and organisation studies. Then, we present the five-step model developed by Denyer and Tranfield (2009), which includes the question formulation, locating studies, study selection, analysis and synthesis, reporting and using results. We follow this model throughout the systematic literature review.

The second part of this chapter comprises the results of the systematic review. First, we discuss the concept of organisational failure. Secondly, we present the causes that the authors underline regarding the closure of social enterprises, and we integrate the results in a multidimensional framework. Thirdly, we examine the role of human capital in the failure of social enterprises.

2.1 General considerations

Reviewing the knowledge produced to date, is always a stepping-stone in any research. It is undertaken by the researcher in order to both map and assess the existing intellectual territory, which will support her/him in developing any further knowledge (Hart, 1998; Tranfield, Denyer, & Smart, 2003). One of the methods used to scrutinise the existing literature is the systematic review. Systematic reviews are associated with the rise in evidence-based policy and practice movement that aims at informing and assisting stakeholders during decision-making processes (Dixon-woods et al., 2006). Lately, this method has been the subject of interest of authors in various fields, and it thus has become a keystone in appraising both published and unpublished evidence. Researchers have acknowledged the value of undertaking a methodical process, in opposition to traditional reviews.

This technique had its origin within the health sector; however, it has gained ground and relevance in other fields, such as management and organisational studies (Briner, Denyer, & Rousseau, 2009; Denyer & Tranfield, 2006; Tranfield et al., 2003). Initially, the aim of using such a precise method was to limit error and bias or, as it has been argued within the management field, to bring transparency to the process of conducting a review. Before starting the review, the researcher predefines all the procedures and sets of criteria. By following a systematic review process, the researcher must firstly delineate the research question that he/she intends to answer, and then a clear and methodical path

must be followed in identifying, selecting and appraising the relevant evidence. In this sense, the researcher applies a series of standards and criteria for the process of reviewing in order to make sense of a large amount of secondary data (Petticrew & Roberts, 2006). Throughout this process, the researcher is also able to draw a map of the studies available in the field of interest, by identifying both the strengths and gaps, in order to outline what has been done so far and what needs to be done to improve it.

A systematic review is better suited to this research, since the field of organisational failure regarding non-profit organisations and social enterprises is very recent and fragmented. Researchers have not yet fully examined failure and its particularities. On the one hand, this entailed difficulties in positioning ourselves in a theoretical body and, on the other hand, it gave us the opportunity to explore it through empirical research. Additionally, very few systematic reviews have been conducted so far in the area of social enterprises, social entrepreneurship and the social economy. Following this methodical process, it forced us to define clearly the research questions and key words and, consequently, thoroughly and unbiasedly scrutinise databases commonly used in the fields of economics and management, making it easier to examine and understand the studies published in these fields, and determine the real dimensions of the research on organisational failure. We conduct a qualitative research, since we do not apply statistical methods to analyse the outcomes (Cook, Mulrow, & Haynes, 1997). We acknowledge the challenges of doing a qualitative systematic review. However, by doing so, our aim is to *“integrating different forms of evidence generated from different methods”* (Denyer & Tranfield, 2006, p. 222).

The goal of a systematic review conducted for the purpose of this study was to determine the role of human capital in the failure of social enterprises. We defined in accordance with this goal all the steps, as well as the inclusion and exclusion criteria. For the synthesis and analysis of the data that emerged from the selection process, we delineated three questions that were considered indispensable to address the research goal comprehensively. Firstly, we aimed at understanding the **concept of organisational failure**, followed by an analysis of its **causes** and, lastly, we examined **the role of human capital as a contributing factor**. In order to discuss the abovementioned topics, the model developed by Denyer and Tranfield (2009) was selected.

Over recent decades, there has been an increase of interest in this topic and, subsequently, the number of publications on organisational failure in the non-profit sector grew; yet very little studies have dealt specifically with social enterprises. Hence, our understanding is limited regarding the dynamics leading to the closure of this type of organisations. In relation to the question what organisational failure entails, three authors have presented a clear-cut definition, while another three authors have

discussed the features of this phenomenon among non-profit organisations. The term failure and other synonyms were transferred from the business sector, being used indistinctly, although questions were raised about the applicability to the non-profit sector (Fernandez, 2008; Helmig et al., 2014). Unlike the for-profit sector, for non-profit organisations the key factor in performance measurement is the achievement of the social mission, considering the financial assets as a means to accomplish it. Thus, activities dismissal due to mission completion is considered a successful outcome, rather than a failure.

Several studies have examined the factors that lead to the organisational failure of non-profit organisations, showing a certain degree of consistency. In turn, very few studies have analysed the causes of the dismissal of social enterprises. However, it was possible to draw some conclusions. Authors find that managers and other organisational constituents tend to overvalue the contextual and market factors, underestimating the role of several organisational idiosyncrasies and individual attributes (Scott & Teasdale, 2012). The factors presented by the authors generally relate to three main approaches derived from the for-profit sector, namely: population ecology, resource dependency theory, and new institutionalism. Variables used to verify the relevance of these three approaches were also divided into internal and external causes by other authors.

Our third review question concerns the role that the stock of human capital plays in organisational failure. Bennett (2016) is one author who has emphasised the theory of human capital. Two papers (Hager, Galaskiewicz, Bielefeld, & Pinz, 1999; Rohe & Bratt, 2003) have used the terms 'managerial expertise' and 'human capacity' to explain the individual characteristics of organisational actors. Despite the little specific reference to human capital, several authors mention attributes that often surface connected, in the literature, with this theory. Words like skills, experience and know-how are regularly cited almost in all studies. Authors citing these human attributes consider these as having played a role in organisational failure, in a direct or indirect manner.

Besides summarising and analysing the evidence regarding the three main research questions, the aim was also to identify the theoretical consistencies and gaps present in the literature regarding this issue. Moreover, the systematic review assisted us in succinctly formulating the research questions and making informed decisions. As mentioned by Petticrew and Roberts (2006), conducting a systematic review can identify breaches and also provide sufficient information to direct future research. Even in cases where the field is immature (like the case at hand), the systematic review will highlight the lack of evidence about in which regard the question was posed and whether there is a need for further investigation.

This chapter is organised as follows: firstly, we discuss the definition and principles of the systematic review; secondly, we disclose the methodology followed in the present systematic review; and, thirdly, we present the description and analysis of the results.

2.2 Definition and principles

2.2.1 What is a systematic review?

The literature review is considered an important tool in all areas of research, since it allows researchers to evaluate and understand the existing knowledge, and also provides guidelines for the future direction of research (Hart, 1998). As underlined by Webster and Watson (2002), a successful literature review provides an important basis for the construction of valuable knowledge and, subsequently, enables theory development. Reviewing the literature goes beyond undertaking a synthesis of the knowledge available; it also involves the appreciation of several findings and their relation to one another (Hammersley, 2001). There are two main approaches to reviewing literature: narrative reviews and systematic reviews.

The narrative review is the approach traditionally used by academics in all sectors. This type of literature review uses informal mechanisms in order to organise and analyse the up-to-date literature (Hammersley, 2001), and is also grounded in the *“experience and subjectivity of the author”* (Cipriani & Geddes, 2003, p. 146). The absence of explicit and objective methods of identification, selection and reporting of the findings has raised methodological questions (Cook, Mulrow, et al., 1997; Mulrow, 1987). Commonly the conclusions retrieved through this process emerge associated with the expertise of the author and may just reflect her/his perspective or position, undervaluing other studies and biasing the analysis (Mulrow, 1994). As such, traditional reviews often *“summarize unrepresentative samples of studies in an unsystematic and uncritical fashion”* (Petticrew & Roberts, 2006, p. 5). It is said that, through a narrative review, different individuals reviewing the same research evidence frequently draw different conclusions. Davies (2000) goes further, cautioning that traditional narrative reviews are often *“selective, if not haphazard”*, as well as *“opportunistic”*. For him, this is due to the absence of a *“rigorous and exhaustive”* (p. 367) search. Many authors have criticised the traditional review, referring to it as implicit, descriptive and biased (Denyer & Neely, 2004; Mulrow, 1994).

In turn, the systematic review, as an *“efficient scientific technique”* (Mulrow, 1994, p. 597; Petticrew, 2001, p. 99) attempts to overcome the gaps and deficiencies of the narrative review through employing transparent processes and specific methods to exhaustively identify, select and analyse the literature. A systematic review allows the researcher to build a trail of all the steps, including all the decisions, procedures and conclusions. The systematic process aims at summarising the existent studies and at

appraising the convergences and divergences among them through explicit and reproducible methodology (Greenhalgh, 1997).

Authors refer to the added value of a systematic review as being more rigorous, transparent, accurate and easily replicable. Consequently, it decreases the possibility of bias and random (Cook, Greengold, Ellrodt, & Weingarten, 1997; Tranfield et al., 2003). Also, systematic reviews are a valuable means of reviewing the literature on a specific issue, namely when there are uncertainties with regards the answer sought after (Petticrew & Roberts, 2006). Therefore, a systematic review can help to clarify a topic by providing an overview of the existent evidence and by proposing a future direction. According to Mulrow (1994), a systematic review is considered the most efficient and high-quality method to identify and assess existing literature.

Petticrew and Roberts (2006) outline that a well-conducted review generally answers to an initial question (or a set of questions) or test a specific hypothesis; it is not aimed at only synthesising the *state of the art*. In this sense, the systematic review process starts with a specific question, proceeded by methodical and explicit methods to identify, select and assess the relevant research work, and transparent reporting of results. At the end of the review process, it is recommended that the researcher present a short list of results, so that the efficiency and mainly, the feasibility of the review is assured. Nevertheless, the results should be 'competent' in order to provide enough data and information to be analysed, and subsequently, generate evidence and knowledge (Leseure, Bauer, Birdi, Neely, & Denyer, 2004).

Tranfield *et al.* (2003) underline that a systematic review must include the following features:

- clear and precise aims and objectives
- pre-planned methodology and methods
- a wide-ranging search of all potential studies
- explicit and reproducible criteria
- a clear manner of evaluating the quality of the selected studies
- an explicit analytical framework
- impartial and unbiased presentation of the results

Petticrew (2001) analyses the main differences between narrative and systematic reviews, as presented in Table 3. The main discrepancy lies in the methodical and explicit way in which systematic reviews are conducted, as it is vital to explicitly document the specificities and steps undertaken (Popay, Roberts, Sowden, & Petticrew, 2006). The aim of such a clear-cut process is to ensure transparency and replicability, as well as diminish errors and decrease partiality. In the words of Cook, Mulrow et al. (1997), both narrative and systematic reviews "*are alike, are retrospective, observational*

research studies and are therefore subject to systematic and random error” (p. 3). Therefore, for these authors the main differences between these two types of reviews lie in the methods that the researcher uses to reduce bias.

Table 3 - Differences between systematic and narrative reviews (Petticrew, 2001)

	Good quality systematic reviews	Traditional narrative reviews
Deciding on a review question	Start with a clear question to be answered or hypothesis to be tested	May also start with a clear question to be answered, but they more often involve a general discussion of the subject with no stated hypothesis
Searching for relevant studies	Strive to locate all relevant published and unpublished studies to limit the impact of publication and other biases	Do not usually attempt to locate all relevant literature
Deciding which studies to include and exclude	Involve explicit descriptions of what types of studies are to be Included, to limit selection bias on behalf of the reviewer	Usually do not describe why certain studies are included and others excluded
Assessing study quality	Examine in systematic manner the methods used in primary studies, and investigate potential biases in these studies and sources of heterogeneity between study results	Often do not consider differences in study methods or study quality
Synthesising study results	Base their conclusions on those studies that are methodologically most sound	Often do not differentiate between methodologically sound and unsound studies

2.2.2 Systematic reviews within management and organisational studies

Literature reviews in management and organisational studies are stepping-stones in the process of conducting scientific research. The reviewing process is affected by several challenges due to the fragmented nature of the field (Whitley, 1984) and its transdisciplinarity (Tranfield et al., 2003). In addition, it is a field composed of several schools of thoughts, in which different approaches and methodologies are applied, thus generating controversies among authors.

The type of literature review most regularly and widely performed is the so-called narrative review, but it has also been much criticised (Fink, 2014; Hart, 1998), based on the unclear determination of which studies to include (Denyer & Tranfield, 2006) and for lacking critical evaluation (Tranfield et al., 2003). Nevertheless, some excellent narrative reviews outline the main different perspectives in the field of study, specifying the methodological aspects and theoretical approaches. Lately, authors have recognised the importance and the added value of using the systematic review as a key technique in analysing and summarising evidence (Denyer & Tranfield, 2006; Tranfield et al., 2003). Briner et al. (2009) emphasise that *“systematic reviews have become fundamental to evidence-based practice and represent a key methodology for locating, appraising, synthesizing, and reporting “best evidence””* (p. 24). Authors highlight the benefits of adopting it to management and organisational studies (Briner et al., 2009; Denyer & Tranfield, 2006; Tranfield et al., 2003). However, the systematic review also raises questions, discussions and criticisms within the sector.

Criticism has predominantly been centred around the applicability of systematic reviews to the social sciences field (Hammersley, 2001). This author emphasises the uncritical sense of simply transferring the medical model to other sectors. Similarly, in their work, Denyer and Tranfield (2009) mention four criticisms regarding the transferability of a health sciences technique to the management field:

- (1) Different ontological and epistemological traditions between the sectors.
- (2) Different appraisals and relevance given to the types of studies to be included.
- (3) The extent to which the systematic review can be a specific procedure and the extent to which it is possible to reduce bias.
- (4) The extent to which the synthesis produced through a systematic reviews valid and reliable and how it is used in decision-making processes.

Nevertheless, the above authors are aware of the risk of making use of this methodology without the proper prior adjustment for management and organisational studies. In this regard, they call for a more inclusive and comprehensive approach to systematic reviews, mainly in the fields where qualitative, quantitative and theoretical contributions have an equal value, such as in this field. Given this, Denyer and Tranfield (2009) have adopted and improved the Cochrane-style⁷ systematic review to the field. The authors clearly identify the benefits that could be brought to the *“field through improved quality and rigour”* (p. 672).

Recently, an increase in the number of published papers based on the principles of systematic review among management and organisational studies have been observed, mainly due to *“the awareness of*

⁷ Cochrane-style is a specific rationale on how to conduct systematic reviews that was developed by the Cochrane collaboration, a network of researchers in health sciences founded in 1993. (Cf. <http://www.cochrane.org/>)

the technique among academic community” (O. Jones & Gatrell, 2014, p. 253). In this regard, Jones and Gatrell (2014) encourage other authors to take a more innovative approach and apply rigorous methods when reviewing existing evidence. Petticrew (2001) argues *“systematic review is an efficient technique for hypothesis testing, for summarizing the results of existing studies and, for assessing the consistency among previous studies; these tasks are clearly not unique to medicine”* (p. 100).

Despite idiosyncratic characteristics and different epistemological and ontological approaches between the medical and management sciences, the use of personalised and adapted methodologies contributes to the efficiency of both sectors when producing valuable knowledge (Denyer & Tranfield, 2006).

2.2.3 Systematic review principles

Authors have identified a number of core principles of systematic reviews (Briner & Denyer, 2012; Denyer & Tranfield, 2009). Denyer and Tranfield (2009) outline four core principles applied to systematic reviews in the field of medicine, which are: replicable, exclusive, aggregative and algorithmic. They also present four other core principles that better fit into the specificities of management and organisation studies: transparency, inclusivity, explanatory and heuristic nature. We discuss both sets of principles below, after which we introduce a summary table (Cf. Table 4 below).

- (1) Replicable - The replicable principle suggests the use of a methodology based on an epistemology in which the knowledge produced is based on an explicit, reproducible and unbiased process (Greenhalgh, 1997). All the methods, criteria and steps to be used, must be defined and registered in a protocol before starting the review (Cook, Mulrow, et al., 1997). Besides the protocol, the systematic review must contain a section about the methods used, the steps followed and the justification of all the decisions taken. When conducting the review, the researcher must explicitly state all the changes that have occurred. By documenting the entire procedure, the researcher enables replication.
- (2) Exclusive - This refers to the need for gathering and analysing the best evidence available. Researchers developed a set of criteria and standards to assess the internal and external validity of research studies. The hierarchy of evidence developed by Davies and Nutley (1999) is one of the tools that fulfil this function. As already mentioned, in health sciences, the studies considered appropriate for analysis were grounded mainly in quantitative and experimental methods, containing a certain degree of consistency among them. Lately, efforts have been made to incorporate qualitative studies in systematic review, but these

have not been appreciated by some positivist authors, since they emphasise quantitative over qualitative methods (Dixon-Woods, Agarwall, Jones, Young & Sutton, 2005).

- (3) **Aggregative** - The third principle refers to the meta-analysis as the ideal approach to synthesise and aggregate the findings. Researchers perform such statistical approach when studies are homogeneous; thus, if the studies are consistent with one another, they can be aggregated and analysed. Even if some studies are not completely compatible, they can still be combined, despite subtle differences (Rousseau, Manning, & Denyer, 2008) through different statistical techniques. According to Denyer and Tranfield (2009) and Pawson (2002), the aggregation of studies via such techniques raises some risks, especially in the case of misreporting the context and processes of implementation. Dixon-Woods and Fitzpatrick (2001) consider that qualitative studies also bring value to systematic reviews.
- (4) **Algorithmic** – Denyer and Tranfield (2009) emphasise that, in medicine, systematic reviews follow a very strict set of guidelines, or in their own words, algorithms, in order to obtain well-defined outputs. Researchers in the health sciences mainly attempt to comprehend in an explicit way the effectiveness of the intervention studied, by comparing several homogeneous pieces of evidence.

All these principles present limitations when applied to the field of management and organisation studies. As a result, Denyer and Tranfield (2009) identified four alternatives principles, which they consider more appropriate to the field.

- (1) **Transparency** - The authors argue that research via a systematic review should not aim at reducing bias or increasing its replicability, but at being transparent. In transparency, there are three aspects to consider. Firstly, the review must be open and explicit about all the procedural steps taken. Protocol is a necessary tool, but can be changed when needed in the course of the review. The authors recommend the inclusion of a methodology section, where the researcher specifies all the steps, as well as the set of criteria and methods applied during the reviewing process. This enables the reader to understand the scope and boundaries of the systematic review. Secondly, the section on findings must clearly show the links between the evidence found and the analysis and recommendations of the reviewer's. With this audit trail, it is possible to provide the reader with enough information regarding the data on which the reviewer has based her/his claims. Thirdly, the aforementioned authors state that is impossible to be impartial, thus they consider it

important to clearly state the values, beliefs and positions underpinning the systematic review.

- (2) Inclusivity – When evaluating the quality of the evidence gathered, researchers in management and organisational studies may find this process challenging. Studies in this field vary according to population, size, variables and data, showing a lack of homogeneity. Heterogeneity is regarded as an advantage. On the one hand, it allows the researcher to understand contextual factors. On the other hand, a broad sample of studies balances with the involuntary judgements and values of the researchers. Contrary to the hierarchy of evidence used in medicine, Boaz and Ashby (2003) and Petticrew and Roberts (2006) propose the *fit-for-purpose* as an adequate strategy to appraise the studies. Also, Pawson (2002) argues that the researcher should pose the question only if the study brings something new to the research. Even so, according to Denyer and Tranfield (2009), it is essential to previously define a set of criteria appropriate to the field and subject of study.
- (3) Explanatory – This principle reflects the need to and importance of developing a tool to substitute the meta-analysis used in medicine. Several techniques have been developed in order to summarise and analyse both quantitative and qualitative findings, such as the interpretive and explanatory synthesis, which can go beyond descriptive. The goal is not to bring pieces of different studies together, but to generate new understanding or even new theoretical frameworks. By methodically organising the studies, the researcher is able to summarise them and discuss the role of each one in the construction of the theme under scrutiny.
- (4) Heuristic nature - The fourth principle, suggested by Denyer and Tranfield (2009), refers to the outputs of the systematic review. On the one hand, the authors refer to the complexity of the management field that, consequently, have heuristic outputs. On the other hand, the authors state the need to obtain results that are easy to transfer to the field.

Table 4 - Principles of the systematic review

Principles of the systematic review	
Applied to medicine field	Applied management and organisational studies
<p>1. Replicable</p> <ul style="list-style-type: none"> Well-defined protocol and objective method section 	<p>1. Transparency</p> <ul style="list-style-type: none"> Iterative protocol (subject to change in the course of the review)
<p>2. Exclusive</p> <ul style="list-style-type: none"> Best evidence available Set of quality criteria and standards Hierarchy of evidence Homogeneous studies 	<p>2. Inclusivity</p> <ul style="list-style-type: none"> Set of quality criteria and standards <i>Fit-for-purpose</i> and brings something new to the field Homogeneous and heterogeneous studies; quantitative and qualitative studies
<p>3. Aggregative</p> <ul style="list-style-type: none"> Meta-analysis Use of qualitative techniques (but researchers still very sceptic about it) 	<p>3. Explanatory</p> <ul style="list-style-type: none"> Interpretative and explanatory synthesis
<p>4. Algorithmic</p> <ul style="list-style-type: none"> A strict set of guidelines Numerical outputs 	<p>4. Heuristic</p> <ul style="list-style-type: none"> Different conclusions

In the field of management and organisational studies, systematic reviews as a valuable technique are in an embryonic stage. Despite being the target of criticism, it is gaining ground as a prominent method to identify, select and synthesise studies in a more explicit and objective manner than the traditional literature. For Petticrew and Roberts (2006), systematic reviews bring several opportunities, not only because they allow the comprehension of existing theories, but also because they permit the building of new knowledge. Conducting a systematic review enables the researcher to locate and understand, exhaustively, what is already known about a specific subject, as well as to identify the possible gaps. This is due to the intensive search in several databases for pre-defined key words, as well as applying specific sets of criteria to select and examine the studies. By so doing, the researcher provides a map of the up-to-date published data, allowing the comprehension of possible gaps in respect of the topic scrutinised. As mentioned above, the aim is not only to provide the *state of the art*, but also to bring extra valuable knowledge. Synthesising the findings does not imply a mere summary of it, but broader analysis and results.

The methodology section presented below, we clearly state how we conducted the systematic review process, evidencing all the details and steps taken. As mentioned by Denyer and Neely (2004), the

description and transparency of the process of conducting a systematic review, besides increasing the quality of the work, also help to reduce bias and error.

2.3 Methodology

As previously mentioned, a systematic review requires the follow-up of specific steps and guidelines, in order to ensure transparency and impartiality. Over recent decades, authors delineated several important activities by dividing them up into steps (Briner & Denyer, 2012; Denyer & Tranfield, 2009; Khan, Kunz, Kleijnen, & Antes, 2003). For the present review, we opt to follow the five-step model defined by Denyer and Tranfield (2009), based on the fact that the authors adjusted the process used in the health sector by combining it with specific elements of the management field. Tranfield et al. (2003) emphasise that *“applying specific principles of the systematic review methodology used in the medical sciences to management research will help in counteracting bias by making explicit the values and assumptions underpinning a review”* (p. 208).

Table 5 - Systematic review process (based on the work of Denyer and Tranfield, 2009)

Steps	Main tasks
Step 1 Question formulation	<ul style="list-style-type: none"> • To form an advisory group composed of different experts in the field to assist during the process • To establish the focus of the research (frame review question) • To develop a proposal (protocol) with the guidelines for all processes (iterative process)
Step 2 Locating studies	<ul style="list-style-type: none"> • To identify the studies in the defined databases according to the search strings, grouping key words
Step 3 Study selection and evaluation	<ul style="list-style-type: none"> • To screen the studies according to the inclusion and exclusion criteria • To assess the quality of the studies applying the predefined criteria (critical appraisal)
Step 4 Analysis and synthesis	<ul style="list-style-type: none"> • To extract the studies into a data extraction form • To summarise and analyse the findings
Step 5 Reporting and Using results	<ul style="list-style-type: none"> • To report the synthesis of the studies, as well as to discuss limitations and provide recommendations

The main goal of the current review was to identify the studies conducted regarding the role of human capital in the organisational failure of social enterprises, and to subsequently to critically evaluate and summarise the different findings. Our understanding was that the human capital theory was not commonly used in this field. Thus, the intention was in the first phase, to identify which theoretical framework the authors were using to explain organisational failure. It is also worth to note that since

the number of studies regarding the failure of social enterprises is very few, it was decided to enlarge the search to the non-profit sector. Below, we explain the steps undertaken.

2.3.1 Step 1 – Question formulation

During stage 1, we formed a review panel composed of three members from two areas of expertise, namely economics and management, which deal with the issue of non-profit organisations and, more specifically, about social enterprises. The main researcher formed part of this panel. Together we planned the process of conducting the systematic review and gathered all the details into the review protocol with the aim of providing explicit guidelines for the different steps. In the protocol, we described the conceptual discussion and problem statement, research questions, search strategy, and the inclusion and exclusion criteria (Briner & Denyer, 2012; Cook, Mulrow, et al., 1997; Denyer & Tranfield, 2009) (Cf. Appendix A). However, as a more flexible approach should be undertaken in respect of the management field, the protocol was also viewed as an iterative and discussion document. This means that the protocol functioned as a guide through the entire review process, which was modified, when needed. Yet all the changes were explicitly mentioned (Tranfield et al., 2003).

2.3.1.1 Problem statement

As was mentioned in the introduction chapter, the academic work published to date about social enterprises emphasises the optimistic and idealistic side of it (Scott & Teasdale, 2012). Researchers are mainly producing knowledge through the analysis of cases of success and best practices, devaluing the insights that could emerge from the exploration of failures and undesirable outcomes. Leaders of social enterprises, according to Foster and Bradach (2005), also display a “*pattern of unwarranted optimism*”, as well as “*unrealistic expectations*” (p. 94). Despite all the positivism associated, most social enterprises fail (Chell, 2007; Dees, 1998) or cease operations (Haugh, 2005).

Several studies have been conducted on the for-profit sector, which recognises organisational failure as a multifaceted phenomenon (Mellahi & Wilkinson, 2004). However, little is known about the factors that oblige social enterprises to cease operations. Chell (2007) underlines that the high rate of failure among social enterprises is due to two main factors. One factor appears related to conflict, underpinned by competing logics; while the other is associated with a lack of business perspective. Implementing business-like logics in an organisation requires from the managers strong skills in balancing the two logics and in reshaping activities and strategies accordingly (Dart, 2004).

In line with Dees (1998), managers must therefore cope with the market disciplines and dynamics, and focus on strategies oriented to achieve commercial goals. Brinckerhoff (2000) underlines the importance of business skills to achieve the desired organisational sustainability. The relevant authors do not clearly state the human capital theory in the abovementioned studies; yet they mention attributes of it as crucial factors in the success of a social enterprise. Social entrepreneurship and human capital are scarcely associated in the academic literature (Ernst, 2011); only a few studies focus on the propensity to start up enterprises and on social entrepreneurial intentions (Corner & Ho, 2010; Hockerts, 2017; Sharir & Lerner, 2006).

It is possible to identify a dearth of failure cases in the academic stories written about social enterprises. Also, there is a lack of studies on the positive or negative effects of the stock of human capital on the performance of social enterprises. While the challenges associated with exploring organisational failure are acknowledged, the vast potentialities of learning that can emerge from it, must also be recognised. As was verified in Chapter 1 (Introduction), authors have been calling for research that addresses the issue of organisational failure. The failure provides rich information, not only to scholars, but also to social enterprise actors, founders and policymakers. Besides, if the knowledge is based exclusively on success, the capacity of understanding the social enterprise dynamics would be limited (Alvord, Brown, & Letts, 2004).

2.3.1.2 Questions formulation

The decision to embark on a systematic review was based on the difficulty to position the organisational failure of social enterprises in a prevailing theoretical framework. A panoply of theories from the economic and management sciences assess and explain organisational failure. However, they do not specifically embrace this type of organisation (Mellahi & Wilkinson, 2004). One of the theories that helps explaining why some for-profit organisations fail, while others succeed, is the human capital theory, which postulates human capacity, measured by level of education and experience, as a vital organisational asset (Becker, 1962; Schultz, 1961). Yet, as mentioned above, few studies in the non-profit sector have used this theory to explore the reasons behind organisational failure.

With the present systematic review, we intend to explore exhaustively all the sources published to date and reduce bias by adopting more methodical approach. Our aim was also to weigh the academic work produced to date regarding the failure of social enterprises through the lens of the human capital theory. In addition, we attempt to understand which other explanatory models were available regarding failure, and to understand the concept of organisational failure better.

Being so, we identify and analyse the studies that would provide enough data to –

Determine the role that human capital plays in the failure of social enterprises.

Moreover, in order to proceed with an accurate selection of the studies that fit in our research goal, as well as to simplify the process of synthesising and analysing the studies, we (as panel) divided the previous question into three sub-questions:

(Q1) What is organisational failure?

(Q2) What are the causes of organisational failure?

(Q3) What is the role of human capital in the organisational failure?

We also used these questions to understand if the studies fit our purpose and to support our decision to either include or exclude the studies identified during the first part of the selection phase.

2.3.2 Step 2 – Locating the studies

To answer the aforementioned questions, we conducted searches⁸ in five databases in the field of economics and management. The selected databases were Business Source Complete, EconLit, Web of Science, Springer Link and Emerald Insight. Strategically, we chose the last database in order to include the *Social Enterprise Journal*, as it contains several studies specific to the field being studied. Afterwards, we decided which search terms applied, through a three-step process: a) brainstorming with the review team; b) revising papers, articles and books in the field of the non-profit sector, social enterprises, organisational failure, and human capital; c) and using the option 'synonymous' in the databases.

In the field of social enterprises, it is well known that the term does not enjoy full consensus and that it is used interchangeably with other terms among both academics and practitioners. In the prominent literature, it is possible to identify two main schools of thoughts, as well as the use of various terms that refer to equivalent definitions and practices in the sector (Cf. Chapter 1 – Introduction). As social enterprises also fit into the so-called third sector, we agreed to include in the search several synonyms that were academically used.

Similarly, academics assessing organisational failure from different disciplines use various terms indiscriminately (Mellahi & Wilkinson, 2004). For example: closure, mortality and exit. We decided to follow this tendency, acknowledging, however, beforehand the particularities of each term. For example, in the profit sector, a successful corporation might decide to exit the market strategically by merging with another firm, changing ownership, or through a sale. Thus, the corporation did not perish

⁸ We conducted the systematic review between January and June 2017. We carried out a second systematic search, according to all the procedures and steps, in October 2018. The search resulted in 116 studies, excluding repeated articles, in which none of these proceeded to Step 3 – Phase 2 and 3.

due to a negative outcome (Headd, 2003; Watson & Everett, 1993). Likewise, non-profit organisations may exit the market due to a successful outcome: mission completion.

Regarding the term human capital, as our research focus was to understand specifically the role that skills and competencies played in failure of social enterprises, we opted to search by this specific term (human capital) only. We display in Table 6 all the terms considered by the review team.

Table 6 - Key words

Social Enterprise	“Social Entrepreneur”; “Social Entrepreneurship”; "Social Business"; "Social Venture"; Nonprofit; “Non-profit”; “Non-profit sector”; “Non-profit organizations”; “Non-profit organisations”; “Non-governmental organizations”; “Non-governmental organisations”; “Civil Society”; “Third Sector”; "Social Economy"
Failure	Organi* Failure (both organizational and organisational); Organi* death (both organizational and organisational); Mortality; Dissolution; Fail* (concerning failure; failed, failing); Unsustainable; Closure; Exit
Human Capital	Human capital

For the combination of words (Cf. Table 7), we first decided to search for social enterprise (and its synonyms), human capital and failure (and its synonyms) in order to specifically retain the studies that would provide an answer to our main goal. However, it was possible to verify that the previously mentioned combinations of terms did not provide great results for the furtherance of the review. Specifically, the searches with the three combinations of words produced four studies only. After the selection process, we only considered one study for additional analysis. The subjects of the remaining three studies were not lined up with the inclusion criteria. Due to the paucity of results, we have decided to exclude from the searches the term human capital, with the aim of broadening our results, as well as to understand the other explanatory theories regarding failure.

Table 7 - Combination of keywords

First Combination of search terms	Second combination of search terms
Fail* OR "Organi* Fail*" OR Unsustainable OR Bankruptcy OR "Organi* Death" OR "Mortality" OR "Dissolution" OR Closure OR Exit AND "Human Capital" AND "Social Enterprises" OR "Social Entrepreneur*" OR "Social Business" OR "Social Venture" OR "Nonprofit" OR "Non-profit" OR "Non-profit organi*" OR "Non-profit sector" OR "Non-governmental organi*" OR "civil society" OR "Third sector" OR "Social Economy"	Fail* OR "Organi* Fail*" OR Unsustainable OR Bankruptcy OR "Organi* Death" OR "Mortality" OR "Dissolution" OR Closure OR Exit AND "Social Enterprises" OR "Social Entrepreneur*" OR "Social Business" OR "Social Venture" OR "Nonprofit" OR "Non-profit" OR "Non-profit organi*" OR "Non-profit sector" OR "Non- governmental organi*" OR "civil society" OR "Third sector" OR "Social Economy"

We ran searches in line with the abovementioned combination of words in the title, subtitle, key words, abstract and topic. It is important to mention that the search options varied according to the databases. Specifically, the Springer Link database did not allow conducting searches in the same search strings mentioned above, since they present a different style of search. Therefore, we were constrained to search for the key words in the full text. In order to select the studies that were more appropriate to our research questions and in respecting the same process undertaken in respect of the other four databases, we proceeded to a manual selection. We have conducted a search according to the predefined key words in the title, key words and abstract present in the full text of the selected studies.

Overall, we operationalised the searches using the defined key words, their combinations, search strings, and inclusion criteria on the bibliographic databases in order to find published studies. We applied in two different stages the inclusion and exclusion criteria outlined beforehand. (See more information in step 3). We imported the results of the identification phase into the bibliographic management software Zotero, and we removed all the duplicates. We identified a total of 1418 studies and removed 442 matching studies, leaving a final total of 976 for the next phase.

2.3.3 Step 3 – Selection of studies

For the present systematic review, we opted to divide the selection phase into three phases. The first phase concerned the selection of studies according to the inclusion and exclusion criteria. Secondly, we applied the *fit-for-purpose* approach in order to understand which studies would better suit our review questions. Finally, the third phase enabled a quality assessment of the studies.

2.3.3.1 Phase 1

Prior to conducting the review, we also have clearly defined all the inclusion and exclusion criteria, which we display in Table 8 and Table 9, respectively. We divided these criteria into two phases appropriate to the identification part conducted during Step 2 and during the selection process of Step 3. During the identification phase, we used inclusion criteria as the date, type of study, publication and language. We checked all these elements in the databases before performing the search.

We opted to integrate into the systematic review both published qualitative and quantitative peer-reviewed articles, as well as book chapters and books in the field of management, economics and the non-profit sector (voluntary sector, non-governmental sector, third sector and social enterprises). Our decision not to include unpublished studies and grey literature was in accordance with the argument put forward by Foster and Hammersley (1998), to the effect that if the research goal is to investigate a subject validated by the research community and that has gathered a broad consensus, it is questionable to include studies that were not assessed by reviewers. We gave preference to studies in the English language; however, we did not restrict the geographical areas. In turn, during the selection phase, the criteria used to screen the results were focused on the theoretical background and the outcomes of the studies.

Table 8 - Inclusion criteria

Criteria	Inclusion	Reasons for inclusion
Used in the identification phase		
Date	No date restrictions	
Geographical area	No geographical restrictions	To ensure a cross-country picture of the subject
Population	<p>Studies that considered the following organisations:</p> <ol style="list-style-type: none"> 1. Third sector, social economy and/ or non-profit organisations 2. Social enterprises, social businesses or social organisations with a generating income initiative, fitting into the nine EMES indicators. <p>All sectors of activity of the abovementioned organisations.</p>	The reason why we consider both non-profit organisations and organisations with generating income projects (social enterprises, social businesses), was because of similarities in terms of organisational principles and in order to understand which lenses the authors used to study and analyse organisational failure.
Study and Design	<p>All types of published studies (conceptual, empirical, case studies), with a qualitative and quantitative approach.</p> <p>Only books or book chapters from well-established publishers in the field of management, economics and the non-profit sector.</p>	To ensure that all published studies were included in the review.
Discipline	Only studies in the field of management, economics and the non-profit sector.	Only studies in these fields, as it was our goal to analyse failure and human capital only through economic and management perspectives.
Language	English	Only studies in English, as we tried to avoid potential conceptualisation problems deriving from translations.
Used in the selection phase		
Theoretical perspective	<p>Only studies referring to organisational failure.</p> <p>Studies that also used a different lens of analysing organisational failure, and not only human capital theory, in order</p>	

	<p>to identify which definition of failure was commonly used and which theories were used to analyse the causes of failure.</p> <p>All the studies that contained elements related to human capital in the abstract, or contained words like competencies or skills of the individuals working in the social organisation.</p>	
Outcomes	All the studies with outcomes that addressed the research questions of the present study.	

Table 9 - Exclusion criteria

Criteria		Reasons for exclusion
Used in the identification phase		
Study and Design	Unpublished studies (for example, reports and grey literature).	Focus on high-quality peer-reviewed broadly validated research.
Population	For-profit and public sectors.	<p>Even if some characteristics of non-profit organisations may have appeared similar to those of public sector organisations, we intended to verify solely the specificities about the failure of the non-profit sector. The for-profit sector organisations were not considered relevant for this study.</p> <p>Studies that did not clearly mention if the organisation studied was a not-for-profit organisation.</p>
Disciplines	Studies in all the other fields, for example law, psychology and sociology.	Studies that did not focus on economic or managerial theory/perspectives.
Language	Other languages	All the studies written in languages other than English to avoid misinterpretations due to translation differences (to avoid getting lost in translations).
Used in the selection phase		
Theoretical perspective	Studies that did not specifically refer to organisational failure	<p>Studies referring to government failure, market failure or another type of failure is not directly related to organisational failure.</p> <p>Studies discussing organisational closure associated with mergers, sales and ownership changes.</p>

The selection process subsequently underwent several stages. We (main researcher, independent reviewer and a member of the panel review) assessed the identified results separately through a three-step process. The three steps were:

- (1) The main researcher and independent reviewer read the abstracts of the selected studies individually and categorised them into three categories, YES, NO and MAYBE (Undecided).
- (2) In cases where disagreements arose between the main researcher and the independent reviewer, a member of the review panel analysed the abstracts that fell into the YES and MAYBE categories, in order to make a ruling.
- (3) When there was no consensus among the three participants in the process, we proceeded to further analyse the full texts of the studies. Moreover, we discussed the discrepancies in the opinions of the panel reviewers and the independent reviewer in order to achieve final consensus.

The YES category encompassed the studies considered relevant and applicable to the study; the NO category covered all the irrelevant studies that did not meet the inclusion criteria and did not answer our predefined questions; and finally, the MAYBE category (undecided) covered the studies that were not explicitly in line with our research questions, and consequently, needed further assessment. Overall, we included, for the next steps of the review process, the abstracts that met all the inclusion criteria and manifested none of the exclusion criteria. We documented the entire process and recorded the motives of inclusion and exclusion to ensure the replicability and transparency of the systematic review.

We then screened the abstracts of the 976 studies on the basis of the inclusion and exclusion criteria. We removed 930 studies due to misalignment with the inclusion criteria. We analysed the full texts of the remaining 46 studies. We approved only 23 studies for inclusion in the further analysis. We added⁹ by cross-referencing eight studies, as well as two chapters of the book edited by Anheier, 1999¹⁰. We downloaded the full texts of these studies (33) to proceed with an in-depth and qualitative evaluation and to select the ones to be analysed during Step 4. We enumerated all the steps undertaken during this process, as well as the number of studies identified, screened and appraised in Figure 2.

⁹ According to Greenhalgh (1997) through cross-referencing, the researchers often have the possibility to locate studies that were not identified on the databases searches.

¹⁰ Anheier, H. K. (1999). *When Things Go Wrong - Organizational Failure and Breakdowns*. Thousand Oaks, CA: Sage Publications.

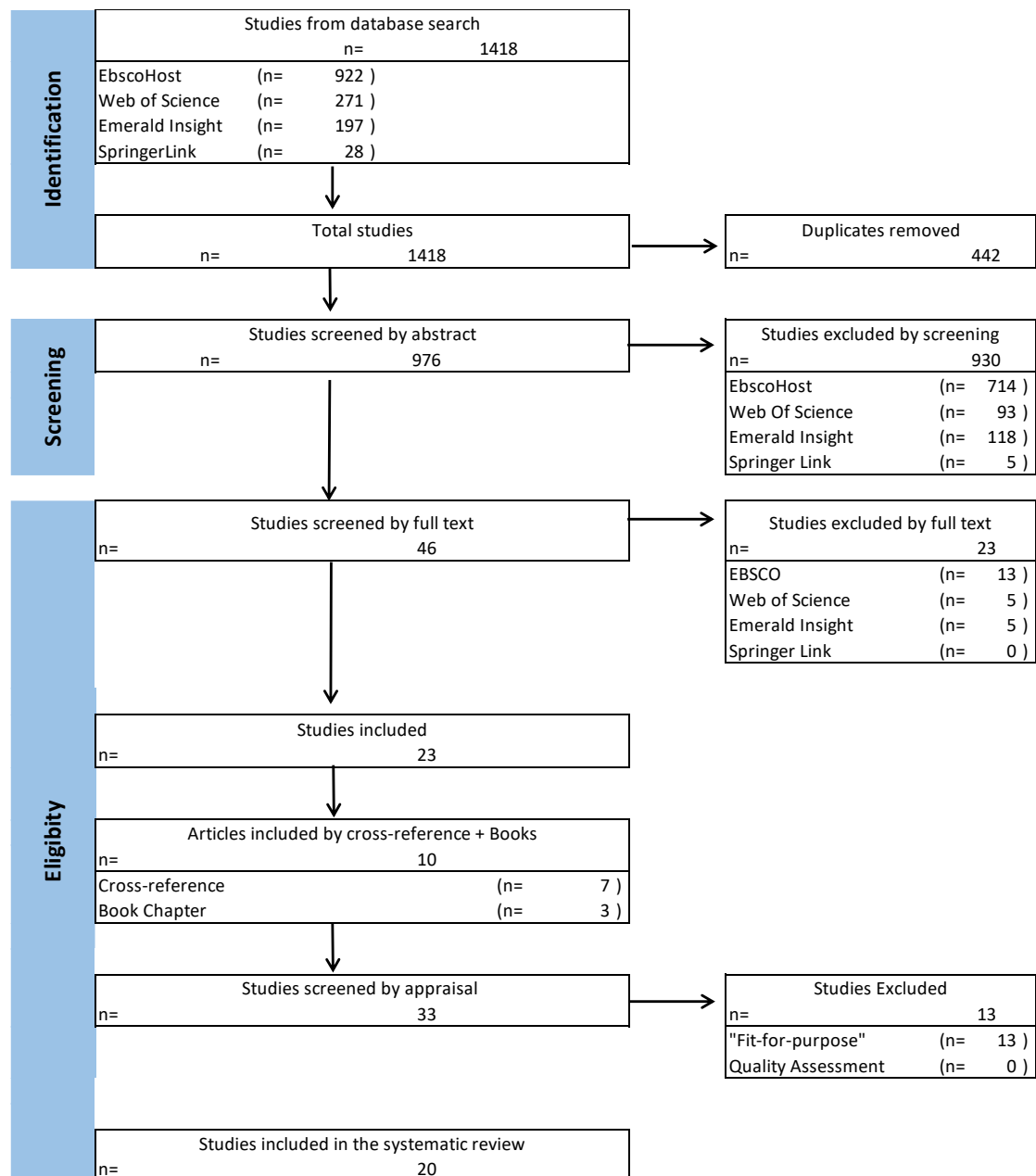


Figure 2 - Systematic review steps

2.3.3.2 Phases 2 and 3

Quality assessment is an important step in a systematic review, as it refers to the appraisal of the internal validity of the study and aims at reducing bias and/or errors (Denyer & Tranfield, 2006; Hammersley, 2001; Tranfield et al., 2003). As the systematic reviews were commonly used among positivist researchers in the health sciences, the quality assessment tools were designed mainly to evaluate the quality of quantitative studies. Thus, establishing the criteria to ascertain qualitative studies does not yet foster consensus among researchers (Boaz & Ashby, 2003; Thomas & Harden,

2008) and is considered a challenge by some (M Dixon-Woods, Fitzpatrick, & Roberts, 2001; Engel & Kuzel, 1992). This challenge is due mainly to the impossibility of having results that are broad and statistically proven.

Nevertheless, the authors present several principles to evaluate qualitative studies (Petticrew & Roberts, 2006). As Tranfield et al. (2003) report, ascertaining studies in management carries more challenges than in the health field. Management studies do not include 'raw data', as many published cases do not report the totality of the data, but present only part of the study, according to the demands of the relevant journal editors or reviewers. *"Therefore, the decisions regarding the selection of studies actually become decisions about the selection of 'articles' based on the more subjective findings and conclusions of the author rather than on the 'raw' data"* (Tranfield et al., 2003, p. 216).

In addition, as previously mentioned, the issues in the management field are varied and multifaceted, and are analysed through the application of several methods. Briner et al. (2009) highlight that *"it is unfeasible and undesirable for management research to simply adopt the benchmark of the Cochrane model or any other field's approach (...)"* (p. 26). In this field, the assessment of qualitative studies can be done by determining the congruence between research methodology and research questions. It means that the researcher must guarantee that the systematic review fits its purpose: to answer the research question(s) (Briner & Denyer, 2012). Moreover, management researchers often rely on the impact factor and quality rating of a specific journal to justify their choices.

We acknowledge that developing a set of criteria to assess the quality of the studies available in management and economics is a challenge and carries several difficulties. In this sense, we opted first to apply the *fit-for-purpose* approach, focusing on the review questions and the collection of evidence to respond to them (Table 10). Six studies discuss the concept of organisational failure, or provide characteristics of it. Sixteen studies present variables to explain the dismissal of organisational activities. The third research question was answered by eighteen studies; however, just one study in particular mentioned the human capital theory, while two more specifically mentioned human capacity. We removed thirteen studies from the analysis, since they did not answer the review questions.

Table 10 - Fit-for-purpose

Fit-for-purpose			
Studies	Q1	Q2	Q3
(Mordaunt & Cornforth, 2004)	Yes	Yes	Yes
(Kirkman, 2012)	No	No	No
(Katre & Salipante, 2012)	No	No	Yes
(Allison, 2002)	No	No	No
(Wallis & Dollery, 2006)	No	No	No
(Reiss, 1990)	No	No	No
(Bhattamishra, 2012)	No	No	Yes
(Poole & Donovan, 2014)	No	No	No
(Fernandez, 2008)	Yes	Yes	Yes
(Bruneel et al., 2016)	No	Yes	Yes
(Bennett, 2016)	No	Yes	Yes
(Ekhtiari, Yadegari, & Sadidi, 2016)	No	No	No
(Kovoor-Misra & Olk, 2015)	No	No	Yes
(Helmig et al., 2014)	Yes	Yes	Yes
(McBrearty, 2007)	No	No	No
(Ruef, 2002)	No	No	No
(Hager et al., 2004)	Yes	Yes	Yes
(Bielefeld, 1994)	No	Yes	Yes
(Seddon, Hazenberg, & Denny, 2015)	No	Yes	Yes
(Seanor & Meaton, 2008)	No	Yes	Yes
(Hager et al., 1999)	Yes	Yes	Yes
(Anheier & Moulton, 1999)	Yes	No	No
(Duckles, Hager, & Galaskiewicz, 2005)	No	No	No
(Baum & Oliver, 1991)	No	Yes	Yes
(Rohe & Bratt, 2003)	No	Yes	Yes
(Dart, 2004)	No	No	No
(Scott, 2010)	No	No	No
(Scott & Teasdale, 2012)	No	Yes	Yes
(Tracey & Jarvis, 2007)	No	No	No
(Tracey et al., 2011)	No	No	No
(Allan & Forder, 2015)	No	Yes	No
(Burde, Rosenfeld, & Sheaffer, 2017)	No	Yes	Yes
(Gras & Mendoza-Abarca, 2014)	No	Yes	Yes

After selecting the studies (20) that best fitted our purposes, we assessed their quality. Following the analysis of studies in management, and specifically, in the social enterprise sector, that used a set of criteria to appraise the quality of studies (Macpherson & Holt, 2007; Pittaway, Robertson, Munir, Denyer, & Neely, 2004; Roy, Donaldson, Baker, & Kerr, 2014), we decided to apply the criteria displayed in Appendix B. We assessed four main elements of each study, namely the theoretical background;

methodology (methods) and data; findings; and contribution to the field, on a scale between 0 and 3, 0 being the lowest level (poor) and 3 the highest (strong). We display the quality assessment of the studies in Table 11. All the articles had a score of Medium or High. The medium score of two studies is due to the non-applicability of evaluation criteria to its specificities. This being, all the studies transited to the next phase. We acknowledge that this tool of quality assessment may be consider subjective, reason why we used it after evaluation the *fit-for-purpose*.

Table 11 - Quality Assessment

Quality Criteria						
Score: 0 = Absence; 1 = Low; 2 = Medium; 3 = High; Not Applicable (NA)						
Study	Theory robustness	Methodology, methods and data	Findings	Contribution	Total	Quality Assessment: Low (0-4); Medium (5-9); High (10-12)
(Mordaunt & Cornforth, 2004)	2	3	3	3	11	High
(Katre & Salipante, 2012)	3	3	3	3	12	High
(Bhattamishra, 2012)	2	3	3	3	11	High
(Fernandez, 2008)	3	3	3	3	12	High
(Bruneel et al., 2016)	2	3	3	3	11	High
(Bennett, 2016)	3	3	3	3	12	High
(Kovoor-Misra & Olk, 2015)	2	3	3	3	11	High
(Helmig <i>et al.</i> , 2014)	NA	3	3	3	9	Medium
(Hager <i>et al.</i> , 2004)	3	3	3	3	12	High
(Bielefeld, 1994)	1	3	3	3	10	High
(Seddon <i>et al.</i> , 2015)	3	3	3	3	12	High
(Seanor & Meaton, 2008)	3	3	3	3	12	High
(Hager et al., 1999)	3	3	3	3	12	High
(Anheier & Moulton, 1999)	3	NA	NA	3	6	Medium
(Baum & Oliver, 1991)	2	3	3	3	11	High
(Rohe & Bratt, 2003)	3	3	3	3	12	High
(Scott & Teasdale, 2012)	3	3	3	3	12	High
(Allan & Forder, 2015)	1	3	3	3	10	High
(Burde <i>et al.</i> , 2017)	3	3	3	3	12	High
(Gras & Mendoza-Abarca, 2014)	3	3	3	3	12	High

2.3.4 Step 4 – Analysis and synthesis

After the assessment phase, it is recommended that the relevant data of each of these studies be dissected in order to synthesise and analyse it. Through this analysis, the researcher must *“break down individual studies into constituents parts and describe how each relates to the other”* and through the synthesis, the aim is to *“go beyond mere description by recasting information into a new or different arrangement and developing knowledge”* (Denyer & Tranfield, 2009, p. 685). The researcher must explore, interconnect and analyse the body of evidence, while being aware of her/his own beliefs, values and perspectives, as they may influence the interpretation.

The first step in the analysis is to extract and store the gathered data. Tranfield et al. (2003) make reference to the data extraction form developed by the Cochrane Collaboration. According to the authors, the data extraction form serves three main functions. Firstly, it is related to the research questions formulated *a priori* and contains the main features of the studies, resulting in a visual representation. Secondly, the form is also a historical record, as it describes all the steps and decisions made during the process. Finally, the third function refers to the data extraction form as a basis for the furtherance of the analysis, since it gathers all the important details and information about the data. Moreover, Rutter, Francis, Coren and Fisher (2010) note that the data extraction form enables the researcher to describe the study, extract the findings in a disciplined way, and simplifies the quality evaluation of the studies. Tranfield et al. (2003) underline the flexibility of the extraction form, since it depends on the type of the study and predefined research questions. When completing the form, the researcher must be aware of the information required to perform the analysis, and in doing this, adapt it to research objectives.

Synthesising data in management science can be a challenging task, due to the heterogeneity of studies and the fragmentation of the field. Contrasting with meta-analysis, the authors highlight narrative synthesis as a suitable approach for synthesising data (Briner & Denyer, 2012). Authors consider the narrative synthesis as an effective way to identify the storyline beyond every selected study by providing the researcher with the flexibility to articulate different themes and build comprehensible data. It means that narrative synthesis addresses different aspects of the same issue and then brings them together in a bigger picture (Hammersley, 2001). It also *“tell[s] the story of the findings from the included studies”* (Popay et al., 2006, p. 5).

With a narrative synthesis, it is possible to define in which theoretical background the themes (categories) fit. It is also considered by Hart (1998) to be a flexible approach, since it allows the researcher to be reflexive and critical when analysing and synthesising the data. The approach goes further than a summative description, since it enables the researcher to conduct an in-depth

evaluation and to understand the context and characteristics of the studies. In turn, the narrative synthesis has met with some criticisms since the researcher may not be completely neutral when choosing which results to analyse (Popay et al., 2006; Rumrill & Fitzgerald, 2001). However, Popay et al. (2006) note that statistical techniques can also induce errors and create biased results.

As mentioned by Popay et al. (2006), some authors refer to the narrative synthesis as a second option, performed only when meta-analysis or other synthesis approaches, such as meta-ethnography, are not viable. Hence, they developed and established a methodological base in order to strengthen and validate this type of synthesis. The elements structured by the authors are not strictly sequential, so researchers can use them in an iterative manner. The first step commonly used in this approach is to understand the role of theory in evidence synthesis, by defining how it works, why and for whom. The authors suggest an intervention called “theory of change” to inform the systematic review. Researchers must develop it before starting synthesising the findings, as it serves to *“inform decisions about the review question and the types of studies to include”* (Popay et al., 2006, p. 12). The second step entails the development of a preliminary synthesis. Therefore, the researchers must assemble a narrative summary of the several selected studies, organising the studies by themes or categories according to the topic. Subsequently, these authors call for the exploration of the relationships within and between studies. Researchers must therefore comprehend the characteristics of studies, mainly the patterns and divergences between them, in order to compare and contrast the relationships. Lastly, it is relevant to assess the robustness of the synthesis. This is dependent on the quality of the studies on which the synthesis is built. The robustness also depends on the methods that the researchers make use of to synthesise the data. Additionally, the authors developed a set of tools and techniques to be used during the different abovementioned steps.

As said, in order to reduce bias and methodically synthesise the data, we developed and refined a specific data extraction tool during the process. The data extraction form gathered information about: author(s), year of publication, type/design of the study, methodology, summary and key findings. Specifically related to our review question, we added information about the concept of organisational failure, the theoretical framework to analyse failure, the causes associated with failure, and the key findings in respect of human capital.

After entering the data unto the data extraction form, and giving a first reading and analysis, we structured it according to the three main questions by using the thematic analysis technique. We resorted to the use of the computer-assisted qualitative analysis software (CAQDAS), specifically QSR Nvivo11, to support us in describing the data. This allowed us to better comprehend the topic, and

consequently guided us during the interpretation phase. We used the thematic analysis¹¹ technique to identify, analyse and report patterns among the data. Our goal was to categorise the elements of the several studies that appeared related to conceptual characteristics, causes of failure and human capital. Specifically, regarding the causes of organisational failure, the emerging codes and themes were linked intrinsically to the terms used by the various authors when referring to a specific theory or approach. Regarding human capital, we attempted to both comprehend the use of the human capital theory, but also to verify if the authors were using other words, such as education, competence and expertise, that are inwardly interrelated to it.

2.3.5 Step 5 – Reporting and using the results

The systematic review should be structured similarly to an “*empirical report*” (Denyer & Tranfield, 2009). In this sense, it must include an introduction in which the problem statement and review questions are identified. The methodology section must comprise all the specific details used by the researchers in the process of conducting the review, namely the search strategy, selection standards, quality assessment, and analysis criteria. The findings must be organised and discussed in a section, where the researchers must also outline details regarding the extracted data. In this section, the researcher must answer the review questions and present what is known about it. Finally, the conclusion section must provide a summary of the review, the limitations and the recommendations that could possibly be developed from the analysis.

As it was possible to verify, we reported the steps in the systematic review, as required by Denyer and Tranfield (2009). Below, we present the results by answering the three questions of the systematic review.

2.4 Results

2.4.1 What is organisational failure?

Few studies provide or discuss the notion of non-profit failure. One study provides a specific definition of organisational failure (Mordaunt & Cornforth, 2004); one study refers to the concept of organisational death (Hager et al., 1999) another to organisational closure (Hager et al., 2004), while the three studies discuss the characteristics of the notion (Anheier and Moulton 1999; Fernandez, 2008; Helmig et al., 2014). It must be noted that none of the studies discusses the concept of failure specifically with regard to social enterprises.

¹¹ We provide the definition of thematic analysis in chapter 3 (Methodology).

Among the quoted studies, it was possible to verify a common pattern and agreement upon the specificities of organisational failure contributing to the understanding of the concept. Yet it still lacks generalisable findings (Helmig et al., 2014). The authors emphasise the necessity to proceed with a more accurate and in-depth analysis of the concept among non-profit organisations. They debate the jeopardy associated with the simple transfer of the concept, and its several synonyms, from the for-profit to the non-profit sector. Authors recognise the presence of particular patterns within non-profit organisations. For example, in contrast with for-profit organisations, an indicator of the success of non-profit organisations is also the cessation of activities due to mission completion. In this sense, researchers must dissociate closure from failure.

Firstly, we aggregate the several constructs regarding organisational failure mentioned by the authors. Secondly, we discuss the three definitions stated. At the end of the section, we present a working definition of organisational failure that will guide us through the development of our research.

2.4.1.1 Organisational failure constructs

Authors¹² who grasp the concept of organisational failure in the for-profit sector denote the existence of a variety of synonyms to capture this issue, including organisational mortality, exit, decline, closure, and bankruptcy. Despite the use of several terms, understanding organisational failure in the for-profit sector is straightforward, as it is evaluated in terms of financial losses. In particular, scholars addressing the terminus of non-profit organisations have transferred these terms from the for-profit sector and are using them interchangeably. Helmig et al. (2014) raise questions regarding the transferability and applicability of the failure notion used in the for-profit sector in the non-profit sector, since both sectors have their own specificities. The authors underline that failure is a more complex problem in the non-profit sector, mainly due to its social orientation, non-financial performance and non-distribution constraint.

The success of non-profit organisations is not based only on financial performance, but rather on the extent to which they are achieving their mission. These organisations can dismiss their activities when the mission is accomplished. Nonetheless, goal and mission fulfilment is difficult to measure, due to their vagueness and abstractness. In a study by Fernandez (2008), the most common cause of dissolution among Spanish associations is mission completion, especially goal fulfilment. Sixteen organisations from the overall sample of forty-one accomplished their mission. Hence, closure reflects

¹² One article that collects the work developed on the failure of for-profit organizations was undertaken by: Mellahi, K. and Wilkinson, A. (2004), Organizational failure: a critique of recent research and a proposed integrative framework. *International Journal of Management Reviews*, 5-6: 21–41. doi:10.1111/j.1460-8545.2004.00095.x
Authors of four studies included in the systematic review cite this study.

goal achievement and an indicator of organisational success. Hager et al. (1999, 2004) and Helmig et al. (2014) concur with this statement. However, the board and staff of non-profit organisations must not disregard financial indicators to understand their own organisational health and achieve sustainability. These organisations must obtain pecuniary resources, either autonomously or through the support of other entities, in order to keep their activities running and fulfil their objectives. A shortage of resources could compromise mission accomplishment and, consequently, lead to organisational failure. Authors acknowledge that failure is more difficult and complex to measure in the non-profit sector, as *“survival is not usually under threat in the same way as in the private sector”* (Mordaunt & Cornforth, 2004, p. 227). Non-profit organisations success is assessed in terms of financial sustainability and goal achievement.

The closure of these organisations after mission completion brings additional discussion to the dominant organisational theory, mostly because it opposes two widespread assumptions. One is that persistence is related to success, and the second is that closure is related to failure. As mentioned, some non-profit organisations close due to success, though others remain in an intermittent pace that does not lead to either success or closure, being in a state of so-called *permanently failing*¹³. In this sense, non-profit organisations may persist despite low levels of efficacy and performance. The above findings contradict the common notion that closure is solely due to bad performance. Furthermore, there are organisations that *“continue to operate long after a ‘terminal event’, such as bankruptcy, loss of a corporate charter or a change in ownership”* (Hager et al., 2004, p. 160). Once again, analysing failure as a simple activity dismissal is not an accurate reflection.

Anheier and Moulton (1999) mention that authors studying organisational failure, in the for-profit and non-profit sectors, make a distinction between two types of failure: transformation and closure. Transformation refers to a change or adjustment in the organisation by, for example, merging, losing independence and changing ownership. In turn, closure means the effective dismissal of operations through, for example, bankruptcy and mission completion. In particular, Hager et al. (1999) put into practice this differentiation when analysing closed organisations in the USA.

Overall, organisational failure is considered problematic (Helmig et al., 2014; Mordaunt & Cornforth, 2004), as it appears to be surrounded by ambiguity (Hager et al., 2004) and relativity (Anheier & Moulton, 1999) uncertainty surrounding the concept is due to the lack of consensus about what it is, how it arises and its outcomes (Helmig et al., 2014; Mordaunt & Cornforth, 2004). It is a relative

¹³ The label ‘Permanently failing organizations’ was first introduced by Meyer, M.W. and Zucker, L. (1989). *Permanently Failing Organizations*. Newbury Park, CA: Sage Publications. It refers to organizations that are in a state of chronic inefficiency, but persist, due to diverse interests and pressure of dependent actors who undermine the economic power and decision-making of the owners.

concept for two key reasons: firstly, organisational failure is relative to the notion of organisational success; and, secondly, the existence of various understandings of what constitutes a good or 'normal' performance by stakeholders. That is, both the definition and outputs of organisational termination are relative to the interests and claims of the different stakeholders (Anheier & Moulton, 1999). As Hager et al. (1999) mention, putting into words the definition of a complex event such as failure carries with several difficulties.

Scholars assessing organisational death must therefore beforehand define what this means and outline a set of criteria when analysing the issue. We also considered it imperative to clearly state the term used throughout the study in order to avoid misunderstandings and ambiguities, as often happens with the interchangeable use of the terms closure and failure.

2.4.1.2 Authors definition of organisational failure, death and closure

Mordaunt and Cornforth (2004) clearly specify the definition of organisational failure. They refer to failure as *“arising at least some of the key stakeholders in the organization to believe the problems or crises it faces seriously threaten its legitimacy, resource base or even its survival”* (p. 227). In this sense, failure and crises are constructed socially according to stakeholders' perspectives and experiences, instead of being an unequivocal event. Disagreements among stakeholders may arise about the nature of the problems faced, as well as their impact on organisational survival.

Hager et al. (1999) provide a definition of organisational death and Hager et al. (2004) of organisational closure. Despite different wordings, the authors have a common comprehension of its meaning. The authors point out that *“an organization is dead when it ceases operation, loses its corporate identity, loses the capacity to govern itself, or experiences any combination of these situations”* (Hager et al., 1999, p. 52). The authors contend that equating death/closure with failure is risky. They imply the same argument used above, which links closure with the achievement of the organisational mission. For example, the authors quote a study from the eighties¹⁴, highlighting that organisations can choose to end their operations in the best interests of the community with whom they work. Also, the authors distinguish between dissolution and merger, in accordance with what they understand by transformation and dissolution.

We verify that Hager et al. (1999, 2004) take a simplistic standpoint by referring to death as termination of the organisational operations. Yet, they discuss the differences between mergers, death

¹⁴ Milofsky, C. (1987). Neighborhood-based organizations: A market analogy. In W. W. Powell (Ed.), *The non-profit sector: A research handbook* (pp. 227–295). New Haven, CT: Yale University Press.

and failure. Hager et al. (2004) also follow this line of thought, distinguishing closure from failure, specifically stating that not all failed organisations close and not all closures are failures. Mordaunt and Cornforth (2004) extend their definition to include also the internal crises seen by stakeholders as a threat to the survival of the organisation. As verified, several stakeholders perceive failure as a negative outcome. This perception has its roots in economic reasoning that considers failure a finite outcome that stems primarily from the actions of organisational constituents, emphasising a simplistic and individualistic perspective (Anheier & Moulton, 1999).

Authors do not use the same terms, and consequently, their definitions possess diversified characteristics. Nevertheless, we decided to take into account both definitions, as they allowed us to understand the existing variations. The assimilation of the similarities and differences of both definitions consequently helped us to outline our own definition. Additionally, failure should not be understood solely as a negative event that should not occur, but rather be regarded as part of a process of establishing and developing a business within an internal and external environment. In this sense, Fernandez (2008) considers failure as *“ubiquitous and structural in today’s capitalist democracies”* (p. 114).

2.4.1.3 A working definition of organisational failure

We acknowledge that we must be prudent when using several terminologies and wording that were originally defined taking into consideration the for-profit characteristics. At first glance, these may seem adequate to the non-profit sector, yet they do not recognise its idiosyncrasies and variations.

As we previously understood, failure is a multifaceted issue within both for-profit organisations and non-profit organisations. However, authors underline the existence of a higher complexity of this phenomenon in the non-profit sector. Non-profit organisations are judged in terms of financial health and on the degree of goal/ mission fulfilment. The latter indicator *“undermine[s] the extended identification of organizational closure with failure”* (Fernandez, 2008, p. 124). We agree with authors reasoning that closure does not signify failure (Fernandez, 2008; Hager et al., 2004). Therefore, the closure may also refer to organisations that have decided to end up their activities after a good performance, due for example to goal fulfilment. Instead, the term failure is intrinsically associated with a negative performance, which can be a financial default and/or loss of social mission.

Another feature that the authors’ state is the relativity of the organisational failure concept, since it appears interconnected with organisational success and dependent on the stakeholders’ interests. Non-profit organisations success when measured in terms of goal achievement also raises disagreements. This is due to the ambiguity that surrounds the organisational goals, as discussed

above, which creates difficulties in conducting an accurate assessment. In addition, we noticed that in the non-profit sector does not exist just two opponents' edges, failure or success, but there exists an intermediary state denominated of permanent failure. Therefore, failed organisations may not close.

Taken all the discussed above, we define organisational failure as a situation where the organisation autonomously, and/or through the interference of external stakeholder/actors decides to cease (=dissolute, terminate) its activities due to the inability in responding and adapting to the transformation of the internal and external environment. To be considered failure, the dissolution must stem from a definitive or temporary negative performance in terms of financial unsustainability and/or non-fulfilment of their goals. Moreover, the decision can be voluntary or involuntary (as for example, after courts verdict). We exclude from this definition an organisation that merged, due to their success or defeat, changed or discontinued their ownership, and that ceased its activities due goals achievement.

None of the studies directly discusses the concept of organisational failure in relation to social enterprises. Nonetheless, we consider these organisations analogous, in certain aspects, to non-profit organisations, mainly to what regards the strong social mission. As social enterprises as hybrid organisations, similar to other types of non-profit organisations, they often integrate unprofitable activities with profitable activities in order to subsidise the first. Both activities are crucial for the achievement of a healthy performance.

2.4.2 What are the causes of organisational failure?

2.4.2.1 *Describing the findings*

Studies on the factors behind organisational failure have proliferated in the last decades. Several authors (Cf. Table 10) have dedicated themselves to researching the causes of organisational closure in the non-profit sector, yet little has been published about social enterprises. Concerning the second question of the systematic review, we identified sixteen studies. Twelve focusing on the causes of failure of non-profit, and four focusing on social enterprises. The geographical areas covered, were the USA (five studies), United Kingdom (UK) (three studies), Canada (two studies) Spain (one study), and Israel (one study). One study entailed a systematic review; therefore, with no specific geographical coverage. The geographical coverage of the studies on social enterprises included the UK (three studies) and Belgium (one study). The oldest study hailed from 1991, while the latest study was from 2017; both focusing on an analysis of non-profit organisations failure. Regarding social enterprises, the studies were published between 2012 and 2016. The studies variously used qualitative and quantitative methods (six and six respectively); three studies used the mixed methods approach; while

one focused on a systematic review. Most of the qualitative studies used the case study method, and the studies focusing on the failure of social enterprises used the case study method. In Appendix C, it is possible to verify the methodology, geographical coverage and type of the organisations studied. In Appendix D, we display all the studies discussing the causes of organisational failure

In this sub-section, we discuss the causes of organisational failure. Firstly, we present the theoretical approaches and empirical results of the studies that considered the organisational failure of non-profit organisations; in the second part, we describe the different theories and fallouts regarding social enterprises; then, we conduct an analysis comprising all the results, followed by the presentation of an integrative framework.

2.4.2.1.1 Non-profit failure

Authors empirically test and point out various causes of failure. Some authors prefer to look at a unique or small set of factors leading to the failure of non-profit organisations, including for example, age, size, resources and competition. Other authors opt to combine a model of factors to explain the causes of failure, which are roughly divided between internal (organisational) and external (contextual) aspects. Other authors give prevalence to population ecology, resource dependence and/or new institutionalism theory or to variables that comprise these approaches. It is possible to verify a convergence of theoretical approaches used by the different authors.

2.4.2.1.1.1 *Internal (organisational) and external (contextual) causes*

In this regard, Hager et al. (1999), Mordaunt and Cornforth (2004), and Rohe and Bratt (2003) categorise the causes as either internal (organisational) or external (contextual/environmental). They assess organisational failure through a set of similar variables, but it is also possible to verify some unique factors among their studies. The abovementioned authors consider as internal causes the: (a) governance and management dimensions; (b) lack of community support; (c) communication; (d) narrow mission. Other causes, include (e) funding issues (donor demand); (f) consumer demand and (g) level trust. The external factors are related to: (h) legitimacy and social support and (i) normative rules and local policies. We discuss all the causes in detail below.

- (a) Three studies invoked weaknesses in governance and management as internal causes. The management dimensions that the authors included varied, and they were specific to the type of organisation studied. Rohe and Bratt (2003) refer to problems regarding the development of properties and property management; while Hager et al. (1999) include under managerial expertise several dimensions, such as financial difficulties, personnel capabilities, conflict,

power struggles and an unclear mission. In turn, Mordaunt and Cornforth (2004) aggregate governance and management systems together. They underline problems in fundraising and strategy, as well as a lack of response to external changes.

- (b) Rohe and Bratt (2003) stress the lack of community support. They emphasise the lack of community support when an organisation is in trouble and/or in the cessation process, saying that the lack of pressure on the civic leaders by the surrounding community could have helped revert the situation. This reflects poor embeddedness of an organisation in its community. The authors underline that the lack of support received of both failed organisations that were studied, had its origins in their early phases, since the community did not intentionally initiate them, but they were established as a political and civic actions.
- (c) Rohe and Bratt (2003) consider the lack of communication as a key internal factor in organisational demise. In their study, communication surges as a sub-product of relational difficulties with external stakeholders, as well as with the different organisational constituents. An example stated, was the reluctance of the relevant director to share crucial information with both board and staff, and the external funders.
- (d) Rohe and Bratt (2003) also highlight as an internal factor the disadvantages of choosing a narrow mission, since it creates limitations and weaknesses for an organisation when it becomes necessary to adapt to changes and market forces, and consequently, might force its closure. Likewise, Hager et al. (1999) consider an unclear mission a factor that contributes to organisational ineffectiveness, but place this aspect under the umbrella of managerial expertise.
- (e) Funding issues were placed differently in the studies. On the one hand, Rohe and Bratt (2003) identify this aspect as an internal factor. On the other hand, Mordaunt and Cornforth (2004) and Hager et al. (1999) refer to funding problems (also mentioned as donor demand by the latter authors) as an external issue. Funding difficulties range from overreliance on one single funder, mainly public financial support (Rohe & Bratt, 2003), to a decrease in the number of funders or the non-availability of funding schemes for non-profit organisations (Hager et al., 1999). Mordaunt and Cornforth (2004) link funding issues to both the withdrawal of financial support and the sudden receipt of a large grant as factors triggering internal crises.

- (f) Hager et al. (1999) refer to consumer demand, which englobes a decrease in the number of consumers of an organisation's services and/or products and changes in the services delivered. Regarding the non-profit sector, its market environment is directly linked with the consumers of the services/products delivered by the organisation, programme service revenue, funding sources and donors contribution (Hager et al., 1999). The authors categorise both types of demands under market conditions. As for the non-profit organisations, the contributions made by third parties are as important as consumer interest. Likewise, Rohe and Bratt (2003) provide evidence that confirms the role played by market characteristics and changes, mainly when the organisation has internal feebleness and cannot adjust rapidly to environmental fluctuations.
- (g) Another key factor of organisational closure is trust (Hager et al., 1999; Mordaunt & Cornforth, 2004; Rohe & Bratt, 2003). Hager et al. (1999) refer to social capital, measuring it through an analysis of organisational isolation. They use variables such as lost contact with the funder, no board member serving on another non-profit organisation board, disconnection from the community, low information sharing and staff not active in any professional association. Rohe and Bratt (2003) also analyse social capital, by understanding the levels of trust among the several authors involved with the organisations. Mordaunt and Cornforth (2004) stress internal levels of trust. Trust was disrupted between different organisational actors, for example, between the board and chief executive, and chief executive and staff.
- (h) Still focusing on how an organisation relates and is seen by others, Hager et al. (1999) and Rohe and Bratt (2003) go further in their analysis, discussing the legitimacy and the support of other organisations. Through legitimacy, as a contextual factor, the authors draw attention to the outer perceptions of the organisation by other stakeholders and criticism levelled against it. The institutional support mentioned by Rohe and Bratt (2003) refers to a specific type of organisations in the USA. In this case, it specifically relates to the participation in activities provided by an umbrella organisation, and the assistance and knowledge transferred from the umbrella organisation to the relevant non-profit organisation.
- (i) Again concerning external factors, both studies of Hager et al. (1999) and Rohe and Bratt (2003) make reference to normative rules and local policies. The authors relate both factors to the regulations and policies imposed by (local) government and changes in funding structures. Moreover, Hager et al. (1999) include in the normative rules the influence on internal operations by other businesses and corporations. It is important to note that, in this

particular study, the respondents felt that the organisation was under normative control, not of the external stakeholders (as for example, media and politicians) but rather of strong-willed board members.

Hager et al. (1999) correlate the cited internal and external factors with the age and size of the organisation, concluding that organisations suffering from the liabilities of smallness and newness also felt detached from their surrounding environment and isolated from other non-profit organisations. Overall, the three authors present a multidimensional outline, divided between organisational and contextual environments. Even by using different terms and placing them in different environments, an arrangement of common factors is argued as playing a decisive role in the failure of these organisations.

2.4.2.1.1.2 Three predominant approaches to organisational failure – Population ecology, resource dependence and new institutionalism

In this sub-section, we discuss the three main approaches used to analyse organisational dismissal - population ecology, resource dependence, and new institutionalism. Two authors based their study of organisational failure on these three approaches (Fernandez, 2008; Helmig et al., 2014), while the authors preferred to use one or two of the three mentioned approaches (Allan & Forder, 2015; Baum & Oliver, 1991; Burde et al., 2017; Hager et al., 2004). Still other authors opted to use a single or a set of variables that are included or related to one or more of the main approaches (Bennett, 2016; Gras & Mendoza-Abarca, 2014; Hager et al., 1999).

Fernandez (2008) opted to ground the analysis of his empirical results on the typologies developed by Levine¹⁵ in 1978, when categorised the organisational decline of public organisations into a four-cell model. The causes are gathered around two dimension, firstly, failure derives from internal and external conditions to the organisation; secondly, failure is a product of political or economic/technical conditions. The author adapts Levine's model by unfolding the duality of political or economic/technical into four aspects, namely technical, resource mobilisation, power relations and goal attainment. Moreover, the author refers to the existence of three dominant models used by academics to explain organisational failure, namely population ecology (also denominated organisational ecology), new institutionalism, and the resource dependence theory. To analyse the Spanish data, the author used both the mentioned theoretical frameworks. As a first phase, he compiles the data according to Levine's model, and secondly, he analysed it using the three

¹⁵ Levine, C. (1978). Organizational decline and cutback management. *Public Administration Review*, 38(4), 316-325.

approaches. Hager et al. (1999) as referred above, divided the causes of failure between internal and external; however while explaining, it they also referred to these three approaches.

Similarly, Helmig et al. (2014) refer to these three explanatory theories, dividing them into two main schools of thought: deterministic and voluntarist. Population ecology belongs to the deterministic school, while the new institutionalism and resource dependence theories fit under the voluntaristic school. The first approach identifies organisational characteristics and places the emphasis on the interaction between the organisation and its environment. It also gives prevalence to firm strategies as a primary cause of organisational failure, instead of individual firm strategies. In turn, the voluntaristic approach assumes that managers are the main decision-makers in delineating firm strategies, being also influenced by the perceptions of the external environment they assimilate. Subsequently, we present the three approaches.

2.4.2.1.1.2.1 Population ecology of organisations

Population ecology theorists emphasise that organisational failure is intrinsically related to both organisational demographic (age and size) and population density (niche). This means that demographics features, as well as the competitive dynamics that stem from the niche in which the organisation is incorporated, have a significant influence on its survival. Organisational demographics, which include the organisational age and size, also known as the liabilities of newness and smallness, were originally referred to in the work developed by Stinchcombe (1965)¹⁶ and Freeman, Carroll & Hannan (1983)¹⁷. Theorists using the liability of newness argue that younger organisations have a higher probability of dissolution as the internal processes and routines must still be assembled and adapted; for example, roles definition and building partnerships. Therefore, age is not the only determining factor, but also the entire process of acquiring the capital, knowledge and resources that are vital for the organisation to run properly. Five studies corroborate the liability of newness theory (Bielefeld, 1994; Burde et al., 2017; Fernandez, 2008; Hager et al., 2004).

Specifically, in his study, Fernandez (2008) has established that *“after the first year the number of dead associations declines nonmonotonically with age in three stages”* (p. 127). Between the first and fifth years it is possible to see a rapid lessening of the number of active associations; between the fifth and fourteenth year, the decrease is gradual; while after the fifteenth year the decline stabilises. The forty-one associations relevant in his study never had paid workers and relied on a short number of

¹⁶ Stinchcombe, A. (1965). Social structure and organizations. In J. G. March (Ed.), *Handbook of organizations* (pp. 142-194). Chicago: Rand McNally

¹⁷ Freeman, J., Carroll, G. L., & Hannan, M. T. (1983). The liability of newness: Age dependence in organizational death rates. *American Sociological Review*, 48(5), 692-711.

volunteers, while twenty-six never had two consecutive annual budgets higher than 6,000€. Therefore, Fernandez (2008) argues that due to their short lifespans, the associations did not have the time to properly define internal structures, routines and funding strategies and ensure socio-political legitimacy and support. Furthermore, young and small organisations face barriers in recruiting high-skilled employees with the necessary competencies and knowledge to forecast environmental shocks. Hager et al. (2004) associate the inability to define internal routines and procedures, as well as to establish external legitimacy, with deficiencies in the expertise and skills of the managers of young and small organisations.

Additionally to the liability of newness, Burde et al. (2017), in their study concerning Israeli non-profit organisations, similarly invoked the liability of adolescence. The authors contend that the hazard increases with age; however, after having reached the maximum, the risk tends to decrease. Theorists argue that the relationship between age and organisational survival is not absolutely monotonic, inferring an inversely u-shaped risk pattern¹⁸. In their early stages, organisations tend to be more committed and vigilant, also relying on support of external stakeholders, yet when their autonomy increases, the resources tend to dwindle, and thus the failure hazard may increase. In this sense, Burde et al. (2017) underline that the risk of initial failure is lower for organisations with resource munificence.

Ecological theorists use the population density (also called density dependence) approach to explain that organisational founding and failure is due to two opposing forces derived from the interaction with their niche. One force refers to the degree of legitimacy that an organisation establishes within the surrounding environment; and another force relates to the intense competition between the different organisations in the same niche. In this sense, the probability of closure is higher when only a few numbers of organisations coexist in the same market due to low constitutive legitimacy. When the niche grows, the organisations will consequently gain legitimacy and the failure rate will decrease. Nevertheless, this represents an increase in competition for resources that are vital to organisational survival, and thus, the closure rate will increase once again. Allan and Forder (2015) specifically address competition as a failure factor among home care organisations. The relation between population density and failure is characterised as nonmonotonic, with a U-shape. Fernandez (2008) does not

¹⁸ Burde et al. (2017) cite the conclusions of the study developed by Fichman, M., & Levinthal, D. A. (1991). Honeymoons and the liability of adolescence: A new perspective on duration dependence in social and organizational relationship. *Academy of Management Review*, 16, 442-468. In the study, the authors assume that after a period of honeymoon, organisations may suffer from the liability of adolescence. Initially organisations have a stock of assets that reduce the odds of initial failure, however later the organisations begin to suffer from different environmental pressures that will increase the hazard rate.

corroborate the population density logic, since the data gathered, do not suggest the growth of closure rates due to competition. Similarly, Hager et al. (2004) do not support this hypothesis.

Bennett (2016) uses the survival principle approach to discuss competition among organisations. He argues that competition will exclude the weaker organisations from the market. He correlates intense competition with the early phases of venturing, saying that new entrants must have valuable features in order to stand out in the market. Moreover, the author underlines the fierce competition among charities in the UK, which also have to compete with for-profit companies, which often provide the same service or product as the non-profit ventures. In this sense, the competitive density, e.g. the number of rivals in the same environment, will increase the odds of charity failure.

2.4.2.1.1.2 Resource dependence theory

The resource dependence theory highlights the importance that firms' strategies play in securing the resources indispensable to their survival. Authors who discuss this approach, base their assumptions on the seminal work undertaken by Pfeffer and Salancik (1978)¹⁹. The main idea regarding this approach underlines that organisations cannot be self-sufficient and are dependent on several exchanges with other entities and their environment. On the one hand, this interdependence allows the organisation to generate its outputs and subsist; on the other hand, the overreliance on a particular resource supplier creates an unhealthy dependency and endangers the organisational survival. As a result, it is important that an organisation possesses the capacity to draw relevant strategies to maintain a positive balance in the critical flow of resources. Non-profit organisations tend to rely heavily on government grants; for some organisations, these are their sole source of funding. This not only creates a high dependency between government and non-profit organisations, but also increases the vulnerability of the latter. These organisations do not only have a strong financial dependency on government agencies, but they also often depend on private structures, such as private funders, donors and volunteers.

Beside Fernandez (2008) and Helmig et al. (2014), Bielefeld (1994) has also analysed the odds of exit according to the resources dependence theory. All authors confirm this approach. In particular, Bielefeld (1994) analyses the adoption of different revenue strategies, relating these to the closure of non-profit organisations. The results show that organisations that ceased operations adopted fewer measures to attract funders and diversify their revenue sources, being dependent on a single funder. Hager et al. (2004) conclude that government funding appears to increase the hazard of closure. These authors emphasise that the hazard rate increases by 155% more for organisations that rely strongly on

¹⁹ Pfeffer, J., Salancik, G.R., 1978. *The External Control of Organizations*. Harper & Row, New York.

government funding, compared to organisations with no dependency links. Moreover, non-profit organisations that are dependent on donations and/or volunteers presented with fewer odds of failure, yet the significance is marginal. In turn, Gras and Mendoza-Abarca (2014) examined the dynamic between market-based income and the likelihood of organisational dissolution, finding a u-shaped relationship. This means that market-based income will reduce the dependency of the organisations on public funding, and will thus decrease the odds of failure. Although it increases the “flexibility and control of their finances” (Gras & Mendoza-Abarca, 2014, p. 402), it also exposes the organisation to market fluctuations, which in turn will lead to a higher risk of closure. For the authors, non-profit organisations, in order to increase their prospects of survival, must balance its resource dependencies. These findings are consistent with what the resource dependence theory postulates, namely that access to different sources of funding will enhance the likelihood of organisational survival.

2.4.2.1.1.2.3 *New Institutionalism*

Voluntarist theorists highlight the institutional embeddedness of organisations as a crucial factor in their survival. It means that existing in a specific and complex structure influences organisational behaviour and firm strategies, since organisations must cope with the guidelines that emerge from it. The surrounding environment is characterised by the existence of regulative, normative and cognitive codes, in explicit or implicit forms, to which organisations must comply in order to legitimise themselves. Thus, organisational performance depends on the degree to which the organisation acquiesces to these principles. Fernandez (2008) alludes to an article written by Meyer and Rowan²⁰ in 1977, and DiMaggio and Powell²¹ (1983) to support the aforesaid. Non-profit organisations that incorporate and cope with the different institutional norms will increase their legitimacy, and consequently their probabilities of survival.

Following this line of thought, Baum and Oliver (1991) and Hager et al. (2004) consider institutional linkages and structural embeddedness, respectively, as determinants of organisational closure. The authors perform empirical tests on socio-political legitimacy, social support and the approbation of non-profit organisations in both Canada and USA, through an analysis of the organisational ties with the community constituents and government agencies. Both authors investigate the interaction of institutional links with organisational characteristics and their effect on the risk of failure. The results presented by the authors corroborate the predictions about institutional theory. In particular, Baum

²⁰ Meyer, J. W., & Rowan, B. (1977). Institutionalized organizations: Formal structure as myth and ceremony. *American Journal of Sociology*, 83(2), 340-363.

²¹ DiMaggio, P. J., & Powell, W. W. (1983). The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields. *American Sociological Review*, 48, 147-160.

and Oliver (1991) state that “*institutional relations play a very significant role in reducing the likelihood of organizational mortality*” (p. 213).

Similarly, the respondents in Hager et al. (2004) validate the hypothesis that underlines embeddedness in the community as a critical element for organisational survival. Furthermore, Bielefeld (1994) contends that non-survivor organisations embrace fewer strategies to achieve legitimation and focused more on retrenchment strategies. This means that organisations did not perceive as a priority the adoption of strategies that could enhance their reputation and social support. Instead, they prefer to reduce costs. Although Hager et al. (2004) theoretically assume that strong ties with the local elite and the presence of a prestige board would diminish the hazard rate; empirical tests have not confirmed this direct effect.

2.4.2.1.1.3 Other approaches

Other authors refer to different elements as crucial to failure. Bennett (2016) uses the human capital approach, along with organisational ecology and the survivor principle, to explain the dissolution of charities in the UK. The human capital theory posits that individual characteristics, such as education level, skills, and the professional experience of organisational actors, affect the efficiency and efficacy of the organisation. Other authors underline skills, capacities and the experience of managers, employees and boards, without specifically citing the human capital theory (Bielefeld, 1994; Gras & Mendoza-Abarca, 2014; Seanor & Meaton, 2008). From these studies, it is clear that the stock of human capital of the management team and the board of directors is an important asset to run the organisations and to make wise strategic choices and, consequently, avoid failure. Further explanations on the human capital theory as a key element in avoiding organisational failure is undertaken in sub-section 2.4.6.

2.4.2.1.2 Social enterprises failure

Authors analysing the failure of social enterprises use different theories to prove their propositions. The theories are the following: deterministic and voluntaristic school, competing logics, ambiguity and trust, and a holistic model that links both leadership, partnerships and collaboration. Next, we discuss the studies’ main standpoints regarding the causes of the failure of social enterprises.

2.4.2.1.2.1 Deterministic and voluntaristic schools

Scott and Teasdale (2012) have discussed the deterministic and voluntaristic schools, which in their opinion, are also applicable to the social enterprise field. For these authors, failure in social enterprises occurs in similar conditions as in the for-profit sector. The failure of social enterprises therefore is

similarly associated with resource dependence, institutional environment and organisational ecology. The authors interrelate the institutional environment and resource dependence approaches. Referring specifically to the UK environment, they emphasise that local authorities and the central government implemented several public policies enhancing legitimation and thereby providing considerable recognition to social enterprises. The social support was verified not only among public institutions, but also among other community stakeholders. Enhanced legitimacy facilitated access to public resources (funding), which subsequently also led to an increase in the number of social enterprises. However, the public funds did not keep the pace of this growth, obliging the organisations to adopt competitive behaviours in order to gain advantage and survive.

The authors criticise the resource dependence and institutional perspectives, arguing that they help to understand the causes of organisational failure, yet do not explain why some organisations fail and others succeed in the same context and industry. Therefore, in turn, they also emphasise the role that individuals, boards and managers play in the survival of organisations. According to the authors, the traits and competencies of social entrepreneurs are important assets in establishing and growing social enterprises. They refer to a report²² conducted in Scotland, which provided a set of individual qualities as vital to achieve organisational success. In this report, the authors concluded that the failure of social enterprises intrinsically linked to factors internal to organisations, such as size, resources, funding, human capital and infrastructure. Scott and Teasdale (2012) also mention skills and capacities of the management team and board members; but a detailed discussion in this regard is provided in the next sub-section.

The social enterprise studied by the authors displayed several difficulties and problems, which were identified as causes of its failure. Internally, the organisation exhibited several financial tensions that show ineffectiveness in balancing spending and incomes. According to Scott and Teasdale (2012), failure goes beyond the individualistic perspective of management and governance. The activities' dismissal in this specific case study was not just a matter of financial incompetence. The authors also identify other elements essential to understanding organisational closure; one was linked to the inexistence of a coherent funding strategy, since subsidies applications were sent to the most varied funders, without clear directives. Managers structured their business plans to respond to a specific call for grants and were not seen as tactical tools to drive organisations' operations. The social enterprise strategy was *"act first and then seek a grant to pay for it later"* (Scott & Teasdale, 2012, p. 147). Henceforth, the organisation entered into a vicious circle of first applying for grants and then reflecting

²² Report elaborated by Coburn, J. and Risdijk, R. (2010) Evaluating the success factors for establishing a thriving social enterprise in Scotland, Edinburgh: Scottish Government.

on how to use it and adjust it to its core activities. Additionally, a high dependency on public grants triggered a problem of cash flow due to late payments. This specific issue could have been avoided if diagnosed and addressed in an earlier phase. However, as Scott and Teasdale (2012) mention, the relevant board of trustees did not possess the necessary skills and time to identify the financial problems of the organisation. The sustainability of the project was a dilemma from beginning to the end, even when business plans still seemed viable in the eyes of the funders.

In general, the failure of the enterprise arose from the weak governance structure of the organisation, which did not address its rapid expansion in a strategic and well-coordinated manner. The authors highlight the difficulty of attracting and particularly retaining qualified staff, as well as poor external guidance. The surrounding environment of the organisation also contributed to the failure. The social enterprise acquired a high degree of legitimacy and social approbation with the local authorities, which supported the adoption of feeble and unsustainable financial schemes. The relevant local authorities and funders possibly strongly believed in the positive impact of the social enterprise on the deprived community and therefore did not intervene in its course. When the first symptoms of instability appeared, the local authority did not take action to rescue and restructure the organisation. The interviewees related this detachment to specific political disputes.

2.4.2.1.2.2 Competing institutional logics

Bruneel et al. (2016) associate the failure of the social enterprise with the misalignment of the two core institutional logics. Competing institutional logics is a concept inherently related to hybrid organisations, such as social enterprises, and refer to the existence of dual demands, goals and organising principles²³ within the organisations. The existence of two conflicting logics creates tensions and difficulties at organisational level, which are also reflected on how the organisation is embedded externally. For example, the organisation must not only define its structure and system internally to comply with both logics, but must also gain external legitimacy for each logic. Managers and staff of such organisations must be conscious of the inner and external tensions that may arise when managing competing elements; therefore, they must possess the required skills to cope with these, in order to achieve success.

In the case study that Bruneel et al. (2016) present, *“the strong social values of the entrepreneurs and the reinforcement of the focus on the social logic”* (p. 265), along with the neglect of the commercial side, dictated the closure of the social enterprise. This means that the managers did not deploy

²³ The authors cite Pache, A. C., and F. Santos. 2010. “When Worlds Collide: The Internal Dynamics of Organizational Responses to Conflicting Institutional Demands.” *Academy of Management Review* 35 (3): 455-476.

strategies to balance the demands of both logics, thus leading the organisation to a state of bankruptcy. The social values of the social entrepreneurs reinforced and favoured the social logic, which had a strong effect on the management styles implemented in the organisation. The board did not sufficiently pressure the social entrepreneurs to adopt and comply with the requirements of commercial logic. Likewise, the external stakeholders, mainly government and local authorities, legitimised and reinforced the social logic, even when problems related to commercial inefficiency started to surface. During its short lifespan, the for-profit social enterprise received several recognitions and awards from the public authorities, catapulting the organisation into the spotlight and generating considerable attention from the media. As we previously saw, legitimacy is an important factor in achieving organisational survival; however, in this case, the support and approbation, from both the government and the community, concealed the imbalance of the institutional logics that led to organisational dismissal.

In addition, the social enterprise experienced an exponential growth within only two years, yet its structure, procedure and routines were not well established and robust enough to overcome the challenges of such a process. Besides the inappropriate governance structure, the managers lacked the competencies required to combine the two logics strategically. The authors' recommendation to the managers of hybrid organisations relates to the importance of aligning resources, organisational specificities and institutional logics.

2.4.2.1.2.3 Ambiguity and trust theory

As mentioned above, having a double bottom line that balances between economic and social goals may raise several tensions within organisations. Seanor and Meaton (2008) have examined these organisational tensions shaped in the social enterprise sector, using the ambiguity and trust theories as explanatory variables. The social enterprise concept is still very blurred among academics and practitioners, allowing the existence of a certain ambiguity and uncertainty within the sector. Several authors see the existence of multiple conceptualisations differently. Some consider this as an advantage and as a reflection of the field itself, while others refer to this as an obstacle to the development of the sector. Instead of adopting one single identity, organisations tend to exploit this ambiguity and uncertainty surfacing from the multiple definitions of social enterprises, as well as the unclear limits between the different sectors. Ambiguity in this study surged around identity, which does not only refer to self-perception (how organisations see themselves) but also to how external constituents perceive organisations. Some organisations are not ambiguous in their nature, but face uncertainty, generally when they are undecided regarding the actions to take. Uncertainty differs from

ambiguity, as its focus is on organisational tasks (for example, defining a market strategy), while ambiguity relates to an ongoing stream that may be subject to different interpretations.

Seanor and Meaton (2008) emphasise the importance of a trustful environment when making decisions. Trust relates to the social capital theory proposed by Putnam (2001)²⁴ and Coleman (1990)²⁵, both cited in the authors' paper. It is a fundamental element in networks and partnerships and can therefore help to minimise the existing uncertainty. In this specific study, the authors verified a certain ambiguity around the social enterprise identity, as well as some communication problems that eroded the degree of trust. The authors conducted a data analysis along four themes: Identity and language; communication and information; operating environment; and Intentions and outcomes.

Regarding identity and language, the authors contend that even if the concept of social enterprises were well understood by the organisations, they opted to move between other identities. This ambiguity regarding identity allowed the organisations to access varied sources of income. The chameleon characteristics related to ambiguity provided flexibility to the organisations to move between different identities. Some organisations used this as a strategy to obtain access to funds; for others, the vague definition of the identity of social enterprises led to misunderstandings with stakeholders and, consequently, to loss of support.

Communication and information also affect the way in which people and organisations do business. Building trustful relations based on good communication and information sharing is vital to obtain financial support. In one specific case, a manager stated that he did not feel comfortable about sharing a number of internal obstacles, for fear of seeing funding withdrawn. However, this was seen externally as a relational problem, which consequently damaged the trust between the social enterprise and the support agency.

As for the operating environments, Seanor and Meaton (2008) underline that all organisational constituents, including the users, must understand and support the shift from a voluntary organisation to a social enterprise. The authors denote that in one organisation this shift was mainly due to criteria defined by the funders, rather than the needs of the users. Also, one interviewee underlined that this shift occurred before the local authority had developed local policies and contractual environments propitious to the emergence of social enterprises.

Finally, intention and outcomes refer to the business-like side of social enterprises, which will encourage managers to compete for social contracts to deliver outcomes. The authors note that the

²⁴ Putnam, R. (2001), *Bowling Alone: The Collapse and Revival of American Community*, Simon and Schuster, New York, NY.

²⁵ Coleman, J. (1990), *The Foundations of Social Theory*, Harvard University Press, Harvard, MA.

growth of mistrust among social enterprises, due to competition, has weakened the capacity to work together in social projects. It means, that social capital has been undermined, isolating the enterprises and weakening their social impact. Overall, the authors point out that the failure of social enterprises is not exclusively based on financial insolvency, but have other causes. Through the cases studies, it was possible to understand the role played by ambiguity and trust in the road undertaken by the managers, and their consequences for organisational survival.

2.4.2.1.2.4 Holistic model: leadership, collaboration and partnerships theories

Seddon et al. (2015) analyse the dismissal of a Working-Integration Social Enterprise (WISE), created via an institutional partnership. The authors use a holistic model including leadership, collaboration and partnerships theories to explain both the dismissal of the partnership and the WISE. It was possible to verify within the organisation a culture of violent innocence, associated with a negative leadership style, which led to the multiplication of collaborative problems among partners. Authors underline that *“both cognitive and organisational factors determine success and failure and that both have an impact on each other”* (Seddon et al., 2015, p. 145).

In this sense, the authors highlight several factors that led to the demise of the WISE, including disturbances in communication, mainly between the board and staff, as well as between internal and external stakeholders. The WISE also suffered from considerable pressure from the funding body, frequently having to deliver reports with different formats, which undermined focus on sustainability strategy, leading to organisational failure. Likewise, the governance structure was designed according to the guiding principles of a funded project, which underrated the need to define strategies towards financial viability.

The authors also indicate that problems related to partnership cohesiveness could contribute to organisational demise', particularly a lack of clear vision, direction and role confusion among the several partners. The partners also had difficulties in visualising and understanding the links between the governance structure and strategic plans. Seddon et al. (2015) consider the most critical factor to be the lack of a strategic vision and leadership from the board of directors, which in the relevant research destabilised the relationship between the CEOs and staff. The problems that emerged, were based on weak leadership, which led to a culture of blame, and in the final phase of the WISE, it also led to general apathy. The last reason stated by the authors is related to the fruitless management and structural changes implemented by the board members and different CEOs. The poor implementation of the fundamental changes appears related to the lack of managerial capacity, entrepreneurial skills and previous experience, as will be verified in sub-section 2.4.6.

2.4.3 Analysing the causes of organisational failure

2.4.3.1 *Non-profit organisations*

The sixteen studies analysed above, both those focusing on non-profit organisations and those focusing on social enterprises, empirically tested a unique or sets of factors that led to organisational failure. Regarding the non-profit sector, it was possible to verify common features among several studies, showing a certain level of consistency. Few studies assessed the failure of social enterprises. As research on the failure of this sector is very recent and ill defined, no strong convergences were found. Taking into consideration both sets of organisations, it is possible to develop a framework of organisational failure by merging the outcomes of the different studies. Even if authors (Fernandez, 2008; Helmig et al., 2014; Mordaunt & Cornforth, 2004) considered the discussion about failure as limited and fragmented, through the current analysis, a confluence of outcomes, rather than disagreements, has become visible.

Most of the studies based their assumptions about organisational failure on the three predominant macro-organisational behaviour models. Population ecology, resource dependence and new institutionalism, were respectively explicitly cited in four studies (Bennett, 2016; Bielefeld, 1994; Fernandez, 2008; Helmig et al., 2014); four studies (Bielefeld, 1994; Fernandez, 2008; Gras & Mendoza-Abarca, 2014; Helmig et al., 2014), and two studies (Fernandez, 2008; Helmig et al., 2014). Additionally, two other studies specifically analyse the liabilities of newness and smallness (Burde et al., 2017; Hager et al., 2004), falling under the population ecology theory. Specifically, Burde et al. (2017) examine the links between liabilities and funding uncertainty, thus linking the population ecology and resource dependence theories. Mordaunt and Cornforth (2004) corroborate the lack of external funding as a major problem in organisational survival. Still concerning population ecology, but more specifically about population density, one paper focused on the fierce competition among care homes in the UK as a cause of organisational failure (Allan & Forder, 2015). In the same line of thought, Bennett (2016) mentions the survivor principle as a theoretical viewpoint. This perspective introduces competition among organisations as a failure factor, positing the same as the population density view. Institutional links and structural embeddedness are undoubtedly hypotheses fitting in the new institutional approach, being examined in two studies (Baum & Oliver, 1991; Hager et al., 2004). Three studies accentuated the division between internal and external causes (Hager et al., 1999; Mordaunt & Cornforth, 2004; Rohe & Bratt, 2003). However, even if the authors placed and named the various factors differently, overall they discuss similar hypotheses to the ones mentioned in the three main approaches. For example, Hager et al. (2004) allude to organisational age and size as explanatory

variables, similar to what the population ecology hypothesises. Rohe and Bratt (2003) discuss city policies and support organisations, which corresponds to new institutional theory aspects.

2.4.3.2 Social enterprises

The aforementioned authors approach the failure of social enterprises differently. Yet, while analysing the factors, we verified the existence of a common set of variables. Similarly to the other non-profit organisations, Scott and Teasdale (2012) point out the three main approaches - population ecology, resource dependency and new institutionalism - dividing them into deterministic and voluntarist schools. Nevertheless, these authors do not explore the failure of the social enterprise by using these approaches. The remaining three authors analysing the closure of social enterprises apply other theories (Bruneel et al., 2016; Seanor & Meaton, 2008; Seddon et al., 2015).

In particular, competing logics define social enterprises and their behaviour. It theoretically derives from institutional logics, thus fitting under the new institutionalism approach. The existence of two institutional logics brings ambiguity to social enterprises, which along with the recent development of the field could be viewed as both a positive and a negative feature, which could lead to failure (Seanor & Meaton, 2008). Authors (Bruneel et al., 2016; Seanor & Meaton, 2008) argue that balancing economic and social goals poses challenges and tensions for social enterprises, which could diminish the level of trust and increase ambiguity. Through the introduction of commercial logic, the organisation may reduce organisational dependency on grants and funds, thereby increasing the survival rate. However, complementary risks are associated with market dynamics. Gras and Mendoza-Abarca (2014) support this line of thought about the failure of market-based non-profit organisations. Moreover, the authors caution that when undertaking such risks, the organisation must understand the need to have personnel with sound business skills and know-how. Also, it must think strategically about how to operate in a competitive market in order to gain advantage and succeed. Bruneel et al. (2016) emphasise that social enterprises, in the early phase, must comply mainly with commercial logic, since it is this dimension that will secure the required financial assets to obtain sustainability. However, pressures will always exist from the two logics, so the balancing act must be a dynamic and continuous process.

We also verified a convergence between Seanor and Meaton's (2008) results regarding the competition and postulation of population density and the new institutionalism theory. These authors highlight that competition for contracts among social enterprises allows the escalation of a distrustful climate. Trust, here, appears to be related with external support and relationships with other organisations. Moreover, as already stated, the new institutionalism theory postulates that a higher

degree of legitimacy among different stakeholders will certainly enhance organisational survival. Conversely, legitimacy played a different role in the case of the two social enterprises presented by Scott and Teasdale (2012) and Bruneel et al. (2016). The strong embeddedness in the community allowed the social enterprises to follow strained strategies, without being questioned about it. The community blindly supported and reinforced the social enterprises' operations, even when several flaws in internal management and performance became visible. In the words of Bruneel et al. (2016) this reinforcement was *"expressed by a positive public rhetoric and government support (...) politicians and government officials were happy to benefit from the publicity around the role model"* (p. 283) of the studied social enterprise. Scott and Teasdale (2012) argue that there was a *"desire to believe in social enterprise generally, and in particular that EA [Enterprise Action – the name of the social enterprise] could be successful in turning around the labour market in a deprived town"* (p. 150).

Seddon et al. (2015) highlight as an organisational disruptor the communication amid both internal actors and external stakeholders, prompting the widespread apathy and, consequently, a lack of trust among all parties involved. Similarly, Seanor and Meaton (2008) link ineffective communication with a decrease in the trust among the different actors of the studied social enterprise. Human capital is mentioned explicitly in Bennett's (2016) study. However, it is possible to find references in the other studies regarding individual and team attributes as important organisational assets. Moreover, the authors cite inadequate human capacity (Rohe & Bratt, 2003) and managerial expertise (Hager et al., 1999) as internal factors contributing to organisational closure. The stock of human capital seems to be a transversal argument present in all the failure discussions provided by the different authors. It also appears related to the liability of newness and smallness and the resource dependence theory, as will be examined in the next sub-section.

2.4.4 Organisational failure – a unidimensional or a multidimensional approach?

According to diverse authors, organisational failure cannot be simply assigned to one single internal or external cause (Fernandez, 2008; Helmig et al., 2014; Mordaunt & Cornforth, 2004; Rohe & Bratt, 2003). Most of the times it involves a complex interaction between organisational and environmental aspects. Thus, they refer to the need for designing an integrative theoretical framework in order to approach the issue of organisational failure broadly. Mordaunt and Cornforth (2004) distinguish the causes of failure into internal and external causes; however they emphasise that this division is *"artificial"* (p. 228). Hager et al. (1999) denote, through the analysis of thirty-five closed non-profit organisations, that each organisation presented a specific set of circumstances and factors that led to its end. In this sense, they call for a cautious generalisation of the results, since each organisation has its own idiosyncrasies. Fernandez (2008) calls for a multifactor framework; however in his study he

considered the unidimensional character of failure, since the associations scrutinised, each showed one a single reason for closure.

Furthermore, Helmig et al. (2014) conclude that most of the studies conducted about the failure (and success) of non-profit organisations “*are atheoretical in nature*” (p. 1528), recommending other academics to undertake theory-based empirical analysis. The authors underline that if researchers want to study organisational characteristics, they should apply the population ecology. When studying external factors such as legitimacy, researchers must infer their hypotheses from the new institutionalism. As an organisation is an open system, being also contingent and dependent on the resources made available by stakeholders, the researchers must adopt the resource dependency theory. They also call for the integration of the resource-based view, underlining the importance of analysing implicit knowledge and its role in gaining a competitive advantage.

Questions have also been raised regarding the applicability of a single approach. One issue discussed by Hager et al. (2004), is the question whether all organisations start in the same way (e.g. young and small), and, therefore, all suffer from these liabilities. The question that emerges is why some organisations fail, and others not. The authors tested organisational age and size, not as dependent variables, but as control variables, in order to go further in their analysis. Another question is what organisations must have or adopt to survive the tough early years of their founding. This is why authors correlate age and size with the implementation of organisational routines and procedures, as well as with the capacity of social entrepreneurs in gathering external advisors and retaining high-skilled labour. In our opinion, it is also fundamental to ask whether population ecology covers all the internal aspects that are vital to avoid failure. Where does it fit the human capacities of the organisational actors? Is it just a secondary element? But, if so, why do authors commonly make reference to the internal stock of skills, knowledge and experience? Moreover, we are also aware of the pressures of the context wherein an organisation is embedded. Scott and Teasdale (2012) pose the question why some organisations fail, while others survive in the same environment. Given all these questions, we acknowledge that failure is due to a complex and dynamic set of factors. These trigger factors have their roots inside and/or outside the organisation and oblige managers to respond accordingly. However, the response of the managers can either lead the organisation to recover or exacerbate the failure tendency (Anheier & Moulton, 1999). It is important to acknowledge that organisations are comprised of humans, who carry their personal backgrounds, experiences and knowledge with them, influencing the daily dynamics of these organisations. In this sense, we consider it essential also to examine and analyse these aspects, as will be done in sub-section 2.4.6.

2.4.5 An integrative approach to failure

As we previously saw, various authors have studied the failure of both non-profit organisations and social enterprises through the lens of several theoretical approaches and hypotheses. The several causes of failure are integrated in one manifold framework, as it is possible to see in Figure 3. The framework consists of six components, which fall under the internal and external environments of the organisation. All components exist in a dynamic and continual relation with one another.

2.4.5.1 *Internal organisational environment*

From the studies considered above, we conclude that the internal organisational environment is constituted by managerial systems/policies and human capacity. Internal management systems and policies comprise governance and, managerial routines and procedures. Our assumption is based on four studies (Hager et al., 1999, 2004; Mordaunt & Cornforth, 2004; Rohe & Bratt, 2003; Scott & Teasdale, 2012). Weaknesses in the governance structure and poor managerial routines in place not only endanger the internal dynamics, but also make the organisations more susceptible to external changes. Mordaunt and Cornforth (2004) highlight these internal aspects. In particular, they mention that an organisation *“does and pay insufficient attention to the processes needed to sustain good governance and management”* (p. 230). Scott and Teasdale (2012) also underline internal processes, including lack of strategy, as factors undermining organisational performance. The authors also emphasise the importance of proper business plans and reporting systems. Business plans, when well defined, guide the organisation in pursuing its vision and mission, while reporting systems allow the actors to comprehend defaults, in case of their existence, and take anticipated measures to avoid bigger challenges. Reporting also enables the organisational constituents to keep track of the execution of their strategy.

Moreover, the organisational environment is undoubtedly composed of individuals with specific features and skills that have a strong influence on the organisation’s dynamics and strategies. We understand human capacity as a transversal element. Skills, knowledge and experience dictate how an organisation will cope with internal forces and external variabilities.

2.4.5.2 *In-between internal organisational environment and contextual environment*

The population ecology of organisations comprises two main components: demographic aspects (age and size) and ecological processes (population density). We contend that this approach is visible both internally and externally, defining the relation organisation-environment. Age and size are inherent

characteristics of any organisation, and population density refers to the specific dynamic of the surrounding environment which organisations are settled. Demographic and ecological components are perceived as factors critical in non-profit failure, as tested by eight studies (Allan & Forder, 2015; Bennett, 2016; Bielefeld, 1994; Burde et al., 2017; Fernandez, 2008; Hager et al., 1999, 2004; Seanor & Meaton, 2008). These authors emphasise that organisational age and size are no longer the central elements in studying organisational dismissal, but are mainly used as control variables. This means, that age and size in themselves are not the causes of failure; instead, the organisational specificities and characteristics associated with younger and smaller organisations are. That is why in its initial phase, an organisation must acquire highly skilled resources capable of establishing successful management systems and strategic plans. The lack of initial resources and inexperience may cause managers to choose the wrong path, possibly leading the organisation to failure.

According to ecologists, the density dependency presents two possible roads. On the one hand, organisations existing in a sparsely populated environment generally have difficulty in obtaining the necessary legitimacy. Greater difficulty in gaining legitimacy from funders, customers and partners is suffered by organisations with innovative organisational forms; for example, social enterprises. Therefore, the flow of resources to these organisations is less. On the other hand, when operating in a densely populated environment, organisations must compete with others due to the limited availability of resources. In this sense, there exists a curvilinear effect, as the failure rate decreases when organisations operate in a denser environment, due to the higher likelihood of acquiring legitimacy. However, competition for commodities in this same environment will constrict organisational sustainability, enhancing their chance of failure.

In-between internal and external environments, we position competing logics and ambiguity, which we call institutional logics. Social enterprises, specifically, accommodate under the same organisational structure two different institutional logics that determine the actions and managerial strategies of its constituents. The internal responses and strategies that are implemented in accordance with the core logics influence organisational outcomes. Balancing intertwined commercial and social rationalities poses a number of challenges and threats to the organisation, which will also be visible to external stakeholders, thereby influencing legitimacy and social support. Ambiguity, as discussed by Seanor and Meaton (2008), arises with the lack of a single organisational definition and/or identity. The chameleon characteristic of social enterprises, if not balanced properly, could have a negative effect, both internally and externally.

2.4.5.3 External/Contextual environment

Authors have highlighted the resource dependence and new institutionalism approaches as factors that relate mostly to the external environment, but also as derivations of internal managerial strategies. Resource dependence is inwardly associated with several streams of income generation, such as funds, grants, donations or market-based strategies. Theorists analysing failure in terms of this approach maintain the importance of such commodities to organisations' survival. Therefore, organisations must be able to stabilise the flow of resources. This requires the ability to cooperate successfully with the external environment.

Finally, new institutionalism focuses on how the organisation interrelates with other societal components, such as, for example, local authorities, private corporations and similar non-profit organisations. New institutionalism posits that organisations are entrenched in a regulative, normative and cognitive context, suffering from peer pressure, as well. In order to survive within this environment, organisations are obliged to establish legitimacy and gain social support. In turn, strong social and institutional links require the endowment of trustful relationships. These two components of the external setting are in interaction with each other. Organisations will easily access different sources of income if they establish trustful and stable relationships with other actors and if they appropriately cope with their norms and regulations. In this sense, the arrow takes a double direction.

2.4.5.4 The relation between the constituents of the framework

In our opinion, all the components that constitute both environments are interrelated, and consequently each element exercises influence on the other. The aforementioned authors (Bielefeld, 1994; Hager et al., 2004) corroborate the liability of newness and smallness with lack of human capital and poor management routines. Bruneel et al. (2016) underline the absence of a skilled middle management team, as well as problems with reporting, as interferences when managing the competing logics. These challenges can be felt mainly in the start-up phase of an organisation. Scott and Teasdale (2012) correlate the lack of strategy and misuse of business plans with the absence of skilled organisational actors. The internal context is situated within the external environment, since organisations subsist in a dynamic and open ecosystem. The organisation itself plays a role in the environment in which it is embedded, and in turn, also suffers from several pressures and constraints that have an impact on the internal elements. This being, the arrows between internal and external environments are pointed in both directions.

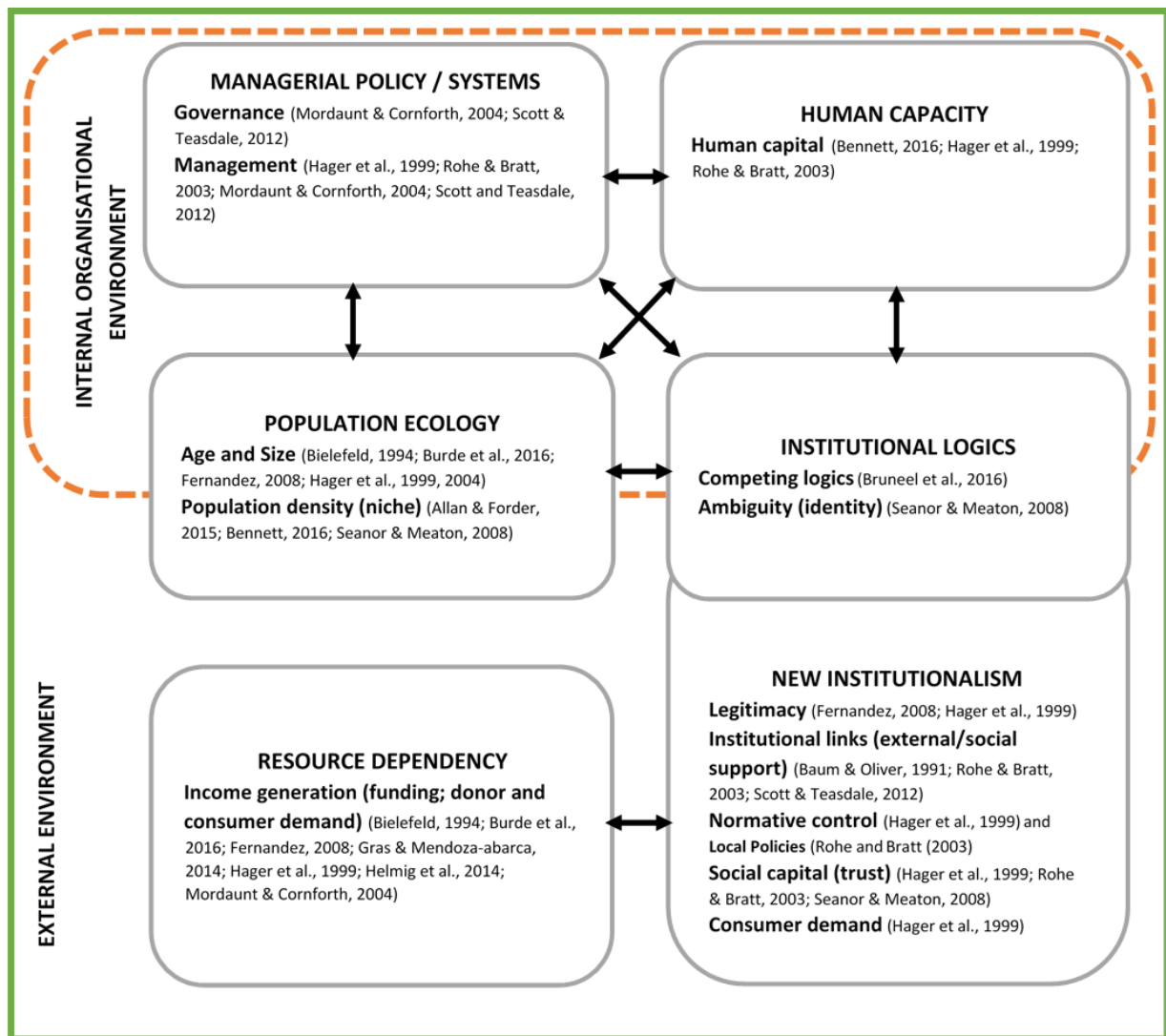


Figure 3 - Causes of social enterprises' organisational failure

2.4.6 What is the role of human capital in organisational failure?

2.4.6.1 Describing the findings regarding the role of human capital in organisational failure

Some studies identified during the systematic research, implicitly and explicitly, propose the human capital theory as a framework to understand the failure of social enterprises. Only one study explicitly mentions this theory (Bennett, 2016); another refers to managerial expertise, including personnel capabilities (Hager et al., 1999); a third study emphasises human capacity (Rohe & Bratt, 2003) while discussing the importance of organisational competency in avoiding failure. None of these authors focuses their analyses on social enterprises. In most articles, the authors implicitly refer to human capabilities by using several words, such as skills, experience, knowledge, competence, capacity, know-

how, ability, and background²⁶. None of the studies approaching the failure of social enterprises has clearly mentioned the human capital theory, yet authors refer to individual attributes (Bruneel et al., 2016; Scott & Teasdale, 2012; Seanor & Meaton, 2008; Seddon et al., 2015)

2.4.6.2 Human capital theory

The organisational environment and its characteristics have, beyond question, an impact on the success of a venture. These dynamics must be analysed and understood in interaction with the human characteristics of those who lead and carry the organisation. The skills, knowledge and experience of the managers, board and staff are therefore critical attributes in organisational success, as will be verified further on. Bennett (2016) uses three different theoretical models to grasp the causes of failure among charities in the UK, including the human capital theory. He adopts the human capital theory developed by Becker (1975)²⁷. By human capital, the author understands the individual characteristics of the entrepreneur, including “*educational background, career history and industry specific experience*” (Bennett, 2016, p. 334). Educational background affects the effectiveness and efficiency of the entrepreneur in acquiring and organising different resources. It also enhances the capability of the individual in analysing information, deploying fundamental networks, and raising sufficient capital. The author did not find substantial differences regarding levels of education between failed and successful organisations.

Along with education, experience also boosts the productivity of the individual, mainly because he/she possesses previously assimilated organisational *savoir* and *savoir-faire*, which can be carried over to the organisation. Experience also equips the individual with a set of skills, such as leadership, communication and marketing, but mainly it gives her/him an overview of how to run an organisation, manage a team and gather the resources needed for survival. Particularly, previous experience in the non-profit sector allows the individual to become familiar with its specific dynamics and norms, enhancing her/his self-confidence and self-efficacy. Moreover, through the previous work, the individual was able to establish a network and partners that may be useful for the new organisation. Yet individuals must work hard to convert the acquired knowledge and expertise into organisational assets (Oe & Mitsuhashi, 2013 cited in Bennett, 2016).

²⁶ We started by defining which words and attributes are used as synonymous of the human capital theory. Then, coded the content of the studies by words like skills, capacities and competence. By reading the several studies was possible to inductively verify the existence of other synonymous (or words that are related to human capital), such as ability, knowledge, know-how, background, expertise. It was possible to understand throughout this process, that even with having such a small coverage the authors do still refer to attributes of human capital.

²⁷ Becker, H. (1975), Human Capital, 2nd ed., University of Chicago Press, Chicago, IL.

The results of Bennett's (2016) study are coherent with what the human capital theory posits about prior experience. Organisations who hired individuals with prior experience in the non-profit sector increased their chances of survival; the reverse applies in respect of organisations with individuals with no or poor experience. In this sense, prior industry-sector experience (in this case, charity management) greatly enhanced the founder and the organisation's success. Specifically, the author underlines the lack of planning and initial market research as the reasons that led to the failure of most of these organisations. The dismissal was due to the lack of appropriate skills of the founders and/or staff, lack of resources, including human resources, and because these were considered low priority assets. Moreover, the author refers to a set of elements, which also contains human capital elements, which are fundamental in avoiding failure, namely the ability to comprehend the competitive dynamics that exist among non-profit organisations; understand the importance of research skills; recognise the likelihood of internal conflicts; and awareness of the importance of external advice and legitimacy. It is important to note that internal conflicts and insufficient networking were also common causes of failure among the charities analysed. The author recommends that the founders and executive directors must be acquainted with the fact that running a successful charity requires specific competencies and know-how.

2.4.6.3 Managerial expertise and human capacity

In line with the above, Hager et al. (1999) relate insufficient managerial expertise to another five items: financial difficulties, personnel capabilities, conflict among staff, power struggles and an unclear mission. The respondents, in the authors' study, refer to financial difficulties as being the number one or number two reason for organisational closure. However, only 8.6% mentioned personnel capabilities as the main or second main cause. Rohe and Bratt (2003) clearly included human capacity as an internal cause. In order for an organisation to accomplish its goals, it must employ and retain competent and stable staff members, as well as knowledgeable and experienced chief executives. Also, the authors emphasise the role that a board of directors plays in taking important and complex decisions. In this regard, they also call for upskilled members who must be rotated according to organisational necessities. The second most common reason cited in the two failed cases, is the lack of expertise of the staff and board members, flowing mainly from the lack of pecuniary resources to employ skilled and experienced individuals. One case, precisely, mentions the lack of personnel, and consequently, the non-existence of competencies as an obstacle since the start-up phase. To address this problem, the organisation hired external consultants. However, this did not reverse the poor organisational performance. Staff members of the other failed case, described their board as inactive,

despite having the necessary skills and experience. The authors call for more research about the set of skills that are necessary for executive directors to achieve efficacy and efficiency.

2.4.6.4 Other human capital attributes present in the studies of non-profit organisations

Kovoor-misra and Olk (2015) conclude, while analysing the leadership of a failed organisation, that the top managers did not possess the competencies required to properly run the organisation. One respondent affirmed the following: *“current upper management does not have the knowledge, expertise, experience, or drive to move EduEntertain ahead”* (Kovoor-Misra & Olk, 2015, p. 1000). Accordingly, in Bhattamishra's (2012) study about grain banks in India, the primary reasons indicated for its failure were associated with poor management and misappropriation. She directly correlates these two causes with the lack of managerial skills on the part of the grain bank committee. In order to achieve greater efficiency, these organisations needed to provide training to their members. In Mordaunt and Cornforth's (2004) study, the organisations that successfully reversed the downward trend, had boards of directors with the necessary set of skills. The know-how associated with previous experience, enabled the chief executives to implement various managerial elements and define strategies to overcome negative situations. In conclusion, the authors underline the role that skills play in organisational survival, particularly leadership and team-working skills.

2.4.6.5 Human capital attributes within theoretical approaches of organisational failure

By coding the several studies, it was possible to verify that human capital dimensions were cited along the different theoretical approaches. Starting with the ecological school, Bielefeld (1994) verified that the closed non-profit organisations had less personnel and volunteers, as well as expenditure. Along with low levels of financial assets, the organisations were short of a workforce and expertise to overcome their difficulties. Along this line, Hager et al. (1999, 2004) stress that the managers of young and smaller organisations generally possess less expertise and thus have more difficulty in navigating organisational subtleties. In the starting-up phase, managers still lack the capacity to recognise and resolve internal conflicts, conduct financial affairs, and raise a common vision and values among staff members. Also, infant organisations have difficulty in recruiting and retaining highly skilled labour (Helmig et al., 2014). Entrepreneurial actions that aim at building and consolidating the stock of human capital of the entrepreneurs help alleviate the liability of newness (Katre & Salipante, 2012). Moreover, staff members will not invest in assimilating organisational-specific skills until they are certain of organisational stability and the security of their jobs. Also, having managers with the appropriate competencies will reassure the external stakeholders (donors, investors, consumers), and increase the reliability and accountability of the organisation.

Regarding the resource dependence theory, Bielefeld (1994) mentions that non-profit organisations that adopted fewer strategies to diversify their funding experienced higher rates of failure. This is justified by the inexistence of an adequate strategy in order to secure the continuity of funding, which in turn stems from the *“lack of resources, knowledge, personnel”* (Bielefeld, 1994, p. 34). We deduce that the lack of human capital is associated with resource insufficiency. In this regard, Fernandez (2008) has established that insufficiency is a common element among all the dismissal associations in Spain, which led to constraints on organisational performance. Similarly, in Rohe and Bratt’s (2003) study, a failed non-profit saw a reduction in the number of experienced personnel, who resigned for better positions elsewhere and, consequently, the organisation lost the expertise to run its projects.

2.4.6.6 Human capital attributes in studies of social enterprises

The authors discussing the failure of social enterprises also raise the stock of human capital as an important asset to organisations. Distinctly in hybrid organisations, the co-existence of two contrasting rationalities entails a set of specific organisational competencies. Gras and Mendoza-Abarca (2014), when analysing non-profit organisations with market-based projects, underline this distinctiveness. When these organisations opt to redirect their streams of revenue into more commercial logics, all the organisational constituents must be conscious of the importance of having or acquiring business skills and know-how. Commercial and social activities are divergent in nature and functions and therefore require different sets of expertise. The failed social enterprise analysed by Bruneel et al. (2016) lacked a qualified middle management team with sufficient skills to improve internal operations and help with balancing the two institutional logics. That is, the social enterprise needed more structure and internal organisation, which could have been accomplished through the integration of qualified workers (Bruneel et al., 2016).

Still on the issue of the human capital of social enterprises, Scott and Teasdale (2012) emphasise the skills and capacities of the manager and board. They argue that financial incompetence is not the sole explanation for organisational failure. Besides this, these authors underline a lack of strategy, poor governance, and the absence of external support. Lack of strategy, which underscores an incoherent scheme of fund applications and the misuse of the business plan, along with poor governance, is related to the competencies and capacities of both the CEO and governing body, according to the authors. A respondent pointed out the difficulty *“to attract suitably qualified staff to manage the various projects in a paid capacity”* (Scott & Teasdale, 2012, p. 149). A clear strategy from the CEO to compensate for this deficiency in human capital was to pay for outer advice. However, an interviewee, external to the organisation, stressed that the local professional advice was poor. The board of trustees lacked the necessary skills to comprehend financial statements, and/or did not have the time to

recognise this problem. Nevertheless, one respondent highlighted the importance of the skills of a CEO, saying: *“The only crime [the CEO and deputy] committed was ruling with their hearts instead of using their business management skills”* (Scott & Teasdale, 2012, p. 151). According to the authors, one of the lessons to be learned is the need to recruit and retain qualified staff.

In Seanor and Meaton’s (2008) study, there is just a small reference to the added value of possessing previous knowledge and experience about the social enterprise field. The lack of these attributes by the main organisational actor led to losses of opportunities in financial support, which could have been vital in evading failure. In the case study analysed by Seddon et al. (2015), during the organisational crisis process, the board of directors decided to recruit a new chief executive, aiming to reverse the negative environment. This change, contrary to the expectations, intensified the internal problems, since the new manager lacked the necessary skills. Also, it was expected that the leader would have the ability to define new strategies to ensure the sustainability of the organisation, but he did not have the basic experience to perform such a function.

Katre and Salipante (2012) analysed twenty-three social ventures, of which some succeeded, while others failed. Regarding the failed ventures, the authors stressed that the social entrepreneurs did not timeously recognise their knowledge and skills gaps, and therefore did not seek support. The struggling entrepreneurs preferred not to enlarge their network in order to obtain the required external expertise that was fundamental to organisational survival. In particular, one social entrepreneur decided to set up a venture that offered ‘gift item products’, although he was bereft of any previous experience that could have enabled him to comprehend the specificities of the sector and act accordingly. The successful entrepreneurs in the aforementioned study acknowledged in advance the weaknesses in their initial stock of human capital, investing in training and seeking potential partners with the required expertise in order to fill these gaps. These entrepreneurs actively sought to update their implicit and tacit knowledge, as well as broaden their range of personal contacts.

2.4.6.7 Analysing the findings regarding the role of human capital in organisational failure

All the above-mentioned authors discussed human capital attributes in non-profit organisations, as well as within social enterprises. Bennett (2016) is the only author specifically using the human capital theory – the only one to analyse the level of education of the individuals within the organisation. He did not empirically confirm the assumption that level of education enhanced the rate of survival, since there was no significant difference between failed and successful charities. However, human capital goes beyond the education level to comprise other attributes, such as prior industry experience and further skills and competencies.

Experience was cited in six studies as an important factor in avoiding organisational failure (Bennett, 2016; Gras & Mendoza-Abarca, 2014; Kooor-Misra & Olk, 2015; Mordaunt & Cornforth, 2004; Rohe & Bratt, 2003; Seanor & Meaton, 2008). According to these studies, experience is related both to the level of know-how specific to one activity and sector and with managerial roles in general. For our study, industry-specific experience is narrowly related with experience in the non-profit sector. As mentioned before, prior experience in charities familiarises the individual with the nuances of the sector, managerial aspects and the environmental ecosystem. It also equips the individual with a set of non-cognitive skills (Bennett, 2016). Moreover, it allows the individual to set up feasible objectives (Davies, 2009 cited in Bennett, 2016). Nevertheless, a dual level of experience is essential, especially in organisations with market-based projects, as it requires *“heterogeneous knowledge and networks because they need to deal with diverse mission and business constituencies”* (Katre & Salipante, 2012, p. 988). Seddon et al. (2015) point at the lack of experience of a chief executive in delineating strategies to achieve organisational sustainability, since his previous work focused on funded projects. In respect of an organisation that succeeded in achieving a turnaround, Mordaunt and Cornforth (2004) underline the management experience of the new leader, which allowed the insertion of managerial aspects that were vital to revert the negative situation.

Another attribute of human capital is access to professional external advice. Katre and Salipante (2012) and Scott and Teasdale (2012) recognise external support as an important component in organisational survival, particularly when the competencies required, are not embedded within the organisation. In the study of Katre and Salipante (2012), the struggling social entrepreneurs did not opt to enlarge their personal networks in order to access other expertise to support their activities. In the social enterprise analysed by Scott and Teasdale (2012), the need to resort to external support due to the difficulty of recruiting qualified staff was identified. However, the advice received was judged as poor and inefficient. This was related to the particular external environment in which the organisation was located, since there was a general lack of skilled individuals. Rohe and Bratt (2003) underline as the cause of failure the lack of support of umbrella organisations, which did not implement effective strategies for helping the organisations in difficulties. Another perspective from which we can look at external advice is through the social capital theory. Hager et al. (2004) included this variable²⁸ in their

²⁸ Hager et al. (2004) based their assumption on three studies :

- Pfeffer, J. (1972) 'Size and Composition of Corporate Boards of Directors: The Organization and Its Environment'. *Administrative Science Quarterly*, 17:2 pp218 – 28.
- Galaskiewicz, J. and Rauschenbach, B. (1988) 'The Corporation-Culture Connection: A Test of Interorganizational Theories' in C. Milofsky (ed.) *Community Organizations: Studies in Resource Mobilization and Exchange*. New York: Oxford University Press.
- Burt, R. S. (1983) *Corporate Profits and Cooptation: Networks of Market Constraint and Directorate Ties in the American Economy*, New York: Academic Press.

analysis, arguing that organisations with access to external skills and knowledge have lower odds of failure: via a board with skilled individuals, an organisation not only has access to their expertise, but also to a larger network. However, the authors did not confirm this assumption in their study.

Overall, authors underline the lack of human capital of the staff, chief executives and board members as an element contributing to organisational failure, using different wordings that can be considered compatible with this theory. Individuals in organisations generally lack the following skills: “*managerial skills*” (Bhattamishra, 2012), “*business management skills*” (Scott & Teasdale, 2012), “*business-specific organizational skills*” (Bruneel et al., 2016), “*leadership and team working skills*” (Mordaunt & Cornforth, 2004), “*lack of marketing and management skills*” (Bennett, 2016). Seddon et al. (2015), Burde et al. (2017) and Fernandez (2008) confirm that lack of entrepreneurial skills among managers and staff hamper the development of innovative projects. Lack of knowledge and expertise are also linked with organisational failure (Bielefeld, 1994; Katre & Salipante, 2012; Kovoov-Misra & Olk, 2015; Rohe & Bratt, 2003). Gras and Mendoza-Abarca (2014) point out that non-profit managers, in general, do not have commercial expertise when undertaking activities that are market-based. Similarly, Katre and Salipante (2012) contend that struggling social entrepreneurs often have a single-sector background and that social enterprises often possess a homogenous stock of human capital. Bielefeld (1994) speaks about the lack of financial expertise, while Scott and Teasdale (2012) refer to financial incompetency, which inhibits the organisational actors to notice, understand and prevent financial turbulence. Besides the absence of skilled and expert employees, the authors also underline the lack of staff as a cause of failure (Fernandez, 2008; Mordaunt & Cornforth, 2004; Rohe & Bratt, 2003).

Organisational actors must comprehend and balance the different forces and dynamics that arise from organisational and contextual aspects. For this, having in place a set of skills and knowledge is required to help mitigate the fluctuations of operating in complex systems with particular organisational characteristics. The organisational actors can obtain other skills by securing external professional advice. Moreover, the organisational path is not linear; each cycle needs a set of specific organisational competencies. At times, the process of integrating enterprise features and demands into non-profit organisations leads actors to feel distant from their intrinsic social values and become nothing more than business administrators. In order to overcome this feeling, the actors must learn to balance the two core logics of social enterprises, and be aware of the need and importance of the commercial side to achieve sustainability.

The entrepreneurial process not only requires openness of organisational actors, but also the learning new competencies and/or the recruitment of qualified personnel. As Katre and Salpante (2012) mention, “*social entrepreneurs with prior social work dominant background to focus their effort on a*

number of specific behaviors in the areas of markets, industry, and customer management” (p. 989). This will lead them to undertake effective actions. Nonetheless, social entrepreneurs with a business background must clearly define a priori their social goals. The authors also emphasise that social entrepreneurs must establish strong ties with the key stakeholders with the aim of receiving their support and professional advice, when needed.

While analysing the failure, the authors defined a set of aspects to be needed by future social entrepreneurs. These are:

- Previous experience is vital (industry-specific and managerial) (Mordaunt & Cornforth, 2004);
- Consciousness of their skills and knowledge gaps (Katre & Salipante, 2012);
- Awareness of the importance of building a network composed of various stakeholders in order to obtain professional advice (Bennett, 2016; Katre & Salipante, 2012);
- Awareness of the need to continuously acquire knowledge and self-improvement (Katre & Salipante, 2012);
- Recognition of the likelihood of internal conflicts and the existence of competition dynamics among non-profit organisations (Bennett, 2016); and
- Understanding the importance of research skills (Bennett, 2016).

According to Rohe and Bratt (2003), several initiatives in the USA are already being taken with the objective to upgrade the staff capacity of non-profit organisations. Nonetheless, the authors argue that the need still exists for complementary support in this area. These authors also call for more research about the set of human capital attributes that are vital in achieving stable and lasting performance. An interesting point raised by Rohe and Bratt (2003) is that organisations that opt to narrow their activities, can more easily recruit specific sets of expertise and skills. However, it makes the organisation vulnerable to funding priorities. To the contrary: the diversification of activities will revert organisational vulnerability, but may lead to lower levels of performance, caused by the lack of personnel with the expertise required for all the activities.

2.5 Conclusion

As discussed in the first section of this chapter, we considered that the systematic review method better fitted our research goals. It allowed us to thoroughly search, according to defined criteria and guidelines, the academic papers published so far about the subject. We affirm to have achieved the research goals and answered the questions of the systematic review. While following this methodical process, in which we explicitly mentioned all the steps, we avoided bias and error.

We discussed that the concept of organisational failure is not straightforward in the non-profit and social enterprise sector, as in the for-profit sector. Several idiosyncrasies appeared when analysing the conceptual constructs. Authors call for a distinction between organisational failure and closure/death. When an organisation closes due to mission completion, it has not failed. On the contrary, it means that it reached a certain degree of success. After the analysis of the specificities of the authors' papers, we presented a definition of social enterprises failure.

By answering our second question, we understood that authors have been analysing failure in the non-profit sector. Yet the phenomenon remains understudied in respect of social enterprises. Authors use three main theoretical approaches, referring to both organisational and external contexts, namely the population ecology, resource dependence and new institutionalism. Additionally, authors build on other explanatory theories to configure failure and improve the three main approaches. Overall, we note a certain degree of homogeneity among the results. This being, it was possible to gather all the results in a multidimensional framework that we composed through two main interconnected environments. The dimensions in each environment are complementary to one another.

Only one author specifically uses the human capital theory to examine organisational failure among UK charities. Two others explicitly mentioned human capacity and managerial expertise. Yet we found that human capital attributes were transversal to most studies. Authors spoke about skills, knowledge, capacities, experience and other synonyms to refer to the managerial aspects and human dimensions of organisations. We cannot peremptorily affirm that a lack of human capital leads to failure. However, it was never our intention to do so. The data show that the human capacities within an organisation influence its path, and when these capacities are absent, problems tend to emerge. Therefore, we can say that human capital plays a vital role in organisational failure.

Based on the above, we affirm having acquired a comprehensive knowledge of the failure of non-profit organisations and social enterprises. We did not aim only at understanding the *state of the art*, but also at bringing together the different pieces of the puzzle, by understanding the existent theoretical lenses and possible gaps in it. We propose that the current comprehensive review hold a great value both for theoretical and academic purposes, as well as for improving the practices of social enterprises.

CHAPTER 3

RESEARCH METHODOLOGY

In the previous chapter, we presented the results of the systematic review conducted for the purpose of this study. We noted that failure on social enterprises was an understudied phenomenon, therefore requiring further analysis in order to unveil the characteristics of it.

The objective of this chapter is to describe the methodological approach underlying the research process. It clarifies the rationale and motivation regarding the choices taken in this regard. Firstly, we highlight the epistemological and ontological positions, stressing the paradigm that forms the foundation of this thesis, which is pragmatism. Then, we discuss two research approaches: deductive and inductive. Subsequently, we outline the research strategy, composed by the methodology and the research methods. Next, we present the setting of our research, which is the Metro of Nelson Mandela Bay, South Africa.

After the methods section, we explain the sampling process, specifically the snowballing approach. We then elaborate on some aspects of gaining access to the field, as well as on a number of ethical issues. Subsequently, we discuss the thematic analysis process as the tool used to analyse the data collected, describing all the steps taken in this process. Finally, we discuss the assessment of quality in qualitative research, finishing with an auto-evaluation of this study.

3.1 Research paradigm

In the following paragraphs, we briefly discuss the research philosophy, which relates to the development of knowledge and the assumptions on the nature of knowledge. As Saunders, Lewis and Thornhill (2009) point out, the researcher's philosophical assumptions about the world underpin how he/she produces knowledge. For many researchers, the ontology, epistemology, methodology and methods relate to each other, forming a unifying framework, also called a paradigm or worldview. As Creswell says, "*Qualitative researchers approach their studies with a certain paradigm or worldview, a basic set of assumptions that guide their inquiries*" (p. 74).

In his seminal book Kuhn (1962) defines a paradigm as a way of summarising the researchers' beliefs about knowledge creation. Years later, Guba and Lincoln (1994), Morgan (2007) and Bryman and Bell (2007) outlined a paradigm as a collection of believes and/or worldviews that guide the researcher in her/his work, influencing what should be studied, how research should be conducted, and how the

data should be analysed. Moreover, Biesta (2010) considers paradigms as tools useful in the research process. The paradigm, in which the researcher roots her /his assumptions, outlines the research strategy and methods of collecting and analysing data. This philosophical commitment provides the researcher with a structuring framework, affecting not only what he/she does, but also how he/she understands what is being investigated. As such, the research philosophy is the vital starting point for any research. Creswell (2009) considers that the discipline area of the researcher, the beliefs of advisory team and faculty members, as well as past researchers shape the paradigms.

For Guba and Lincoln (1994) the basic belief system (paradigm) predicts the interaction of three types of assumptions: ontology, epistemology and methodology. Ontology refers to the *“nature of reality”* (Easterby-Smith, Thorpe, & Jackson, 2015, p. 18; Saunders et al., 2009, p. 110), *“the study of being”* (Crotty, 1998, p. 10) and of *“What is there in the world?”* (Eriksson & Kovalainen, 2016, p. 14). Epistemology refers to the researcher's standpoint regarding what is (or should be) considered as acceptable knowledge in a specific science (Bryman & Bell, 2007; Saunders et al., 2009). As Eriksson and Kovalainen (2016) state, epistemology answers questions such as *“What is knowledge?”* (p. 15), while simultaneously stressing the sources and limitations of such knowledge. Methodology refers to the question *“How can the inquirer go about finding out whatever he or she believes can be known?”* (Guba & Lincoln, 1994, p. 109) and the research techniques and strategies to acquire such knowledge.

Below, we discuss the paradigm that guided us through the present research project.

3.1.1 Pragmatism

The focus of the debates regarding research philosophy frequently swung to either positivist or interpretivist standpoints. Even so, other paradigms emerged to counterbalance the more traditional ones. Guba and Lincoln (1994), and Lincoln, Lynham and Guba (2011), refer to four paradigms, which are positivism, postpositivism, critical theory and constructivism. Creswell (2009) underlines postpositivism, constructivism, advocacy/participatory and pragmatism. Still other authors emphasise other paradigms, as, for example, Easterby-Smith et al. (2015), Bryman and Bell (2007), Eriksson and Kovalainen (2016), and so on. Paradigms still raise controversies and lack unanimity on the choice of philosophical doctrines to include.

One such paradigm is pragmatism (Collis & Hussey, 2014; Creswell, 2009; Easterby-Smith et al., 2015). This philosophical worldview has its roots in the nineteenth century, in the work of Pierce (1939–1914), James (1842–1910), and Dewey (1859–1914). In recent last decades, other authors developed this paradigm (Creswell, 2009, 2014; Parmar, Phillips, & Freeman, 2015; Thorpe & Holt, 2008). As Thorpe and Holt (2008) indicate, authors such as Zald (1993), Wicks and Freeman (1998) and Calori (2000,

2002) have strengthened this philosophical paradigm with their research in the field of management and organisational studies. For Thorpe and Holt (2008), a seminal work that focuses on the role, use and benefits of pragmatism as a philosophical view within this field is still lacking. After 2008, a few authors published articles and books on the subject (Kelemen, Rumens, & Vo, 2018; Lorino, Tricard, & Clot, 2011); yet a lot is still to be discovered. This year (2019), Lorino published a book with the title *Pragmatism and Organization Studies*²⁹, translating the pragmatism viewpoint into current organisational issues. Also, the author emphasises the need to further the comprehension of pragmatism within the field (Kelemen, 2018).

Authors have developed pragmatism as an alternative to the dominant and traditional philosophical views, providing an alternative to the positivistic and anti-positivistic dilemma. In terms of Dewey's perspective (cited in Morgan, 2014), the assertions behind positivism and constructivism are both valuable and equally important. This means that the nature of the world limits our experiences stemming from it; also, our interpretations of those experiences constrain our understanding of the world (Morgan, 2014). Our thinking and knowledge should not merely reflect the pre-existent world, but rather change and improve reality (Mir, Willmott, & Greenwood, 2015). Dewey's perspective on pragmatism highlights the importance of bonding beliefs and actions in the process of inquiry underpinning any (re)search for knowledge (Morgan, 2014).

Pragmatism assumes that there are no pre-established "*propositions or categories and no universal cognitive structures or mental models that shape knowledge*" (Thorpe & Holt, 2008, p. 169). The meanings that an individual possesses, stems from her/his incessant experience and interaction within the environment. Pragmatists do not view theory and practice as divergent activities and phenomena. Instead, for them, theory is a tool used to understand and cope with life events; while at the same time, the meaning of it is built by the application of concepts. Pragmatism underlines a fallibilistic epistemology (Johnson & Duberley, 2000; Thorpe & Holt, 2008), as any knowledge may be wrong, and therefore be subject to review.

Pragmatism advocates the primacy of technical decisions, such as the methods and questions of research, over philosophical commitments (Bryman, 2006; Morgan, 2014). It lends emphasis to the research questions chosen to approach and understand a problem in a particular set of circumstances (Bryman, 2006; Creswell, 2009, 2014; Saunders et al., 2009). For Saunders et al. (2009), if the research question does not point directly to either a positivist or interpretivist philosophy, it means that it is

²⁹ Lorino, P. (2018). *Pragmatism and Organization Studies*. Oxford: Open University Press.

likely to work with different variations of epistemology and ontology. In this regard, the research questions must determine which paradigm to follow.

Commonly, pragmatism provides the philosophical underpinnings for mix methods research (Denzin, 2010; Tashakkori & Teddlie, 1998; Teddlie & Tashakkori, 2009). It is also the ground for other types of studies. For these authors, it is important to focus the attention on the research problem and define the methods (pluralistic, if needed) used to discover the intricacies of the problem. It is more about practicality than its broader philosophical sense (Morgan, 2014; Patton, 2002). The latter author has provided an interesting connection between practices and pragmatism.

Authors acknowledge that pragmatism provides a sound philosophical basis for research. Here their reasons:

- Researchers who follow this paradigm avoid pointless discussions about truth and reality (Creswell, 2009, 2014; Tashakkori & Teddlie, 1998). They do not see the world as an “*absolute unity*” (Creswell, 2014, p. 11).
- Research occurs in specific social, historical and political milieus and considers its idiosyncrasies (Creswell, 2009, 2014).
- Researchers must “*study what interests you and is of value to you, study in the different ways in which you deem appropriate, and use the results in ways that can bring about positive consequences within your value system*” (Tashakkori & Teddlie, 1998, p. 30).
- Pragmatism allows the researchers to choose the methods, techniques and procedures that they consider pertinent for the understanding of the research problem (Creswell, 2009, 2014; Saunders et al., 2009).
- Researchers following a pragmatism worldview tend to look at research questions that start with ‘*what*’ and ‘*how*’ (Creswell, 2009, 2014).

Critically, Johnson and Duberley (2000) highlight the difficulties in describing pragmatism as a philosophical paradigm, since it is grounded in various epistemological positions. The ambiguity around pragmatism solely diminishes due to their unity in the rejection of positivism. However, pragmatism does not intend to disregard the uniqueness and application of other paradigms, given its importance in a specific set of circumstances. Nonetheless, circumstances have evolved through time, demanding new approaches, such as pragmatism.

The present study was underpinned by a pragmatist philosophy, for the following reasons:

- Our beliefs do not fit entirely into the positivist or interpretivist philosophies. We agree with Dewey's (cited in Morgan, 2014) line of thought that both have significance for the building of scientific knowledge. Pragmatism allows us to follow components of both and focus on the research question and its answers.
- Pragmatism also suited our research questions, which started with '*what*' (Cf. sub-section 3.3 of this chapter). Our aim was to comprehend an organisational past event through the participants' experiences and points of view of the experiences. We followed an objective and subjective standpoint, and adopted this reasoning when analysing the data. This means that we focused on the predefined attributes of the human capital theory to interpret and analyse organisational phenomena. Thus, we followed a specific theoretical lens, as we will explain later in this chapter. We believe that pragmatism enabled us to use a theoretical background to explain an organisational event, at the same time, we allowed the emergence of other relevant themes from the collected data. This was used specifically to understand the causes of failure (Cf. sub-section 3.2 of this chapter). In this sense, we targeted the building of theory through the analysis of the practical knowledge of the participants along with the enhancement of the application of human capital theory to the field of social enterprises.
- This paradigm helps us focus on the actual setting and social constructs. It allows us to describe and interpret real-life events that occur in a practical setting, with its own specificities. Moreover, it gives us the opportunity to concentrate on the practical elements of the research process. We discuss below the choices regarding the research methods (Cf. sub-section 3.5 of this chapter).

The next sub-section explains our approach to theory throughout the research process, in which we combine two styles.

3.2 Research approach: Combining deductive and inductive approaches

Bryman and Bell (2007) underline that "*any piece of research is linked to theory*" (p. 11). It is important for a researcher to understand what the role of theory in her/his research is. The most common views regarding the relationship between strategy and theory are deductive and inductive approaches. In addition, other authors stress abduction as an approach to the research inquiry (Eriksson & Kovalainen, 2016).

For years, the deductive approach was the most common approach to build up strong theoretical knowledge, mainly among quantitative researchers (Eriksson & Kovalainen, 2016). When opting for a

deductive approach, the researcher tests existing theory. This being said, the researcher must possess comprehensive theoretical knowledge of a specific domain, in which he/she deduces the hypotheses to be confirmed during the empirical part of the research (Bryman & Bell, 2007; Saunders et al., 2009). In the opposite direction of deduction lies the inductive approach. The inductive researcher views the theory as a block of knowledge that stems from the empirical scrutiny. Subsequently, the researcher finds the theoretical considerations in which the empirical material fits (Bryman & Bell, 2007). The objective of the inductive approach is to better understand the nature of the problem, without preconceived considerations (Saunders et al., 2009). A third approach, first delineated by Peirce in 1978 (cited in Eriksson & Kovalainen, 2016; Mantere & Ketokivi, 2013) to the relation between theory and inquiry is abduction. Researchers who prefer this approach move constantly between deduction and induction in different phases of the study, or combine both in their research project. By using an abduction approach, researchers move from the daily descriptions and meanings to categories and concepts. This aims at creating an understanding and/or explanation regarding the phenomenon under study (Eriksson & Kovalainen, 2016).

For the present research, we opted to combine both the deductive and inductive approaches, moving iteratively between these two during the process of research. We present this graphically in Figure 4 below. Before embarking on the empirical steps, we felt the need to acquire an extensive theoretical background regarding, specifically, human capital theory. The aim was to ensure the correct use of the main attributes and concepts that the authors emphasised regarding this theory, and subsequently, to include these in the method selected to collect the data. Yet we did not intend to test the theoretical framework as such. We endeavoured to base our assumptions on a theoretical lens and to operationalise the concepts to ensure clarity (Creswell, 2009, 2014; Saunders et al., 2009). We did not design a conceptual framework about the causes of organisational failure. Yet, we studied how failure was conceptualised by the authors in order to ensure the correct selection of the study sample (Cf. sub-section 3.5.1 of this chapter). The constructs about the causes of failure emerged from the narratives of the participants in the study. We attempted to improve understanding of the meanings the respondents attached to an organisational event (Creswell, 2009, 2014; Saunders et al., 2009).

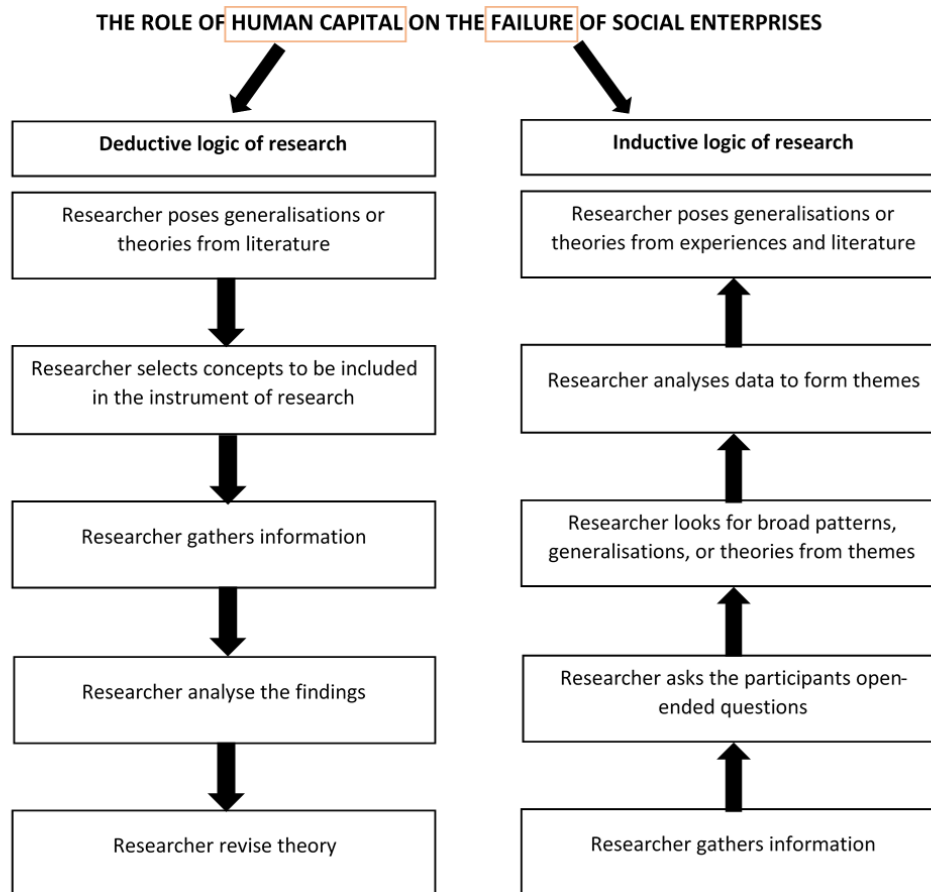


Figure 4 - Research approach: combining deductive and inductive approach

In the next sub-section, we develop the research questions that served as important tools for the development of the research.

3.3 Research questions

One important step in qualitative research is the formulation of the research questions that will drive the entire study. Qualitative researchers are committed to asking “*what*”, “*why*” and “*how*” questions about the social phenomena under investigation (Bryman & Bell, 2007, 2011). The intent is to discover, describe and/or interpret the study, rather than to measure it (Denzin & Lincoln, 2011). For Flick (2009), the success of qualitative research stems from the research questions. He specifically says, “*If you want to start your qualitative study, a first and central step, and one that essentially determines success in qualitative research but tends to be ignored in most presentations of methods, is how to formulate the research question(s)*” (p. 98).

Bryman and Bell (2007, 2011) highlight a few crucial aspects of the importance of defining *à priori* the research questions. These aspects regard the decisions that the researcher must take during the

various phases of the study. The research questions guide the researcher in selecting the literature background and research design. It helps her/him in choosing the data and the participants, as well as in analysing the data and writing up the results. Mason (2002) states that research questions are an essential part of the “*intellectual puzzle*” (p.18); that, is a research process. Researchers must formulate the questions clearly from the beginning of the research process, even if during the process they may be subject to change.

Considering this, the questions formulated for the purpose of the present study are:

- (1) What are the causes of organisational failure of social enterprises?**
- (2) What are the human capital characteristics of the failed and successful social enterprises?**
- (3) What role did the human capital attributes play in the failure of social enterprises?**

The above questions start with ‘*what*’, as our intention was to obtain descriptive answers, while discovering and explaining the particularities of an organisational phenomenon. Moreover, we intended to search for patterns of meanings in the participants’ narratives of the studied organisations and interpret it.

In order to operationalise the research questions, we opted for a qualitative approach and the use of different methods, as explained below.

3.4 Research strategy: methodology and methods

3.4.1 Qualitative methodology

Silverman and Marvasti (2008) define methodology as “*a general approach to studying research topics*” (p. 144). A methodology is more practical in nature than epistemologies, giving to the researcher the organising principles and plan of action that will govern the process of researching the chosen phenomenon (Creswell, 2009, 2014). The choice of methodology underpins the method(s) that the researcher opts to follow throughout the subsequent research process. For the aforementioned two authors, it is important to select the method(s) that is/are more suitable for the research topic.

Most of the authors that approach research strategies draw a distinction between quantitative and qualitative research. Creswell (2009, 2014) also underlines the existence of a mixed methods strategy. For some, the differences between quantitative and qualitative research are more superficial and relate mainly to the methods chosen to approach the empirical process. For others, the differences lie in deeper variances concerning the epistemological and ontological assumptions (Bryman & Bell,

2007). Researchers who underpin their strategy on quantitative research start by *“building a model”* (Flick, 2009, p. 90). The model encompasses the quantification of the collection and analysis of the data and uses a deductive approach to the relationship between theory and empirical evidence. It follows a positivist philosophy and envisages the reality as external and objective (Bryman & Bell, 2007).

Conversely, the focus of qualitative researchers is on non-numeric (words) data. It has a distinctive body of research practices, with its own rigour and principles. In contrast to a quantitative approach, researchers adopting a qualitative approach reject the natural scientific model and positivism, giving preference to the interpretations that individuals have of their social reality. Therefore, reality changes according to the individual's perspectives and depends on his/her own creation of it. Often, these researchers opt for an inductive approach (Bryman & Bell, 2007). Nonetheless, Denzin and Lincoln (2011) highlight that qualitative research does not prefer one specific methodology over another, nor does it have a particular method or practices. It does not belong to a single discipline, but emerges from several sciences. In a definition, Nelson, Treichler and Grossberg (1992) touch on the specificities of qualitative research. They say:

“Qualitative research is an interdisciplinary, transdisciplinary, and sometimes counterdisciplinary field. It crosscuts the humanities and the social and physical sciences. Qualitative research is many things at the same time. It is multiparadigmatic in focus. Its practitioners are sensitive to the value of the multimethod approach. They are committed to the naturalistic perspective and to the interpretive understanding of human experience. At the same time, the field is inherently political and shaped by multiple ethical and political positions.” (p. 4).

The mixed methods approach combines numeric and non-numeric approaches to the collection and analysis of empirical data. The philosophical assumptions behind the mixed methods approach reject the reductionism of a single approach, since it acknowledges the existence of different realities in terms of the quantitative and qualitative strategies (Creswell, 2009, 2014) Researchers must therefore bear in mind that there is rigid division between quantitative and qualitative strategies. Researchers may decide to look at it as two ends of a continuum, rather than opposing and dichotomising forces. Bryman and Bell (2007) emphasise the interconnectedness of both approaches, citing some studies as examples. They say, *“Studies that have a broad characteristic of one research strategy may have a characteristic of the other”* (p. 29).

The present research followed a qualitative approach. According to Denzin and Lincoln, the qualitative researcher is *“bricoleur and quilt maker”*, who *“stitches, edits and put slices of reality together”* (2011,

pp. 4–5). A qualitative approach also gives the opportunity for the researcher to grasp the complexities of a specific phenomenon. For Nelson et al. (1992), the methodological choices of the researcher depend on the questions that he/she intends to answer, while the questions themselves depend on what is available in the context. Qualitative researchers look at the study holistically, which not involves only an aggregation process (Patton, 2002).

This being, a qualitative approach entirely fitted the goals of the present research, which were to understand the intricacies of organisational failure, together with the role that the specificities of human capital may play in it. To achieve these goals, we used different methods, as discussed below.

3.5 Research methods: semi-structured interviews, documents and observations

Often, qualitative research builds on a montage of different methods of collecting data. The use of several methods not only allows the triangulation of the information, but also adds “*rigour, breadth, complexity, richness, and depth to any inquiry*” (Flick, 2009, p. 229). Through triangulation, the researcher aims at collecting evidence from different sources, at intersecting different perspectives (Saunders et al., 2009; Yin, 2011), and at gaining in-depth understanding of a specific issue (Denzin & Lincoln, 2011). We acknowledge the value of triangulating the data, not only regarding the sources of it, but also concerning the techniques to collect them. We bore this in mind while gathering the data for this study, and therefore, our actions were aimed at obtaining data from different sources in order to achieve good triangulation. Yet one of the difficulties of studying failed organisations is access to data. Finding the participants and organisational documents for analysis was a continuous battle on the ground (Cf. sub-section 3.10.1 of this chapter).

Even if looking at it in a broader perspective, all the methods chosen are important to find consistencies in the data. Yet we focused on semi-structured interviews, as the main source of information selected. In this sense, documents and observations served as complementary methods to triangulate and crystallise the data.

Below we explain the three methods used during the fieldwork.

3.5.1 Semi-structured interviews

Semi-structured interviews, also called qualitative interviews (Warren, 2001) or in-depth interviews (Esterberg, 2002) are probably the most common method of research within a qualitative design. According to Kvale and Brinkmann (2009), a semi-structured interview is “*an interview with the purpose of obtaining descriptions of the life world of the interviewee in order to interpret the meaning of the described phenomena*” (p. 21). By following such a method of collecting data, the researcher

attempts to gather the maximum of details regarding a specific experience and/or event of the interviewee's life, and to describe and interpret the meaning thereof. The researcher has the opportunity to deepen and to follow up the questions that are most important for the analysis of the topic.

In addition, semi-structured interviews allow the researcher to be flexible while maintaining the focus of the research (Brinkmann, 2013; Mason, 2002). The researcher can record the qualitative information that stems from the interaction and dialogue, giving her/him the possibility to concentrate on enriching the discussion (May, 2001). This method yields rich insight in *"people's knowledge, views, understandings, interpretations, experiences, and interactions"*, which are *"meaningful properties of the social reality"* (Mason, 2002, p. 63). It is important that the researcher encourages the interviewees to share their own ideas and perspectives on the topic of discussion (Esterberg, 2002).

Semi-structured interviews fitted in well with the purpose of our research. From Table 13, it is possible to visualise the semi-structured interviews conducted. By using this method, we gathered the respondents' insights regarding both the causes of failure, as well as the human capital attributes. At the same time, we collected precise data about the latter aspects. We conducted one-on-one and collective interviews (maximum of three participants). The collective interviews stemmed from time constraints on the part of the participants included in the study. Nonetheless, we acknowledge this group method as a *"valuable tool of investigation"* (May, 2001, p. 125). We maintained the same format and structure of the individual interviews, directing and guiding the subject in scrutiny. The collective interviews already proved to be useful to aid and stimulate the participants recalling information regarding past events. Moreover, these interviews enabled us to triangulate the information with several participants. However, we attempted to avoid the domination of one participant over the other and encouraged equal participation and coverage of the topic (Fontana & Frey, 2005).

It is important to underline the challenges of interviewing individuals regarding a past and, often, a negative event (Silverman, 2015). Frequently, we adapted the terms and questions to the person being interviewed, based on the sensitivity of the subject of failure for her/him. For example, we would use closure or termination of activities, instead of the word failure, as for some participants this term carried a negative connotation. In some cases though, we opted for a more open exchange in order to obtain the necessary information. Nevertheless, we were aware of our role and how it could affect the course of the interview.

Planning interviews

As Mason (2002) says, “Qualitative interviews require a great deal of planning” (p. 67). We agree with this, and thus, we considered it important to prioritise the preparation of the semi-structured interviews. In advance, we reviewed the literature in order to define some set of questions. We carefully thought about the structure, flow and sequence of the questions. Additionally, as we knew in advance that the research period in South Africa would be limited and could be reduced to a one-time encounter, we developed an extensive interview guide that would gather the much-required data for the analysis of our research questions, as well as extra information to deepen our understanding of the organisations. Our focus was to collect the data regarding the causes of failure, as well as the human capital attributes in order to answer our research questions. Nonetheless, it also seemed important to us to gather other specific information about the organisations, such as the governance and business models. This was based on two reasons: (a) the information available online (for example, web pages) about the failed organisations was non-existent or scarce. The same applied to some successful organisations. Therefore, in some cases, the interview would be our only shot at understanding the organisation itself. (b) When asking about the governance and business models, we could immediately assess, whether the organisation could fit in our sample according to the nine EMES indicators (Cf. sub-section 1.2.3 – Chapter 1 - for EMES indicators and 3.6.1 – of this chapter - for sampling process).

We divided the semi-structured interview into **six** and **five sections**, for the failure and success cases, respectively. The semi-structured interview included questions regarding the demographic characteristics of the interviewee; the demographic characteristics of the organisation; the governance model; the business model; and failure and human capital. The semi-structured interviews for the success cases obviously did not include the failure section. The semi-structured interview guide is reproduced in Appendix E. Below, we briefly represent in Table 12, the semi-structured interview sections and some example of questions.

Table 12 - Examples of question included in the semi-structured interview

Section	Example of Questions
<p>A. Demographic characteristics Interviewee</p>	<p>– Gender; educational background, position and responsibilities in the organisation, Number of years of working experience in the organisation</p>
<p>B. Demographic characteristics organisation</p>	<p>– Who is (was) the social entrepreneur? What is (was) the legal form? Why was set-up? What is (was) the vision, mission, and goals?</p>
<p>C. Governance model</p>	<p>Who is (was) the main manager? Do (did) you have a board? If yes, what is (was) the constitution? How is (was) the power of decision-making?</p>
<p>D. Business model</p>	<p>How do (did) you describe your business model? Can you split up the streams of income and their sources (private customers, public contracts, foundations, crowd-sourcing, etc.)?</p>
<p>E. Causes of failure</p>	<p>What were the reasons that led to closure? What you would say was the main cause/determinant of the closure? Did you declare it because you could not meet the financial obligations? Did the activities achieve the social goals?</p>
<p>F. Human capitalAttributes</p>	<p>What is the level of education of the employees? What is the professional background of the employees? How many years of experience and in what field (For-profit, Non-profit)? Do (did) you provide on-the-job training to the employees? If yes, what kind of training? Do (did) you give the possibility to your employees to participate in courses/workshops outside the social enterprise (per year)? Do (did) you have (had) the support of external advisors in the daily activities of the organisation? Can you describe the combinations of human capital (human resources system)?</p>

During the interview

Each interview started with a brief overview of the research topic and goals, followed by a short introduction of our professional background. It was important to allow some time to discuss other general topics. Often, the warm-up topics were related to wide-ranging aspects of life in South Africa and daily news. Then, we would redirect the dialogue to the general aspects of the organisation, in order to start with the questions. Successively, we followed the structure of the interview. We seldom altered the order of the sections, leaving for last the questions concerning the causes of failure, remaining sensitive to the discomfort the participant might be experiencing.

Conducting interviews, and consequently, gathering significant and key information, requires from the researcher a set of skills, such as interpersonal skills, active listening, and empathy (Kvale & Brinkmann, 2009). It is important to listen, to follow up on the participants' line of thought, and to understand the explanations and meanings the participant attaches to a topic, in order to chain the subsequent question. However, it is important to allow the participants' time to develop their reasoning and answers. At the same time, it is also essential not to forget to redirect the thinking of the participant on the topic at hand in order to obtain an answer to the question (Saunders et al., 2009). We were aware of the importance of formulating correctly and using suitable vocabulary to obtain the data. For example, the participants often did not understand the meaning of the term human capital. The main difficulty encountered was to redirect participants' answers and reasoning to a specific question, as they were sometimes reluctant to give a direct response. Most of the interviews were held in English, except for one interview; that was held in isiXhosa, for which purpose we secured the services of a professional translator.

3.5.2 Secondary data: documents as a source of data

Secondary data is data that another researcher collected, or which is available through different sources. Some authors (Bryman & Bell, 2007; Flick, 2009; Given, 2008) emphasise the use of secondary data, such as reports, relevant newspaper items and journal articles, as a complementary strategy to other methods in qualitative research. The use of secondary data enables the researcher to *"investigate new questions, corroborate or extend the original analyses, or compare to other (primary or secondary) data sources."* (Given, 2008, p. 803). The aforementioned documents are rich sources of data, deserving a great deal of attention and detailed analysis. For Bryman and Bell (2007), the researcher must possess a *"considerable interpretative skill"* (p. 554) to understand and scrutinise the meaning of the information in these types of documents.

For the purpose of this study, we gathered and analysed solicited and non-solicited documents (Flick, 2009), such as organisational documents (reports, presentations), published case studies, press articles and LinkedIn profiles of the participants (Cf. Table 13. Specifically:

- The authors of the organisational documents were the organisational actors or external stakeholders that were involved in the organisational activities.
- The organisations that published the case studies are renowned international institutions, such as the International Labour Organisation (ILO), or the European Union (EU).
- We retrieved press articles in local and national media, such as *The Herald*, and South Africa Broadcast Corporation (SABC).
- We consulted LinkedIn profiles when in doubt of some information given during the interview.

We experienced some trouble in gathering the same kind of documents from all the organisations. In some cases, the participants did not willingly share written documents. In other cases, the participants no longer possessed this type of documents. Nonetheless, the written documents were important for the furtherance of the research, as we were able to corroborate the primary data with the supporting documentation provided.

Table 13 - Semi-structured interviews and documents

Social Enterprise Code	Data code	Type of data
FAILED		
FSE1	FSE1 – I1	Individual semi-structured interview
	FSE1 – I2	Individual semi-structured interview
	FSE1 – I3	Individual semi-structured interview
	FSE1 – R	Organisational report
	FSE1 – FP	Organisational (formal) presentation
	FSE1 – CS	Published case study
	FSE1 – PA	Press articles
FSE2	FSE2 – CI1	Collective semi-structured interview
	FSE2 – CS1	Published case study
	FSE2 – CS2	Published case study
	FSE2 – CS3	Published case study
FSE3	FSE3 – CI1	Collective semi-structured interview
	FSE3 – I1	Individual semi-structured interview
	FSE3 – I2	Individual semi-structured interview
	FSE3 – CS1	Published case study
	FSE3 – PA	Press articles
	FSE3 – R	Organisational report
	FSE3 – BR	Bank report (funder)
FSE4	FSE4 – CI1	Collective semi-structured interview
	FSE4 – I1	Individual semi-structured interview
FSE5	FSE5 – I1	Individual semi-structured interview
	FSE5 – PA	Press articles
	FSE5 – PV	Press video
FSE6	FSE6 – I1	Individual semi-structured interview
FSE7	FSE7 – I1	Individual semi-structured interview
SUCCESSFUL		
SSE1	SSE1 – I1	Individual semi-structured interview
	SSE1 – E	Individual semi-structured interview
SSE2	SSE2 – I1	Individual semi-structured interview
	SSE2 – LP	LinkedIn profile
SSE3	SSE3 – I1	Individual semi-structured interview
	SSE3 – I2	Individual semi-structured interview
	SSE3 – PA	Press articles
SSE4	SSE4 – I1	Individual semi-structured interview
	SSE4 – T1	Table with qualifications (provided by the organisation)
	SSE4 – PA	Press article
SSE5	SSE5 – I1	Individual semi-structured interview
SSE6	SSE6 – I1	Individual semi-structured interview
SSE7	SSE7 – I1	Individual semi-structured interview
	SSE7 – R	Organisational reports
	SSE7 – FD	Formal documents (organogram, qualifications)
SSE8	SSE8 – I1	Individual semi-structured interview
	SSE8 – R	Organisational report
SSE9	SSE9 – I1	Individual semi-structured interview
	SSE9 – I2	Individual Semi-structured Interview
	SSE9 – I3	Individual semi-structured interview

3.5.3 Collecting data through observation

Mason (2002) considers observations as a method of collecting data through which the researcher dives into the research setting. For her/him, observations may entail “*social actions, behaviours, interactions, relationships, events, as well as spatial, locational and temporal dimensions*” (Mason, 2002, p. 84). Ethnographers frequently resort to observations as the main method of collecting data. Various authors, such as Bryman and Bell (2007), Estearby-Smith et al. (2015) and Mason (2002), emphasise that ethnography and observation are not synonymous. Researchers may use observation methods while conducting another type of study. Besides being a valuable method used in combination with other methods (Saunders et al., 2009), observation can add depth, richness and specificities to the research data (Flick, 2009; Mason, 2002).

In the present research, we elected to assume a *participant-as-observer* role. According to Easterby-Smith et al. (2015), this role “*does not conceal the intention of observation and instead builds relationships and participates in the context.*” (p. 162). Moreover, Saunders et al. (2009) state that the researcher gains the trust of the individuals through observation. For the authors, this is the common role adopted by researchers in the field of management and business studies. Considering this, we acknowledge that it was impossible to observe the internal dynamics of failed organisations. Nonetheless, it was possible to visit the old premises – the area where the organisation was located – and to interact with its ex-members. It is important to note that some organisations restarted after their first and second failures, and thus, we participated in and observed daily actions. In these moments of observation, we bore in mind the differences between the past (what the participants mention) and the present (what was happening), as some changes had occurred.

Similarly, in successful cases, we engaged in the organisational dynamics, participating in some activities. The main goal of the observation moments was to establish trustworthy relationships with the participants, and not to simply gather the information. While performing some activities, and consequently, interacting with the participants, we had the opportunity to address delicate issues, such as the causes of failure, and to understand the role of the participants’ competencies and capacities in that process. Another advantage was that the observation often took place before the interviews, and thus we gained knowledge about the context and its particularities. This supported us in engaging in a constructive dialogue during the interviews. Most of the observations conducted were non-structured. We gathered the moments of observation in Table 14.

Table 14 - Observations moments

Social Enterprise Code	Observations Moments
FAILED	
FSE1	<ul style="list-style-type: none"> - Visit to the premises (same day of the interviews) <ul style="list-style-type: none"> o Health Centre o Farm tunnels
FSE2	<ul style="list-style-type: none"> - Workshop with some members regarding the development of social projects in the townships - Visit to the premises (same and different days of the interview) - Several events with the main founder (political and social events)
FSE3	<ul style="list-style-type: none"> - Several visits to the location where the participants lived and where the social enterprise was located - One group meeting organised by the promoter of the project, aimed at brainstorming how the social enterprise could be restarted.
FSE4	<ul style="list-style-type: none"> - Three visits to the premises and to the location (same and different day of the interview) - Workshop organised by one partner of the organisation, in which the members showed others how to recycle.
FSE5	<ul style="list-style-type: none"> - No observations specifically related to the social enterprise, but several visits to the location
FSE6	<ul style="list-style-type: none"> - No observations specifically related to the social enterprise, but several visits to the location
FSE7	<ul style="list-style-type: none"> - No observations
SUCCESSFUL	
SSE1	<ul style="list-style-type: none"> - Visit to the premises (same day of the interview)
SSE2	<ul style="list-style-type: none"> - Visit to the premises (same day of interview) - Organisational event for fundraising
SSE3	<ul style="list-style-type: none"> - Visit of the premises (same day of the interview) - Several attendances at income-generating activities (public market), both as visitors and accompanying one member of the organisation - Visit to the foundation that composed the board of the organisation
SSE4	<ul style="list-style-type: none"> - Visit to the premises (different day from the interview)
SSE5	<ul style="list-style-type: none"> - Several visits to the social incubator (different and same day of the interview)
SSE6	<ul style="list-style-type: none"> - Several visits to the social incubator (different and same day of the interview)
SSE7	<ul style="list-style-type: none"> - Visit to the premises of the business side of the social enterprise (same day of the interview)
SSE8	<ul style="list-style-type: none"> - Visit to the farm premises (different day of the interview)
SSE9	<ul style="list-style-type: none"> - Two visits to the premises (same and different day of the interview)

In order to conduct the interviews, it is important that the method of sampling be clearly identified. In the next pages, we clarify our choices regarding the sampling process.

3.6 Sampling

Sampling is a key step in the qualitative research process. It is through sampling that the researcher selects the research sample from the population. Mason (2002) defines sampling as the “*principles and procedures used to identify, choose and gain access to relevant data sources*” (p. 120). Following a specific logic of sampling from a wide universe to a concrete selection, the researcher also determines the rationale of her/his choices. The sample should provide a meaningful empirical context.

Authors divide sampling techniques into two types: probability or representative sampling; and non-probability or judgemental sampling (Bryman & Bell, 2007; Flick, 2009; Saunders et al., 2009). Probability sampling ensures the equal and random possibility of sample selection. Such sampling techniques are associated with quantitative studies, such as surveys and experimental research, which use statistical tools to analyse population characteristics. For Patton (2002), probability sampling focuses on large samples. According to Bryman and Bell (2007), the types of probability sampling include simple random sampling, systematic sampling, stratified random sampling, and multi-stage cluster sampling.

In contrast, non-probability, also called non-random sampling, refers to all the techniques to select a sample that does not use probabilistic/statistical inferences. The techniques that belong to non-random sampling are subject to the researchers’ judgement and tend to be purposive. Also, non-probability sampling aims at obtaining small samples, selected deliberately, and focuses on in-depth analysis (Patton, 2002). There are also various types of non-probability sample: convenience sampling, snowball sampling and quota sampling (Bryman & Bell, 2007).

Flick (2009) refers to several sampling decisions in the entire research process. He does not only mention the sample decisions concerning the sample itself, such as, for example, who will be interviewed, but also which interviews will be further analysed (also called material sampling). Additionally, he emphasises the decisions regarding specific parts of the text selected for interpretation (sampling within material), as well as the parts of the text that the researcher included for demonstrating the studied issue (presentational sampling).

For the present study, the type of sampling selected was a non-probability sampling, specifically snowball sampling. We discuss it in the next sub-section.

3.6.1 Snowball sampling

Snowball sampling (or also called chain sampling) is an approach to locate key informants or cases that have attracted the researcher’s attention (Bryman & Bell, 2007). The researcher frequently used this

technique when he/she faced difficulties in identifying the required sample for the study (Saunders et al., 2009). The process of conducting snowball sampling starts when the researcher contacts a small group of people who are relevant to the research (Bryman & Bell, 2007; Patton, 2002). Then, the researcher asks these people to provide her/him with further contacts. Thirdly, the researcher asks the new cases to identify other similar cases or to orientate her/him to further contacts who may have pertinent information – and so on. The process stops when the researcher has exhausted all the possibilities, or when the sample and/or information gathered, is sufficient (Saunders et al., 2009). Specifically, Yin (2011) alerts the researcher to the importance of having a purposive reason behind the snowball sampling technique, emphasising that the researcher should not consider snowball sampling a convenience.

As Miles, Huberman and Saldaña (2014) emphasise, *“qualitative studies call for continuous refocusing and redrawing of study parameters during fieldwork, but some initial selection still is required”* (p. 30). For the present research, the sampling process started when we made explicit decisions about the type of organisations to study (social enterprises), the context (Nelson Mandela Bay in South Africa) and selected a specific issue (failure) (Cf. sub-section 1.3 – Chapter 1). Theory also performs an important role in assisting the researcher in the sampling process (Mason, 2002; Miles et al., 2014). We based our selections on the nine EMES indicators (Defourny & Nyssens, 2014) to decide which organisations would fit into the social enterprise characterisation. Additionally, we defined a conceptual frame regarding failure, which supported us in setting boundaries as to which organisations would be labelled as failing. We thus reduced systematically and strategically the sample, focusing and sharpening the boundaries, as recommended by Mason (2002).

Mason (2002) emphasises that the practical aspects of the fieldwork should not undermine the rationale of the decision-making process, but that they should inform those decisions. We recognise that practical limitations (Cf. sub-section 3.10.1 of this chapter) shaped our sampling strategy and influenced our on-the-ground decisions. Nevertheless, the rationale behind the empirical research remained the same. The organisations selected, provided valuable information regarding both the causes of failure and the human capital attributes, which allowed us to explore the research question and obtain theoretical insights (Cf. Chapter 4, 5 and 6).

We acknowledge the bias in choosing a non-probabilistic sampling technique, as well as the low representativeness and the low control on the content (Bryman & Bell, 2007; Patton, 2002; Saunders et al., 2009). Regardless, for this specific research, we believe that snowball sampling was the best technique, since it allowed us to take also strategic decisions regarding the direction of the study and practical decisions on the ground.

After collecting all the information needed, we proceeded with the data analysis process. The following section indicates how we moved from the data collection to the data analysis process.

3.7 Data analysis

As mentioned before, this study was aimed at scrutinising the causes of failure of social enterprises, and to understand the role of human capital in the process. Through semi-structured interviews, documents and observations, we proposed to gather sufficient data to answer the research questions. The data aggregated the participants' descriptions and insights regarding the organisational phenomenon under investigation. These insights consisted of words, and as Miles and Huberman (1994) have underlined, "*words are fatter than numbers and usually have multiple meanings*" (p. 16). As a result, researchers may feel overwhelmed by a large amount of data to analyse (Silverman, 2015). The researcher must develop a *qualitative analytic attitude*, which enables her/him to dissect and make sense of the data, building knowledge and contributing to science. It requires a systematic approach and accurate procedures, which begin with the transcription of the data and finishes with the writing up of the results.

3.7.1 Transcribing

Transcribing is a time-consuming activity, yet it is the very beginning of data analysis (Bryman & Bell, 2007; Silverman & Marvasti, 2008). We transcribed verbatim twenty-two interviews. All the interviews were transcribed into English. Regarding the interview held in isiXhosa, we only transcribed the English translations made by the author during the interview. Most of the interviews ranged from 45 to 90 minutes. Later, we opted to eliminate pauses and fillers, such as "umm", throat clearing and laughter, since this did not have any relevance for research purposes, did not change the content of the interview, and allowed some fluidity.

After transcribing all the interviews, we started to code the data.

3.7.2 Coding the data: thematic analysis

Coding is the starting point and the key phase of the data analysis process (Bryman & Bell, 2007). It is the process of organising a large amount of data into chunks (themes, categories and/or segments) of text, with the aim of bringing meaning to it (Creswell, 2009, 2014) and making it more manageable to further analysis. In addition, it allows the researcher to break down the data methodically and consistently (Bryman & Bell, 2007; Mason, 2002). It requires deep reflection and interpretation from the researcher (Miles et al., 2014). Saldaña (2016) defines codes as "*a word of short phrase that*

symbolically assigns a summative, salient, essence-capturing, and/or evocative attribute of a portion of language-based or visual data” (p. 4). Nonetheless, there are legitimate criticism against coding – some philosophical and some methodological (Saldaña, 2016). We want to highlight one criticism, which is that coding is reductionist. This refers to the danger of losing the context of what is said when the researcher cuts a piece of the text into smaller pieces. Also, when fragmenting the data, the flow and meaning of what the person said, could be lost (Bryman & Bell, 2007; Grbich, 2013; Saldaña, 2016). Therefore, we had this criticism in mind when analysing the data, in order to avoid it.

Researchers use different analytic approaches to the process of coding. There is a panoply of options. Saldaña (2016) refers to more than twenty-five approaches, divided between a first and second cycle of codes. The first cycle refers to the initial codes that the researcher assigns to data chunk. During the second cycle, the researcher uses the results of the first codes to bring a consistent meaning to the data, creating interconnections and relationships between them. According to Miles et al. (2014), the researcher does not need to choose one approach over another, but can rather use more than one, as they could be compatible. Others prefer to focus on one tool /approach, such as in thematic analysis.

For the present study, we selected the thematic analysis process. According to Grbich (2013), *“thematic analysis is the process of data reduction and is one of the major data analytic options in qualitative research”* (p. 61). The main word used by several authors in this regard is *theme*, which is often used interchangeably with the term ‘category’ (Saldaña, 2016). A theme signifies *“a pattern found in the information that at the minimum describes and organizes possible observations or at the maximum interprets aspects of the phenomenon. A theme may be identified at the manifest level (directly observed in the text) or at the latent level (underlying the phenomenon)* (Boyatzis, 1998, p. vii). At the visible level, the researcher attempts to categorise repeated data. Then, similar themes are put together, leading to the development of theoretical constructs. In turn, at the latent level, the phenomenon underlying the textual data is the focus of the analysis. In this sense, the theme will attempt to represent the phenomenon (Boyatzis, 1998; Saldaña, 2016). The researcher may generate the themes deductively from theoretical concepts, and inductively from the data itself (Boyatzis, 1998; Fereday & Muir-Cochrane, 2006).

Through thematic analysis, the researcher aims to bring meaning to and identify patterns from the information. It is a valuable tool for translating all the information gathered, as well as writing up and disseminating the results (Boyatzis, 1998). According to this author, the thematic analysis has five purposes:

- (1) It is a means of seeing the data.
- (2) Finding relationships.

- (3) Analysing the data and relationships.
- (4) Systematically observing a case.
- (5) Quantifying qualitative data.

By using thematic analysis, the researcher increases the accuracy of the research data (Boyatzis, 1998). Bazeley (2013) appraises the thematic analysis as a “*descriptive writing about a list of ideas (or concepts or categories), supported by limited evidence*” (p. 191). She states that description must be the starting point in reporting the results. The researcher must then build a comprehensive and integrated understanding and argument or a theoretical model of the findings.

Our choice of the use of thematic analysis lies in its iterative, flexible and reflexive processes. In particular:

- The possibility of combining deductive and inductive methodologies, as it is the case at hand. Thematic analysis enabled us to explore the patterns in the data and to develop the codes inductively. It also allowed the use of theory in the process of codifying (Boyatzis, 1998; Fereday & Muir-Cochrane, 2006).
- Following step-by-step procedures (see below), we were able to keep track of the coding process; at the same time, we gave sense to the data without losing the context (Braun & Clarke, 2006).
- Allowed us to note patterns, code and categorise them into themes, building at same time the relationships and creating a logic chain of evidence (Creswell, 2009).

While coding is essential “*to move from the particular to the abstract*” (Rapley, 2016, p. 332), some authors define a trail of several steps that may help the researcher in coding the data while using thematic analysis. All the processes start when the researcher looks for patterns or segments in the text of interest and finishes with the reporting of the constructs found. Moreover, coding is an ongoing dynamic process, thus requiring back-and-forth analyses. Braun and Clarke (2006) define a six-step guide (See Figure 5), which we explain below along with what we precisely did in each step.

(1) Familiarising with the data

Commonly, the researcher who analyses the data also collected it. This means that he/she has a previous knowledge of it and, perhaps, has already had some analytic thoughts. Nevertheless, it is important to dive deep into the data to become even more familiar with it. The authors advise the

researcher to read the content repeatedly, stimulating the identification of possible patterns. They contend, *“This is the bedrock of the rest of the analysis”* (Braun & Clarke, 2006, p. 17).

We opted to print out and read all the transcriptions thoroughly before coding. Although time-consuming, this helped us to gather a broader comprehension of the data and gave us the opportunity to reflect on them content, taking notes and outlining a coding system, based on what the participants mentioned as well as the theoretical background.

(2) Generating initial codes

After the initial phase, the researcher is ready to start delineating the initial codes. As mentioned before, coding is the process of assigning meaning to raw information. While coding, the researcher is already analysing the information, whether it is data-driven or theory-driven. During this phase, it is important to code the raw data systematically, covering length and breadth, and to identify the interesting patterns contained in it. The researcher must code the data inclusively. Also, the research must result in a long list of codes, which constitute the basis of the third phase.

We used computer-assisted qualitative analysis software (CAQDAS), specifically QSR Nvivo11 software, to code the information. There are several advantages to using CAQDAS, in particular, it speeds up the process of analysing a large amount of data and supports the researcher in improving rigour and consistency (Flick, 2009; Saldaña, 2016; Silverman & Marvasti, 2008). Moreover, through the use of the software, the researcher creates categories (called ‘nodes’ in Nvivo11) that are easier to retrieve, enabling her/him to aggregate and make sense of the data.

With the aid of Nvivo11, we sorted, organised and labelled the data into codes. We used both deductive and inductive approaches to coding, in an iterative process. Regarding the text segments on failure, we let the codes emerge according to what the participants underlined as causes. Here, we opted for an inductive approach. In turn, with the human capital attributes, we defined previously what was to be searched for in the text according to the theory in the form of pre-established categories. Additional codes regarding human capital emerged from the data-codes that we had not included in the theoretical framework of the semi-structured interview guide.

(3) Searching for themes

In this phase, the researcher sorts and categorises the codes into themes. He/She starts reflecting deeper about the meaning of each code, aggregating and building hierarchies. In addition, the researcher reflects on the relationships between the codes, sub-themes and themes. Sub-themes are themes inside a theme, which provide structure and hierarchy to the complexity. Some codes become

sub-themes or themes, while other codes are 'put aside', as they do not fit within the themes. Yet, the researcher must not discard any code or themes in this phase.

In Step 3, we started to give some order to the data, by creating themes and sub-themes. It enabled us to have a broader visualisation of the themes and sub-themes and the relations between them. We took notes frequently, writing up memos and annotations, as it was important to reminisce about first meanings and analysis. It helped us in crystallising ideas and building up reflections (Bryman & Bell, 2007). We focused intensively on one source (for example, one interview), aiming to find patterns. On the saturation of one source, we moved to another source, and so on. Then, we used the codes from all the cases to create the themes and cluster it (making trees). The codes were refined and condensed progressively until final themes and sub-themes developed according to the patterns, consistencies and relationships found in the information.

(4) Reviewing the themes

In the previous phase, the researcher obtained an idea of all the themes, making sense of each one, which allowed her moving to the refinement step. According to Braun and Clarke (2006), this phase involves two moments. In the first moment, the researcher revises the coded data extracts, in order to establish a coherent pattern. If the extracts fit together, the researcher moves on to the next moment. If not, he/she reorganises the extracts and reworks the themes accordingly. The second moment requires a broader vision. This means that the researcher looks whether the themes fit within the global data set. The authors recommend the drawing of thematic maps, as these give a schematic visualisation of the themes and sub-themes and, subsequently, help the researcher to organise them, if needed.

We validated the themes and sub-themes together, making the changes and improvements needed to bring more consistency. At any creation or reconfiguration of a code, we included a definition and explanation of it in the codebook. This also allowed the possibility of keeping a record of all the periodic changes, and tracking the reasoning adopted throughout the process (Saldaña, 2016). Likewise, it allowed us to have a clear idea of the meaning of each code. We thereby avoided reducing the data and losing their original interpretation.

(5) Defining and naming themes

At this stage, the researcher already has a satisfactory thematic analysis. Regardless, it is still important to go through the themes and sub-themes and refine them. The aim is to *"organise them into a coherent and internally consistent account, with accompanying narrative"* (Braun & Clarke, 2006, p.

22). To understand whether the refinement was well done, the researcher will describe in a couple of sentences the content and scope of each theme.

Once again, we went through the data with the aim of redefining and renaming the themes and sub-themes. However, we felt the need to start writing a few lines about it. The goal was to make sense of the data, and to verify the consistency of the codes and the rationale behind the relationships.

(6) Producing the report

This is the final phase of the whole process of coding. Here, the researcher writes up in a concise, coherent and logical manner the themes, sub-themes and relationships emerging from the analysis. Braun and Clarke (2006) recommend the inclusion of vivid segments of data to demonstrate the themes. Most importantly, the researcher tells the story of her/his data, going beyond the description, and rather building up an argument.

We report the results of the coding process in the next chapters (Chapters 4 and 5). Writing and displaying the data is a stepping-stone in the research process. Besides writing text after text, it also seemed important to us to visually display the data. The aim was only not to facilitate the reading, but it also served as an analytical tool for our thinking. We resorted to the same style as the thematic maps of Step 4. Other authors have also pointed out the benefits of visual outlines as they represent the data. Mason (2002) refers to diagrams and charts, and Miles et al. (2014) to designing a matrix and network displays.

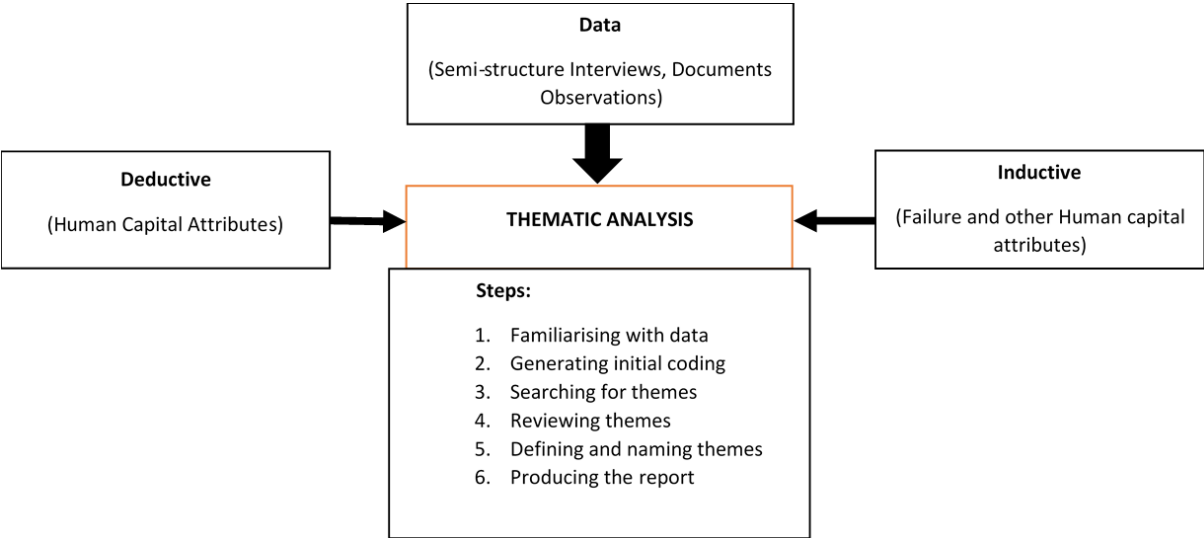


Figure 5 - Data analysis

3.7.3 Comparative design

A comparative design entails looking at concepts, categories (or codes) from two or more different perspectives, or two or more different settings. Also, the researcher makes comparisons within or across cases (Bazeley, 2013). Simply, this means that by comparing, the researcher is creating a contrast between two sets of things (Miles et al., 2014). The qualitative researcher engages in a constant comparative process from the beginning of the data analysis, which begins at the time that he/she creates categories (Dey, 2005). Comparing “*brings into sharp focus the distinguishing features of whatever it is you are considering*” (Bazeley, 2013, p. 255).

Comparing cases and concepts/categories require a deep comprehension of what is being studied. To reach this level of understanding, Bazeley (2013) recommends that the researcher describes the cases and concepts/categories thoroughly. Moreover, if the goal is to compare categories across cases (groups, situations, etc.), the researcher must define *a priori* that he/she wants to contrast. In some cases, the researcher may base the categories in a theoretical frame. According to the author, the process of comparing consists of three steps:

- Examining and organising the data about the cases or concepts in comparison, in order to categorise them according to their differences.
- Identifying and summarising the key points of each comparative set (the authors recommend displaying in tables the cases or concepts compared (Miles et al. (2014) support this recommendation).
- Interpretation of the data in order to understand: (a) the differences. if any; and (b) what these differences represent.

Bryman and Bell (2007) refer to one main advantage of adopting a comparative design: when comparing two or more cases, the researcher is able to better verify the circumstances in which a theory will or will not hold.

In order to understand the similarities and differences regarding the attributes of the human capital in social enterprises, we decided to carry out a comparative analysis between the failed cases and the successful ones. The thematic analysis helped us in enhancing this comparison. As we mentioned above, during the six-step process, we had to dive into the data and understand them exhaustively. We created themes (categories), based on the human capital attributes that we predefined while planning the interviews, and then we aggregated the chunks of data accordingly. By this, we specifically defined the sets of categories to be compared, which helped us to focus and guide the data analysis.

For this part of the data, we preferred to display the specificities of both cases in tables, instead of thematic maps.

Below we describe how quality of the present study was ensured.

3.8 Quality in qualitative studies

Some authors dedicate book sections and papers to questions and subsequent solutions to the issue of quality evaluation in qualitative research (Easterby-Smith et al., 2015; Flick, 2009; Lincoln, 1995; Mason, 2002; Silverman, 2015; Silverman & Marvasti, 2008). Flick (2009) and Mason (2002) criticise the use of quantitative measures, such as validity and reliability, insisting that these are inadequate and too rigid to evaluate qualitative studies. Denzin and Lincoln (2011) call the attention of the researchers to the differences in terminology used and lines of thought between qualitative and quantitative researchers.

Denzin and Lincoln (2011) contend that in interpretivist and constructionist studies, the researcher must talk about trustworthiness, credibility, transferability and confirmability. Silverman and Marvasti (2008) define four main questions that the researcher may ask him-/herself to evaluate the quality of his/her research. In their turn, Easterby-Smith et al. (2015) emphasise reflexivity and transparency as important features of a qualitative research process. They provide a set of questions to be answered to assess the quality. Tracy (2010) presents eight criteria to ensure excellence qualitative research. Flick (2009) underlines that there is still a long road to travel to establish consensus on the best tools to assess the quality of qualitative studies.

For the purpose of the present study, we opted to use the model developed by Tracy (2010). We present the eight criteria defined by the author, as well as the evaluation of this study according to each criterion in Table 15. These criteria are useful, since they provide specific, but flexible, guidelines to help the researcher learn and improve her/his research. The eight criteria comprise: a worthy topic, rich rigour, sincerity, credibility, resonance, significant contribution, ethics, and meaningful coherence. We followed these eight criteria due to their extensive focus. This means that the quality assessment did not focus solely on the empirical data, but rather on the entire research process.

As mentioned already, we chose a particular setting for our research, namely South Africa. In the following section, we explain the reasons for this choice.

Table 15 - Assessment of the study (following the eight-criteria of Tracy (2010))

Criteria for quality (end goal)	Various means, practices and methods through which to achieve	Study evaluation
Worthy topic	The topic of the research is: <ul style="list-style-type: none"> - Relevant - Timely - Significant - Interesting 	The topic is relevant to the academic field of social enterprises, and to the enhancement of the practices of social entrepreneurs. (Cf. chapter 1 – Introduction - for more details on the relevance of this topic.)
Rich rigour	The study uses sufficient, abundant, appropriate, and complex <ul style="list-style-type: none"> - Theoretical constructs - Data and time in the field - Sample(s) - Context(s) - Data collection and analysis processes 	The theoretical constructs are the result of a systematic review. The literature results are coherent and consistent (Cf. Chapter 2 - Systematic Review) The thematic analysis allows us to follow specific steps; the results are aggregated patterns and relationships of the information; (Cf. chapter 3 – Methodology - for the sample, context justification and other details on data analysis.)
Sincerity	The study is characterised by <ul style="list-style-type: none"> - Self-reflexivity about subjective values, biases, and inclinations of the researcher(s) - Transparency about the methods and challenges 	Throughout the study, we adopts a reflexive approach about values and biases. The proximity between the main researcher and the thesis directors helped to establish a good equilibrium. All the methods and tools used are described in the methodology chapter (Cf. Chapter 3).
Credibility	The research is marked by <ul style="list-style-type: none"> - Thick description, concrete detail, explication of tacit (nontextual) knowledge, and showing rather than telling - Triangulation of crystallisation - Multivocality - Member reflections 	We provided an accurate and detailed description of all the steps of the systematic review, as well as the methodology. The results chapters show and describe the results. In the discussion chapter (Cf. Chapter 6), we present the interpretation of the results, linking them back to the literature. We cristallise the data gathered by the use of different sources. Moreover, we triangulate three different backgrounds, perspectives and values, as we worked closely together.

Resonance	<p>The research influences, affects, or moves particular readers or a variety of audiences through</p> <ul style="list-style-type: none"> - Aesthetic, evocative representation - Naturalistic generalisations - Transferable findings 	<p>The findings have found resonance among both academics and practitioners in the field. While the study was conducted in one specific setting, that is South Africa, it may have important implications for other areas as well, as the topic of organisational failure has only received scant attention in the literature on social entrepreneurship, which has been heavily biased towards a focus on success stories.</p>
Significant contribution	<p>The research provides a significant contribution</p> <ul style="list-style-type: none"> - Conceptually/theoretically - Practically - Morally - Methodologically - Heuristically 	<p>Theoretically, we aim at contributing to the enrichment of research about social enterprises. By studying failure we intend to support and add new insights to the studies already conducted; and to understand how the organisations can improve their performance.</p> <p>Practically, we intend to disseminate the results to the practitioners, mainly the ones involved in the study, in order to improve their practices.</p>
Ethical	<p>The research considers</p> <ul style="list-style-type: none"> - Procedural ethics (such as human subjects) - Situational and culturally specific ethics - Relational ethics - Exiting ethics (leaving the scene and sharing the research) 	<p>In Chapter 3 – Methodology - it is possible to verify that the relevant ethical issues were taken into account.</p>
Meaningful coherence	<p>The study</p> <ul style="list-style-type: none"> - Achieves what it purports to be about - Uses methods and procedures that fit its stated goals - Meaningfully interconnects literature, research questions/foci, findings, and interpretations with each other 	<p>We followed a pragmatist paradigm, since we believe it to fit within the purpose of our research and how we conducted it.</p> <p>We interconnected the results of the systematic review with the results of the empirical field in Chapter 6 – Discussion.</p>

3.9 South Africa: an information-rich context

Following with the demise of apartheid, South Africans hoped for a future that would lead to more sustainable development. However, the twenty-four years of democracy since 1994 have been marked by high levels of societal and economic issues, such as inequality, unemployment, violence and crime (Statistics South Africa, 2018c; World Bank, 2018b). These statistics label the Rainbow Nation, as South Africa is sometimes called, as a developing country (or middle-income country). The government is unable to revert the situation and reach a 'developed' standard. Social problems continue to haunt the country and investment in social solutions is deficient (Urban, 2008).

As elsewhere in the world, social entrepreneurs in South Africa act as social and economic stabilising forces. The field developed moderately during recent years (Bosma et al., 2016) and timidly gained critical importance in social life (Urban, 2008). Bosma et al. (2016) state that less than 2% of the adult South African population are involved in social entrepreneurship activities. The ones labelled as social entrepreneurs face several difficulties that hinder their development, as mentioned by Malunga, Iwu and Mugobo (2014). The barriers they point out are *“legal framework, poor business models, premature scaling and lack of sustainability”* (p. 22). National data (and statistics) about social enterprises are lacking (Gordon Institute of Business Science, 2018), undermining our full understanding of the ecosystem.

Similarly, the rate of failure of social enterprises is unknown, whereas the non-survival of non-profit organisations is an acknowledged issue in the country (Urban, 2008), due to a number of declines and cuts in social welfare spending (International Labour Organization, 2013). This being said, these organisations have recently been adopting a more business-like approach (Claeyé, 2014), strategising to generate income. Some authors contend that the country does not have a legal framework that permits this mind-shift (Gordon Institute of Business Science, 2018; Malunga et al., 2014). Claeyé (2017) underlines the lack of a unified national policy framework that enables the establishment of a vibrant social enterprise sector. Despite this dilemma, the field has the potential to make a real change in the country, but it is important that the different stakeholders strengthen its potentialities.

South African government has in recent years invested heavily in policies, legislation and incentives to boost the levels of education and competencies. Despite these efforts, the statistics show a negative picture regarding human capital attributes (Cf. sub-section 1.3 – Chapter 1). Critics still say that the South African education system is not able to transmit knowledge and skills (Spaull & Kotze, 2015). It is known that these low levels of human capital delay the development of the whole country, affecting the enhancement of the social enterprise ecosystem. One of the challenges mentioned by social

entrepreneurs in a countrywide study is the shortage of skills (Gordon Institute of Business Science, 2018).

The panoply of socio-economic problems that submerge many South African communities, and the emergence of entrepreneurial initiatives to fight these issues, some of them with roots at the 'bottom of the pyramid', seemed to us a fertile context to explore. Academics have conducted little research on social entrepreneurship in South Africa, even if experts agree on its benefits to this society in particular (Littlewood & Holt, 2015a). Additionally, in a country with low levels of human capital, it is essential to understand whether these attributes (or the lack thereof) affect the advancement of social enterprises. Much remains to be learned and improved.

Having motivated the choice of the South African context, it is important to understand how we entered it. The following paragraphs explain how we gained access to the field, and the ethical issues related to qualitative methods.

3.10 Diving in: gaining access to the field and ethical issues

3.10.1 Gaining access

Qualitative research takes place in real-world settings (Patton, 2002; Yin, 2011), which implies interaction by getting close to the situational moments and people (Silverman & Marvasti, 2008). In our case, individual experiences, perceptions and the organisational setting were the foundations of the field-based data that we wanted to gather. Conducting research means collecting data from people, about people (Creswell, 2014). Subsequently, the information collected has an impact on the nature and content of the research (Saunders et al., 2009). Moreover, working with people on the ground may not proceed as planned by the researcher and may carry some challenges (Silverman & Marvasti, 2008). Below we discuss the access to the field (physical and cognitive), the relationship with the participants, and a number of ethical issues.

Before entering the field, the researcher must strategise how he/she will get permission to conduct the research and ensure access to it. The access to the field is not an event, but a process (Yin, 2011). The amount of data obtained, depends on gaining access to an appropriate source, which also requires familiarisation with the setting itself. Prior to entering the field, the researcher must obtain information about the specificities thereof, allowing her/him to thrive through it. Saunders et al. (2009) refer to physical and cognitive access. As the name says, physical access is entry to the premises of the relevant organisations, and in some cases also refers to engagement in activities. In contrast, cognitive access regards access to the data (experiences and interpretations) that the participants may share.

The cognitive access is fundamental for the research, and thus, the researcher must 'negotiate' her/his adequate entrance. This often happens by establishing relationships with the participants. If finding it difficult to gain cognitive access, the researcher may also garner the support of a collaborator more acquainted with the setting and closer to the participants (Saunders et al., 2009).

Qualitative research *per se* encompasses a relationship with the individuals under scrutiny. When entering the field, the researcher must also manage ongoing relationships with them (Yin, 2011). Most of the qualitative researchers argue that the quality of these relationships affects the quality of the research (Easterby-Smith et al., 2015). Trust is the basis for any good relationship. If in place, the participants may open him-/herself up to the researcher and may show willingness in participating. In addition, through a trusting relationship, the researcher will obtain detailed data that could endanger the anonymity of the respondent (Cf. sub-section 3.10.2 of this chapter), even when the researcher undertakes to safeguard the anonymity of the data. It is also important to underline that the researcher observes and interviews people in their own setting and under conditions that are familiar to them.

Collecting primary data in the field, especially, in an unknown field, requires a set of skills and strategies from the researcher (Saunders et al., 2009), being both an exciting and challenging process (Mason, 2002). It is important that the researcher adopts a non-judgemental attitude and behaviour. He/she should accept and comprehend the experiences and interpretations of the person interviewed (or observed) and avoid criticisms and reproaches. Silverman and Marvasti (2008) refer to *being non-judgemental* as a key element for acceptance in a specific context. Researchers often make the mistake of showing *professional dominance*, which may cause to others to feel judged or belittled.

If the researcher does not consider the abovementioned, the risk lies in obtaining jeopardised and poor data, or even worse, not obtaining any data at all. The researcher must be aware that the required information lies with the participant, who has the power to transmit it or not. The advice that Miles et al. (2014) provide to researchers is to be an *open book* about research. According to these authors, this promotes trust between the researcher and the participants. Furthermore, it is important to valorise their insights and respect their opinions, as *"the data is not something that is collected, but something that is given"* (Miles et al., 2014, p. 60). Moreover, any instrument of collecting data is potentially *"intrusive and provoke anxiety or stress in participants or involve stress"* (Saunders et al., 2009, p. 186). Therefore, the researcher must therefore ensure that no harm or risks befall the participants, by adopting an ethical attitude.

Below, we discuss some specificities of the fieldwork conducted in South Africa, the snowball sampling applied, entering the field, gaining trust, and building relationships.

- When we defined the context of the fieldwork, we started contacting by email some key stakeholders (mainly academics) working in the social entrepreneurship field. These initial contacts were important to start acquiring some knowledge and understanding of the social enterprise's ecosystem in the country. Here, we aimed mainly at obtaining theoretical knowledge, although practical issues were also revealed.
- Before our departure to South Africa, we (re)contacted our first connections and contacted by email other stakeholders working in non-profit organisations and in the field of social entrepreneurship, with a special focus on practitioners. This was aimed at reinforcing personal networking, as well as building empathic and trustful relationships with local stakeholders. Moreover, the goal was to compile a list of contacts of organisations operating in the field, understand who were the key stakeholders (both private and public), and determine an entrance strategy.
- Upon our arrival in the country, we met with some of the key informants contacted previously by email. We started contacting by telephone other key informants and key organisations (for example, development agencies, the Nelson Mandela Bay Municipality, university departments working in the field, etc.). The strategy was to speak with government agencies invested in the field of social entrepreneurship, and with private non-profit organisations to understand local networking. This allowed us to expand and update our list of organisations in South Africa.
- Establishing contact with the failed organisations and their ex-members was a challenging, slow and time-consuming task. Persistence and resilience were two skills needed to overcome such a difficult task, along with the capacity to continually rethink different strategies to reach a significant number of cases. In turn, finding, establishing contacts and interviewing the members of successful organisations was easier than the participants of failed ones. Yet we also encountered some challenges, as for example, personnel unavailability, little openness, and disinterest in the research topic.
- We encountered some key informants and participants while engaged in non-professional activities and through friends' networks. We would like to underline that conducting research and establishing a network in an unknown country is a hard and enriching never-ending task. In addition, it requires paying close attention and being open to new contacts.

- Building trust is a vital 'resource' in the South African setting. We spent several hours on workshops, visits to locations and other relevant events in order to bond with locals and key informants, and subsequently obtain other contacts. This required not only time, but also empathy from the researcher. It was important to give time from our research to the others, and to listen to their professional and organisational challenges. We promoted clarity regarding the research and our intentions by not making any false promises. This was a vital strategy, since it allowed us to enter some dangerous locations without fearing for our lives, and thus our mental predisposition was focused on human interaction and the research.
- In order to avoid any 'feeling' of exploitation and to engage some participants in the research, we guaranteed that we would provide feedback on the research results.

We would like to underline some specific challenges encountered during fieldwork in Nelson Mandela Bay. Sharing our experience is not a form of complaining but rather a constructive guideline for future research:

- One challenge was the unavailability of the participants to contribute to the study, particularly those of failed organisations. As the organisations were no longer operating, the participants were involved in other projects and therefore generally unable to dedicate a lot of time to us; moreover, they were often not interested in sharing their experiences. In order to access a sufficient number of participants that would satisfy our research purposes, we were resilient and persistent and continuously searched for solutions to the obstacles. Networking is a key word here.
- Another challenge was the locations of both the physical premises of the organisations and the homes of some of the participants. Some areas of Nelson Mandela Bay are gang-dominated and have a high incidence of crime and violence. For reasons of personal safety, we were not able to enter some areas by ourselves, being dependent on the goodwill and availability of others in accompanying us. Hence, the fieldwork took more time than expected, as we had to rely on others. A strategy to overcome this difficulty was asking the participants to join us in safer areas of the city. Yet, some participants were reluctant to leave their own location. This reluctance was due, in most cases, to money issues; thus, we had to guarantee them reimbursement of transportation costs. Particularly in one specific location, we had the support of a local person, who received compensation for the services rendered.

- Language was also an issue. We saw our list of failed organisations diminish, due to language barriers. English is one of the eleven official languages in South Africa; however, not all South Africans speak it. This difficulty was already evident when establishing the initial contacts (by telephone) in order to understand whether the organisation was still operating or not, or whether it fitted the concept of social enterprise, as used in this thesis. The solution was to rely on personal contacts for the initial contacts and, if the organisation fitted the purpose of the study, to pay for the services of a translator.
- It was challenging to engage key informants and some interview participants in helping us find other organisations (and snowballing). In some situations, the person would exchange some points of view regarding the topic and would give reassurances around the establishment of other contacts (for example, an email address with some organisational details); however, this often did not happen. We persistently reached out again to these key informants, but it was also important to know when to stop, to avoid aggravation.

All these aspects require special attention to ethical issues, that we discuss in the section below.

3.10.2 Ethical issues

An ethical attitude is critical to the success of qualitative research. Ethics refer to the correctness of the researcher's behaviour and attitude regarding the rights of the individuals who become the subject of the research. In particular, the researcher must adopt moral and responsible behaviour from the initial step of the research onwards until the final one. Hence, research ethics relate to questions about the formulation of the research topic, research design, and gaining access to the field, collecting data, analysing data, and writing up the manuscript (Saunders et al., 2009)

As mentioned above, it was important for us to develop a close and trustworthy relationship with the participants, in order to ensure their openness to discuss the research topic. We obtained overt access to the data. According to Silverman and Marvasti (2008), overt means "*access based on informing subjects and getting their agreement*" (p. 308). It is important to inform potential respondents about ethical principles and clarify these at the outset (Miles et al., 2014). Considering the importance of ethical principles and values for the good development of the research, we prepared ourselves before entering the field. At the beginning of each interview, we informed the respondent as follows:

- We discussed the topic of the study and the research goals. This information had already been transmitted during the initial contact (or by email or often by telephone). However, it was re-emphasised during the face-to-face meeting. Providing information regarding these aspects

was important for the participant to take a proper decision on whether or not to participate in the research.

- It was key to ensure that the participants understood the information by adapting the language and using suitable terms. We tried to avoid using academic language, in order to simplify the concepts and purpose of the research.
- It was important to emphasise the voluntary nature of the participation and that participants would have the right to stop and to withdraw, partially or completely, from the research. It was also important to clarify the non-remuneration of participation in the study, except in some exceptional cases (the reimbursement of the transportation costs and in the case of the person helping us entering the location).
- We guaranteed privacy, confidentiality and anonymity. Before the interview started, we proceeded with implementing a consent form, on which the participant could indicate her/his preference for the disclosure or non-disclosure of her/his name and the name of the organisation. When the participant opted for non-disclosure, the researcher verbally guaranteed that her/his would be respected. The researcher was aware of the risk of obtaining jeopardised data if the participant did not feel comfortable. All the participants indicated that their and the organisation's names could be disclosed; yet we decided to keep it anonymous.
- Before starting the interview, we asked permission of the participants to record the interview, clarifying that the recorder could be stopped at any moment, if the information to share was too delicate.

By putting in place the abovementioned aspects, we certified the integrity and quality of the whole research. We did not aim at exploiting or endangering any participant, both while collecting the data or in the subsequent dissemination of the results. In the next few lines, we conclude this chapter.

3.11 Conclusion

During the entire process of producing the present thesis, we attempted to carefully choose each step and provide systematic justifications. We aimed to be completely transparent and rigorous while conducting this research. As Easterby-Smith et al. (2015) underline, the *“audiences have to gain some insights into how a study was done in order to consider it credible”* (p. 216). The present methodology chapter aimed at showing the reader these aspects.

We agree with Easterby-Smith et al. (2015), who emphasise the importance of planning coherently the whole process of qualitative research in order to bring consistency to the study. Even if we did so, we encountered some difficulties and obstacles that obliged us to adapt the plan as we moved along. This pertained mainly to the fieldwork, as we did not control the constant dynamics of the South African setting and were dependent on the willingness of people to participate in the study. However, we adjusted our research guidelines without losing the objectives and directives out of sight, as suggested by Mason (2002). One benefit of the qualitative approach is that it allows for flexibility and for decision making to take place during the process (Mason, 2002).

Above we detailed the paradigm, methodology and methods that underlie the present study. We tried to elaborate a logical line between all three aspects. We acknowledge that pragmatism is not often used as a paradigm in this field of studies, and subsequently some criticism may arise. Yet we hope to have explained concisely and convincingly our decision. Pragmatism enabled us to select a qualitative methodology and methods. We consider that the methods we opted for were sufficient to answer the research questions. We aimed at triangulating and crystallising the data, but we were aware that in some cases this was not possible. Here, we want to underline that this was not a matter of incoherence from our side, but rather the outcome of the challenging context and time constraints.

We consider it important to share our experience in conducting research in a contextual setting different to our own. Even if this may seem a minor factor, entering and gaining access to an unfamiliar field is a challenge, which we think we finally overcome. The analysis of data should not be artificial, but should reflect the analytic thinking of the researcher. We dedicated some pages to the coding process. For us, the thematic analysis fitted well with our research questions. Following a model composed of six steps, it enabled us to develop rich analytical thinking, which we will try to show during the next chapters (Cf. Chapters 4 and 5). At the end of this chapter, we raised some pertinent issues regarding the evaluation of qualitative studies. Even if it is an auto-evaluation, we aimed to remain critical in the process. In the next two chapters, we present the results of the study.

CHAPTER 4

CAUSES OF FAILURE

The previous chapter elucidated the methodological features of the present research. We underlined the data analysis, following the principles of thematic analysis. In the present chapter, we present the results regarding the causes of the failure of the seven social enterprises included in this study.

The chapter starts with a broader analysis of the data and some general considerations. Then we discuss the external causes mentioned by the participants, which we aggregated into themes (we also call it categories). The chapter continues with a closer scrutiny of the internal causes. We intercalate the text with figures representing thematic maps of each cause. This aims at clarifying the categories and the relationships between different categories. We finish the chapter with a conclusion, presenting an integrative map of the internal and external causes of organisational failure.

4.1 General considerations

The first empirical results of the collected data intend to contribute to the understanding of the reasons behind organisational failure. We scrutinised the closure of seven social enterprises in South Africa. Seventeen participants shared their views on the cessation of their organisational activities. The semi-structured interviews conducted were complemented with other data, such as observations, organisational documents, previously published case studies, a press article and one press video. As explained in the previous chapter, we used thematic analysis to make sense of the data. During the coding process, we allowed codes to emerge. Then we revised the codes, creating categories and sub-categories. Below, we present the categories that emerged from our analysis. First, we present some general considerations about the findings.

To the question, *'What were the causes that led to the closure?'* the participants answered differently. Some started by ordering/prioritising the different causes. Others emphasised just one cause, and then, when probed if there were other causes to consider, they added other factors. Some participants started by enumerating one single factor, adding other issues while building bridges between them. Still others indicated all the causes, and then explained them one by one. When asked *'Which cause determined the closure?'* some participants held a clear opinion, others had difficulties in selecting a single factor, while others answered that a set of factors was responsible for the closure of the enterprise. We illustrate in Table 16 the first cause mentioned by the participants, as well as the cause

or causes that the participants acknowledged as the main determinant for the failure of their social enterprises.

Table 16 - Causes and determinants of failure

Social enterprise	Participant	Causes of failure	
		1 st Cause mentioned	Determinant cause(s)
FSE1	I1	Theft and vandalism	Bad management and governance
	I2	Bad management	Bad management
	I3	Lack of funding	Lack of funding
FSE2	CI1	Loss of clients	Loss of clients
FSE3	CI1	Lack of trust	Various factors
	I1	Various factors	Various factors
	I2	Lack of entrepreneurial vision	Various factors
FSE4	CI1	Lack of government support	No info/Unclear answer
	I2	Lack of physical resources (transport)	No info/Unclear answer
FSE5	I1	Theft and Vandalism	No info/Unclear answer
	PA	Theft and Vandalism	No info/Unclear answer
FSE6	I1	Lack of trust	Lack of trust
FSE7	I1	Lack of education in the community	Various factors

Taking the first participant in the table (FSE1 – I1) as an example, he started off mentioning that the organisation had suffered several robberies and acts of vandalism. Nevertheless, he quickly established links with other issues that allowed the entrance of vandals and thieves on the premises. Thus, for him, theft and vandalism were just the visible part of a set of other internal and external issues in the organisation. It is important to mention that the other two participants of FSE1 also mentioned theft and vandalism, but not as the main causes or determinants. In the words of one participant:

“So, on the closure, obviously there is the theft, right, and vandalism, which was...but if you take one step back, right, how do you get to a stage where you have theft, right? The issue started being that the organisation, as I understand it, started not having cash, right, to pay for services, like security, right.” (FSE1 – I1)

The two participants of FSE2 (FSE2 – CI1) had a clear view of the cause of failure. Both agrees that the loss of an important client had led to their closure. During the collective interview of FSE3 (FSE3 – CI1), three participants brainstormed about the causes of their closure. They began by strongly affirming that the failure was due to the lack of trust between the partners, but then continued to enumerate other factors, such as the need for money, the lack of education, the lack of passion, etc. The other participant (FSE3 – I1), asked about the causes of failure, underlined three causes without prioritising them. He contended, *“Lack of trust, social conditions and the quality of leadership, you know” (FSE3 –*

I1). A common opinion was evidently held by the participants. All the five participants of FSE3 (FSE3 – CI1, I1, I2) highlighted the lack of trust; however, they attached a slightly different weight to it.

The three participants of FSE4 firstly pointed out the lack of government support and then the lack of security. From their discourse, we understood that the lack of physical resources also strained their development. A partner of this social enterprise explicitly mentioned the lack of transport. In the case of FSE5, both the participant of the interview, as well as the participants mentioned in the press articles/video, considered theft and vandalism as causes, but they associated it with other factors, such as a lack of education and mismanagement. It was not possible to interview other ex-members or ex-employees of FSE5, FSE6 and FSE7. The participant of FSE6 firmly stressed lack of trust as the only factor for their closure. Nevertheless, during the interview, he cites several difficulties that led to the lack of trust, changing his opinion. In turn, the participant of FSE7 immediately listed several factors, mainly rooted in the external context. The following extract shows what the participant highlighted:

“Researcher: What were the reasons that led to the closure?”

Participant: Wow! I tried and I was very excited when I opened, when I started my first buy back in [name of the location] and because I have this passion and I know it can work and I was quite disappointed to find out that unfortunately people need to make it happen [referring to people in the community]” (FSE7 – I1)

We took into consideration all the factors that the participants identified, giving them the same weight in our analysis. We opted to allocate the various causes to the internal or external environment. We acknowledge that this might have been an artificial division, since environmental level factors and enterprise level factors are permeable. For our study, we considered the factors cited at least by participants from two organisations. The causes least mentioned, were institutional context and trust (external and internal). We found that the most quoted causes related to the internal setting – human capital attributes. As a matter of curiosity, the participants of two social enterprises also alluded to weather conditions (external) and debt (internal), yet we did not consider these for further analysis.

The following figure (Figure 6) illustrates all the external and internal causes that we will discuss in detail on the next pages.

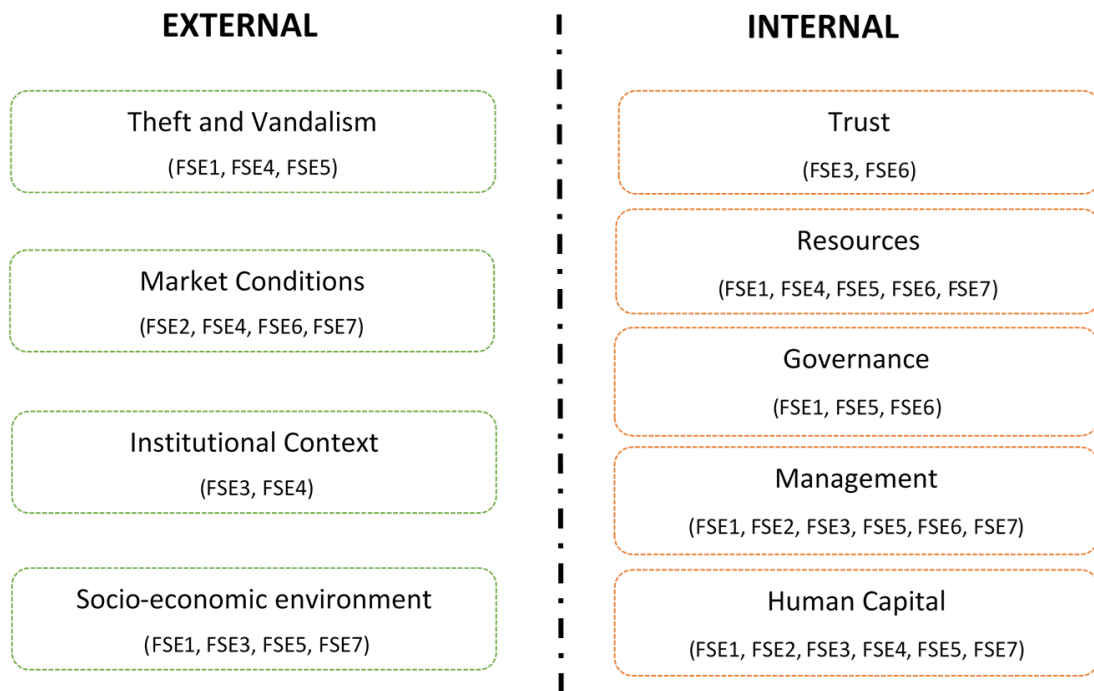


Figure 6 - External and Internal causes of failure

4.2 External causes

As shown above, the external causes of failure reported by the participants fell into four main categories: theft and vandalism; market conditions; institutional context; and the socio-economic environment. We discuss each of these in turn in the following paragraphs.

4.2.1 Theft and vandalism

The participants of three social enterprises (FSE1, FSE4 and FSE5) specifically mentioned theft and vandalism. In all cases, vandals and thieves had destroyed and stolen important physical resources, which impeded the continuity of their daily activities and forced them to close the organisation.

Participants from FSE1 and FSE5 referred to theft and vandalism as the main causes of their closure. Two participants from FSE1 (FSE1 – I1 and FSE2 – I2) also emphasised these two factors; however, they related them to the unavailability of financial assets to pay for basic services, such as security. One participant stated:

“They started running out of money to buy fertiliser, this and that and they did not have money to pay the security company and it was not long before the vandals moved in and started stripping the place, it is as simple as that.” (FSE1 – I2)

The thieves stole from the organisation's non-financial assets, such as equipment, machinery and vehicles. The vandals mainly damaged the agricultural tunnels and the premises of the health cluster. This had an impact on their daily activities, as we understand from this statement:

"The combis started getting stolen and then there were two combis, one got stolen, one broke down so now you could not bring people in on the day-cares nor could you bring the kids in, so the whole thing started crumbling. The farm on the other side, people started vandalising the farm, they stole the structures, you know, then there was nothing, basically." (FSE1 – I1)

In the formal presentation obtained from the organisation, it is possible to see pictures of the destroyed physical resources (FSE1 – FP). Similarly, during the visits to the premises, it was possible to verify some damages that still required reparation. Another participant (FSE1 – I3) also spoke about theft and vandalism. However, she not only related it to financial aspects, but to the disturbances in management and the high levels of poverty in the surrounding community. She highlighted:

"I mean, you come in the morning, windows have been broken, the kitchen they have vandalised it, they took what we had – everything! So, we are in that type of community, that poverty makes them... not think and poverty knows no law." (FSE1 – I3)

Moreover, the author of the report on FSE1 underlined that vandalism was a vicious cycle (FSE1 – R). The relevant social enterprise stopped its activities, and consequently the employees lost their jobs and the organisation could not assist the target population as before. This exacerbated poverty in the community and brought more vandals to the organisation. The author pointed out:

"Previously, the farm was operating very well and accomplishing its purpose of producing vegetables, feeding patients and childcare kids, not just inside the organisation, but in their homes. Currently, the farm is not operating, that leads to poverty, which in turn leads to vandalism (equipment is stolen and sold to the scrap-yard)." (FSE1 - R)

A participant from FSE4 (FSE4 – CI1) also considered vandalism as an obstacle to the attainment of the goals of their social enterprise. One participant notes that the organisation was located in the "middle of nowhere", and that there were no security systems installed to protect the property against vandalism and theft. Their premises were burnt down once, and they lost several physical resources, such as their office, and all the material needed to perform their daily activities. After this episode, the organisation had difficulties in moving forward. It was still possible to visualise the damage caused by

the vandals when the researcher visited the premises. Similarly, the member of a private organisation that supported their work stated the importance of vandalism. The participants underlined:

“As you can see, this place is in the middle of nowhere. There is no security, there is nothing. So even if you can have your bottles and everything, you will get other people stealing from the same business, you know them to go and sell somewhere.”

(FSE4 – C11)

“Then in June 2014, the whole centre was burnt down and everything was lost.”

(FSE4 – I1)

In addition, vandalism and theft strongly affected the performance of FSE5, obliging the members to think about a possible relocation. In 2014, in *The Herald* (FSE5 - PA), an ex-member of the social enterprise referred to the damage inflicted on the tunnels and plants, as well as to theft of equipment. A press video of SABC News (FSE5 - PV) about the project corroborated this information:

“But there were problems with theft and vandalism, like tunnels and plants being damaged, and equipment being stolen.” (FSE5 - PA)

“...vandals from the neighbouring community have completely destroyed the project.” (FSE5 - PV)

Another point stressed in the press article is that the people working in the organisation knew the vandals and thieves, but they were reluctant to act against them. In the same document, the project sponsor associated theft and vandalism with community unhappiness and lack of understanding of the project's benefits. He also referred to internal problems, mainly mismanagement. The participant (FSE5 – I1) stated that theft and vandalism arose due to lack of community absorptive capacity. We discuss these aspects below under external and internal causes.

The above aims to illustrate that vandalism and theft played an important role in the demise of three social enterprises that participated in the study. In most cases, theft and vandalism was the last straw in a sea of issues. None of the participants acknowledged this issue as the main determinant, but rather as a direct or indirect consequence of other internal and external factors. Yet it is clear that these impeded the further development of their activities. In Figure 7, it is possible to visualise which other internal and external issues promoted the high incidence of theft and vandalism, and then, failure. Only the participants of FSE4 did not link vandalism to other organisational or external problems. We verify that for the members of two social enterprises, theft and vandalism emerged from the socio-economic environment, as well as a lack of resources and mismanagement.

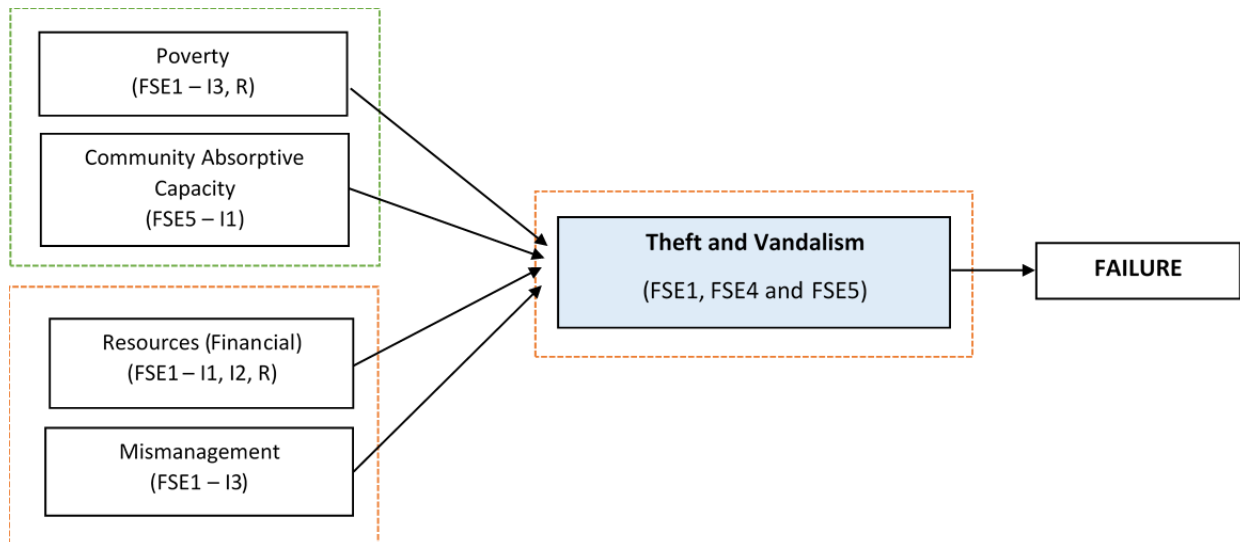


Figure 7 - Theft and Vandalism

4.2.2 Market conditions

The category ‘market conditions’ aggregated two sub-categories: ‘loss of clients’ and ‘lack of business’. Participants of FSE2 and FSE7 attributed the discontinuation of their activities to the loss of clients, while the participants from FSE4 and FSE6 emphasised a lack of business opportunities.

4.2.2.1 Loss of clients

According to the interviewed participants (FSE2 – CI1), the social enterprise closed its doors due to cuts in the municipal budget. The organisation initiated its activities with two tenders: one with the Nelson Mandela Bay Municipality (waste management services to a specific location) and the other with the Airports Company of South Africa (ACSA) (cleaning the Port Elizabeth Airport) as was verified in two published documents about the organisation (FSE2 – CS2 and FSE2 – CS3).

Both institutions broke the contract with FSE2. In one case study (FSE2 – CS2), the authors stress that the contract with the Municipality had expired. Nevertheless, according to one participant interviewed, the Municipality stopped the tender due to budgetary restrictions and without advance notice. The participant reported that there were no complaints or dissatisfaction on the part of the municipality regarding the services provided by FSE2. The Municipality re-established the contract with FSE2 for the same services several years later. The participants did not provide any information regarding the end of the contract with ACSA. They acknowledged the absence of organisational capacity to improve and expand their clients’ portfolio, which would have been essential to their self-sustainability. Yet they did not enumerate lack of capacity as the cause of closure. We discussed the

members' capacities in the human capital chapter (Chapter 5). When asked about the reasons that led to the closure, the participants stated:

"Number one, it was the Municipality's budget: they always say we do not have a budget now, and the cooperative must stop, because we were six people that were currently working under the Municipality" (FSE2 – C11)

"The only thing that was a problem was the Municipality stopping us." (FSE2 – C11)

FSE7 lost clients due to a lack of transport to collect recyclable waste. According to the participant (FSE7 – I1), transport was a vital resource for this organisation, as the entrepreneur needed to move around the community and collect waste material for recycling. The entrepreneur lost her transport due to a malfunction and did not have the financial resources to have it repaired. Thus, without transport, the participant became unreliable to her clients and lost the required inputs (recyclable material) to generate income for her business. The participant emphasised:

"...and then transportation: I was not reliable, because people would phone me or... that is how I lost my customers is that I could not do my weekly pick-ups and people get frustrated because they want the stuff gone and as soon as you do not collect regularly, they are going to find someone else to do it". (FSE7 – I1)

"Exactly how can I go make promises and that is why I lost some of my clients, because I could not service them anymore." (FSE7 – I1)

4.2.2.2 Lack of business

Lack of business was one of the failure causes mentioned by FSE4 and FSE6. This appeared interconnected with the difficulty in finding and ensuring buyers for their product. Due to the small size and/or young age of the organisation, it did not seem to carry sufficient credibility in the eyes of potential buyers. One participant gave the following justification:

"It was just that companies, the big ones, they do not want to be associated with the small ones, and they do not even trust the small companies". (FSE6 – I1)

"It was difficult, we were trying to get these companies [buyers]... no-one was really interested..." (FSE6 – I1)

As a result, the business stagnated, due to lack of financial resources, resulting from the low volumes of sales. This was further compounded by the small amount of public funding obtained. Therefore, staff members left the organisation and started to steal the few available assets, contributing to the

organisation's financial deficit. We analysed internal theft and the lack of trust that appears to be associated with it, in the section on internal causes below.

According to one of the participants of FSE4, the social enterprise had experienced difficulties in entering and establishing its business in the local market. For her, the lack of craft market in the area of Nelson Mandela Bay impeded the sales. As she said:

"No-one is able to sell or promote their craft; the shops that did, have closed" (FSE4 – I1).

Undoubtedly, the market conditions influenced the financial stability of three social enterprises and led to their closure, as we can see in Figure 8. The participants of FSE2 identified the termination of a municipal tender as a determinant factor in their closure, since they were strongly dependent on one client. In this sense, the withdrawal of municipal funding jeopardised the organisational finances. The participant of FSE6 underlined the difficulties in entering the construction market and in guaranteeing buyers for their product. Without clients, the organisation could not access financial assets. In the case of FSE4, the lack of craft markets in the area hindered the establishment of the business. For the participant of FSE7, while the social enterprise had a broader portfolio of clients, it became unreliable from the moment it lost the transportation means to reach them. In this sense, with revenue inflows declining drastically, and the impossibility of ensuring survival through personal assets, the organisation stagnated. The entrepreneur entered into a vicious loop: the lack of transport led to the loss of clients; the loss of clients led to less revenue and the impossibility to repair or buy transport. In the end, all these factors weighed on the decision to close the social venture. A detailed discussion of the approach of the social enterprise members in attracting clients or obtaining funding is provided in the section on internal causes. Market conditions (external) and financial resources (internal) were intrinsically linked in the case of FSE2 and FSE6.

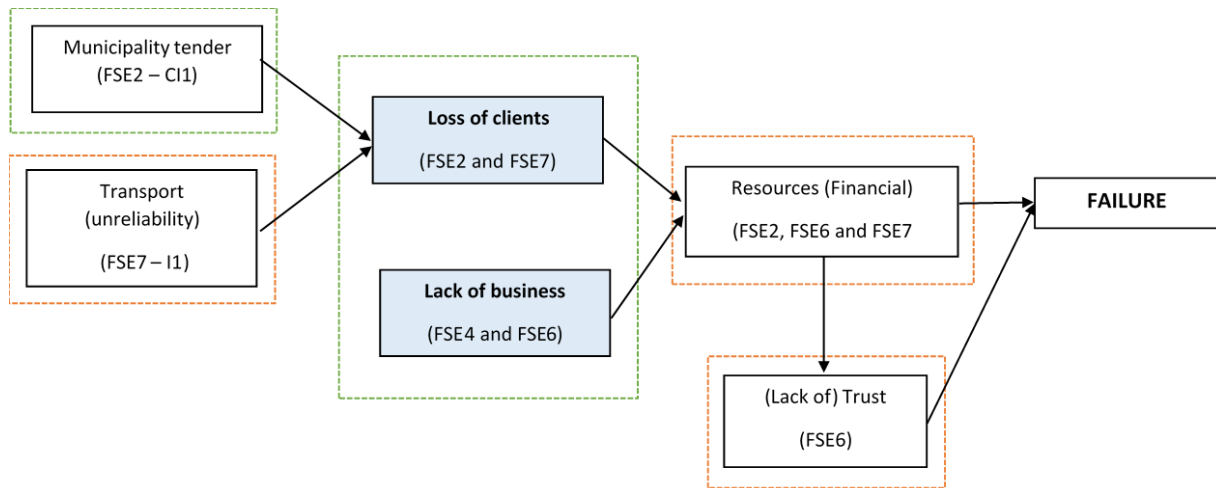


Figure 8 - Market Conditions

4.2.3 Institutional context

This category includes the sub-categories ‘institutional support’, ‘politics’ and ‘social capital’. Two participants of two social enterprises cited these factors.

4.2.3.1 Institutional support

Participants of FSE3 (FSE3 – I1) and FSE4 (FSE4 – C1) criticised the lack of effective support from the institutional environment, mainly from government authorities, in the empowerment of poor communities. These organisations had not provided enough support and follow-up on the ground for their community projects. The participants’ statements in this regard were:

“In that environment, your institutions, Councillor’s office, the Municipality people, they do not validate those efforts by those people [members of the organisation]. I do not think they do enough to strengthen, support for interventions like that, that is why these interventions normally have a high failure rate...” (FSE3 – I1)

“That was the major difficulty that I have noticed all these years and even now similar is happening, because at this point in time, you get the private sector that is assisting and not the government, but it was going to be easy if the government was assisting...” (FSE4 – C1)

Nonetheless, both FSE3 and FSE4 received support from the local authorities in their start-up phases. The founding of FSE3 resulted from a grant given by the Premier’s Office to “clean up the municipal land” (FSE3 – CS1). Later, the Premier’s Office extended the initial grant. The participant considered the involvement of the team of the Premier’s Office in the implementation of the social enterprise as

minimal. He emphasised:

"...we had the Office of the Premier in the initial year of the project they were very removed; they did not bother looking at us, they just let us." (FSE3 – I1)

In turn, the idea to start FSE4 came from the local Councillor's office. This social enterprise used local government premises, paying a monthly rent. As we will see in the resource section, no basic infrastructures was installed in the premises. The social enterprise's members requested the installation of these resources, but the Municipality never granted their requests. In this sense, participants criticised the role played by the local authorities in the strengthening of their own organisation. They stated:

"We applied for electricity on the first year, but the Municipality was promising that they will come and bring electricity. They never did that, up until today." (FSE4 – C11).

"...there was never a government initiative to make sure that they were growing, as a result of that they were making something from mouth to hand, from hand to mouth." (FSE4 – C11)

We verify that the target of the participants' criticisms about the lack of institutional support was the local authorities. The interviews and support documents show that private organisations were rendering their resources available to the development of these social enterprises. Specifically, FSE3 received funding for training from a private bank, as it is possible to verify in the report of this institution (FSE3 – BR). Also, the participant highlighted this support by saying:

"For instance, we help to set up the cooperatives and then when convinced a local bank to help pay for the capacity for the setting up of those... to train the people in our... to run a cooperative, the rules of the cooperative, the constitution." (FSE3 – I1)

Likewise, private businesses and non-profit organisations assisted FSE4 in thriving for several years, through the provision of donations-in-kind (FSE4 – I1). The researcher had the opportunity to spend some time with the participants of this social enterprise, as well as with a member of an organisation that faithfully supported their activities. Observations, conversations and emails exchanged, confirmed this support. FSE4 also received training from private organisations, as the participant confirmed:

“Such people [referring to the ladies responsible for the project] they were getting the training from private businesses, but there was never a government initiative to make sure that they were growing...” (FSE4 – C11)

“Later in 2004, the National Council of Women donated a specially fitted container with work surfaces, a floor and window to the group of ladies and at a later stage assisted them further with tables and chairs, etc. Rotary also assisted by putting up gates and razor wire to help secure the centre.” (FSE4 – I1)

It is important to underline that most of the physical resources donated by the above organisations in 2004, were burnt in a fire set by vandals.

4.2.3.2 Politics

Politics interfered with the sustainability and continuation of FSE3. The organisation was caught in a fight between the two major political parties in town. The participants of the collective interview (FSE3 – C11) spoke about the politics in the people’s mind. They considered that politicians had a negative influence on projects aimed at uplifting the community, and this one was no exception. The authors of the published case study also underlined the political tensions, stating:

“The politics in the people's mind was too much...” (FSE3 – C11)

“The politicians used to interrupt in projects and programmes that comes in this community; there is always fighting about who must be selected and not selected.” (FSE3 – C11)

“Now with the political environment so unstable, sustainability became even trickier”. (FSE3 – CS1)

“They said the provincial authority had issued an order to shut down his waste recycling project, claiming it was driven by the opposition political party and was not beneficial to the community.” (FSE3 – CS1)

4.2.3.3 Social Capital

In addition to the alleged lack of support from government and politicians, a participant of FSE3 (FSE3 – I1) cited the deficit of social capital. He explained that the cause of the low trust among community members was the existence of numerous social problems traumatising them. He was aware of this specific issue when launching the project with the community. In one report compiled during the start-

up phase, the participants enumerated the negative perceptions and experiences they had about their community (FSE3 – R). A lack of trust was one of the perceptions highlighted. The participant stated that:

“The social barriers in [name of the location] are so significant that even areas, territorially issues of gangs play off against that some people are not, they afraid of going to the streets, so they navigate far around it. Trust is a big issue.” (FSE3 – I1)

“I think also the manner in which communities are traumatised by bad experiences leads to this trust deficit...” (FSE3 – I1)

Furthermore, the outside community sees the townships as the home of gangsters, crime and violence. We noted these negative perceptions while speaking with residents of other areas. The location was considered one of the most dangerous and violent townships in South Africa. Local and national media used negative terms to label the community and its members:

“The majority of Port Elizabeth’s gangs are based in [name of the location], and local media is riddled with phrases such as “gang-ridden”, “turf wars” and “violent” when reporting on the community”. (FSE3 – CS1)

The outside community tended to devalue and distrust the work developed by the members of this particular township. One participant underlined the existence of *“a deep mistrust, an exceptional mistrust of the quality coming from [name of the location]”* (FSE3- I1). In turn, the township members internalised these negative images and felt discouraged to outgrow themselves and their circumstances. These prejudices influenced the internal dynamics of the organisation, as the participants mentioned:

“...other people will throw strong negative words to you, because you are trying to do something better, and that is the image that our people brought to the project. We are not allowed; our parents taught us that we are not allowed to not go beyond this boundary...” (FSE3 – CI1)

Moreover, one participant (FSE3 – I1) referred to the lack of trust between community members and other organisations, such as local Councillors, church and non-governmental organisations. Among community members, there was the generalised idea that these organisations and government representatives acted in accordance with their political interests. His own words were:

“They would go to the church and if the church does not have a programme, then they go to their local NGOs, if there are NGOs, but most of these are people do not

trust them because they are politically aligned or they have had a bad experience.”

(FSE3 – I1)

As such, the shortfall of institutional actions to support these social enterprises harmed their development. From the participants’ statements, we understand that they were expecting a more active role from the local public organisations in promoting and supporting their initiatives. Regarding FSE4, the municipality even failed in supporting them with the basic resources to run the organisation properly. Nevertheless, private businesses and civil society backed up their activities. Politics influenced the sustainability of FSE3. When the political party in power changed, the project entered a downward spiral, which led to its closure. In addition, the participants envisaged the low levels of social capital as a driver of widespread feelings of unreliability among partners/staff. The deficit of social capital emerged from the socio-economic background, in particular, due to poverty, violence and trauma. All participants of FSE3 considered the lack of internal and external trust as a great trigger in their organisational failure. All these connections are translated in Figure 9. We discuss the lack of internal trust in the section on internal causes.

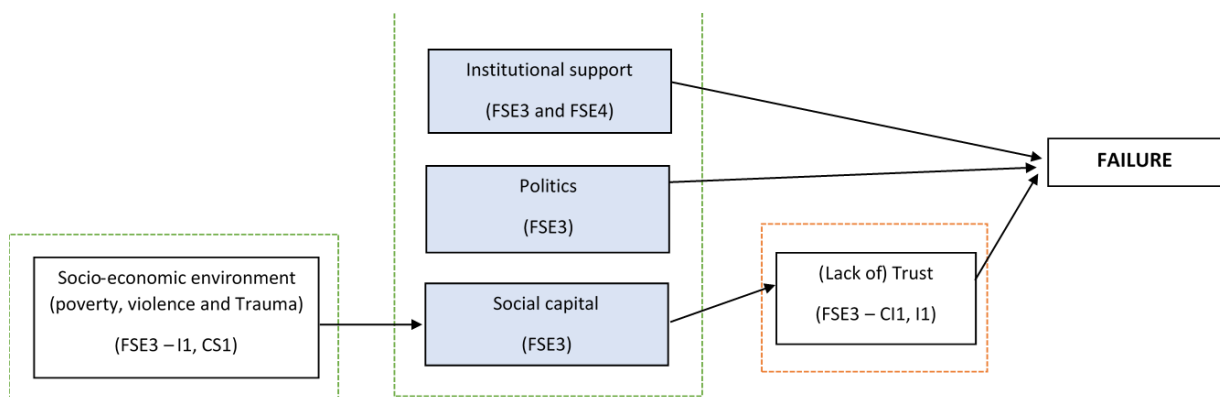


Figure 9 - Institutional Context

4.2.4 Socio-economic environment

For FSE1, FSE3, FSE5 and FSE7, the socio-economic environment had impaired the sustainability of their enterprises. In particular, participants underlined community absorptive capacity, laziness, poverty, violence and trauma.

The two communities in which FSE5 and FSE7 were located, lacked prior knowledge and capacity to recognise the value of the two social projects. Both the participant of the press article (FSE5 - PA) and the participant in the interview (FSE5 – I1) highlighted that the community had difficulties in visualising the larger impact of the hydroponics project. The latter participant contended that the promoters of

the project should have invested in an awareness campaign about the value and concept of it. Here is what the participants emphasised:

“Some people in the community did not fully understand what was happening with the project. They thought only a handful of people were profiting, and did not know how the project was expanding. That caused some unhappiness.” (FSE5 – PA)

“I think it got nothing to do with education in terms of standards like he has got a what grade, what grade. It is got to do with the education of what value does that project hold as far as benefiting the community”. (FSE5 – I1)

For the participant of FSE7, the problem went beyond understanding the project itself. It appeared to be associated with the lack of environmental consciousness in black communities, which prevented them from fully understanding and supporting recycling projects. Nonetheless, we understand from what she shared with us that it was not solely a matter of environmental consciousness; the real issue was rooted in the high levels of poverty. The community members did not buy into the project, as necessity had forced them to make use of the recyclable materials in other ways. Her own words on these issues were:

“...Education! That is what I, why it failed in [name of the location]...” (FSE7 – I1)

“The white race, the white people are more environmentally conscious than the black...” (FSE7 – I1)

“...again it is about the environmental consciousness of the people or of the school [that she was working with], whereas in locations [that is, townships] for instances, people especially with the Yellow Pages – people use that for use in the toilet. So, they are not going to give their book to me to recycle, because they need it. Whereas in the urban areas, people are environmentally conscious and they do not need the Yellow Pages, so they were more supportive.” (FSE7 – I1)

It is important to note that one of the goals of FSE7 was to create awareness among community members of all ages of environmental problems and the necessity to change behaviours. In this sense, it failed to accomplish one of its organisational goals. Another community-characteristic that this participant underlined, was laziness. She attributes the failure of the enterprise to the laziness of the community members, as they were too lazy to participate in the social venture.

“The failure is also around the people sometimes not knowing, sometimes just pure laziness.” FSE7 – I1).

“That is exactly why the buyback in [name of the location] failed, because it was about, people did not know or people, I call it people being pure lazy. There was an opportunity there for them to make money, but then again it is about first education and then it is about people just being lazy”. (FSE7 – I1).

According to this participant, the community did not see the project as an opportunity to ensure some household income. The pay obtained by them for the sale of the recyclable materials did not compensate for the effort made, mostly because the community members used other, more profitable, strategies, even if illegal. The participant believed that community members had become overly dependent on government hand-outs, and consequently, they were unwilling to work. She said:

“Government has spoiled our people with food parcels” (FSE7 – I1)

“Government for handouts, soup kitchens where people just get, they just get food packages, food parcels, they just get this, get this so they feel so entitled. So now, here is an opportunity to earn an income, but it is hard work.” (FSE7 – I1)

A participant of FSE3 (FSE3 – I1), when asked about the causes of organisational failure, underlined the existence of various social barriers in the community, including the trauma caused by situational and institutional violence. Furthermore, for the participant, violence and trauma created fear and distrust among community members. This low social capital, as we previously saw, also affected the internal dynamics of the organisation. Regarding the problem of violence, the participant stated the following:

“I have seen how an entire room just goes cold when somebody walks in and then we asked, “So what happened now?” That guy raped that girl and we all know it, there is no case, but we all know it, we saw it, but if we stand up and go testify against that guy, we will die. So that level of violence, institution, social violence, situational violence in a community like that is layered upon layered and the trauma that people feel gets played out over generations and the fear that goes with that is endemic, so you always have to get out of that environment to find who you are.” (FSE3 – I1)

In the organisational report, as well as in the case study of this organisation, there were references to these socio-economic issues. During one visit to the location, we witnessed a violent gang situation. During another visit, the participants refused to do the interview since they were shocked and saddened by the murder of one community member. The authors of the case study stated that it was a community known by:

“...a raft of social ills including overcrowding, poor education and low household income. There are sixteen known gangs within the area... There are varying reports of the murder rate, but general agreement is that it is high and well above the local and national average.” (FSE3 – CS1)

As we previously saw in the sub-section on theft and vandalism, the participant of FSE1 (FSE1 – I3) associated theft and vandalism with poverty in the community. The authors of the report shared the same opinion (FSE1 – R). The social enterprise workforce originated primarily from the community itself. Therefore, people in the community envisaged the social enterprise as a solution to their unemployment and hunger issues. In addition, the organisation was improving the livelihoods of the community, not only by providing employment to some of them, but also by donating to employees and community members some of the vegetables produced at the farm. When the social enterprise became inoperable, the subsistence given to employees and community members fell away, which led to an increase in poverty and incidence of cases of vandalism and robbery. The participant denoted:

“The second failure of our... failure is that we are in a predominately disadvantaged area and poverty here is the highest because this [name of the location] area is a rural-urban.” (FSE1 – I3)

Below we include Figure 10 that aims at representing this category. The socio-economic environment had influenced organisational survival in various ways. Firstly, the lack of absorptive capacities prevented community members from comprehending the benefits of the two social enterprises, FSE5 and FSE7. In one case, the non-assimilation of the benefits rendered the premises of the organisation vulnerable to theft and vandalism. In the other case, the non-understanding of recycling and its benefits deterred the members of the community from cooperating with the entrepreneur in achieving the organisational commercial goals. The participant of FSE7 highlighted the absence of environmental consciousness, based on the high levels of poverty. Secondly, it was alleged that laziness among community members had limited their participation as clients in the project. Thirdly, within the community where FSE1 was located, a vicious cycle of poverty and theft/vandalism was evident. Even if the organisation aimed at increasing livelihoods and breaking this cycle, in the end, it failed to achieve those goals from the time it began to collapse. Lastly, the social conditions in which FSE3 was located affected how the individuals interacted in the community, but also how they perceived the entrepreneurial project. People are a product of their socio-economic background, which also affects how they interact in an organisational setting. In the case of FSE3, members were unable to build a trustworthy relationship among themselves.

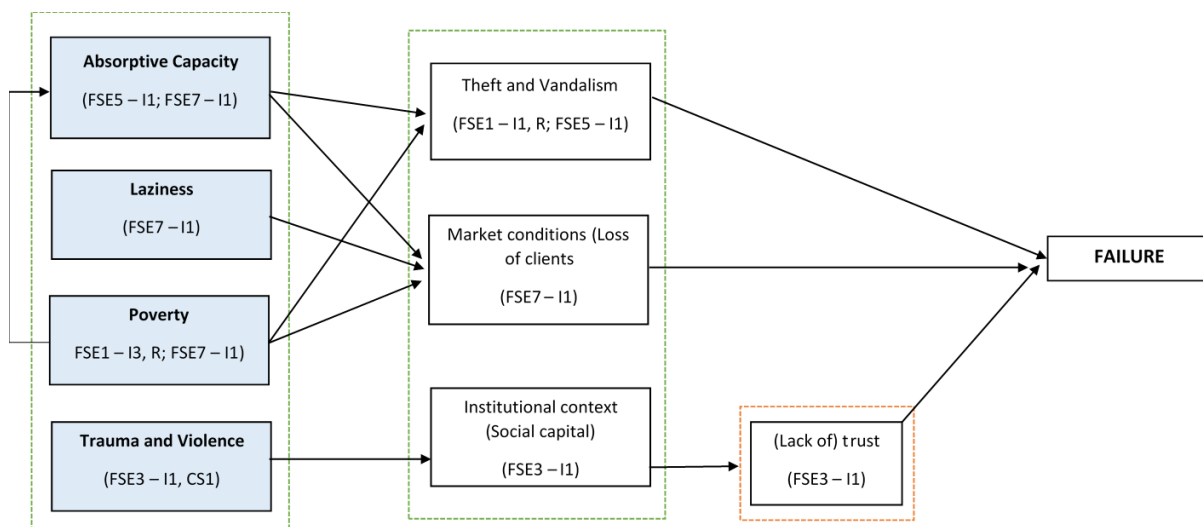


Figure 10 - Socio-economic environment

The four causes mentioned above appear interrelated, not only with other external factors, but also with conditions internal to the organisations. We specify the interconnectedness that emerged from the answers of the participants, and our analysis, in the conclusion of this chapter.

4.3 Internal Causes

In the next section, we intend to detail the internal causes of the failure of the studied organisations. Throughout the coding phase, the main categories that emerged, were trust, lack resources (financial, physical and human), poor governance, lack of management (planning, monitoring, and strategy) and inadequate human capital (education, training, skills, capacity, understanding and implementation).

4.3.1 Trust

Mistrust as an inhibitor of success was identified in two of the social enterprises (FSE3 and FSE6). However, how the participants referred to mistrust was different in both cases. In one social enterprise, mistrust was alleged to be common among community members, and was thus transferred to the internal dynamics of the organisation. In the other one, lack of trust among the organisation's members emerged after the theft issues discussed above had arisen.

When asked about the causes of failure, the participants of FSE3 (FSE3 - C11) answered decisively the lack of trust among the members of the organisation. The other participant (FSE3 - I1) corroborated

their opinion, contending the lack of trust between the members emerged from the general mistrust in the community, as we saw previously. The participant's own words about the issue of trust were:

"So, in this sort of society, I cannot trust you to be independent in making and representing us, because you always going to sell us out... so we will pull you back and that is what killed the [name of the social enterprise] idea. So, there is a lot of profound little stories around trust and the leader and who their followers are..."
(FSE3 – I1)

The participant stated that distrust jeopardised daily tasks and prevented the proper running of the organisation. This had consequences for the effectiveness of the leaders, who started to show signs of tiredness since their work and progress were constantly being endangered. The participant underlined:

"I think they were more struggling with trust issues that prevented them from doing progressive planning". (FSE3 – I1)

"...that level of trust hampers the leaders' ability to be effective". (FSE3 – I1)

For the participant of FSE6 (FSE6 – I1), the growth of mistrust was related to incidences of internal theft. A member of the social enterprise forged the other member's signature and gradually stole money from the bank. The members who felt betrayed, were the ones that decided to close the social enterprise. He discussed the following:

"I think it was mistrust. If I can give you the real scenario, there were people's expectations when we started, they expect that they will be getting money so they became frustrated and started to steal money from the company, it was like twelve rand a day and in the next day you take another amount, it started like that and eventually collapsed. There was someone who retracted and picked a lot of money: eighteen thousand rands, it was someone from the group. She had to forge someone's signature from the cooperative and then at the bank in order to collect the money. Upon discovering that, the other members, we were not trustworthy to deal with that, because of the familiarity, someone is related to someone... these were a criminal act and you can go to jail for that." (FSE6 – I1)

Trust undermined the organisational viability, as we can see in Figure 11. The lack of trust negatively influenced the internal interaction between different members, regardless of its origin. On the one hand, for the participants of FSE3, the unreliability amongst partners had its roots in their low social capital and their socio-economic background. Mistrust had significant consequences for the leaders' abilities, since it negatively influenced daily routines and procedures and led to a loss of effectiveness.

In turn, the participant of FSE6 emphasised internal mistrust as a direct cause of the absence of financial resources, which had its origins in the difficulties in securing business.

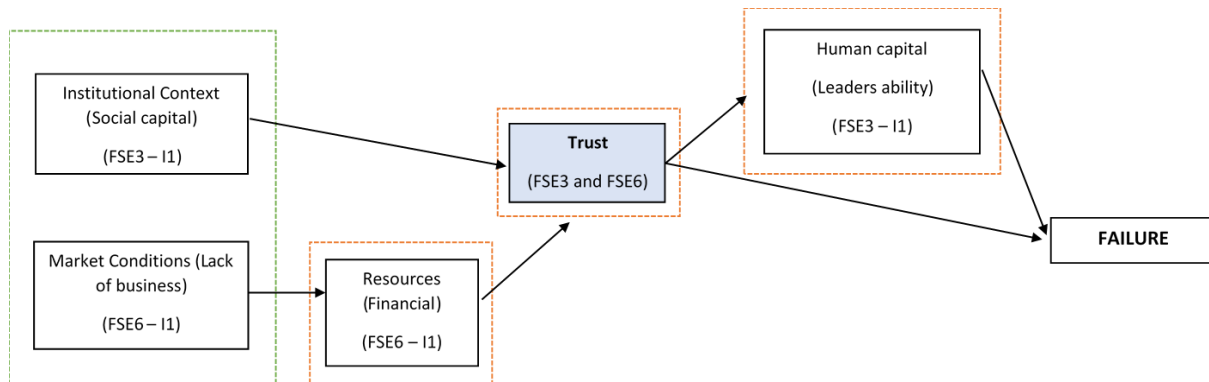


Figure 11 - Trust

4.3.2 Resources

We divided this category into three sub-categories, which are, financial, physical and human resources.

4.3.2.1 Financial resources

A lack of financial resources was one of the most cited causes in the analysed data. It was a cross-cutting problem for four social enterprises (FSE1, FSE5, FSE6, and FSE7). On the one hand, the financial constraints entailed the lack of funding from project sponsors and the termination of tenders with public organisations. On the other hand, lack of financial resources referred to the impossibility of generating sufficient income through trading activities.

All participants of FSE1 highlighted the lack of funding (FSE1 – I1, I2 and I3). For one participant, the closure was due primarily to the lack of government funding. She stated, *“No money, the main funder which was the Department of Health ceased funding...”* (FSE1 – I3). The other two participants considered that the lack of funding emerged from management and governance issues. According to the participants, their social enterprise had an innovative business model. Besides the reliance on sponsorships, the organisation intended to generate their own revenue through farming activities. Initially, the idea with the farm cluster was to generate 60% of all the income, yet barely 10% was generated. As one participant stated, *“I would say less than 10% was funded out of the farm”* (FSE1 – I1). For the participants, the small percentage of own revenue was due to managerial problems, as we discuss in the management sub-section below.

Due to the lack of financial resources, the organisation was unable to pay salaries and basic services, such as security, which, in turn, allowed the entrance of vandals and thieves. One participant underlined:

"[It] is obviously that if you have got no income you cannot sustain paying your people and your service providers which means that you have got no-one to come to work, you have got no-one to render you any services." (FSE1 – I1)

Both FSE5 and FSE6 started with the funds granted by public authorities (local and non-local), but also planned to generate income through the sales of products. Yet, the two revenue strategies were not sufficient to pay daily expenditures, leading to financial uncertainty. The participants stated:

"...between 2006 and 2007, the project did not have any income, we did not have any income, so that first year people started panicking." (FSE5 – I1)

"The thing, it was... we were not generating enough income to pay... We were generating, depositing, and saving it, but it was not enough money to pay us, but we were generating some money from our sales." (FSE6 – I1)

Consequently, one person of FSE6 resorted to stealing, while others decided to search for jobs elsewhere. As we saw above, this also led to a rise of mistrust among the organisation's members, as the participant pointed out:

"We discovered that the cooperative, it was not what we were expecting, because we were not generating enough funds to live our lives, so some of us got jobs somewhere else and left." (FSE6 – I1)

"I left the cooperative, because I felt I needed to get extra income, because we were not getting any business." (FSE6 – I1)

As to FSE7, the entrepreneur relied heavily on her personal capital and the trading profits generated by the social enterprise. She never received financial donations and grants from other private or public institutions. Since its start, the organisation struggled to achieve financial stability. Her financial strategies were insufficient to acquire and maintain any type of resources (as discussed below). The entrepreneur was trapped in a vicious loop (see sub-section on market conditions), which jeopardised the possibility of stabilising the enterprise's finances. Below, she explained all her difficulties that led to financial stress:

"[The failure] is not just about the financial side of it, because once I get the volumes, the financial side will balance out. It is about educating people, reaching

the right crowd, reaching the people, so I need to be out there, you know, at the schools or... you know, but then again, being mobile, making use of public transport in a business is, first of all, not professional and second of all, I cannot reach, I cannot... I can go see one or two schools, where if I was mobile, I could see five schools. Again, I had my customers, when I had my vehicle, I used my own vehicle, I had enough clients but then the problem then was, I did not have space to store the stuff. I had the clients and then when my car broke I did not have the transport, reliable transport. I lost my clients. What I found is and why the buyback failed in [name of the location] and when I had to close it down, because, number one, there was not enough volumes coming in and I had to pay a salary to someone who stole from me anyways.” (FSE7 – I1)

4.3.2.2 Physical resources

The participants of two social enterprises referred to a lack of physical resources (FSE4 and FSE7).

When asked about the reasons for the closure, the participant of FSE7 emphasised a lack of transport. As discussed above, this was a major obstacle to developing the business. From the interview, we were able to understand that besides the lack of transport, the entrepreneur did not have the physical facilities to deposit the material, which were imperative to her business. The lack of physical resources was a direct consequence of the financial assets, which were connected with the market conditions, in particular the loss of clients. She stated:

“Again, I had my customers, when I had my vehicle, I used my own vehicles, I had enough clients, but then the problem then was I did not have space to store the stuff. I had the clients, and then when my car broke, I did not have the transport, reliable transport. I lost my clients.” (FSE7 – I1)

As detailed in the financial resources sub-section, this social enterprise lacked the tangible and non-tangible assets to operate. Therefore, it entered into a downward spiral that was difficult to curb.

In turn, FSE4 did not have basic services installed on its premises, such as water, electricity and drainage systems. The enterprise also lacked proper office space and material. The office and storage spaces were industrial containers and a shed, which later burned down. In addition, the organisation for several years lacked the transport needed to collect material, relying heavily on the goodwill of external people/partners (FSE4 – I1). In one observation moment, we understood that they were reliant on the transportation of one external stakeholder. Additionally, just one member of the

organisation, who participated sporadically in the organisation, possess a driver's license. According to the participants, these aspects hindered the good performance of their daily activities. One participant shared:

"[Name of the organisation] came to the rescue and very kindly offered the services of [name of the person] with a bakkie and trailer once a week to take recycling to recyclers in town or to collect recycling". (FSE4 – I1)

4.3.2.3 Human resources

A lack of human resources was visible in three organisations (FSE1, FSE6 and FSE7).

When the FSE1 entered a financial downward spiral, the managers had difficulty in maintaining the number of employees and in guaranteeing the monthly stipends. On the one hand, the clusters' managers opted to dismiss some employees and, on the other hand, the employees themselves started to leave the organisation. Likewise, the staff members of FSE6 decided to abandon their functions when the organisation could not generate any income (See quotation on lack of resources section). One participant of FSE1 underlined:

"So, some of them were laid off and I think that made the environment not very good for us, because then they started vandalising the farm..." (FSE1 – I3)

"Sometimes it will take two to three months without paying them... then some of the care workers would go and look for jobs somewhere..." (FSE1 – I3)

During the interview, the social entrepreneur of FSE7 (FSE7 – I1) explained her difficulty in finding individuals that were willing to work. So being, she had difficulty in performing by herself the daily tasks that were vital for the continuance of the social enterprise. The social entrepreneur stated:

"I also approached them [referring to the people of the community] to say 'listen, would you like a permanent job earning an income?' and then, the one guy was so eager, he was going to come the next morning, but never pitched and I thought 'but why is this?'" (FSE7 – I1)

"Even the people that I thought, you know, would want this opportunity... They do not really want the job". (FSE7 – I1)

"I could not do it on my own. I cannot be at the centre having to buy it in and be outside marketing." (FSE7 – I1)

In Figure 12, we represent this category graphically. We acknowledge that resources are vital for the proper functioning of any organisation. For the participants of five social enterprises, the lack of financial, human and physical assets affected their activities negatively. The participants of four social enterprises did not possess sufficient financial capital to continue operating in the market. The participants associated the lack of resources with other difficulties: on the one hand, the impossibility to generate income through sales was associated with the market conditions (lack of business and loss of clients) (FSE5, FSE6 and FSE7). On the other hand, the funding issues and the shortage of revenue appeared interconnected with management and governance problems (FSE1). Independent of the reason behind the deficiency of financial resources, their absence interfered with the continuation of the organisations’ activities, since they stopped paying for salaries and basic resources. In addition, the lack of physical resources hindered the possibility that FSE7 clients would be met and prevented the social entrepreneur of generating income through trading. As understood during the several visits of the researcher to the premises of FSE4, and according to the participants, the social enterprises lacked vital physical resources. The lack of human resources was interconnected with the financial difficulties of two social enterprises (FSE1 and FSE6). In its turn, the social entrepreneur of FSE7 could not find individuals eager to work in the social enterprise.

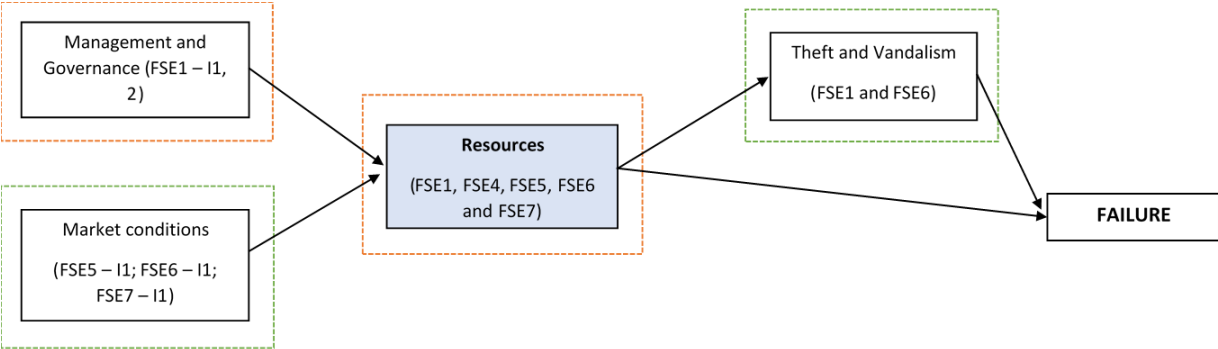


Figure 12 - Resources

4.3.3 Governance

Three social enterprises (FSE1, FSE5 and FSE6) experienced problems in their governance. FSE1 saw the governing body collapse. In the case of FSE5, the municipal spokesperson stressed the lack of control of the sponsors (in this case, the Municipality), whereas in the case of FSE6, the participant lamented the role of the sponsors in overseeing the organisation.

Two participants of FSE1 (FSE1 – I1, I2) pointed out the collapse of the governance structure. The formal presentation of the organisation corroborates this issue (FSE1 – FP). For those two participants, problems in governance were associated with a lack of control. People in charge failed to implement

appropriate control systems in order to supervise the performance of employees, managers and other staff, as well as to render them accountable. Moreover, the board of directors failed to control the number of sales made by the farm cluster. Consequently, there was a negative impact on the financial means of the organisation, as the participants denoted:

"...there was no-one following up what happened to the stuff we sold, where is the money". (FSE1 – I1)

"...there was a board, [which] was not effective in controlling the people on the ground here and the people in charge... [They] just were not doing what they had to do and the money was not coming in, so then they started running out of money..." (FSE1 – I2)

Still about FSE1, one participant underlined the importance of controlling the finances of the organisation, stating:

"You just got to have control over the finances and budget according to that you can meet your financial commitments, because they could not meet their financial commitments, they could not buy fertilizer, they could not buy this, they could not buy that, they could not pay the security. Then the thing collapsed." (FSE1 – I1)

We understand that the problems of FSE1 were not only the absence of funding and the low profit generated by the farm cluster (as previously mentioned in the financial resources sub-section), but also the lack of control over its finances (FSE1 – I1). In addition, the documents analysed, showed a significant number of funds received. In the formal presentation of the organisation, there was a reference to twenty-three funders, both private and public (FSE1 – FP). The press article specifies that the organisation received financial awards (FSE1 – PA):

"Earlier this month, the [name of the organisation] also won the overall award and a cash prize of R50,000 in the Provincial Female Farmer Awards." (FSE1 - PA)

"A R2.3 million boost from the [name of the sponsor] will help patients with HIV/AIDS find their feet in an Aids haven after being discharged from the hospital. The money is being spent on a step-down centre at the [name of the organisation] on the outskirts of [name of the location]." (FSE1 – PA)

The authors of the case study about FSE1 mentioned that two of their key success factors were good governance and sustainable funding (FSE1 - CS). Nonetheless, as the participants underscored, these were also the causes of failure: poor governance and lack of funding (financial resources). We note that what had previously been considered organisational strengths; later became organisational

weaknesses that led to their overall downfall.

In the press article (FSE5 – PA), the project promoter underlined the lack of control on behalf of the project sponsors, however, without stating any details. Additionally, the participant of FSE6 (FSE6 – I1) emphasised that the sponsors of the social enterprise should also be accountable for the failure, as they did not monitor its activities and financial situation, as planned. Since the sponsors financed the organisation, the staff member expected a more active role from them:

“...because those people should be accountable for the failure, because the government is giving money and they have to oversee it and it is falling”. (FSE6 – I1)

“...this is their programme and it is falling and they should be worried that our programme is failing and we should act, but they do not do anything. Because if you are monitoring this programme that is failing, it means that you are also failing, because this is under your wing.” (FSE6 – I1)

Figure 13 represents the failure of the enterprises due to governance issues. The lack of control by the governing bodies and project sponsors contributed to the failure of FSE1, FSE5 and FSE6, respectively. In all the social enterprises, the absence of control mechanisms caused trouble in daily operations, mainly concerning the monitoring of financial activities. For the participants of FSE1, the governing bodies did not oversee correctly the ground operations, allowing for errors in financial reporting. Covering the other two social enterprises (FSE5 and FSE6), the sponsors did not manage to oversee closely the project and to forecast the problems experienced by the staff.

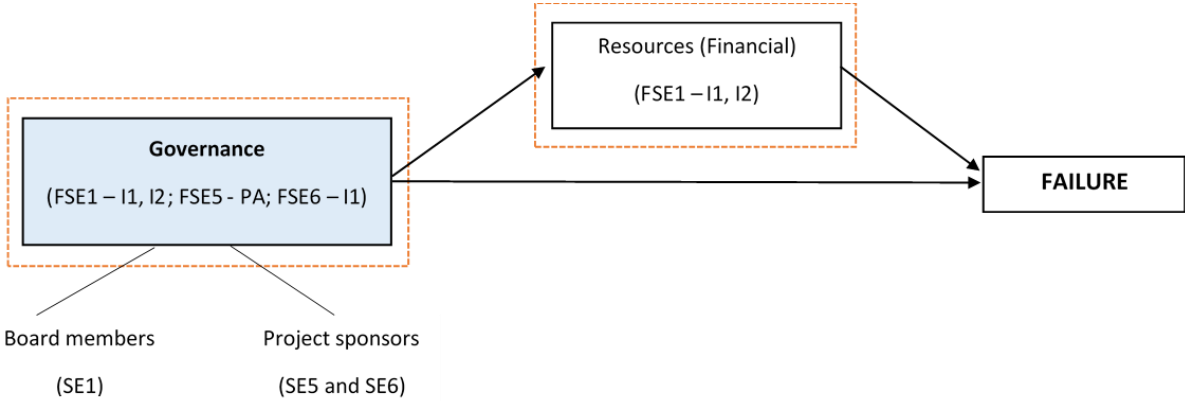


Figure 13 - Governance

4.3.4 Management

In this category, we start by discussing management and mismanagement. Then we explain the role of two managerial activities in organisational failure, namely monitoring and planning. The references made to strategic management were also included in this category.

Some participants identified management as a cause of organisational failure. Yet they did not specify any management function. For example, two participants (FSE1 – I2, I3) specifically underlined “*bad management*”. As FSE1 went through a restructuring process, one participant stated that their biggest challenge was to rethink management practices. During the interview, the other participant several times stressed a lack of management systems as a factor, stating that, if in place, these systems could have avoided failure by, for example, scaling down the operations and number of employees. His own words were:

“Failure of governance and management systems, because when you have got those things in place, you are then able to control and at least redirect some of the things. For example, perhaps the issue would have been scaling down on the number of people, you know”. (FSE1 – I1)

Participants of FSE2 considered the mismanagement of funds as one of the main causes of the organisation’s failure. They confirmed their ineptitude in managing the organisation’s funds, by saying:

“...mismanagement of funds, because we mismanagement our money and then we had some problems here and there.” (FSE2 – C11)

In one case study published on FSE2, the authors mentioned the members’ capacity to ensure the financial stability of the organisation, by guaranteeing public contracts. The words used were “*the cooperative has also managed finances very wisely and frugally*” (FSE2 – CS2). Also, there was a reference to the savings achieved by the organisation, which ranged from 5% to 6 % of their revenue. The authors wrote “*the cooperative saves between 5 and 6 per cent for further investment in the cooperative and the community.*” (FSE2 – CS2). By this, we understand that the organisation controlled finances until 2008 (year of publication of the case study). However, they mismanaged their finances between 2008 and 2011 (year of the failure). From a management point of view, the organisation’s members were incapable of securing other clients, which was imperative for their survival. For this social enterprise, the lack of financial resources due to the loss of clients was associated with mismanagement. The organisation restarted its operations in 2015. When questioned about the lessons learned from the closure, the participant pointed out:

“How to manage our money and how to... and we have to be... you have to think broad, because you cannot concentrate on one thing [referring to the clients]. If it falls you have nothing to sit on.” (FSE2 – CI1)

Still on the topic of mismanagement, in the press article about FSE5 (FSE5 – PA), there was a reference to mismanagement. The municipal spokesperson referred to an internal investigation into the management of the organisation, based on instability among the stakeholders and claims of mishandling. The participant of FSE6 referred to the mismanagement of public funding during the first years of the organisation, stating:

“In our case, the money was there; we were given the money but it was up to us to manage the business and make it big, but we failed to do that.” (FSE6 – I1)

4.3.4.1 Monitoring

Throughout the years, FSE1 had different management teams. For one participant (FSE1 – I2), the lack of monitoring was only visible in the team that directed the organisation before failure; previous management teams had implemented procedures to oversee employee performance. He said:

“...for the first five years, it was a big growth period. [Name of the manager] was involved here and about the time that [he] left, I left, so I cannot answer for the board members then, yes, but in my opinion, it started going downhill.” (FSE1 – I1)

The other participant of FSE1 (FSE1 – I1) raised questions regarding the effectiveness of the farm cluster management, particularly referencing the overseeing of production and sales. In his own words:

“...there are question marks about how management ran the place, particularly with the farm, because the farm had a produce, so that produce ought to be sold, cash to come back into the organisation, which funds the cost. Maybe it may not be enough produce, you know, then of course, you have a deficit that you must deal with, but at the same time, that is management’s role”. (FSE1 – I1)

FSE6 and FSE7 apparently lacked effective monitoring systems at management level. The inefficiency of the system or its non-existence led to theft committed by individuals internal to the organisations. As one participant stated:

“I thought this drive was doing great, because of the daily recordings, but unfortunately, when I did my cash flow or my stock-taking and actually sold the stuff

off... what he recorded and what was there were two different things, through that misleading me and basically stealing from me". (FSE7 – I1)

Moreover, in the case of FSE7, two employees had deceived the entrepreneur. On one occasion, she assigned the employee the task of distributing advertising material in the neighbourhood. However, he failed to perform the assignment. The entrepreneur noticed this fault only when she asked the neighbours' opinion about the pamphlets. On another occasion, the entrepreneur recruited one employee to receive the recyclable material and make payments in accordance to its weight. The employee deceived the entrepreneur by recording incorrect inputs and outputs. The entrepreneur underlined:

"I gave him [employee] an opportunity again, and the first day I asked him to distribute the pamphlets and then... Funny enough, there were people in the area which I know and I asked them 'did not you get my pamphlet? because this guy said that he distributed the pamphlets, he put in all the post boxes in the whole of [name of the location] and I am like okay it was one thousand five hundred pamphlets."
(SE7 – I1)

4.3.4.2 Planning

Two participants of FSE1 (FSE1 – I2, I3) mentioned a lack of planning as a cause of organisational failure. One participant cited the inefficiency of the board and top managers in forecasting certain events and planning the financial resources required to pay for the employees' stipends (FSE1 – I3). In addition, there seemed to have lack of planning, as the other participant stated during the interview that the managers did not apply for the continuation of an operating licence that would have been important to their sustainability (FSE3 – I1). The participant considered:

"I also blame planning management on the plan because when you have a situation where you become forearmed, you plan and tell the people before the time that money is now finished." (FSE1 – I3)

One participant of FSE3 (FSE3 – I1) stated that mistrust among members prevented them from planning and performing efficiently the daily activities of the organisation. We cited the participant's quotation in the trust sub-section above.

4.3.4.3 Strategy

The participants of three social enterprises pointed out elements relating to strategic management (FSE2, FSE3 and FSE5), specifically mentioning lack of marketing and foresight.

According to one participant, FSE5 was not achieving the necessary sales to sustain its activities (FSE5 – I1), due to the lack of a marketing strategy to guarantee enough clients. The participant stated:

“It also lacks marketing strategy as far as because we were not having enough sales, we are not having enough sales”. (FSE5 – I1)

When speaking about financial management, one participant of FSE2 (FSE2 – C11) indicated a lack of foresight among the social enterprise's members. For her, they *“were not looking at the future”*. Likewise, the participants of FSE3 (FSE3 – C11) attributed a lack of foresight to their colleagues. They mentioned that the environmental conditions affected their capacity to visualise the future of the organisation. Social enterprise members needed to satisfy their immediate needs; and it was therefore difficult to look *“at the bigger picture”*. In addition, the colleagues tended to rely on the ability of their leader to think ahead. However, the colleagues also hindered the good performance of the leader, as already discussed.

We represent in Figure 14 the management sub-categories and relationships. Participants of FSE1, FSE3, FSE5, FSE6 and FSE7 highlighted the poor managerial systems of their organisations. The lack of monitoring systems of FSE6 and FSE7 led to incidents of theft by team members, as well as to the non-performance of the assigned tasks. Instead, in FSE1, the management team did not oversee the cash flow correctly, failing to perceive the financial problems and act accordingly. In members' own words, bad management and lack of management systems were evident. Mismanagement, specifically financial mismanagement, aggravated the economic situation of FSE2. In the case of FSE3, the lack of planning was attributed to mistrust among collaborators and the lack of foresight (strategy) was attributed to the impoverished socio-economic circumstances in which the enterprise was operating.

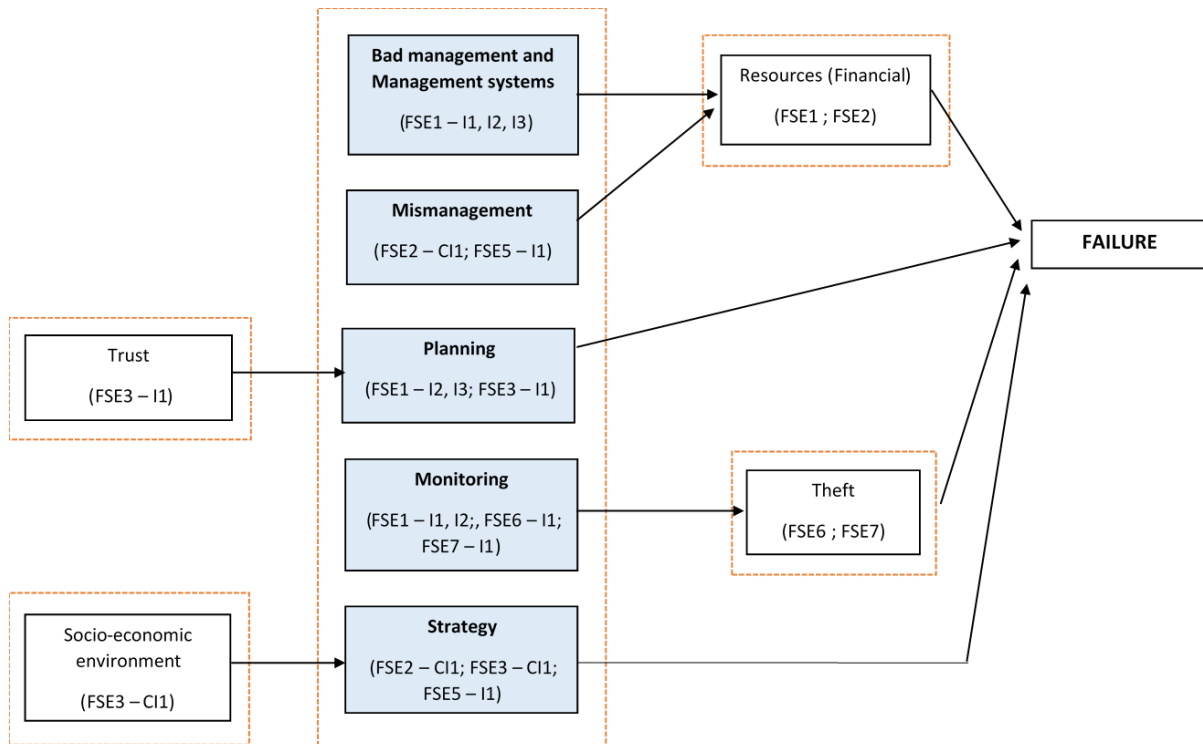


Figure 14 - Management

4.3.5 Human capital

We aggregated under the category human capital the following sub-categories: lack of education, lack of training, lack of skills (cognitive and non-cognitive), lack of capacity, and lack of understanding and implementation. Six social enterprises emphasised these elements (FSE1, FSE2, FSE3, FSE4, FSE5 and FSE7). It is important to note that detailed information about the human capital of social enterprises is provided in Chapter 5 (human capital).

4.3.5.1 Lack of education

During the collective interview, the members of FSE3 (FSE3 – CI1) made reference to the lack of education of some members of the social enterprise: some members only had primary school education. Allegedly due to their low level of education, these members had difficulties in understanding the specific characteristics of cooperatives and entrepreneurial projects. Another participant also underlined this issue (FSE3 – I2):

“...most of them do not go far in the school, you see... maybe they went to primary school and not reach high school... and a lot of them do not understand and they just say yes for everything...” (FSE3 – CI1)

“...cooperatives does not work for people that do not have that much education, because they do not understand, because you can take them through a lot of workshops, and training and then, they still, they do not understand.” (FSE3 – C11)

“Most of them were not fortunate like me. I was the only member that was fortunate that I have qualifications and tertiary [education]” (FSE3 – I2)

In this line of thought, the participant of FSE7 (FSE7 – I1) underlined the low level of education that the employees had. She associated it with the general lack of education and awareness amid community members. Specifically, one of her employees had matriculation (Cf. Chapter 1 – Introduction – for the explanation of the education system). The entrepreneur had trouble in answering adequately the question about the employee’s educational background. Here is an excerpt from the interview:

“Researcher: Okay, what was his [employee] educational background?”

Participant: He was a youth and he was somebody that I offered an opportunity, who was out of work and again wanting to help somebody and giving him that opportunity to earn something.

Researcher: Did he had some specific skills?

Participant: No, he was young; I think he had matric.” (FSE7 – I1)

4.3.5.2 Lack of training

A participant of the FSE2 (FSE2 – C11) stated that the members of the social enterprise did not have the necessary training to thrive in their management tasks. One participant stated, *“When we started... we were not working, not doing anything, not trained”*. Regarding FSE3, one participant (FSE3 – I1) referred to the lack of training of the staff recruited. In his own words are:

“It is amazing its significant barriers and... so the social conditions are one [referring to the causes of failure]; then the capacity or the lack of training or the lack of exposure” (FSE3 – I1)

Later in his interview, he mentioned that the social enterprise members had the option to attend a training programme for three months. In one organisational report, one of the training promoters referred to the training given to the participants of the project (FSE3 – BR). Similarly, when asked about the training, the participants in the collective interview emphasised the training received (FSE3 – C11). Yet they raised several issues such as that the training was provided in English, whereas the mother tongue of the social enterprise members is Afrikaans, creating some learning difficulties. Therefore,

the people that attended the training did not grasp the content due to the language barriers. As the participants mentioned:

“Most of the people here in our community, especially the big women, they are over the fifties... if we have training, we must provide them in our language so they can understand”. (FSE3 – CI1)

“We had all that training; we did not understand most of the training”. (FSE3 – CI1)

The same participants underline that the colleagues also did not understand most of the training because of their low self-confidence. Moreover, they stress the difficulties in implementing the learning assimilated during the training courses. Another participant underlined:

“Sometimes it was up in there, sometimes down, there were days, when we start to understand... but then we go to your cooperative with what you have learned and experienced, then you are talking Jewish to them... they do not understand.” (FSE3 – CI1)

As already mentioned, we will describe all the specificities about what type of training, duration and other relevant information in the human capital chapter (Chapter 5).

4.3.5.3 Lack of skills

We divide the lack of skills into cognitive and non-cognitive skills³⁰. However, sometimes participants would speak about the lack of skills in general.

The participant of FSE1 (FSE1 – I1) and the participant of FSE5 (FSE5 – I1) refer to the lack of skills. For the participant of FSE1, the lack of skills was visible mainly among the middle management team and the bottom staff. Yet the top-level managers possessed the necessary skills to perform successfully. He underlined:

“The management had the skills but the problem [was] the middle-level skills”.

³⁰ There is no consensus among authors regarding the concept of skill (Green, 2011). Regularly, the authors divide into cognitive and non-cognitive skills. For the present study, we opt to work with the following definitions. Cognitive skills applies to mental abilities used in thinking activities, such as reading, writing, numeracy, technology (Brunello & Schlotter, 2011; Green, 2011). In turn, non-cognitive skills include *“certain personality traits, personal characteristics that are weakly related to measures of IQ and typically include social skills, motivation, socio-emotional regulation, leadership, work habits and also physical skills”* (Mýtna Kureková, Beblavý, Haita, & Thum, 2016, p. 663) that are socially determined. Both skills can be enhanced through lifetime.

“The skill starts going down less and less and less and less [referring to the different layers of management]. (FSE1 – I1)

For the participant of FSE5, the lack of skills was visible from the very beginning. This was due to the selection method adopted by the promoters of the project; as they did not take into account the skills, knowledge or experience of each person, but rather selected the members according to their employment status and the areas of the township. One participant stated the following:

“...that on its own, it is a recipe for disaster, do you understand what I am... that on its own, to appoint a person to become a member of a project of any project without looking at that person’s individual capacity and knowledge and skills, that on its own is a recipe for disaster...” (FSE5 – I1)

4.3.5.3.1 Cognitive skills

One participant of FSE1 (FSE1 – I1) specifically referred to the absence of cognitive skills, linking the deficiency of competent staff to the difficulty in attracting them due to financial constraints. The participant also mentioned the low salaries paid in the non-profit sector compared to for-profit organisations. He cited an example of an administrator recruited for the social enterprise that did not have the necessary technical skills (for example, write a fax, do petty cash requisitions, etc.). The social enterprise had to invest time to teach these basic administration skills to a person recruited for that purpose. In his own words:

“...you have, for example, administrators. Remember you cannot pay the salaries to attract people in the market so you end up having to train whoever you get, that the type of thing. I mean I remember that my administrator at the time could not write a fax, a fax cover sheet, you know, so you have to teach how do you do this, could not do filing, I mean you have to teach ‘this is how you have to file’...” (FSE1 – I1)

Moreover, according to a participant of FSE3 (FSE3 – I2), his colleagues did not possess the business skills required to manage the organisation as entrepreneurs, regardless of the training received. The participant had difficulties in explaining how this lack of business skills directly affected the organisation, stating:

“I think so that is business skills [one of the causes of failure]. I cannot say properly if it is business skills, because we did have training”. (FSE3 – I2)

She linked the lack of business skills to the level of education, stating that her colleagues did not have sufficient qualifications. We quote her verbatim in the sub-section on the lack of education.

Regarding FSE4, the participant (FSE4 – I1) stated that the organisation lacked personnel with managerial skills, referring that the members of the project did not have the necessary abilities to manage the organisation, and that a person with the necessary skills should have been leading in the project:

“Someone to ‘manage’ them – they do not seem to be able to rise beyond where they were”. (FSE4 – I1)

“They can make craft very well and seem good at recycling, but their managerial and business skills are not there.” (FSE4 – I1)

4.3.5.3.2 Non-cognitive skills

The participants of FSE1 and FSE3 made mention of the quality of the organisation’s leadership. The participant of FSE1 (FSE1 – I1) referred to the implementation of this non-cognitive skill, highlighting that the leader had difficulties in controlling staff. He associated this with the implementation of skills and knowledge. The leader might have understood her/his role and what needed to be done, but when it came to practical situations, may experience difficulties in applying the skill. In turn, another participant of FSE1 (FSE1 – I2) stated that the farm cluster leader experienced difficulties in negotiating with the top managers and board members:

“I find it when you have a lack of soft skill in avoiding the confrontational situation, that is when most people go, things go wrong.” (FSE1 – I1)

“And the lady I left in charge here was not strong enough to stand up to the board” (FSE1 – I2)

One participant of FSE3 (FSE3 – I1) considered that leaders with a low educational background experienced difficulties in defining and implementing their own role in the organisation. As we previously saw in the sub-section on trust, the quoted leader’s role constantly suffered from pressure by other organisation members, which had an impact on the quality of her work. This participant raised questions regarding the leader’s role in a cooperative, stating:

“...the leader becomes tired and in the structure of the Cooperative Act, in the way in which we set up, that in itself is an inhibitor for decision making because... how do you fire your members?” (FSE3 – I1)

The participants of FSE3 (FSE3 – CI1) emphasised some members' motivation and passion. According to them, the lack of motivation and passion among other members of the social enterprise prevented sound development and affected the performance of their members. They linked the evident lack of passion with difficulties in understanding organisational particularities. The participant words were the following:

"I would say that it is not only about education, it is about the passion. The passion you have for your company – it is about that. Because you can be illiterate and still have a passion for something... but if that passion lacks..." (FSE3 – CI1)

A participant of FSE7 (FSE7 – I1) emphasised the lack of motivation and consequently the unreliability of her personnel. In two different moments, the entrepreneur felt misled and harmed by the untrustworthy behaviours of her employees, as a consequence of their lack of motivation. When she assigned them with specific tasks, they would not perform accordingly or would not show up to work as planned:

"The Monday he did not pitch up for work. 'Leave it there'. The Tuesday he comes with a big excuse and all. 'Okay fine', I gave him another opportunity. He only worked a day and the next day missing again". (FSE7 – I1)

In a video broadcast on SABC News about FSE5 (FSE5 – PV), the municipal spokesperson pointed out the lack of commitment of the organisation's members, adding that this problem was also visible in other, similar, projects sponsored by the relevant municipality. He considered that the municipality provided the necessary support and help to the individuals involved, stating:

"I think it is more of lack of commitment from the people who own this project and other projects that we usually have around the Metro..." (FSE5 – PV)

4.3.5.4 Lack of capacity

One participant (FSE3 – I1) briefly mentioned a lack of capacity as cause of organisational failure. He first mentioned that the social enterprise members did not possess the necessary capacities to overcome several obstacles; thus, they failed (we included his statement in the lack of training subsection above). He justified this with reference to the general lack of capacity in the community itself. In this sense, he considered that the dependency syndrome related to government grants inhibited the community from developing their competencies. He underlined:

“So, when it comes to transactions and dependencies on the government system, this is the very big part, the dependent syndrome leads to a sort of incompetence because all you doing is you waiting for something you not working towards...”

(FSE3 – I1)

In addition, this participant emphasised the lack of exposure to the entrepreneurial and business environment as a cause of failure. The business people of the surrounding community were reluctant to give an opportunity to the members of this community, due to doubts regarding their work quality. We underline the mistrust issue in the institutional context sub-section. Below is the participant’s argument regarding the existence of a negative image:

“Because, also if you tried to get into job market and people see on your CV that you are from [name of the location], firstly they think you are a troublemaker, secondly you are not going to turn up for work, and, thirdly, what excuses are you going to come up with, we have heard this before... I do not know how connected you are to the gangs and all of these, so that happens.” (FSE3 –I1)

4.3.5.5 *Lack of understanding (of organisational aspects, entrepreneurial projects)*

Participants of FSE3 (FSE3 – C11 and FSE3 – I2) highlighted a lack of understanding as a cause of failure. According to them, their colleagues were not able to comprehend several aspects of the social enterprise. Firstly, they did not understand the legal and practical aspects of running a cooperative. Secondly, they did not understand one of the main goals of the project, which was to empower themselves through the creation of a business (FSE3 – R). Moreover, their expectations were different to what had been initially planned by the promoters and they struggled to develop their own business capacities. Thirdly, as mentioned above, they had difficulties in grasping the learning transmitted during the training. The participants stated:

“...a lot of them do not understand and they just say yes for everything, because they want the money, but they do not understand the context of the cooperative...”

(FSE3 – C11)

“They did not understand that this is my company, I am a businesswoman, I am a businessman, I cannot think about the way employees think, I am an employer... not an employee.” (FSE3 – C11)

“Some of our members did not understand what is the meaning of growing a [the company]. Some of them were sitting with the mentality that if you work in a

cooperative, at the end of the day, you have a salary. They did not understand that when starting a cooperative, you start as a volunteer until the cooperative is gaining money.” (FSE3 – I2)

According to the participants, their colleagues did not understand the entrepreneurial context due to the mismatch of expectations. They stated that at the beginning of the project, the promoters did not clearly explain that the aim of it was to create their own business. Thus, they were not entrepreneurs because they wished to be then, but because it was a project requisite. One participant stressed:

“...because if fifty or ninety per cent of those people knew from the beginning that they had to start a company, they would have lost the interest from the beginning, but they thought that we are here for money, you going to earn money, you going to employ me, I am not going to be employer, I am going to be your employee.”
(FSE3 – CI1)

The participant of FSE6 also referred to the divergence of expectations or difficulties in understanding the basics of an entrepreneurial project. He underlined that his colleagues were expecting a fixed wage, and to enrich themselves through that, pointing out:

“People wanted immediate income, they wanted to be rich and then they discovered this is not what I was expecting.” (FS36 – I1)

The deprived socio-economic background of FSE3 members also affected their understanding and expectations of the project. As mentioned in the lack of foresight (strategy) category, the members needed to satisfy their immediate needs, so, when they heard about the amount invested in the project, they thought they could get a part. In their own words:

“...they heard about a million rand, and they think that the whole million rand will come to you, I will have a share in that million rand...” (FSE3 – CI1)

“If you take people from a poor community and you wave money in front of them, you are looking for trouble.” (FSE3 – CI1)

4.3.5.6 Implementation of knowledge

The participants of FSE1 and FSE4 emphasised the difficulties in implementing managerial knowledge in an organisational context. The participant of FSE1 (FSE1 – I1) explicitly linked this challenge to the non-cognitive skills of individuals, as mentioned above. In addition, he stated that after attending educational institutions, individuals might have acquired specific knowledge; however, they may still

struggle to transfer the theoretical aspects into practical tasks. The participant of FSE4 (FSE4 – C11) emphasised implementation as biggest barrier. The social enterprise members were able to draw up a plan and the partners usually provided them with the necessary inputs to perform it; yet they did not have the capacity to implement the project, as intended. One justification given for the inability to follow the plan was the constant changes in the environment. They emphasised:

“Even today, they are still giving us an ammunition as to how to change, the transport they gave us, some of them are giving us an ammunition, this is what you must do, this is what you must do, but tomorrow the next day, when we are here... the environment is totally changing to something else.” (FSE4 – C11)

From the above sub-categories, we comprehend that human capital affected how the leaders, managers and general staff performed in their organisations. We represent this interconnectedness in Figure 15. The (lack of) human capacities also played a role in organisational failure. In some cases, low human capital appeared intrinsically associated with the individuals’ socio-economic background. All participants of FSE3 (FSE3 – I1, I2, C11) identified the low levels of education and poverty in the community where they lived, as interfering in individuals’ capacities and understanding of an entrepreneurial project. For the participant of FSE7 (FSE7 – I1) the lack of education of her employees was a direct result of the socio-economic environment in which she implemented the enterprise. We postulate that the challenging socio-economic background prevented the proper development of some human capital attributes. Regarding the internal aspects that influenced human capital, we verify that individuals had difficulties in implementing their skills, both cognitive and non-cognitive. In addition, the lack of education and cognitive and non-cognitive skills appeared connected, according to two participants of FSE3 (FSE3 – I1, I2). However, one participant (FSE3- I1) did not underline lack of education as a failure cause. The members of FSE3 had difficulties in understanding and implementing the training provided by the external stakeholders (FSE3 – C11). Likewise, one participant of this social enterprise (FSE3 – I1) denoted the negative relation between lack of internal trust and the development and implementation of non-cognitive skills, mainly in relation to leadership skills.

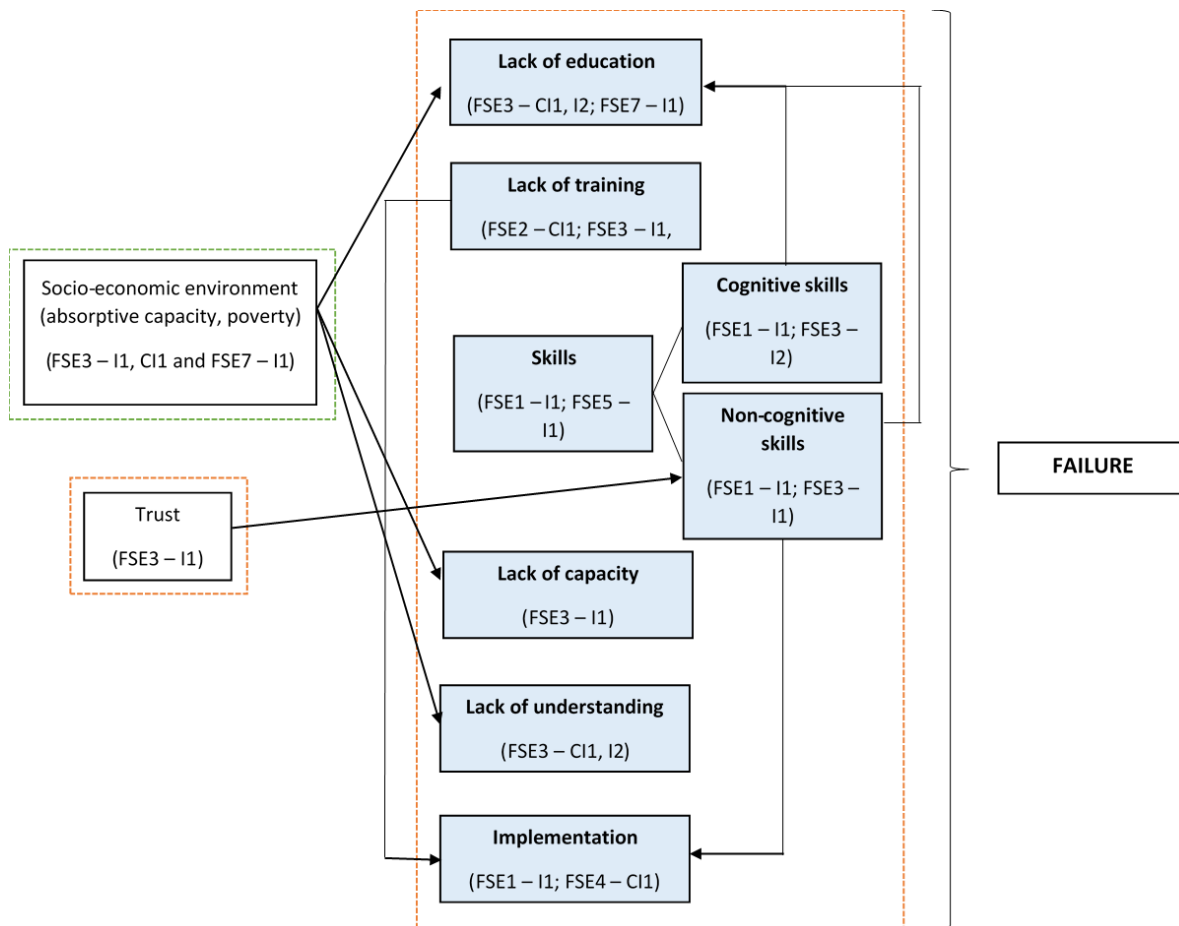


Figure 15 - Human capital

4.4 Conclusion

As is verified above, the participants in this study rarely enumerated one single cause of the failure of the social enterprises. In this sense, the failure of the studied social enterprises emerged from multiple factors, both internal and external. Besides references to numerous causes, most of the participants built connections between them. Their line of thought appears logically interconnected: frequently one failure reason emerged from another, boosting another problem. The interrelations that the participants mentioned were:

- Market conditions, in particular loss of clients and lack of business, jeopardised the number of financial resources available.
- Institutional context, specifically social capital, was associated with the lack of trust among social enterprise members.

- Socio-economic factors directly decreased the level of social capital in the community, led to theft and vandalism, and influenced the market conditions. Indirectly, socio-economic factors endangered the internal level of trust.
- Two external factors negatively influenced the trust among social enterprises collaborators, namely the institutional context and market conditions. This led to internal mistrust, mainly because it affected the financial resources. On the other hand, mistrust hampered the leader's ability to perform organisational tasks.
- Participants identified the roots of the lack of resources as management capabilities and governance, as well as market conditions. The lack of financial resources in two social enterprises was stated as the leading cause of vandalism and theft.
- For the participants of one social enterprise, management competency was affected by mistrust. It was noticeable in two social enterprises that poor management led to financial problems.

In Figure 16, we display these interrelations. The internal causes arose from the organisational dynamics, as well as from the complexities of the external environment in which these social enterprises were settled. Likewise, most of the external caused a significant influence on one another. The institutional context and socio-economic environment influenced each other, while internal trust and resources seems to be important factors among the social enterprises studied. Theft and vandalism, and human capital appear at the end of a continuum of problems. These latter causes did not seem to exercise a negative influence on other factors.

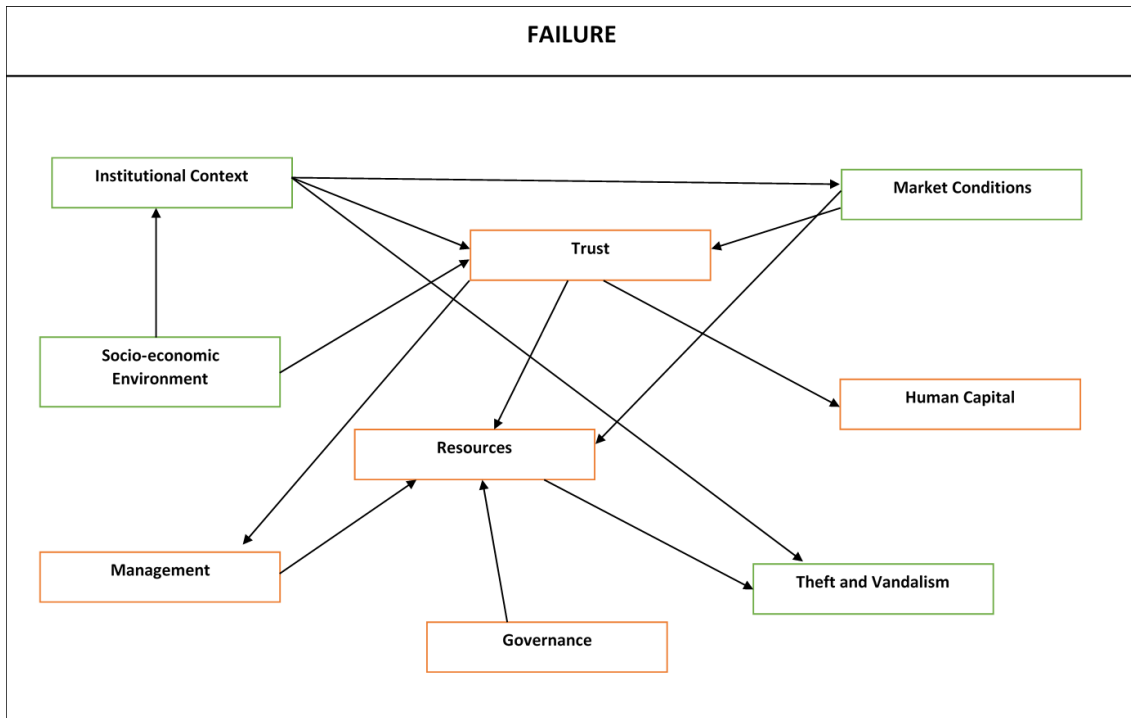


Figure 16 - Interconnectedness between the failure causes

CHAPTER 5

HUMAN CAPITAL

In the previous chapter, we discussed the causes of organisational failure. It was possible to verify that the causes were interrelated, and for this reason it is difficult to nominate a single main cause. One of the causes most mentioned is the lack of human capital, which was a transversal cause, cited by members of the six social enterprises (FSE1, FSE2, FSE3, FSE4, FSE5 and FSE7).

Below we present the human capital attributes of the seven failed and nine successful social enterprises studied. We analysed the data obtained from the semi-structured interviews (individual and collective), formal documents, published case studies, press articles, as well as LinkedIn profiles. This chapter on human capital has six different sub-sections, presenting our findings with regard to level of education, experience, training, external advisors, board members and supervisory committee, and other human capital attributes (skills and knowledge). For each sub-section, we include data concerning the failed cases and then data concerning the successful cases, followed by a comparative analysis.

We need to emphasise that we defined the first five attributes drawing from the questionnaire. Yet the attributes of the last sub-section inductively stemmed from the data analysed. In most cases, we summarised the findings in tables and figures.

5.1 Level of education (formal degrees/certification)

In this sub-section, we detail the level of education and formal degrees/certification of the members of the studied social enterprises. The explanation and Table 2 (included in Chapter 1) regarding the South African education system are essential tools to obtain a better understanding of the present sub-section.

First, we detail the levels of education of the members of the failed organisation, and, secondly, the successful ones. Then, we present a comparison of both cases. Moreover, our analysis proceeds from the lowest level of education to the highest ones, describing the specificities of the cases that we considered relevant.

5.1.1 Failed cases

Table 17 indicates the levels of education of the members of the failed social enterprises. The lowest level of education meant 'no schooling' and primary education. Some of the employees of FSE1 did not have any attend schooling, specifically those working in the farm cluster. This was also the case among some employees of FSE5. One participant of this latter social enterprise commented in this regard: *"We had people some of them never went to school"* (FSE5 – I1). Some of these employees even performed supervisory and managerial tasks. Regarding FSE1, the employees who had no schooling were not given managerial responsibilities. The manager of the farm cluster of FSE1 pointed out:

"Well, I would not say they have no schooling, I do not know up to what level, I do not ask the question when I employ them." (FSE1 – I2)

"They [are] all intelligent people who can read and write." (FSE1 – I2)

Two organisations (FSE2 and FSE6) employed individuals with primary education. Most of the employees of the seven social enterprises had attended secondary education yet did not obtain matriculation. Two participants of FSE4 had completed Grade Eight and Grade Ten. Some members, including the Chairperson of FSE2, left school without matric. The Chairperson complete Standard Nine (Grade Eleven) and considered himself qualified by the revolution (struggle against apartheid) in which he took part. We understand that for him the most important part of education was life experience he obtained during the apartheid era. He emphasised:

"Well I am not qualified, I am Standard Nine, but my best part of my education is on the revolution." (FSE2 – C11)

The participants of FSE3, as well as the other social enterprise colleagues, had a below matriculation level of education when they started the project. The participants also mentioned that most of them had dropped out of school at a young age. However, during the start-up phase, the sponsors provided a training course: National Certificate in Supervisory Management (Level 3), equivalent to Grade 11 (FSE3 - PA). One participant commented as follows:

"In 2013... we recommended them to be, all the members of the various cooperatives be part of an apprenticeship that was a matric equivalent; apprenticeship in supervisory skills and that programme ran for about a year, so they, so that programme ran for about a year, and they all graduated with that thing that was a formal qualification..." (FSE3 – I1)

The employees of the health cluster of FSE1 possessed homecare certificates and a below matriculation level of education. The Chairperson of FSE5 stated that the highest level of education of

his colleagues was *“Ja, Grade Twelve, the highest was Grade Twelve”* (FSE5 – I1). The General Manager of FSE2, and the social entrepreneur and one employee of FSE7, had matric. The social entrepreneur possessed technical and vocational diplomas, as stated *“I have matriculated with an N3 in electrical”* (FSE7 – I1).

Four social enterprises (FSE1, FSE3, FSE4 and FSE6) employed individuals that attended and/obtained a diploma/degree at a tertiary institution. One participant of FSE4 had obtained a Diploma in Local Government Law from the Fort Hare University. His academic achievements were as follows:

“I have done the project management through the University of Nelson Mandela, recently I have done the diploma in local government law with the University of Fort Hare. I have achieved that diploma.” (FSE4 – CI1)

Likewise, one participant in the collective interview of FSE3 had matric and a tertiary Education Diploma (FSE3 – CI1). Specifically, she completed *“an administration course at the Nelson Mandela University (NMU) Business School”* (FSE3 – I2). The participant of FSE6 attended the Port Elizabeth Technikon, nowadays the NMU. He passed matric and obtain a technical diploma at the cited institution. He stated:

“I passed my matric and I did my... qualification, my diploma at PE Technikon, but now it measures with NMU.” (FSE6 – I1)

The social entrepreneur behind the idea of FSE1 was a woman with a degree in Medicine. One participant underlined, *“Yes, she is a medical doctor”* (FSE1 – I1). Similarly, one of her sons who was in charge of the organisation at the moment of failure, was a medical doctor. Particularly in this organisation, four other members had university degrees, making it the organisation with the higher levels of formal qualification in this study. One participant who was the son of the social entrepreneur is a chartered accountant:

“I am a qualified chartered accountant. [...] It is Chartered Accountancy, so you do your Bachelors, you do your Honours and then you write a whole series of professional examinations. That is what I am saying to be more equivalent to your Masters.” (FSE1 – I1)

Another participant (FSE1 – I3) possessed a nursing degree, specialisation in HIV/AIDS. The nurse was the leader of the health cluster during all the years of activity. She commented as follows:

“I did my general nursing, my mid-wayfarer, my administration, my occupational health, that is my achievements, and I specialised in HIV/AIDS.” (FSE1 – I3)

In addition, an experienced farmer ran the farm cluster for five years (FSE1 – I2), leaving the organisation before the failure. His assistant/production manager had a degree in Agriculture from the NMU. After his retirement, the production manager assumed a general management position. Both the participant and press article (FSE1 – PA) referred to the production manager’s qualifications:

“[My] assistant/production manager she has got a qualification in Agriculture”

(FSE1 – I2)

Next, we discuss the level of education of the employees of the successful organisations.

Table 17 - Level of education: members of the failed social enterprises

Social enterprise	Position	Level of education	Diploma
FSE1	Ex-CEO	Tertiary education	Chartered Accountant
	Farm Cluster manager	No information	No information
	Health Cluster manager	Tertiary education	Nursing Degree
	Social entrepreneur	Tertiary education	Medicine Degree
	Ex- CEO	Tertiary education	Medicine Degree
	Product manager / Farm Manager	Tertiary education	Agriculture diploma
	Farm Employees (23)	Minimum: No schooling	=<Matriculation; Read and write
	Health Employees (330)	Maximum: Secondary education	=<Matriculation – Homecare certificates
FSE2	General Manager	Secondary School	Matriculation
	Chairperson	Secondary School	(Standard 9) Grade 11
	11 Board members	Minimum: Primary education Maximum: Secondary education	=<Matriculation
FSE3	All members (25 persons)	Secondary Education	Grade 11 – Supervisory Management
	1 member (of these 25)	Tertiary education	Attended University (Administration course)
	Social entrepreneur	Tertiary education	Marketing degree
FSE4	1 member	Secondary education	Grade 8
	1 member	Secondary education	Grade 10
	1 member	Tertiary education	Local government law diploma
FSE5	Chairperson	Secondary education	Matriculation
	Members (4)	Minimum: No schooling Maximum: Secondary education	=< Matriculation; No schooling
	Secretary		Accounting background (not specified what type of diploma/level of education)
FSE6	1 member	Tertiary education	University Diploma Field of diploma (not specified)
	7 members	Minimum: Primary education Maximum: Secondary education	=<Matriculation
FSE7	Social entrepreneur	Secondary education	Technical Matriculation (National Diploma N3)
	1 employee	Secondary education	Matriculation
	1 employee	No information	No information

5.1.2 Successful cases

Several members of the successful social enterprises possessed university qualifications, such as Diploma, Bachelors, Honours and Doctorate degrees. The field of studies varied greatly. The lowest level of schooling among staff members of the successful organisations was secondary education (matriculation), as we detailed below and is possible to verify in Table 18.

Two employees of the 26 of SSE4 had matric. Likewise, most of the staff of SSE9 had matric, including the two founders who at that stage occupied the positions of CEO and financial manager. One participant stated that he had a technical diploma, but did not specify in which field. This participant occupied the position of personnel manager. One of the founders of FSE3, a renowned ex-professional rugby player, both nationally and internationally, had matric. They stated:

“Most of them have matriculation, or Grade 12. Others have tertiary education. I have a technical diploma” (SSE9 – I3)

“I have matric.” (SSE9 – I1)

“He [referring to the founder] matriculated at Grey High School and went into professional rugby straight away.” (SSE3 – I2)

Four employees of SSE2 who worked as care workers possessed relevant certification to work as such. Also, they were registered as child and youth care workers with the professional board of the South African Council for Social Services Professionals. The participant underlined this fact, saying:

“The South African Council of Social Services Professions, that Council, now has a professional board for child and youth care workers. So, if you are a care worker (house parent), you have to be registered with that board and that Council.” (SSE2 – I1)

The administrative assistant of the director of SSE3 had attended university in the USA, but did not conclude her degree in Social Welfare. She stated *“My background is in Social Welfare, but I did not complete.”* (SSE3 – I1). One of the tour guides of SSE7 had matric, but was at that stage studying law at university. Likewise, the business manager of SSE5 was at the time of the interview, attending a business studies degree at the NMU. Concerning this employee, one participant confirmed *“[He] is graduating next year. He is doing business studies.”* (SSE5 – I1).

Regarding SSE4, three employees each had a certificate (specifically in management, project management, and security). Eight individuals had diplomas. The fields of the diploma varied from management (middle, advanced and financial management), financial accounting, marketing, public

relations, leadership and computer programming. The Programme Director of SSE1 had attended Port Elizabeth (PE) Technikon, but information on the type of diploma was not provided.

Seven individuals of SSE1, SSE4 and SSE8 hold degrees in the areas of management and commerce. In the case of SSE1, the director had a degree in Facilities Management, obtained at a university in the Netherlands. In addition, he also specialised in finance, IT and administration. This participant highlighted that the entire organisation's staff had been *"educated at university level"* (SSE1 – I1). For him, education was an important asset and therefore part of the core values of the organisation. One of the project coordinators of this social enterprise held a higher education degree in Human Resources Management. Likewise, one employee of SSE4 held a Bachelor of Technology in this field of study. One of the participants commented as follows:

"I have done facility management and I did. I study at university and I still need to do my PhD, which I did accounting and administrative side" (SSE1 – I1)

"[Name of the employee] is human resource manager previously, which was quite interesting I mean also a kind of thing jump straight away from university into this programme" (SSE1 – I1)

Still in the management field, the business developer of SSE9 mentioned as follows: a *"Project Management Degree"* (SSE9 – I2). Regarding SSE4, three other employees held a Bachelor of Commerce (SSE4 – T1). The social entrepreneur of SSE4 was studying towards a Bachelor of Commerce Degree, before switching to fashion design. In similar fields, four employees of SSE3, SSE4 and SSE5 had obtained their bachelor's degrees, specifically in the fields of journalism, interior design, media and film, and media. Some excerpt:

"Although initially pursuing a B Com degree, she migrated over to, and began her professional life in the field of fashion design" (SSE4 – PA1)

"I have a BA Degree in Journalism". (SSE3 – I2)

"I studied interior design". (SSE5 – I1)

Four members of SSE1, SSE2 and SSE8 held social work degrees. Both the Programme Manager of SSE2 and the Founder/Project Director of SSE8 had obtained their degrees at foreign universities, specifically at Plymouth University in the UK and Michigan University in the USA. The other two social workers from SSE1 and SSE2 had obtained their degrees from the local university.

"The social worker studied at the university." (SSE9 – I3)

"I got a degree in social work. Honours Degree. So, qualified in Social Work." (SSE2 – I1)

Three members of the successful organisations held a teaching degree, in particular, the manager of the volunteer programme of SSE2, as well as the financial manager and one of the tour guides of SSE7. The employee of SSE2 had obtained her degree from the local university, specialising in childhood development. In turn, the financial manager of SSE7 had been a psychology teacher before taking responsibilities as a financial manager.

"[Name of the colleague] her background is in teaching, so she got her degree in early childhood, for much young kids, because there is where her heart is." (SSE2 – I1)

"[Name of the tour guide] a previous teacher; [staff member] a previous psychology teacher". (SSE6 – FD1)

One employee of SSE4 held a degree in Somatology (SSE4 – T1). One of the two project coordinators of SSE1 had obtained a degree in Information Technology (IT). Similarly, the social entrepreneur of SSE6 held a degree in the same field. One associate of SSE7 had obtained a Bachelor of Technology in Fine Arts from the NMU in 2009 and was an accredited permaculture designer. He had also attended other short courses in water management.

"So I went through varsity, did my qualifications, completed it... It is a Bachelor's in IT." (SSE6 – I1)

"He recently (2012) completed a short course on effective water management, presented by ELRC (Environmental Learning and Research Centre) at Rhodes University..." (SSE6 - FD)

Two staff members of SSE4 held Honours degrees. The field of the degree of one of these employees was Human Resources Management (SSE4 – T1). We do not have specific information regarding the field of study of the second employee. Also, the founder and then director of SSE7 had obtained an *"Honours degree in Development Studies"* (SSE7 – I1) at the local university.

Regarding SSE4, three employees held Master's degrees (in Sociology, Industrial Psychology and Arts – Development Studies). Two employees held Masters in Business Administration (MBA) (SSE7 – T1). The Community Development Manager of SSE7 possessed a Master's Degree in Anthropology. Both the participant as well as in the formal document referred to the latter employee's degree:

“She has a Masters in Anthropology”. (SSE7 – I1) “[Name of the employee] holds an MA in Anthropology”. (SSE7 – FD)

The social entrepreneur that initiated SSE2 held a doctoral degree in Social Work. Similarly, one member associated with SSE7 with functions in a Permaculture project was a chemistry scientist with a PhD Degree, obtained in 1969 at the former University of Port Elizabeth (nowadays called the NMU) (SSE7 – FD). He also held the following certificates:

“A management advancement programme certificate (Wits Business School, 1986) and a Certificate in management of Technology (UCT, 1990).” (SSE7 – FD)

Below, we compare the levels of education of members of both failed and successful organisations.

Table 18 - Level of education: members of the successful social enterprises

Social enterprise	Position	Level of education	Diploma
SSE1	Director	Tertiary education	Facilities Management degree
	Swim Project Leader		Human Resources Management degree
	Facility & IT Support		Project leader diploma (university attendance) IT degree
SSE2	Founder and General manager	Tertiary education	PhD in Social Work
	Programme Manager	Tertiary education	Social work degree (UK)
	Social Worker	Tertiary education	Social Work degree
	4 Care workers	Secondary education	Care workers certificate (and registered with the National Board Of Care Workers)
SSE3	Founder and CEO	Secondary education	Matriculation (Grey School) Ex-Professional Rugby Player
	Founder and CEO	Tertiary education	Bachelor's in journalism
	Administrative Assistant of Director	Tertiary education	University attendance (Social Welfare at the University of Kansas)
	Volunteering coordinator	Tertiary education	Teaching degree
	Office support	No information	No information
SSE4	1 employee	Tertiary education	MBA
	3 employees	Tertiary education	Master
	2 employees	Tertiary education	Honours
	6 employees	Tertiary education	Bachelor
	8 employees	Tertiary education	Diploma
	3 employees	Tertiary education	Certificate
	2 employees	Secondary education	Matriculation
SE5	Founder	Tertiary education	Interior Design degree
	Production manager	Tertiary education	Media and Film degree
	Manager	Tertiary education	Attending business studies degree
SSE6	Founder	Tertiary education	IT Bachelor degree
SE7	Founder and Director	Tertiary education	Honours degree in Development Studies
	Community Development Manager	Tertiary education	Master in Anthropology
	Financial Manager	Tertiary education	Psychology teacher
	1 Tour Guide	Tertiary education	Matriculation (studying Law at University)
	2 Tour Guide	Tertiary education	Teaching degree
	1 associate (project basis)	Tertiary education	Btech Fine Art
	2 associate (project basis)	Tertiary education	PhD UPE (1969)
SSE8	Founder and Project director	Tertiary education	Social Work degree (University of Michigan, USA)
SSE9	Founder and CEO	Secondary Education	Matriculation
	Founder and Financial director	Secondary Education	Matriculation
	Public Relations	Secondary Education	Matriculation
	Personnel Manager	Secondary Education	Technical diploma
	Business developer	Tertiary Education	Project Manager degree

	Donor relations	Secondary Education	Matriculation
	Social Worker	Tertiary Education	Social Work degree
	Other employees	Secondary Education	Matriculation

5.1.3 Comparison

It is possible to verify some variances in our sample. At first glance, we note that the employees of failed cases held the lowest levels of qualification. The staff members of FSE1 and FSE5 held the lowest qualifications among the failed enterprises. One participant (FSE5 – I1) remarked that some members had not received any schooling. The participant of FSE1 (FSE1 – I2) contended that level of education was irrelevant to employees at the organisation. As already mentioned, the employees of FSE5 performed managerial tasks, yet the ones of FSE1 did not carry such high-level responsibilities. SSE4 had one member with the second lowest qualification (Grade 8). Three organisations, specifically FSE2, FSE5 and FSE7, did not employ individuals with higher education diplomas. All the other failed organisations (FSE1, FSE3, FSE4 and FSE6), had at least one member who had attended university, holding a certificate, diploma or degree. The social entrepreneur of FSE3 holding a marketing degree was not involved directly with the operational side of the social enterprise. The other member of this organisation who attended a university course in administration performed tasks in line with it (FSE3 – I2). The Local Government Law Diploma did not correspond entirely to the tasks that the employee performed in the organisation (FSE4 – CI1). We understand that this diploma was more in line with his career as a local Councillor. We do not have specific information regarding the type of diploma of one member of FSE6 who had attended university and we cannot therefore verify if it fitted his job description. The lowest level of education among the successful cases was secondary education. We want to underline that they reached the last level of the secondary education cycle, obtaining the final diploma, called matriculation. The successful organisations that had employees with this level of education were SSE3, SSE4 and SSE9.

The closed social enterprise that had the highest level of education among its members was FSE1. Apart from that, this social enterprise also recruited employees with diplomas that corresponded to the tasks performed. The health cluster of FSE1 opted to invest in a retired nurse and qualified care workers, and one of the CEOs was an expert in accountancy. Yet, the CEO in charge at the time of failure of the venture did not have a background in business or management, even if qualified at university level. There was a substantial difference between FSE1 and the other failed cases concerning this human capital attribute. FSE1 employed individuals with levels of education similar to the successful ones. As discussed in Chapter 4 (Causes of failure), the failure of this organisation appeared

to have been interrelated with other human capital attributes, such as skills, and with other external and internal factors.

As verified, all successful social enterprises recruited employees with university degrees to perform managerial tasks. This means that at least one person held a tertiary degree. The highest level of education among the successful social enterprises was a doctorate in each of these ventures. One employee of SSE2 and one associate of SSE7 held a PhD (in Social Work and Chemistry, respectively). The first one was the founder of the organisation, who had been its general manager since the start. The latter was a retired scientist, associated with the permaculture project supporting the overall activities. In certain cases of success, the employees occupied positions in accordance with their qualifications. In certain other cases, the employees' organisational roles did not reflect their qualifications. For example, the social entrepreneur of SSE5 studied interior design, yet her main roles at the organisation were as manager and TV host. The managers of SSE3 opted to recruit an individual with a teaching background to run their volunteering programmes. Nevertheless, in other cases, such as SSE6 the social entrepreneur founded the organisation in the field of studies in which he had studied. Similarly, the founder/director of SSE7 held an honours degree in development studies – completely in line with the activities of the organisation. A fact that stood out was that three employees (of SSE1, SSE2 and SSE8) had obtained their degree at universities outside South Africa. Overall, the failure cases employed individuals with lower levels of education in comparison to the organisations that were still operating. This difference was visible at management and supervisory levels. Moreover, not only the level of education was higher in the successful organisations, but also their qualifications fitted job positions.

In the following sub-section, we introduce the data regarding the experience of the staff members employed in the social enterprises.

5.2 Experience

We divided experience into industry-specific experience and general professional experience. In industry-specific experience, we distinguished previous working involvement in the social economy sector and in the specific field of activity of the social enterprise. In turn, in general professional experience, we included any experience obtained in another sector of activity.

Similar to the previous sub-section, we started by analysing the failed organisations, and then the successful ones. After presenting the results of all the types of experience, we undertook a comparative analysis across social enterprises and types of experience.

5.2.1 Failed cases

5.2.1.1 Industry-specific

5.2.1.1.1 Social enterprise and social economy sector

Most of the participants and other social enterprise members did not possess experience in this specific field before being involved in their failed projects. Only two participants had brief experience of this type of organisations (FSE4 and FSE7). In addition, one participant of FSE3 was a renowned social entrepreneur with some years of experience.

Two participants had experience of cooperatives. Specifically, one participant of FSE4 previously worked in agricultural cooperatives. He stated *“Yes, I was working, but then they were not registered. We were running the cooperatives for farming”* (FSE4 – C11). One participant of FSE7 had launched a cooperative with four other women, yet the organisation also did not thrive. Her own words:

“I also formed a cooperative because... [...] I am saying yes, the cooperative failed, because I went through hell with that, you know, having to deal with people who is just in it for the money, who just, you know, again exploit me, because I basically used my car” (FSE7 – I1)

Both of her employees did not have any work experience in social enterprises (FSE7 – I1). One of them did not have any experience at all. The person who launched FSE3 was a well-known social entrepreneur in South Africa with several years of experience. A published case study refers to him as *“a self-declared social entrepreneur in a country where the term is not well understood”* (FSE3 – CS1). None of the other participants had any experience in social entrepreneurship or had previously worked in social economy organisations. As one participant confirmed, *“No, it was the first time for all of us”* (FSE2 – C11).

5.2.1.1.2 Sector of activity

Some members of the failed social enterprise had some experience in the sector of activity of their social enterprise: one member each of FSE2, FSE5 and FSE6, and two members of FSE1 and FSE4. Both FSE3 and FSE7 participants admitted that they lacked experience in the sector of activity of their social enterprises (FSE3 – C11 and FSE7 – I1). One participant mentioned that *“all of them were new”* (FSE3 – I1). The participants of the collective interview (FSE3 – C11) also pointed out the general lack of experience. They stated that the sponsors did not consider the experience of the persons when selecting them to be part of the organisation. In their own words:

“Because when we register, we did ask them, ‘where are we going to work? How we going to work with tires and rubber?’... I mean, we do not have any clue – I never worked in a tire company, and I never worked in a shoe company... none of us had experience...” (FSE3 – C11)

Just one member of FSE2, FSE5 and FSE6 worked previously in the sectors of activity of their social enterprises, which were recycling, hydroponics farming, and brick production. They underlined:

“One woman, this woman was a chairman, not a chairman, was a supervisor, and she had ten years of experience working for a white farmer at a white farm... She was able to tell how to work with; she knew all the seven crops that we were working with; she was well aware, she was an expert on how to manage them.” (FSE5 – I1)

“It was only one guy who had experience here.” (FSE6 – I1)

The two women of FSE4 had several years of experience in sewing and beading, which were two of the core activities of their business. One of them stated, *“From 1993 to the present, yeah, it is more than 15 years” (FSE4 – C11)*. From its creation, FSE1 employed two retired individuals as managers of the health and farm clusters. Specifically, one was a retired nurse, and the other a retired farmer. It is important to say that the retired farmer had left the organisation a few years before the closure. He transferred his expertise to the production manager, who became the farm manager when he left. We discuss this aspect in the training sub-section 5.3. One participant shared that at the beginning they also had a mentor for the farm cluster, who possessed several years of experience. The participants commented as follows:

“I started my work as a professional nurse in 1957.” (FSE1 – I3)

“The head of the wellness centre was a retired sister in the hospital, so she was a head nurse type of level. On the farm side the manager there was a retired farmer, so the skills at that level are good.” (FSE1 – I1)

“We had some retired farmer who was mentoring the project and then another retired farmer was actually a manager on the project.” (FSE1 – I1)

5.2.1.2 General professional experience

We do not have information about the professional experience of FSE2 and FSE5 members. As we previously saw, two participants of FSE1 had worked several years before taking up management

functions in the organisation. The other participant (FSE1 – I1) also had ten to fourteen years of experience as an accountant. His brother and the social entrepreneur, both medical doctors, had experience in the health field.

Beside entrepreneurial experience, one participant of FSE3, also had experience in the financial field. Although he started this entrepreneurial project, he later only occupied a mentorship role within the organisation. The members of FSE3 had worked in several fields before entering the project. Both the author of the published case study and the participant highlighted this experience:

“He started his career in the glitzy world of finance, navigating R2bn (US\$133m) empowerment deals... The portfolio he managed, ranged from automotive parts, textile technology, construction and health.” (FSE3 – CS1)

“So, all of them would have been involved in some form of work; a lot of them are dependent on government stipend-based work. Some of them were in retail, entry level retail positions, cashiers, maybe cleaners and those sorts of jobs, typically that would be the case.” (FSE3 – I1)

As aforementioned, the women of FSE4 had experience in sewing and beading. The third member also had several years of experience as a local Councillor, as one of the participants shared *“he was previously a local Councillor for this ward.” (FSE4 – C11).*

Similarly, most of the members of FSE6 had some kind of professional experience. The participant of FSE6 did not specify what type of work the members did before, only stating, *“Most of us had experience” (FSE6 – I1).* Before becoming a social entrepreneur, the participant of FSE7 had worked for fifteen years in private and public organisations. In her own words, *“When I finished my Matric, I worked at Telkom... and Municipality... [For] fifteen years”.* (FSE7 – I1). One employee of this organisation did not have any experience, the other employee had worked as a gardener and other tasks related to it (taking care of people’s houses, pets, etc.). The social entrepreneur stated *“He worked at my friend’s house like doing the gardening and all that...” (FSE7 – I1).*

We gather in Table 19 the experience of the employees of the failed social enterprises. This sub-section is followed by an analysis of the experience of the employees of the successful social enterprises.

Table 19 – Experience: members of the failed social enterprises

Social enterprise	Position	Firm-specific		General professional experience
		Social Enterprise	Sector of Activity	
FSE1	Ex-CEO (I1)	×	×	✓
	Farm Cluster Manager	×	✓	✓
	Health Cluster Manager	×	✓	✓
	Social entrepreneur	×	✓	✓
	Other employees	/	/	/
FSE2	General Manager	×	✓	/
	Chairperson	×	×	/
	11 Board members	/	/	/
FSE3	25 members	×	×	✓
	Social entrepreneur	✓	/	✓
FSE4	1 member	/	✓	✓
	1 member	/	✓	✓
	1 member	✓	×	✓
FSE5	Chairperson	×	×	/
	6 members	/	/	/
FSE6	8 members	×	✓	✓
FSE7	Social entrepreneur	✓	×	✓
	1 employee	×	×	
	1 employee	×	×	✓

Subtitle: × = No experience; ✓ = Experience; / = No information

5.2.2 Successful Cases

5.2.2.1 Industry-specific

5.2.2.1.1 Social enterprises

The participants of three social enterprises (SSE1, SSE5 and SSE6) referred to the lack of experience in the non-profit sector, as well as in social entrepreneurship. For example, the participant of SSE1 underlined the lack of experience of the organisation’s deputy director:

“My deputy director, she is [for] first time that she actually works in an NGO” (SSE1 – I1)

Members of the other six social enterprises had previously worked or volunteered in this sector. Employees of three social enterprises (SSE2, SSE3 and SSE7) had volunteered with non-profit organisations. The data analysed from SSE2 and from SSE3 show that both founders/CEOs had had experience as volunteers. The founder of SSE2 had been involved with local ministries in supporting

the underprivileged sector. Similarly, one of the founders of SSE3 was known for the charity work he did while living in Cape Town. Specifically, he distributed food to the poor, welcomed them into his house, and assisted local orphanages. Some excerpts:

“He is looking to resume the sort of charity work he was doing in South Africa, where he fed homeless people or let them into his home to shower and eat and change their clothes.” (SSE3 – PA1)

“She was involved along with her husband in ministry work from the ninety nineties onwards. They were doing like ministry on the street, like feeding schemes, other projects around here, and other places; years of charity work.” (SSE2 – I1)

The programme manager of SSE2, of British origins, had worked as a volunteer in 2007, for three months, in a South African organisation. Two employees of SSE3 and SSE7 had volunteered in their current organisation before being invited to join the teams. The participants commented as follows:

“However, a three-month volunteer experience in 2007 changed the direction I was headed in.” (SSE2 – LP)

“She had volunteered with [name of SSE3] quite a bit while she was in varsity...when she had the extra time...” (SSE3 – I1)

“She came as a volunteer when she was a student and before she knew it, she was working there...She had interest and she started to do like small projects for us and then, over time, she kind of grew and grew.” (SSE7 – I1)

Some employees of SSE2, SSE3, SSE4, SSE8 and SSE9 had effective experience in the non-profit sector. The social worker of SSE2 had worked in this field previously, yet we do not have information about the number of years. The administrative and director assistant of SSE3 had worked for one year in an international non-profit organisation. According to the participants, two employees of SSE4, as well as one employee of SSE8 and one employee of SSE9, possessed extensive experience working in the non-profit sector. The two staff members of SSE4 had more than ten years of experience. One previously worked as a fundraiser and another was in *“Senior management in Social Development and Corporate Social Investment fields (SSE4 – I1)*. Furthermore, the founder/ planning manager of SSE8 had approximately nine years of experience, while the business developer of SSE9 has been working in social entrepreneurship for more than twelve years. The participants underlined:

“She [referring to the colleague] came from another child and youth care centre before (...). She started in the non-profit sector, so she wants to stay.” (SSE2 – I1)

"I been here with [name of the organisation] for two years and before that I was with a different non-profit organization for about a year that did child sponsorship..." (SSE3 – I1)

"Project Director and Planner has approximately 9 years experience working in the NGO sector." (SSE8 – I1)

"Twelve years in this field [referring to social entrepreneurship]." (SSE9 – I2)

5.2.2.1.2 Sector of activity

Some of the staff of the analysed social enterprises did not have previous experience in the field of activity of their organisation. In some cases, the employees jumped directly from university to a position within the organisation. In the case of the founders of SSE6 and SSE7, they founded the social enterprises directly after their graduation.

Nevertheless, some other social enterprises recruited employees with experience in their field of activity, as was the case in SSE2, SSE3, SSE4, SSE5 and SSE9. The social worker recruited to perform as such within SSE2 had previously worked in the same field of activity. Similarly, the founder of SSE3 had experience in the core commercial activities of the organisation, such as events planning. She had worked as public relations and events coordinator, starting an enterprise in Cape Town aimed at organising and planning events, such as weddings. In their own words:

"She is probably in her fourth year. She worked in another child and youth care centre before she came here. This is her fourth year of experience." (SSE2 – I1)

"I worked in public relations. thereafter as well as event coordination. I founded my own event and wedding planning company while in Cape Town..." (SSE3 – I2)

The directors of SSE4 invested in experienced employees. Four out of the twenty-six employees had a background related to the mission of the organisation as, for example, entrepreneurial skills, business mentoring/coaching and income generation. The manager of the SSE5 recruited a person with experience in television. In the case of SSE9, the managers recruited the current business developer in order to boost several generating income activities. He had a background in both social entrepreneurship and in business development. They emphasised:

"The other has experience; she has worked in television. She has been teaching me a lot of things about television. (SSE5 – I1)

"My background is social entrepreneurship. Business before that. Basically,

business planning and development.” (SSE9 – I2)

The two tour guides of SSE7 did not have previous experience in this field. Nonetheless, they grew up in the townships where the tours were undertaken. As we will see below, they possessed the personal experiences and knowledge necessary to transmit efficiently the history of the townships to the tourists. We do not have information about the prior experience of the staff of SSE8.

5.2.2.2 *General professional experience*

Most of the staff of the social enterprises had worked in another field of activity, with the exception of the founders of SSE6 and SSE7, as previously mentioned. In the case of SSE5, the participant refers that one of her employees does not have experience since she was still studying. The participants' words were the following:

“Remember I do not have like real work experience or corporate work experience where I have like worked for someone.” (SSE6 – I1)

“The one that is studying still she does not have experience.” (SSE6 – I1)

One of the social workers of SSE2 had some years of experience in two marketing agencies in London. First, he worked as an Accountant Executive, then as an Accountant Manager and research administration (SSE2 – LP). As aforementioned, the second social worker, as well as the founder, had experience in the non-profit sector.

As underlined in the above sub-section, one of the founders of SSE3 had experience in events planning, which was the main commercial activity of the social enterprise. The other founder after matriculation, started playing professional rugby, maintaining his charity work at the same time. The employee who supported the several office activities of the organisation had several years of experience in different sectors, as the participant stated:

“[Name of the employee] background is in management, whether that is restaurants or building up businesses and reselling properties or anything like that, that he oversaw. But that is really working experience [...] just experience that he had had. [...] Probably ten years. Working experience in general...” (SSE3 – I1)

Twenty-five employees of SSE4 had general professional experience. The lowest number of years of experience was three years, while the highest number of years of experience was twenty-five. The field of experience varied greatly from finance to information technology, from receptionist to researcher, from banking to public relations, from human resources to bookkeeping. In particular, the background

of less experienced employees is in project management and in engineering talent. The most experienced employee had worked previously in the field of skills development and management recruitment (SSE3 – T1).

The founder of SSE5 started her professional path as an interior designer, working for a company for five years. As we previously saw, the other employee of this organisation had experience in television production – which one of the core activities. The participant referred to her experience as follows:

“So, I decided to go and get experience and work for someone else for about five years.” (SSE5 – I1)

SSE7 had employees that had only worked as volunteers before, as abovementioned. Yet two employees had teaching experience, while the other employee *“Joined [name of the organisation] in 2009 from a sales representative role as a driver...” (SSE7– FD)*. The two associates involved in the permaculture project possessed different work experiences. Besides having founded an organisation in the same field, one of the associates had also been working as an artist since his graduation. The other associate had a scientific background; he had been a lecturer for more than thirty years, was the author of several academic publications and had worked in industrial research and development. Moreover, he had co-founded another organisation, working in it as a CEO until his retirement.

[Name of the associate] is a highly trained physical scientist with over 30 years (1968 – 2002) of academic teaching (author and co-author of 19 research publications) and industrial R&D experience” (SSE7 – FD)

Both founders of SSE9 had formerly worked in the business sector for several years. One of the founders had worked as a manager in a national retail chain for twenty-one years. In turn, his wife, also a founder, had previously worked in an insurance company for ten years. We do not have information on the role she occupies. Likewise, the three employees interviewed, possessed general work experience. One, as we saw before, had been involved in the social entrepreneurship field and in business planning and development. Another employee, who was responsible for the public relations of the organisation, had eight years of previous work experience in retail. The third employee interviewed possessed extensive experience of forty-two years in the information technology sector.

“I worked in retail for about eight years.” (SSE9 – I1)

“I worked in IT for 42 years.” (SSE9 – I3)

We display in Table 20 the experience of the employees of the successful social enterprises. Thereafter, we draw a comparison between the failed and successful social enterprises regarding the employees’

level of experience.

Table 20 – Experience: members of the successful social enterprises

SOCIAL ENTERPRISE	Position	Firm-specific		General experience
		Social enterprise	Field of activity	
SSE1	Director	×	/	✓
SSE2	Founder and General Manager	✓	/	✓
	Programme Manager	✓	×	✓
	Social Worker	✓	✓	✓
	4 Care workers	/	✓	✓
SSE3	Founder and CEO	✓	✓	✓
	Founder and CEO	×	✓	✓
	Administrative and Assistant of Director	✓	✓	×
	Volunteering Coordinator	✓	×	×
	Office support	×	×	✓
SSE4	Employees	✓ (2)*	✓ (4)*	✓ (25)*
	Employees	× (24)**	× (22)**	× (1)**
SSE5	Founder	×	×	✓
	Production manager	×	✓	✓
	Manager	×	×	×
SSE6	Founder	×	×	×
SSE7	Founder and Director	×	×	×
	Community Development Manager	✓	×	×
	Financial Manager	/	/	✓
	1 Tour Guide	/	×	✓
	2 Tour Guides	/	×	✓
	1 associate (project basis)	✓	✓	✓
	2 associate (project basis)	/	×	✓
SSE8	Founder and Project Director	✓	✓	×
	2 employees	/	/	/
SSE9	Founder and CEO	×	×	✓
	Founder and Financial Director	×	×	✓
	Personnel Manager	×	×	✓
	Business Developer	✓	✓	✓

Subtitle: × = No experience; ✓ = Experience; / = No information

*Number of employees out of the twenty-six with experience. **number of employees out of the twenty-six without experience.

5.2.3 Comparison

5.2.3.1 *Industry-specific*

5.2.3.1.1 Social enterprise and social economy sector

We verify that in both failed and successful social enterprises there were employees with no experience in the non-profit and social entrepreneurship field, specifically in four of the failed organisations (FSE1, FSE2, FSE5, FSE6) and three of the successful ones (SSE1, SSE5, SSE6). Conversely, some members of both the failed and successful ventures had experience in the non-profit sector. One participant of FSE4 had previously worked in a cooperative setting. Similarly, the social entrepreneur of FSE7 had founded a cooperative, now closed. The social entrepreneur of FSE3 had worked in this field and was known in South Africa for his work.

Some of the members of the successful organisations had worked and/or volunteered in this sector. As we indicated above, two employees of the successful ventures (SSE3 and SSE7) had worked as volunteers in their organisations prior to being admitted as staff members. The founders of SSE2 and SSE3 had supported underprivileged communities before deciding to invest themselves in this sector. Four employees of SSE4, SSE8 and SSE9 had long experience in this sector, mainly in areas such as social entrepreneurship, social development, and social investment. Another employee of SSE3 had previously worked briefly in an American organisation with activities in South Africa.

5.2.3.1.2 Sector of activity

Once again, some employees within the failed and successful ventures did not have any previous experience in the sector of activity of their organisations. The participants of two failed (FSE3, FSE7) and two successful (SSE6 and SSE7) social enterprises underlined the lack of sector-specific experience.

One member each of FSE2, FSE5 and FSE6 had little experience in their sectors of activity. In turn, FSE1 directors opted to employ two experienced individuals to manage the social and commercial activities, such as health and farming. The founders of FSE4 had worked almost their entire life in the beading and sewing sectors, being the two core activities of their social enterprise, together with recycling.

With regard to the successful social enterprises, the two founders of SSE6 and SSE7 had not had any previous work experience; however, both started the organisations in the same field as their studies. The other successful ventures (except for the one we do not have information on) employed at least one employee with experience in the core activities each.

5.2.3.2 *General professional experience*

Most of the members of the failed social enterprises had experience in other sectors of activity, varying from jobs that did not require any degree, to other more specialised jobs, for example, medicine, accountancy and finance. In this sense, only two social enterprises (FSE1 and FSE3) recruited an employee with experience in a qualified position that required a university diploma. All the other members worked in non-qualified positions. Just one employee of FSE7 did not have any experience.

Most of the employees of the successful cases had some experience in other sectors of activity as well. These fields of experience varied greatly. In some cases, the employees had worked as rugby players, artists, interior design, scientists and teachers, while other members of these organisations had performed managerial and more business-oriented roles, such as marketing, insurance, banking and bookkeeping. From our sample of successful enterprises, eight employees had not worked before entering the organisation, in particular the two founders (SSE6 and SSE7). Six employees did not possess any previous experience at all (SSE1, SSE3, SSE4, SSE5, SSE7 and SSE8).

From the above, the biggest contrast between success and failure cases concerns the general professional experience. Most of the successful social enterprises employ someone with experience in the market sector. Moreover, these employees have performed qualified functions within other organisations. It is possible that through this experience within the market sector the employees assimilated management know-how that benefited positively the organisations. The available data do not suggest a gap in terms of the industry-specific experience of the failed and successful cases. The only aspects that stand out in the previous involvement of two founders (SSE2 and SSE3), and some employees (SSE2, SSE3 and SSE7), in community work, which may represent a passion and/or interest for the field.

In the following sub-section, we explain the training that the social enterprise members received while in the organisation.

5.3 Training

In this section, we described the training that the employees of both closed and successful social enterprises attended. We have distinguished between on and off-the-job training for both cases. We further divided on-the-job training into internal structured courses, peer-to-peer learning and learning-by-doing. Regarding off-the-job training, we made a distinction between training courses provided by external stakeholders and mentorship programmes. However, while coding the data of the failed organisations, another theme emerged, which was 'apprenticeship'. As this theme only

emerged out of the data on the failed organisations, it was only discussed in reference to these organisations.

At the end of the section, we discussed the training restrictions that the managers of some organisations imposed on their employees. Also, we included the criticisms and benefits that the participants pointed out on the training received. We opted to discuss these aspects as it showed important information regarding the participants' perceptions regarding the quality and benefits of the training received.

We also displayed the main information regarding this human capital attribute in Table 21 and Table 22 for failed and successful social enterprises, respectively.

5.3.1 Failed cases

5.3.1.1 *On-the-job*

5.3.1.1.1 Structured courses

As mentioned before, the individuals employed in the health cluster had a certification in home-based care services. Yet, while on the job, they received several *"in-service training"* (FSE1 – I3), regarding the prevention and treatment of health problems, such as HIV/AIDS and tuberculosis. They also received training on how to manage funding and budgeting. Several public and private organisations granted the training courses. As the participant stated:

"And then sometimes I would have like an association like Old Mutual and some insurance company they would come and train our girls on how to manage funding, how to budget." (FSE1 – I1)

5.3.1.1.2 Peer-to-peer learning and learning by doing

In FSE1, farm clusters' employees received on-the-job training from their manager. As mentioned above, the manager of this cluster was a retired farmer who transmitted his agricultural knowledge to the employees. Thus, the employees learned by doing.

As the other participant stated, the on-the-job training was fundamental for all employees to learn how to perform adequately their tasks. He underlined that this type of training was mostly informal and unstructured. The participant stressed:

“On-the-job training sort of comes with the job, you know. If it would be difficult for you, to be thrown with people and say 'care for them', what must I do and then some 'no just do whatever'. Someone has to tell you, talk you through the process you know and give you feedback, give you this, but it is very informal most of the time, no structure.” (FSE1 – I1)

5.3.1.2 Off-the-job

5.3.1.2.1 Training courses

The participant of FSE1 (FSE1 – I3) gave an example of an off-the-job training that she received. At the same time, she envisaged this type of training as essential for keeping up good performance of the employees. Participating in training also allowed employees to update knowledge in their specific domain. She stated:

“To keep your, for instances, I am also going to training next week because there are new things coming in... but if you want your staff to be knowledgeable that they do not do things that are out of line, you have to train them so that, you know, they know what they are doing.” (FSE1 – I3)

The members of FSE2 received training from their main client, that was, the Nelson Mandela Municipality. FSE5 and FSE6 received it from their sponsors, namely the Nelson Mandela Municipality and Social Development Department, respectively. In the case of FSE5, the municipality sub-contracted another organisation to provide the training, yet always planning it with the members' consideration. These two social enterprises (FSE2 and FSE5) received similar training, as we described below.

FSE2 employees' obtained training in health and safety, first aid, conflict management, financial management, record keeping and bookkeeping. One published case study also corroborated these trainings (FSE2 – CS2). According to the participants, the municipality was always aware of their training needs, and thus, provided it accordingly, as we can understand in their own words. Some excerpts:

“The municipal government provided crucial training in management, financial accounting, and bookkeeping.” (FSE2 – CS2)

“The municipality has further supported the cooperative by facilitating training in business management, record keeping, and bookkeeping. (FSE2 – CS2)

“They [the municipality] were aware that we needed training because they knew that we are new, all the cooperatives are new at this. It was a new concept with the Municipality also, so it was new even to us, so that is why they had to provide the training because they knew that.” (FSE2 – C11)

Similarly, members of FSE5 received training in conflict resolution, project management, financial management that included topics in bookkeeping, etc. The sponsor stated the financial management training (FSE5 – PV). Only the eight board members attended these training. For the employees, the municipality organised training in crop management. The organisation’s members had the opportunity to choose the field of training according to their needs. He stated:

“Their background and differences will always come up so our very, very when we were asked what is the first training that we want, we raised our hands, we said... we want conflict resolution. So that once we undergo that training and we go through it we are able to say we understand each other, we are able to work together.” (FSE5 – I1)

“For the board we did financial management, we did...Ja, we did financial management and project management, those two we did.” (FSE5 – I1)

“We train them. We do not just give them a project to run without training. We train them; teach them how to do it. Financial management skills and other stuff.” (FSE5 - PV)

According to the participant, FSE6’s annual budget included an amount for training. The type of training corresponded to the needs of the social enterprise members, who had to decide on the training and apply through the submission of a form to the funders. The members solely received training in administration, as the participant underlined. They never obtained training on how to manufacture their main product, i.e. the bricks. Instead, they had to follow the instructions booklet. The participant words were:

“We were asking for the job training, but we could not find a place where they teach you... nobody is training you. No, in terms of the product, there was no training”. (FSE6 – I1)

“We were lucky; we did get some training, regarding administration.” (FSE6 – I1)

“We decided. We had to decide that we lack this skill. We had to write a requisition to our funder saying we lack these skills can you find us a service providing some training.” (FSE6 – I1)

The members of the social enterprise did not request any further training because they did not consider it necessary. Moreover, we understand by his words that they misused the money allocated to the training. He referred:

“We took some money from training to buy some stuff that we were not intended to buy... because the other training we did not need them.” (FSE6 – I1)

Briefly, the participants at FSE4 mentioned workshop attendance, yet they were not able to mention its specificities. The fire destroyed their certificates and other material obtained through the training. As they highlighted:

“They have attended some workshops, to receive training for empowerment and one of them was in East London but it is just that now they do not remember exactly what it was about... They also received certificates, but they were burnt with the place, and there was another in Durban and two times in Johannesburg.” (FSE4 – C11)

5.3.1.2.2 Apprenticeship

During the first months of the project, all the members of FSE3 attended an apprenticeship in supervisory skills equivalent to level 3 on the South African national qualification. Several sponsors were involved in the training courses (FSE3 – PA). Private organisations paid for the expenses of the training and permitted visits to their premises, and a public school allowed the use of their classroom. We had different information on the training length. The project sponsor indicated that the training lasted three months; the participants of the collective interview mentioned two months; the authors of the bank report underlined that it was a six weeks life skill programme, as it was possible to verify:

“Members they have completed a six-week life and skills training programme. The training modules include enterprise development, trade-specific skills and financial management skills. Recruits were also shown how to set up legally compliant cooperatives.” (FSE3 - BR)

The aim of the programme was to give the opportunity to the members of the social enterprise to develop not only their waste management abilities but also their life and job-seeking skills. With this intent, they offered both classroom training and moments of exposure in an external environment.

That is, they visited several enterprises in order for them to understand how waste management works. Both participants and authors of the published case denoted:

“We just did not give them training and say go, we spent three months with them, we took them to places... Where we showed them who do recycle, what happens to the product, we took them to people that are doing value-added services.” (FSE3 – I1)

“We did not train people in waste; we trained them in job-seeking skills. We did not expose people to cleaning up, rather we took them out of [name of the location] and showed them creative industries that had built up around recycling. This was not about us telling our champions what to do; it was about us exposing them to ideas so that they could decide what it was they wanted to do.” (FSE3 – CS1)

“We had Mister Mundi, the business park, we had really... he [referring to the project sponsor] took us out to the dumpsite, he did a lot of things really...” (FSE3 – CI1)

5.3.1.2.3 Mentorship

Members of FSE7 did not receive any formal training during the development of the company. The entrepreneur participated in a mentorship programme before starting this social enterprise. A national incubator offered to the cooperative of the social entrepreneur and her colleagues the opportunity to follow their mentorship and business development programme. The cooperative created by them failed. The entrepreneur considered that the opportunity of being followed-up by qualified mentors and the learning assimilated on how to develop a business, allowed her to develop certain skills that she applied in this social enterprise. She attended some courses with other national organisations before setting-up this social enterprise. Moreover, she attended networking workshops, which allowed her to define a portfolio of partners. Yet she did not provide any training to her employees due to their short stay. The following extracts presented her thoughts regarding the mentoring programme and other courses attended.

“We were fortunate enough being a cooperative we went on training there through NMU Business School... So there again we did some training in business plan development and all that” (FSE7 – I1)

“Yes, they spent money, you know, because the mentors got paid so even though they did not invest cash in my business they invested indirectly by having that one-hour session with the mentors.” (FSE7 – I1)

“Through their Enterprise Development, there was some skills with the finances and the business side of things. So ja, through workshops, through networking, through Enterprise Development and through... I did some course through SEDA [Small Enterprise Development Agency], they also have, so ja, I have attended those...” (FSE7 – I1)

The entrepreneur considered herself sufficiently autodidact. She did not possess any previous background and training in recycling and in environmental issues, but she had searched for information and updated her knowledge. During the interview it was possible to understand that she comprehended how the recycle business worked, mainly what type of products were possible to recycle. She stated:

“I do not have formal training on or formal background on recycling or the environment... I do not have formal training in waste management, the environment or agriculture I am learning as I go” (FSE7 – I1)

5.3.1.3 Training restrictions

Three social enterprises (FSE1, FSE2 and FSE5) applied some rules or restrictions regarding training attendance. This means that not all the employees could attend internal and external training. The restriction measures regarded, for example, the employees’ age, functions occupied within the organisation and ensuring the continuity of the activities.

The cluster manager of FSE1 imposed some restrictions. That is, the employees eligible to attend training were below thirty-five years old. She considered that people over thirty-five did not have the physical capacity to respond to emergencies or to care for bedridden or heavier patients. She stated:

“I never trained elderly people. I did have those girls who were forty-five, fifty, I did not want to, but the youth were trained.” (FSE1 - I3)

At the beginning of each year, the supervisors and managers of this social enterprise decided on the number and type of training granted. Being so, the manager informed the staff about the different options, and the employees had the opportunity to opt for the training they felt was necessary. For the training courses provided by external organisations, the managers restricted the number of employees who could participate, in order to ensure the activities’ continuity. Here, her own words:

“We do have some, for example of ten employees just one could follow a course outside, because you have to cover yourself as well. You cannot send all ten of them, who is going to be doing the work?” (FSE1 – I3)

Likewise, the FSE5 limited their employees’ participation in external training during working hours, since their absence would jeopardise the daily production. The employees would lose their remuneration for those days. The participant also stated that the employees had access to all the necessary training through the social enterprise itself. This was due to the possibility of demanding specific training to the project sponsors according to the needs arising.

“...People could only attend the training that was provided by us or else if a person would go and have training outside that means that person will have to be booked off.” (FSE5 – I1)

“We wanted to provide training because we could, we could provide those training ourselves through the municipality, with the municipality has got service providers in their database of all training.” (FSE5 – I1)

Since not all members of FSE2 could attend the training, the board used to decide on the attendance according to the role performed by each employee. Besides, the training provider usually restricted the number of participants. Employees had the possibility to attend external training courses if they wished so. There were no restrictions or penalties, whether the training benefitted the organisation or not. The participants underlined:

“Yes, if the training was conflict management, the disciplinary committee had to go. If the training was financial management, the treasurer and secretary had to go. So, we sent people for training according to the tasks that they were given.” (FSE2 – CI1)

“You cannot go to record keeping if you are not the secretary of the cooperative, so everybody had to go according to their tasks.” (FSE2 – CI1)

“Especially we were a lot, because sometimes they gave us a specific number saying we need two people, we need three people.” (FSE2 – CI1)

5.3.1.4 Training benefits and criticisms

Out of our interviewees of failed organisations, only one participant mentioned the benefits of the training received. The participant of FSE5 acknowledged the importance that training played in the development of a social enterprise, as well as in the empowerment of the individuals. He stressed:

“If you want to start a cooperative in any of those sectors, you need to equip yourself by training, through training...” (FSE5 – I1)

“Was to empower the people and keep them up to date with the latest demands of the project.” (FSE5 – I1)

The participants of four social enterprises (FSE1, FSE3, FSE4 and FSE6) criticised the quality of the training received. In some cases, they considered it insufficient as well as inadequate to the level of literacy and comprehension of the participants. One participant of FSE1 considered the training provided by the South African government as ineffective. During these courses, the trainer usually did not verify if the trainee is learning correctly the content. Thus, in some cases, as the participant underlined, the trainee did not assimilate the information, and did not acquire any new knowledge. When at the organisation, the individuals showed difficulties in practising what they have learned. The participant’s words were:

“The people who came tell me [referring to the employees that went to training] ‘Mama, we went there for half a day and I cannot even tell you what I was told’. When skill people really should [do] before dismissing them [is to] ask them if they understand what they are doing, can even give them a small test” (FSE1 – I3)

One participant of FSE4 and the participant of FSE6 envisaged the training received as insufficient. The first participant underlined that they needed more training on how to run a business and on product innovation, as their goal was to transform waste material into new products:

“...But they needed more training on the administrative side because that is where the lack seemed to be...” (FSE4 – C11)

“...In a sense what he is saying, in other words, is that they would love to have got more information regards new and innovative ways of recycling. So that they could sell, better and maybe create even more products.” (FSE4 – C11)

Concerning FSE6, the participant envisaged short-term workshops and training courses as inadequate to develop the necessary skills and abilities to thrive in a social enterprise. Moreover, this participant

considered his working colleagues lazy to participate in certain courses to improve their skills. He pointed out:

“Let us say... a teacher is gone for three or four years to become a teacher. Now you ask someone who wants to train people, and you bring him for three days and he has to give all the information, it is difficult because you went there for four years to learn the skills and then you are telling someone you must be able to gain those skills in three days.” (FSE6 – I1)

“Some of them were lazy, even when let us say, we had to go to training or to learn the financial skills, some were not interested. I cannot say we were all at the same level.” (FSE6 – I1)

As we verified in the failure section (Cf. sub-section 4.3.5 – Chapter 4), one of the main reasons for the failure of FSE3 was the lack of human capital. One aspect discussed was the lack of understanding of the participants’ colleagues regarding the training obtained. Even if they received a good amount of training, the participants considered that the colleagues had difficulties in properly assimilating it. Being so, they did not expand their competencies. In this sense, they considered that the training did not have a positive impact on the organisation. Their words were:

“We had all of those, we had everything, really... professionals came in to take us on a journey, deep inside your soul and find that... is just got worst”. (FSE3 – CI1)

“Researcher: ... the training had an impact on the organisation?”

Participant: No impact. None...” (FSE3 – CI1)

As mentioned in the previous chapter, the language was also a hurdle to the good understanding of the training in some cases. According to the participants of FSE3, they should have received the training in their mother tongue, and not in English, as this created some misunderstandings. They stated:

“Even the training was difficult because it was English but for the fact that would be money at the end of the day, they went through the training, even though they did not understand.” (FSE3 – CI1)

In the following lines, we discussed the training promoted and received by the employees of the successful organisations.

Table 21 - Training specificities: failed social enterprises

Social enterprise		Type/field of training	Provider	Restrictions	Specificities/Criticisms
FSE1	Health Cluster	On-the-job: <ul style="list-style-type: none"> - "in-service training" in: - Health aspects - Budgeting and funding Off-the-job <ul style="list-style-type: none"> - Health aspects 	Private and public organisations	Only employees < 35 years-old could attend; External courses limited as they had also to ensure activities	Public organisations do not ensure that the training was assimilated by participants
	Farm Cluster	On-the-job <ul style="list-style-type: none"> - learning by doing 	Retired farmer (cluster manager)	No restrictions	No information
FSE2		Off-the-job <ul style="list-style-type: none"> - Training courses (Health and Safety, First aid, Conflict management, Financial management, Recordkeeping, Bookkeeping) 	The municipality (client)	According to the role in the social enterprise. Service provider restricted the number of participants	No information
FSE3		Off-the-job <ul style="list-style-type: none"> - Apprenticeship (Supervisory skills - Level 3 National Qualification) 	Training expenses=Private organisations Facilities=Public school of the area	No restrictions	Lack of understanding; Difficulties in implementing; Difficulties with the training language.
FSE4		Off-the-job <ul style="list-style-type: none"> - Workshops 	No information	No information	Insufficient
FSE5	Board	Off-the-job <ul style="list-style-type: none"> - Training courses (Conflict management, Project management, Financial management, Bookkeeping) 	The municipality (funder)	External courses limited as they had also to ensure activities	No information

	Employees	Off-the-job - Training courses (Crop management)	The municipality (funder)	External courses limited as they had also to ensure activities; cut in remuneration	No information
FSE6		Off-the-job - Training courses (Financial management, record keeping, bookkeeping)	Social Development Department (Funder)	No information	Insufficient; Colleagues' laziness
FSE7	Entrepreneur	Off-the-job - Networking workshops	Personal contacts	No information	No information
	Employees	No training			

5.3.2 Successful cases

5.3.2.1 On-the-job

5.3.2.1.1 Structured courses

Three social enterprises (SSE2, SSE4 and SSE7) provided to their employees' formal in-house training courses. The managers of SSE2 organised on a monthly basis internal workshops, most of them being accredited by the National Association of Child and Youth Care Workers. The training courses were open to external participants as well. The participant stated:

“At least monthly, we will have our own internal workshops, some of them we have accredited from the Councillor as well. I have accredited some programmes with the Councillor so that we can invite others here to receive the training.” (SSE2 – I1)

In turn, SSE4 considered it essential to transmit to their employees the Broad-Based Black Economic Empowerment (B-BBEE)³¹ codes, mainly because it was one of the income-generating strategies of this organisation. In addition, the directors of SSE4 organised internal workshops focused on the promotion and development of non-cognitive skills. Two excerpts:

“Staff development workshops – such as leadership, communication and values training.” (SSE4 – I1)

“Knowledge-based training in the area of the Broad-Based Black Economic Codes.”
(SSE4 – I1)

One of the core success aspects that the social entrepreneur of SSE7 underlined was the financial training that he promoted internally to the employees who occupied a financial position. For him, the training provided was sufficient and of high-quality. The authors of the annual reports stated the financial and management training the employees received. Their own words were:

“What we did is that we trained our financial people really well.... We put her [referring to the employee] on a Pastel training, more advanced training.” (SSE7 – I1)

“Internal training on Pastel Express and management skills. Ongoing internal

³¹ B-BBEE is a form of economic empowerment promoted by the South African government to empower the previously socio-economic disadvantaged population, such as Black African, Coloured and Indians.

training on finance and administration” (SSE7 – R)

5.3.2.1.2 Peer-to-peer learning

The participants of several social enterprises (SSE2, SSE4, SSE5, SSE6, SSE7 and SSE8) emphasised in-house training, mainly with regard to knowledge and experience shared among colleagues. The participant of SSE2 referred to peer-to-peer learning that happened at different moments. For example, the person who would attend an external course would afterwards share the learnings with the rest of the team. It could take place informally or formally. Another example was the team selecting an article about a relevant topic to be discussed in the team meetings. The participant emphasised the following:

“Yes, we also do internal training here. If I attend a course now, I will adapt that course so that I can present to the care workers because I have to keep them trained.” (SSE2 – I1)

“We always have some training even if its just something like an article that we will discuss for ten minutes in our staff meeting...” (SSE2 – I1)

SSE4 reinforced peer learning among its workforce. The participant said that the main topics covered were *“business skills, financial skills, computer skills, writing skills, and design skills.”* (SSE4 – I1) Similarly, the manager of SSE5 emphasised that training occurred on a daily basis in the social enterprise, she referred to it as *“Informal training. All the time training.”* (SSE5 – I1). The person with television production experience would transmit the knowledge to the colleagues on how to run and conduct the show; the business student would share the academic learnings regarding the business aspects; also, the social entrepreneur would share her experience and previous knowledge. In addition, the social entrepreneur would invite external professional do train them. One of the interview excerpts is:

“Sometimes I do the training, when we have our meetings, for instances, the one that is doing the business studies, she does not have experience in sitting down with the entrepreneurs and ask the right questions, so I train her. Or I organise training for them, in which someone else will train them.” (SSE5 – I1)

Regarding SSE6, the participant underlined that one of the volunteers would transmit the learnings in an informal way to him, as well as to the other volunteers. The volunteer’s background was in teaching, and thus, he had the required skills on how to communicate adequately and transmit knowledge to learners. This being the main activity of the social enterprise, the participant considered the teaching

skills essential to their good performance.

Most of the training of SSE7 was in-house. The organisational environment encouraged the employees to share their knowledge and abilities among them while performing the daily activities. According to the participant, training was important, but learning by doing and obtaining experience through work was more important. In particular, he underlined the training received in sustainability and fair trade. He said that after the training, he had been able to transmit the learnings to other employees. The participant referred:

“Most of the training has been in-house, shoulder-to-shoulder learning, so learning from one to another.” (SSE7 – I1)

“A lot of the sustainability training, I trained for fair trade, so I do quite well in informal sustainability training internally.” (SSE7 – I1)

5.3.2.1.3 Learning by doing

SSE8 provided on-the-job training, which could be considered learning by doing, as well as peer-to-peer learning. The employees learnt mainly agricultural knowledge and skills. For the participant (SSE8 – I1), it was important to train the employees both theoretically and practically. Likewise, the participant of SSE9 discussed the in-house training, principally learning by doing or hands-on learning. In this sense, they did not plan or structure the training. The organisation provided training specifically to the personnel of the several workshops (that were the income-generating activities of the organisation), and not specifically to the management team. The participant underlined:

“That is hands on the job, all the time.... Learning by doing.” (SSE9 – I3)

5.3.2.2 Off-the-job

5.3.2.2.1 Training course

Seven social enterprises (SSE2, SSE3, SSE4, SSE5, SSE7 and SSE9) encouraged their employees to attend external training. In some cases, the organisations did not only give the employees the flexibility to participate, but also covered the costs associated with the training. Some organisations searched for training according to their organisational needs, and others enjoyed the opportunities that stemmed from the external environment.

The philosophy of SSE1 was to invest in human capital and they believed in the empowerment of their employees. This being, the organisation invested in a two years course in project leadership for one of

their employees. As the participant commented:

“For two years back, we sent [name of the employee] on a course to let him be coursed on project leader.” (SSE1 – I1).

“He was financed by the organisation, we got a kind of bursary for him.” (SSE1 – I1)

“More skills and they can do better at their job. They see opportunities in their profession and like that, that is also a kind of sustainability.” (SSE1 – I1)

We could find similarities regarding the organisational values between this and other social enterprises. In particular, SSE7 also invested in the upskilling of their employees. First, as we saw in the previous sub-section, by providing both structured and informal in-house training; secondly, as we will detail here, by encouraging the employees to participate in several external courses. In all annual reports, the authors referred to the development and upskilling of their own personnel through participation in various trainings (SSE7 - R), specifying the training courses attended by the personnel. Among others, most of the training was accounting, bookkeeping leadership, Asset Based Community Development (ABCD) and permaculture. Moreover, the staff received training in fields other than management and finance, for example, early child development, HIV risks. It was important to underline that the organisation paid for a six months technical permaculture programme for the two associates of this project (SSE7 – I1). In the report, the authors mentioned the following external courses:

“Payroll training with ‘HH Accounting’ also Fundraising Training by Service Seta.

“Basic finance training by Service Seta”

“Leadership Skills for Women in the 21Century short learning programme at the NMU Business School”

“Asset-Based Community Development Trainer of Trainers course by Ikhala Trust.”

“Project Manager chose to take part in the Rotary Trip 2010 Group Study Exchange Programme and spent one month in the UK.” (SSE7 – R)

Employees of SSE4 had the opportunity to attend several external courses, such as seminars, conferences, workshops. Here some examples, “Introduction to Compliance (Compliance Institute), Global Leadership Summit (Willow Creek), Employment Equity & Skills development (Labournet), Workplace Skills Training (CTU), Payroll course (H&H Accounting) (SSE4 – T2), among several others.

The social entrepreneur of SSE5 received training, as she said, *“I have been attending business skills, and production.”* (SSE5 – I1). Similarly, the participant of SSE2 highlighted the managerial training that

the employees of the organisation received. Furthermore, they attended training in fields directly related to their activities. As he stressed:

“It was business administration skills that we have sent one of our care workers on. That course over a period of time, she had maybe to go like weekly for it, we also do sessions on things like report writing, things like communication, things like leadership, so as well as practical training for working with children, we also do personal development...” (SSE2 – I1)

In the case of SSE9, the directors allowed their employees to attend training courses external to the organisation. These courses were frequently organised by other partner organisations linked to the ministries of the city. The participant words were:

“Being a Christian mission station, they are a lot of workshops, courses, and different things that people attend as well. There are some men that are on a course, and a woman, that are studying to be pastors. So, they are on that course now, which will take them until next year sometime.” (SSE9 – I3)

The training that the employees of SSE3 obtained emerged from external opportunities related to their private network. In specific, the participant gave the example of a training that a colleague received provided by a pharmacist on how to perform some health-related tests (as blood pressure, and glucose). Additionally, she underlined a training that she did on how to appeal to businesses to invest in corporate social responsibility. The participant highlighted the following:

“It is much more on a relational base, really, people come along [and they say] ‘Hey, [name of the organisation], this is my passion, do you have anybody else that is interested in this’, and so they train up the one person who is interested or passionate about it.” (SSE3 – I1)

“There was one that I did attend a couple of month’s back, I think it was in February. It was actually for appealing to businesses, to become like a CSR or CSI, investments for them, for social responsibility. Like they would invest money in and then I have to show the highlights of what we do and stuff... A lot of us do not have experience and the non-profit sector and so...” (SSE3 – I1)

“She [referring to the colleague] is doing a kind of a flash course from a pharmacist who offered her services to come on board” (SSE3 – I1)

5.3.2.2 Mentorship

When we interviewed the participants of two social enterprises (SSE5 and SSE6), they were in a mentorship programme organised by a national incubator with offices in Port Elizabeth. The incubation programme for SSE5 was two years. In turn, the participant of SSE6 referred to an eighteen-month programme. Both were at the beginning of their incubation programme, specifically in their second month. They briefly spoke about this programme, as for example, “[Name of the incubator] *is an organisation that has put me under their wing to support me with the show*” (SSE5 – I1). In the case of SSE6, the participant affirmed that the incubator had a word to say in the decision process of the organisation, he said, “*Ja, they do have a word in, in what I am doing. Ja, definitely.*” (SSE6 – I1). It was important to underline that the Port Elizabeth offices of this incubator closed before the end of the programme of these social entrepreneurs. We knew that they moved to other incubators in town.

5.3.2.3 Training restrictions

Similar to the failed cases, the successful organisations established several restrictions on the training attendance. The participants of two social enterprises (SSE2 and SSE4) pointed out that when the organisation offered a training, normally it fitted with the internal functions of the employees. Moreover, the participant of SSE2 also underlined that the training must fit the expectations that the organisation had towards the future of the employees. The participant of SSE3 stressed that the training must be in line with the organisational vision and must bring value to the organisation. Their own words were:

“If it falls under our mission then we can consider in doing it. So, that is kind of an elimination process, almost like a filtering system. To then, know if it is going to be worth the time or we try to think how we implement this, this it is going to be worthwhile.” (SSE3 – I1)

Fit to what their task is... Fit to the job description actually. We fit it into the job description and to what their expectations are for us with them. (SSE2 – I1)

SSE2 put in place procedures for the after-training. This means, that the employees who attended training must evaluate it and share it during the team meetings, as we previously saw in the off-the-job training sub-section. The aim was not to evaluate the performance of the employees on the training, but rather to understand if it is beneficial for them and for the organisation itself:

“And also, what we do is, we get them when they come back to do their own evaluation on that training and in our weekly meetings they must give us feedback

on what they learned, and we can see from that if they really benefit from that training...” (SSE2 – I1)

SSE3 and SSE4 spoke about cost restrictions regarding the attendance of external training. Managers and board of SSE4 defined on an annual basis the budget for this type of actions. SSE4 only covered the costs of the training related to the job descriptions of the employee. Besides the cost restrictions, the participant of SSE3 also referred to working hours that the employee had to do. To avoid costs, they tried to maximise the number of free courses provided by their personal network. However, sometimes they declined some offers due to the small size of the team, as it would be difficult to run the organisation properly if one of them was missing a considerable amount of time. The participants stressed out the following:

“If the company contributes towards the costs, the training has to be job description-related.” (SSE4 – I1)

“Cost restriction, there is only a certain amount of money allocated for external training opportunities.” (SSE4 – I1)

“So, the few things that we have done have been useful, but we had things that have come along that we had to pass up because of time.” (SSE3 – I1)

“[due to] finances, and if we are being completely honest each month is nail biting for us.” (SSE3 – I1)

Two other social enterprises (SSE2 and SSE7) implemented other measures regarding training attendance. The participants of both cases underlined the importance of ensuring the continuation of the employees after receiving training paid by the organisation. The participant of SSE2 pointed out that the employees had to sign an agreement stating that they will not leave the organisation prior to completion of one full working year subsequent to the training. If they decided to quit, they must reimburse the full amount that the organisation invested. Similarly, the participant of SSE7 referred to this specificity. He underlined that there does not exist any legal basis for the implementation of this measure. The participants stated the following:

“We had actually to bring in a certain contract that said that if we are... because there are some courses which are expensive... [If the employees] following this training, you are expected to give at least a year service to the organisation or you are responsible for paying back the money for that training. That is how we cover that.” (SSE2 – I1)

“The problem is [...], is that there is no legal basis. We have been in this situation that people have left and we said: what about our agreement.” (SSE7 – I1)

For both participants this was a measure established to keep investing in the necessary skills without having the risk of employees’ resigning immediately after attending a training. As one participant stated:

“Even NGOs have to need to turn an investment. You cannot invest, and just invest and just invest and you get no benefits after your training” (SSE7 – I1)

5.3.2.4 Training benefits and criticisms

Even if the general manager of SSE7 believed in the importance of investing in human capital, comprising the training, he also considered that there exists an overemphasis on its advantages. For him, people must not learn only through training but also by experience and through hands-on learning. His own words were:

“There is an overemphasis on training. It is like a constant thing. Black people are unskilled, and they need to be trained and if trained all their potential will be unblocked, it is bullshit. The people just need to work, and the more they work the more they learn.” (SSE7 – I1)

The other participants of the successful organisations did not underline any criticisms and/or disadvantages regarding the training provided by the organisation and/or external stakeholders. On the contrary, some of these participants emphasised the benefits of attending training, specifically SSE2, SSE3, SSE4 and SSE6. An interesting issue pointed out by the participant of SSE3 is that by participating in training, not only do the individuals acquire new knowledge, but it is also an opportunity to spread the word about their organisation. Thus, from here, they can continue to build their network and connections, as the participant stressed out:

“I think that more than anything is about connections or relationships that are developed out of it... it is getting our name out there, is letting people know what we are doing, if people want to come on board and help or people just want to be encouraged to the fact that somebody is doing something in the city. So, we see a lot of opportunities even if it is an indirect result.” (SSE3 – I1)

The main benefit that the participant of SSE6 referred to, is the prospect to keep pace with technological innovations, as it was the field of this social enterprise, and thus, vital for its survival. Both participants of SSE2 and SSE4 highlighted the personal development of each employee, which, in

turn, benefitted directly the organisation. In particular, the employee will perform better, and this indirectly affected in a positive way the lives of the target population. Their own words were:

“There is how it will impact on children lives. [...] We can at least empower them to such a point that we know that they are doing what is expected...” (SSE2 – I1)

“The biggest benefit is the growth of the individual in terms of their personal capacity to be effective in their role.” (SSE4 – I1)

Both participants of SSE5 and SSE6 underlined some benefits regarding the incubation programme, despite the early phase of it. Specifically, the manager of SSE5 referred to the business support she was receiving, but she mainly underlined the access to office facilities as the main benefit. In addition to the utilisation of office equipment, the manager of SSE6 highlighted broader benefits. He said that the incubator CEO advised him on how to approach funders, corporate companies and how to draw a sustainability plan. Moreover, he underlined the emotional backup that this incubator provided. He pointed out:

“Even from the business side of the organisation, how I can sustain it and grow it, that kind of stuff. I mean they have been excellent with that and [name] the CEO has been giving me a lot of advice on how I can approach funders, corporate companies you know, so it has been wonderful, it has been wonderful.” (SSE6 – I1)

“It is organisations such as [name of the incubation] that people like me really need because this entrepreneurship journey can get really, really longer and people they might think you are going nuts and you sort of detach yourself from the world and everything.” (SSE6 – I1)

Following the same order of the previous sub-section, we drew a comparison regarding the training obtained by the failed and successful organisation in the following lines.

Table 22 - Training specificities: successful social enterprises

Social enterprise	Type/field of training	Provider	Restrictions	Specificities/criticisms/benefits
SSE1	Off-the-job Training course (2-Years Course in Technology of Information to one employee)	Bursary that the organisation obtained	No information	Organisational philosophy: upskilling of the employees
SSE2	On-the-job: <ul style="list-style-type: none"> - Structured courses offered also to external participants - Peer-to-peer training (during internal meetings on different topics) Off-job-job <ul style="list-style-type: none"> - Training courses (managerial skills, computer skills, personal development, child and youth development) 	Accredited by National Association of Child and Youth Care Workers; Port Elizabeth Donkin, etc.	According to the role occupied in the social enterprise; Organisation expectations for the employee 1 year within the organisation minimum, or the reimbursement of the amount spent	Personal development = more efficient = >impact on children lives
SSE3	Off-the-job <ul style="list-style-type: none"> - Training courses (CSR, CSI, Blood-tests) 	Personal Network	Financial and time restriction	Training as an opportunity to demonstrate the work of the social enterprise and to

				continue building their network
SSE4	<p>On-the-job</p> <ul style="list-style-type: none"> - Structured courses (personal development, and BBBE codes) <p>Off-the-job</p> <ul style="list-style-type: none"> - Training Courses 	Several providers (such as, Business Chamber, NMU, SEDA NMU Incubator, etc.)	According to the role occupied in the social enterprise; Financial restrictions for external courses	12 days of study leave; Personal development = more efficient employees
SSE5	<p>On-the-job</p> <ul style="list-style-type: none"> - Peer-to-peer training (Television production, business skills) <p>Off-the-job</p> <ul style="list-style-type: none"> - Training courses (business skills) <p>*Mentorship</p>	Organised internally; Incubator	No information	No information
SSE6	<p>On-the-job</p> <ul style="list-style-type: none"> - Peer-to-peer training (teaching skills) <p>Off-the-job</p> <ul style="list-style-type: none"> - Mentorship 	Organised internally; Incubator	No information	Update on technology changes that is essential for the organisational survival
SSE7	<p>On-the-job</p> <ul style="list-style-type: none"> - Structured courses (financial and managerial skills) <p>Off-the-job</p>	<p>Several providers (Ikhala Trust, NMU, SETA)</p> <p>The organisation paid for 6 months technical course in permaculture</p>	1 year within the organisation minimum, or the reimbursement of the amount spent	Organisational philosophy: upskilling of the employees

	<ul style="list-style-type: none"> - Training courses (accounting, bookkeeping, leadership, ABCD and Permaculture) 			
SSE8	<p>On-the-job</p> <ul style="list-style-type: none"> - Peer-to-peer and Learning-by-doing (agricultural skills and knowledge – practical and theoretical) 	No information	Financial and time restrictions	Importance of theoretical and practical aspects
SSE9	<p>On-the-job</p> <ul style="list-style-type: none"> - Peer-to-peer and learning-by-doing (workshops related) <p>Off-the-job</p> <ul style="list-style-type: none"> - Do not specify the type of training; 	Ministries in town (personal network)	No information	No information

5.3.3 Comparison

5.3.3.1 *On-the-job and Off-the-job*

Overall, the participants of the failed organisations and their colleagues participated in training courses, mainly provided off-the-job, as we can visualise in Table 21. Solely FSE1 invested in an internal environment propitious for on-the-job training. Most of the training granted was in financial management and bookkeeping, however of short duration. We did not have information regarding the training courses attended previously to the formation of the social enterprise, except for FSE7. The participant of FSE7 highlighted the mentoring programme attended as a vital asset to her personal and professional development. Also, she considered herself sufficiently self-taught to acquire the necessary skills. In the particular case of FSE3, the members participated in an apprenticeship in the very beginning of the project, which later led to the creation of the micro-social enterprises. We understood that the farm cluster and management team of FSE1 did not receive training in managerial aspects. However, as we could see in the formal presentation, the organisation counted on the business acumen of the board members (FSE1 – FP). Three organisations (FSE2, FSE5 and FSE6) relied heavily on the training provided by their sponsors and clients.

Similar to the failed cases, the successful organisations provided training to their employees, both on and off-the-job. We displayed the training specificities of these organisations in Table 22. On the one hand, organisations invested more in training towards the development of financial and managerial skills. For example, the participant of SSE7 indicated that the employees who were responsible for the financial aspects of the organisation obtained sufficient training in this field. He considered this a feature of their success. On the other hand, organisations focused their training on their specific field of activity. For example, the employees of SSE2 often received training in child and young adults' development. It stood out that most of the organisations promote the exchange of knowledge between employees in formal and informal settings. This means that the training can occur while doing a specific activity or attending an internal workshop. Successful social enterprises relied on several partners to provide them with training, but they also paid for it. In particular, the participant of SSE1 referred to the investment made by the organisation in one specific employee, who attended a two years course. In some cases, the organisations resorted to their private network or partners to obtain training. The participant of SSE9 referred to the training opportunities that stemmed from the local church/ministries and SSE3 to opportunities that emerged from the employees' private relations.

From the above, it is possible to understand that the employees of both failed organisations as well as successful ones attended internal and external trainings. We found some similarities in the training received. There was visibly an emphasis on financial and managerial training in both cases. Most of these training was external, yet two successful social enterprises also promoted the development of financial skills internally.

The great difference between the two samples of organisations referred to the on-the-job training. Once again, FSE1 had the same standards as the successful cases, in the sense that their managers promoted internal and external training and searched for external investment for their human capital. Being so, FSE1 was the only failed organisation that mentions internal workshops and learning-by-doing. On the contrary, the other failed organisations did not mention the creation of a favourable internal setting for on-the-job training. This can relate to two reasons: one being that the employees did not have skills and the second being that the employees did have skills but not in accordance to the job position and/or field of activity of the organisation. As we saw, most of the successful organisations created an internal environment facilitator of skills interchange.

In the failure cases, three organisations received similar training, provided by their sponsor and client. The absence of training guaranteed by other entities might derive from the lack of awareness of their skills gaps, lack of motivation to search for training (as we saw in one case, the members were, as the participant (FSE6 – I1) stated “*lazy*” to attend the courses) and/or lack of financial resources to invest adequately in training. Instead, the successful social enterprises approached training differently. Besides the on-the-job training, the organisations invested in this attribute by paying it or arranging private organisations to sponsor it. We noted that these social enterprises aimed at improving skills to answer correctly to both institutional logics demands.

5.3.3.2 Training restriction

From the above, we understand that the managers of both failed and successful organisations applied restriction measures to training attendance. The resemblance between these social enterprises was the employees’ training attendance according to the job description and the necessity of securing the organisational activities during the working hours. Participants of one failed social enterprise (FSE2) and two successful ones (SSE2 and SSE4) emphasised the job description restriction. The organisational work time of each employee was an important asset, mainly for small social enterprises. The participant of SSE4 referred specifically to this. Likewise, for two failed organisations (FSE1 and FSE5), employees should guarantee the working time needed for good organisational performance, and thus, they could not attend training as they wished to. We verified that for the successful ones training was

an investment that came with high costs. In this sense, they had the need to draw up internal contracts to avoid losing personnel that they upskilled. It was also interesting to highlight the age imposition of the health cluster manager of FSE1.

5.3.3.3 Training benefits and criticisms

We could raise questions regarding the quality of the training provided, mainly in the cases of the failed organisations, as the participants pointed out several deficiencies. Participants of four social enterprises (FSE1, FSE3, FSE4 and FSE6) directly criticised the training. The participants stressed that the training did not have the expected quality, the amount of training received was insufficient to upgrade their skills and they had difficulties in comprehending it. Likewise, one participant of FSE1 specifically criticised how the public institutions transmitted the training. The participant of FSE6 highlighted the lack of interest of his colleagues for the training. Only one participant (FSE5) was able to visualise the benefits derived from the training sessions.

One participant (SSE7 – I1) of one successful organisations underscored the overemphasis he sees being placed on the benefits of training, specifically with regard to the black community. Despite this opinion, his organisation encouraged employees to participate in training, and organised in-house training. All other successful organisations created a propitious environment for knowledge exchange and promoted the employees' participation in external courses. It is clear the value that the managers' placed toward investing in upskilling and training of the employees, and the subsequent, benefits that it brought to the growth of the organisation. In addition, the participants of successful organisations referred to the broader positive impact that training had on the population they work with.

From the above, we understand that the participants of the failure cases were not satisfied with the training received. This led us to think that there were no benefits associated with the training, and thus, affected negatively the organisation. In the following section, we discussed the external advisors.

5.4 External advisors

We decided to include the external advisors as a human capital attribute since the organisations, due to their size, age and financial dependency, maintained strong bonds with them. By external advisors, we understand external stakeholders that provided guidance and participate regularly in the organisational activities. In most cases, external stakeholders advised and supported the participants and their colleagues. For some social enterprises, the external advisors/support reinforced the daily

activities and contributed to organisational decision-making. For others, the external influence happened more sporadically. Both public and private organisations supported social enterprises.

5.4.1 Failed cases

Several participants of the failed social enterprises highlighted the support they received from external stakeholders, as we detailed below. One (FSE3) strategically included private stakeholders on a reference committee; two others (FSE1 and FSE4) relied on the support of private organisations. Four (FSE1, FSE2, FSE5, FSE5) received this support in the form of training mainly from sponsors or clients; still others (FSE1, FSE5 and FSE7) obtained support from leaders and individuals from their personal network. It is in this order that we detailed the information in the next lines.

The social entrepreneur of FSE3 established a reference committee aiming at obtaining feedback and advice on the project's development. The creation of this reference committee happened when the social entrepreneur and his colleagues started to draw and implement the project on the ground. As he explained:

"We established what you call a project reference committee. These individuals voluntarily would spend about an hour or two with us every month. [They were] going through the review of the project as it is happening on the ground, looking at challenges going forward, and our plans, and they used to give us good advice...So if there were problems that I would not know how to [resolve], I would say to them please can you guys [support us]." (FSE3 – I1)

Two organisations (FSE1 and FSE4) had the support of local and multinational organisations. In the case of FSE1, one of the key success factors that were highlighted is *"Mentoring and coaching from the private sector and leaders"* (FSE1 - FP). Also, their management philosophy was centred on *"partnering with people and organisations with expertise and a proven track record"* (FSE1 - FP). The organisation strategically aimed at gaining the expertise and experience by collaborating with external stakeholders, since it was difficult to recruit the necessary human capital. Some of these organisations, national and international, supported financially the organisation (FSE1 – FP, FSE1 - PA). Part of this strategy was to include the stakeholders in the different board members (Cf. sub-section 5.5.1 of this chapter).

The members of FSE4 relied heavily on the support of private stakeholders to maintain the organisation active. Since its creation, private organisations of the surrounding community helped this social enterprise, by donating the much-needed physical resources and supporting the organisation on the

practical aspects of the daily activities. As to managerial support, the members would search for advice when needed, as they stated:

“Yes, they were, after they had taken their major decisions as non-profit organisation, they would often ask others, you know, to come and assist them, so you know there were others external stakeholders.” (FSE4 – C11)

One participant (FSE4 – I1), who was a member of one of these external entities, underlined the existence of strong ties between the two organisations. Also, she mentioned several times to us (during the observation moments) the great dependability that the members of FSE4 had on her organisation. However, she also emphasised that the social enterprise was self-governed, thus the members decided on managerial aspects as they wished.

“I must stress [name of the external organisation] do not run the [name of the social enterprise] – they do that themselves, we just assist and support when we can.” (FSE4 – I1)

Two failed social enterprises counted on public organisations to improve their activities. The participant of the health cluster of FSE1 (FSE1 – I3) underlined the partnership they had with public organisations. She mentioned that public organisations helped the social enterprise financially, but also by providing training. We noted that this public partnership was a formalised arrangement. In turn, the participant of FSE3 affirmed that the social enterprise’s members had the opportunity to request the support of the local Councillor. Yet we understand that this was never a formalised support. Due to the high levels of mistrust in the community regarding the people of these social enterprises (Cf. Chapter 4), it was difficult to establish partnerships. The participant stressed:

“So, in [name of the location] there is not a lot of that, so your default arrangement typically is the councillor’s office ‘counsellor can you do this for me?’, ‘Councillor can you do that for me?’.” (FSE3 – I1)

Three organisations counted on the external support of leaders and individuals (not as part of an organisation). As we saw previously, leaders supported the activities of FSE1. The entrepreneur of FSE7, while running the venture, relied mostly on her private network and self-learning capabilities. Friends who were working in a local non-profit organisation shared with her knowledge about recycling. Also, a known businessman supported her in improving her business and entrepreneurial skills. She mentioned the help of a woman; however, she did not specify in what terms. Here her own words:

“No not really, like I said I have learned by myself and there was one organisation I worked with who actually helped me a lot but not the organisation itself, it was the people.” (FSE7 – I1)

“The two guys who actually helped me from [name of the non-profit] because they were also doing recycling and they actually said, showed me the different types of [plastic]... but it was out of their personal. [Name of the person] obviously, how they came in... was obviously with the business side, the soft skills side of the business...” (FSE7 – I1)

Likewise, members of FSE5 had the support of a project manager in applying for funding and the help of an experienced farmer that assisted them with crop management. He considered that this support was essential to the organisation. He stated:

“They added value to the project because as directors of the project, the six of us we did not know everything, so we needed them, they played their role.” (FSE5 – I1)

Most of the external support that failed social enterprises received came from sponsors and clients. The external organisations not only financially supported the social enterprises, but also provided other forms of backing up its activities. FSE1 had a strategy in place to search for other organisations that could invest financially and/or to fill gaps within their human capital. Similarly, the social entrepreneur of FSE3 involved partners to provide an apprenticeship (Cf. sub-section 5.3.1.2.2 – of this chapter) that was essential to empower its members.

In contrast, the support that FSE2, FSE5 and FSE6 received from its clients/sponsors derived from the initial arrangement, in which the members did not actively search for it. The members of FSE2 underlined the training received by their main client (Cf. sub-section 5.3.1.2.1 of this chapter). Throughout the several years of their existence, they maintained a good relationship with their main client/funder (and training provider). In one published case study, the authors underlined the strong relationship between the two organisations:

“The relationship between the cooperative and the local government, especially the assistant director is very good. The members mentioned a number of times how they feel the government is helping provide them opportunities, but it is up to them to make the opportunities work.” (FSE2 – CS2)

We understood by this statement and by the interview that the municipality actively supported the organisation. The support was not on a daily or regular basis, but solely when the members of the

organisation would ask for it. Nevertheless, the members autonomously took decisions on how to manage the social enterprise. The participants stated:

“They come in and have a say when there are complaints, when there are complaints maybe you come in and say ‘I saw there is an illegal dump that is not, [name of the social enterprise] has not yet attended to’ and then they come in and they will act on that, otherwise, basically on how to run the cooperative... No, they do not have a say.” (FSE2 – C11)

Similarly, the members of FSE5 received considerable support and training from their funders. Yet when it came to the decision-making process, the organisation was independent of the municipality. They advised the members since they financially invested in the organisation, but did not impose their opinion, as the participant underlined:

“They can advise...the municipality can say ‘guys but you are making a mistake here’. The municipality they do not necessarily impose; the municipality did not have the right to impose but they had the right to advise because they have an invested interest in the project. When I say invested interest, it is because they started the project with their own money, they had a vision, and they had the goals that needed to be achieved. So, if whatever decision we take is not in line with that goal and mission they will always correct us and say, ‘guys but this is...what you want to achieve’”. (FSE5 – I1)

The main external advisor of FSE6 was their funder, which was the Department of Social Development of the government. The funder maintained a close relationship with the social enterprise members, guiding them from its creation to the end. In the failure section, we saw that the participant also blamed the funder for the failure, due to this close proximity. As the participant said:

“Our funders were the ones who were advising us, if there were any difficulties they were the ones to come around.” (FSE6 – I1)

“We were advised by our funders where to restrict in order to the cooperative do not collapse. They were giving ideas, [as for example,] we should not have family members or people that we are related to in the cooperative”. (FSE6 – I1)

However, at one specific moment the participant also stated that the funder declined to help them in searching for clients. Besides the funders’ support, the social enterprise members had difficulties in ensuring the support of other stakeholders. His own words were:

“I had to go by myself. We did ask Social Development to help us in that regard but they said, ‘no you have to go’... because it is our business we should take initiative.”
(FSE6 – I1)

“No, those are already established [referring to private entities], they could coach and mentor us... but they failed us.” (FSE6 – I1)

Similarly, to the failed cases, the successful social enterprises also relied on external support. We explained its specificities in the next sub-section.

5.4.2 Successful cases

Just the participant of SSE6 that did not mention external support (except for the board). All the other highlighted different forms of support received by external stakeholders. Some participants relied on their private network and family (SSE2, SSE3). Other organisations established a strong and reliable partnership with local and national organisations (SSE1, SSE4, SSE5, SSE7 and SSE9). In the case of SSE2, the managers and board of trustees opted for the creation of a managerial committee.

The participant of SSE8 briefly mentioned that the support of external stakeholders occurs on a need basis. Solely the participant of SSE5 referred to strategic partnerships with public organisations, in specific to development agencies. The partners supported the social enterprise with financial and physical resources, but also by raising their motivation and strengthening the development of it. The social entrepreneur underlined:

“I have ECDC [Eastern Cape Development Corporation]. They support me on my expos and businesses events that I do. Also, SEDA [Small Enterprise Development Agency] has come aboard by recognizing the important work that I do and they helped found the first episodes of the show.” (SSE5 – I1)

Besides the board of trustees, which we discussed further, SSE2 also had a management committee supporting the decision-making of the organisation, in specific to what regards the population that they were working with (e.g. children, adults). They discussed personal cases of their population, or management situations, as, for example, the preparation and development of a fundraising event, and the recruitment of new employees. The participant stated that was important to have this committee as an external support, since it also helped to validate and strengthen decisions taken. People from different backgrounds made part of the committee (public relations, a psychiatrist, a teacher, a businessperson) together with the general manager and the programme manager. The participant highlighted the following:

“Every time, I prepare a report for them, the youth report on what is happening here, and then, we will discuss things, and make decisions on it.” (SSE2 – I1)

“If we have the committee behind us, if anyone outside has to question our decision we can say ‘do you know what, we actually put this to the committee, and this was what was decided’. So was looked over by so many parties.” (SSE2 – I1)

Four organisations (SSE2, SSE3, SSE7 and SSE9) relied on their private networks, and other individuals to support their activities. Participants of SSE7 and SSE9 highlighted also the support of companies and non-profit organisations.

SSE3 counted on the family of the two founders and private network to undertake both commercial and social activities, from the preparation to the execution. In particular, one of the family members having experience in events decorations turned out to be a great benefit for the organisation. The researcher attended several times the monthly events that this social enterprise organised in Port Elizabeth, as a visitor and as an observer / accompanying one member of the organisation. The general feedback was that these are unique and trendy events in town, and promoted the empowerment of local entrepreneurs. Here what the participant pointed out:

“She has her mother-in-law, who helps here and who is in communication with exhibitors and her sister-in-law, has quite a successful background in decorating events. So, it is amazing for her to have family support of, “ok, so what about this, here the dilemma so what can we do?”. So, they are kind of able to brainstorm and kind of assist each other and all of these things.” (SSE3 – I1)

Moreover, an employee of this social enterprise had a long experience working in several fields, and thus, he established a large network. This had been an essential asset for the development of certain activities of the organisation, since he often unblocked important partnerships and agreements through his network. The participant said about the colleague the following:

“He has an amazing amount of connections and knowledge from his work experience.” (SSE3 – I1)

Similarly, SSE2 had been receiving close support from family members. In particular, the husband of the founder who had many years of experience working for a for-profit company. In particular, he had been supporting the daily activities by enlarging and developing the commercial streams of the organisation.

The staff members of SSE7 had the support of other specialists in their activities. Permaculture consultants had advised the organisation on their agriculture-related projects. Moreover, they worked very closely with other local organisations that often evaluated their work and provided training in Asset-Based Community Development (ABCD). Working with others and having their support was of great value for the participant of SSE7. He said:

“It is always very refreshing to work with other. Sometimes you have blind spots that you do not see and then you work with others, they see your blind spot and they share it with you.” (SSE7 – I1)

This participant raised an interesting point during the interview. He did not see the other non-profit organisations as competitors, but rather as collaborators. So being, the organisation invested in the relationship with local organisations and local communities. His own words were:

“I guess it is the technical knowledge that we need, so obviously, we will try our ecosystem permaculture consultants. We use Ikhala to consult from time to time, evaluate some of our work, and review to other external evaluators of our work.” (SSE7 – I1)

“First, we collaborate and then we compete. If we do not collaborate first and for most, we will just going to compete and it is not healthy. It should be a quite level of interaction. And donors like funding application that look collaborative.” (SSE7 – I1)

SSE1 was the only successful social enterprise having the support of international organisations, as the participant said *“We have twenty-four people running around from overseas only.”* (SSE1 – I1). This organisation also focused on obtaining the help of local private organisations and building a supportive network. The participant underlined both national and international support:

“We have quite a bit of network, I think if you see...that is how I envision us in Port Elizabeth, look always to companies [...] a representative of an organisation in Holland helps out entrepreneurs in Port Elizabeth. They will send experts from their organisation to us [...] the aim of that is that I get to... the connection to a huge network behind it, all company based.” (SSE1 – I1)

As already mentioned, SSE9 was an organisation founded on Christian values, and by consequence, they appealed to individuals that attended the local ministries. Also, they had the support of some local companies. SSE4 grew sustainably due to a strategic partnership that the social entrepreneur did

with the South African Institute of Chartered Accountants (SAICA). We discussed further this partnership in the board sub-section.

In the next lines, we drew a comparison regarding the external support received by both failed and successful social enterprises.

5.4.3 Comparison

As it is possible to verify in Figure 17, all the failed social enterprises counted on the support of external stakeholders. The continuous or sporadic support received was essential to run the organisations for years, however not sufficient to avoid failure. The deficiency of financial resources to invest in human capital, led the managers of the FSE1 to fill deliberately this gap by collaborating with external skilled individuals. This social enterprise diversified their collaborations. In a strategic manner, also FSE3 established a reference committee that supported the implementation of the project. FSE1, FSE2, FSE3, FSE5 and FSE6 had the support of their clients and funders. On the one hand, FSE2, FSE5 and FSE6 maintained their autonomy from the sponsors/clients with regard to management and decision aspects. Instead, FSE1 involved them in the decision-making. For FSE2, FSE5 and FSE6, the funders provided training, and occasionally would advise them. For FSE4, the support received, pertained mainly to physical assets and was extremely vital for their continuation for several years. In turn, members of FSE7 never had a formalised support of external stakeholders. FSE2, FSE4, FSE6 and FSE7 relied heavily on one source of external support. As for example, the social entrepreneur of FSE7 counted mainly on people she knew for her personal network. She did not build formalised partnerships with other organisations.

From Figure 17, we understood that none of the successful social enterprise counts on the support of sponsors and funders. Just SSE5 relied on public organisations. SSE2 established a committee to back up the organisation, mainly to guide them in making important decisions. Most of the members of successful social enterprises obtained support from individuals, private networks, and local and national organisations, with whom they form strong and sustainable bonds. Most of them searched in other stakeholders for competencies and resources that did not possess within their social enterprise. Just SSE1 received support from international organisations. SSE6 did not have the support of external organisations, besides the ones that the entrepreneur invited to integrate the board (Cf. sub-section 5.5.2 of this chapter). In Figure 17, we did not interconnect SSE8 to any source, since the participant did not enter into details about this human capital attribute.

We did not observe significant differences in the support of external stakeholders both to the failed and successful organisations. Yet, we understand from the participants of the successful cases that the

establishment of relationships and partnerships was not merely opportunity-based but rather a tactical and planned strategy. This being, the participants internally understood their gaps, and subsequently, target organisations that could support them in fulfil it. In turn, the failed social enterprises, mainly FSE2, FSE5 and FSE6 relied heavily on their clients and funders to obtain the support they required for the daily operations. However, once again they counted strongly on the sponsors and clients, instead of diversifying their partnerships. Being so, there might be doubts about their capacities or motivation to evaluate their necessities and develop their support network in line with it. In these cases, we can underline that the lack of external support played a vital role in its failures. Likewise, the social entrepreneurs of FSE4 and FSE7 did not expand the network of their social enterprises. Some participants of the failed cases proudly spoke of their autonomy in the decision-making process, while maybe having the backup of external members would have been beneficial. It was important to underline that the advisory committee created for the launch of the FSE3 did not continue until its closure. We saw this as a bad decision of the sponsors, since they were aware of the difficulties that the members had in establishing resourceful partnerships with the surrounding environment due to the low level of social capital. We verified that in the case of SSE2, the reference committee was a vital source of complementary information for the decision-making process. Once again, FSE1 showed multiple sources of external support, ranging from public to multinational companies. Thus, the access to external advice did not seem to be the source of the problem for this social enterprise.

Despite several similarities between the failed and successful cases regarding this human capital attribute, we understood that the support of the external stakeholders was more consistent and beneficial in the case of the latter.

In the next sub-section, we explained the constitution and role of the board of directors and supervisory committees of both failed and successful organisations.

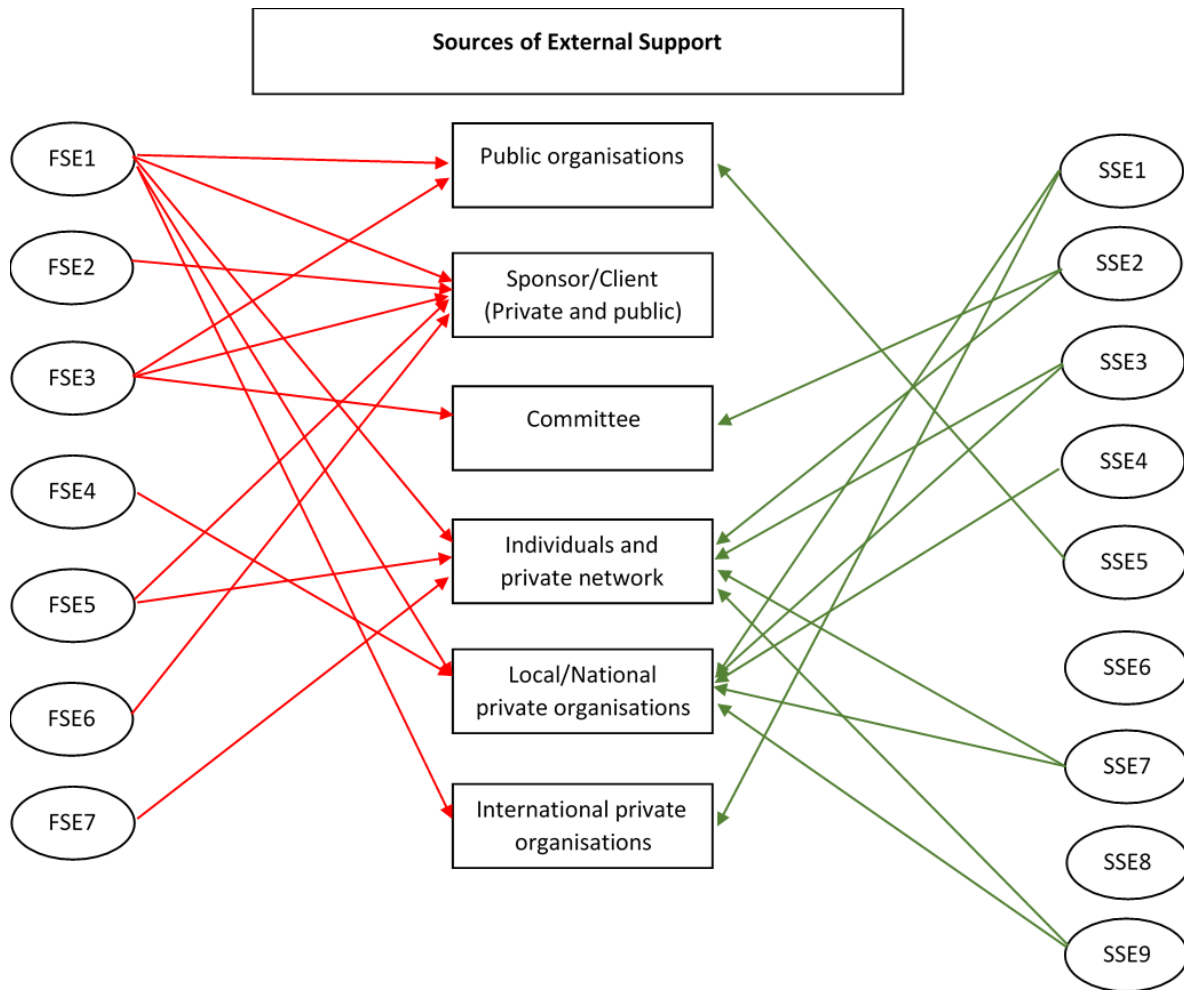


Figure 17 - Sources of external support

5.5 Board of directors and supervisory committees

It was the role of the board of the directors and trustees to ensure the proper functioning of the organisation. These overseeing members might opt for an active or inactive role within their organisations. Taking for granted that boards affect the organisation, we decided to discuss its constitution and role in the present section. In one failed, and in one successful organisation, the members opted to form a supervisory committee along with the board of directors.

5.5.1 Failed cases

FSE1, FSE2, FSE4 and FSE5 had a board of directors. In turn, FSE6 and FSE7 did not have a board of directors. FSE3 had an external board of directors that we explained further in the sub-section.

In specific, FSE1 had a board of directors for each cluster and a board of trustees for the umbrella organisation. Some directors were involved in all the boards; others just had a seat in one specific board. The entrepreneurs invited several private entities and leaders to sit on the board in order to bring together the skills that they were aware the organisation needed. These entities did not only support the activities, but they also formed part of the decision-making process. Funders also were included in the board. The participant referred that the organisation aimed at promoting an “*active participation*” (FSE1 – I1) of the board members in internal dynamics. He also underlined:

“[We] looked at a balance of making sure [we] have got nice skills, representation...”

(FSE1 – I1)

“Of these organisations and then obviously there were other people who were not funders but were there because we wanted them purely for their governance experience.” (FSE1 – I1)

“It is interesting because how we formulated the board is that we make sure that funders have a seat in the board so that they don’t need to ask those type of things.”

FSE2, FSE4 and FSE5 had a board of directors that was constituted by the same members and employees of these organisations. There was no external individuals or organisations included in the board composition. Here two excerpts of the dialogue:

“Researcher: How many people on the board?”

Participant: We are five. [...] It is us, owners of the company, and us as supervisors, because what is happening is already we are the owners of the company but at the same time we are employed by the company.” (FSE2 – C11)

“Researcher: Okay, there was external organisations in the board?”

Participant: No, they were the same, all of the members of the non-profit organisation.” (FSE4 – C11)

FSE3, FSE6 and FSE7 did not have a board. Nevertheless, one participant of FSE3 underlined the support of an external board. FSE3 stemmed from an idea delineated by a local non-profit organisation and financially supported by the Office of Premier. This being, the board of trustees of the non-profit organisation closely followed the development of the social enterprise on financial and managerial matters. The participant pointed out some operational deficiencies of the overseeing board.

[Name of non-profit trust] was the implementing non-profit organisation. They consist of a volunteer board, I was one of the board members, but I was also the

leader for the scenarios. [...] “So I was taking the decision but I would get approval for the outcomes of the project, for the budgets and I would report monthly on the budgets, I would report on the progress. In fact, the initiative generated so much of activity because it is a live project in a very difficult community that the board could not keep up with it, it became too much...” (FSE3 – I1)

5.5.2 Successful cases

The staff of four organisations (SSE1, SSE2, SSE3, SSE4, SSE6 and SSE7) worked closely with their board of directors. Strategically, SSE1 created three different boards within the organisation to support the decision-making process. SSE5 did not have a board due to its legal status. SSE8 had a board, yet the participant did not share any specific information about it. SSE9 had an inactive board.

As shortly mentioned above, the SSE4 launched itself on a sustainable path due to a strategic partnership. In 2004, three years after the creation/registration, SAICA offered a loan and consultancy services to SSE4. This strong partnership had been vital for the organisation. Nowadays, SAICA made part of the board of the directors, as the participant pointed out:

“Members of SAICA are represented on our Board of Directors and assist with the oversight of decision-making and direction for the company. We also receive IT, HR and legal support and governance from those departments within SAICA.” (SSE4 – I1).

The participants of SSE6 and SSE7 underlined the strategic choice of their boards. The board of SSE6 was composed of *“successful entrepreneurs”* (SSE6 – I1) that the participant carefully elected. They advised the social entrepreneur on how to develop the enterprise. The participant was aware of the positive impact of this support in the progress of the social enterprise:

“...When I lack you know or need some advice, I do give them a call.” [...] “I am an IT guy who wants to learn the business language and...so it is an exciting thing to do, so I really need advice, people that have been in the industry, people who are employing people to teach me how these things work. So, it is really beneficial to me personally and to the organisation.” (SSE6 – I1)

Likewise, the participant of SSE7 underlined that the board members bring to the organisation experience and knowledge that was lacking or was insufficiently present among the employees. So being, the organisational managers took into account the *“education level and experience”* (SSE7 – I1) when inviting individuals to form part of the board. An important aspect to mention is that this

organisation tried to have representatives of the different races with whom they worked. As he said:

“They [referring to the board] need to bring some area of knowledge. Some of them are educators, some of them are development workers, and our treasurer is an accountant. (...) [We try] make sure that is representative of the demographic that we work. We felt like we need to have a black board members as possible. There is no point in having a bunch of white people sitting around, making decisions about black schools.” (SSE7 – I1)

In turn, we did not see a similar strategy within SSE3 in selecting its board members, but rather a more relation-based approach. This organisation worked very closely with two other local organisations. From the beginning, the founders established strong ties with a Christian Foundation and a local church that shared the same values and mission of SSE3. One of the organisations took SSE3 under their umbrella. This relationship brought benefits to their activities, as the participant noted:

“I mean two are better than one, three are better than two are and, people having also different work experiences... [...] We asked so many questions, well not formally, not formally. [Name of SSE3] it is more about passion and spiritual leading. [Name of the foundation] it is very logistic and logical. And so, there is a good balance, like they have each other. So, I do think that adds some value to that.” (SSE3 – I1)

SSE2 relied on the skills of the board of trustees, along with the management committee competencies, to maintain a sustainable growth. In specific, the board had an oversight and controlling role, mainly regarding the financial decisions, and subsequently, on the future path of the organisation. The board consisted of individuals with different backgrounds, such as, *“a businessman, a social worker, a construction worker, a spiritual leader...” (SSE2 – I1).*

SSE1 strategically formed an extra supervisory committee with aim of having its support on the daily activities. This being, SSE1 had three types of boards. The main board of directors, then an executive board (both executive directors make part of it) and an advisory board. This latter included people with different experiences and backgrounds, and supported the executive board and staff members in their daily decisions, yet just in case of need. The participant mentioned one of the benefits of having the advisory board:

“They are looking from the outside in, okay you are all day in business sometimes, you miss certain corners and they push you a bit.” (SSE1 – I1)

SSE9 also had a board. Yet the board did not currently follow or oversees the activities of the social enterprise. The participants interviewed did not know exactly its composition. One participant (SSE9 – I2) explained that one of the organisational goals for the years to come is to involve the board closely. This was a strategy delineated to expand the support of private organisations, and did not derive from an internal need.

“Yes. I do not know. They are volunteers. We are actually busy, we will change the board because they are not active members. I do not actually know who they are and why they are there because they are not involved at all.” (SSE9 – I1)

“In our communication with the big companies we have to solidify the layout of this board. The last nineteen years, I would not say it was loose, but it was not business orientated. It was just a few guys sitting together, but we are formalising it now. Formalising a board.” (SSE9 – I2)

In the next sub-section, we provided a comparison regarding the board of directors and supervisory committees of both failed and successful social enterprises.

5.5.3 Comparison

Solely three failed social enterprises had a board (FSE1, FSE2 and FSE4). The legal status of FSE2 did not require the composition of a board. Yet, the participants mentioned one. FSE1 invited several external individuals and organisations, as well as sponsors and funders, in order to bring into the house other capacities and skills and engage them with the organisational dynamics. FSE3 did not have a board. However, the board of the non-profit organisation that promoted the launch of the social enterprise contributed and oversaw the implementation of it. The social entrepreneur raised criticisms about the board members role and efficiency.

In turn, most of the successful social enterprises had a board. SSE5 did not have a board, and the one of SSE9 did not have an active role. For the other successful social enterprises, the board members were important resources and brought more value to the organisation. In some cases, the selection of the board was planned strategically, and took into consideration the organisations needs in terms of skills. For other successful organisations, the board members derived from opportunities and relationships.

We considered that boards, if actively participating in the decision-making, guiding the activities and overseeing the path, were a vital resource to the organisations. The members of FSE2, even if not legally obliged, they thought on its creation, yet they did not appeal to external members. This could

have supported them in overcoming several difficulties. On the other hand, we understand that successful social enterprises relied on their boards to obtain the knowledge, skills and advice. In some case, the members built strategic partnerships that helped them ensuring their sustainability.

We decided to compare the external support and the board of directors of both set of organisations. Our aim was to deepen our understanding of the role of these two human capital attributes. Mainly because, often, the participants would create links with the advisors and the board. From Table 23, we verify that the failed social enterprises that relied heavily on the support of their sponsors did not have a board or that the internal members made up the board of directors. What we are attempting to say, is that the failed organisations did not diversify the support they could have obtained from external stakeholders, either by the board or by other partners. On the other hand, we see that most of the successful organisations intentionally thought about the added value of having different individuals supporting the organisation, either through the creation of partnerships or through their involvement in the board.

In the next sub-section, we discussed two other human capital attributes.

Table 23 – External advisors and board of directors: failed and successful organisations

Failed social enterprises			Successful social enterprises		
	External advisors	Board of directors		External advisors	Board of directors
FSE1	Variety of external advisors (Fig. 1)	4 board of directors (one for each cluster) comprising sponsors	SSE1	Local, National and international private organisations	Three board of directors (one was the executive board)
FSE2	Sponsor Client	A board composed of internal members	SSE2	Committee Individuals and private network	Board (composed of different professionals)
FSE3	Public Organisations Sponsor Committee	The board of the umbrella organisations worked as a board of the social enterprise	SSE3	Individual and private network Local organisations	Board (composed also by individuals of local organisations)
FSE4	Local organisations	A board composed of internal members	SSE4	Local and national organisations	Board (one of the members is a strategic partner)
FSE5	Sponsors Individuals (private network)	A board composed of internal members	SSE5	Public Organisations	No board
FSE6	Sponsor	No board	SSE6	Relies on the expertise of the board	Board composed of successful entrepreneurs
FSE7	Private network	No board	SSE7	Individuals and private network	Board (composed of different professionals)
			SSE8	No info	Board
			SSE9	Individuals Local organisations	Board (absent/inactive)

5.6 Other human capital attributes: skills and knowledge

In this sub-section, we detailed the skills and knowledge that the members of the social enterprises possessed, or not. As previously mentioned in the introduction, the skills and knowledge categories emerged during the process of coding the data. Similar to the other sections, we first referred to the failed cases, and then to the successful ones, drawing a comparison at the end of the section.

5.6.1 Failed cases

5.6.1.1 Skills

As verified in the preceding chapter, the lack of skills, both cognitive and non-cognitive of some failed organisations jeopardised its survival. In other cases, the participants underline the existence of skills as an important asset in their social venture. Precisely six social enterprise participants stressed the existence and absence of skills (FSE1, FSE3, FSE4, FSE5, FSE6 and FSE7). First, we start by mentioning the skills in general, and then, we discuss cognitive and non-cognitive skills.

One participant of FSE1 (FSE1 – I1) considered that the top managers had sufficient skills to perform their tasks well. The problem, for him, was middle management and general staff. He said that in the organisation the skills decreased along with the hierarchy. We discussed these aspects in the failure chapter (Cf. Chapter 4). In order to match the skills gaps, the managers' strategy was to request funding specifically for human capital. Thus, two big corporations paid for staff salary (FSE1 – R). The participant statements were:

“Yes, you see the difference... the management had the skills but the problem [was] the middle-level skills” (FSE1 – I1)

“In our approach you got Coca-Cola to fund the management skill.” (FSE1 – I1).

“To make sure we got a skill for the sister [we] went to Canon to fund this skill, you know. So, that is how we were building it. (FSE1 – I1)

Nonetheless, this strategy was not sufficient to attract the level of expertise necessary for the proper running of the organisation, mainly because the organisation's structure and functioning were complex and unusual. The participant referred:

“[Name of the organisation] is a complex organisation and it needs someone with a certain level of skill to run. However, there is no funding for that skill, so then you end up battling to attract the people who have the right character and skill set to run the project. At the time the CEO was getting paid fifteen thousand rand minus taxes, gives you twelve thousand rand... that is a very junior position.” (FSE1 – I1)

For this participant the lack of skills is an omnipresent problem in South African social enterprises, since they do not have enough financial assets to pay for skilled employees. Moreover, often the social entrepreneurs do not consider skills as an essential asset. As he denoted *“the person who is initiating the whole enterprise does not have the skills” (FSE1 – I1).*

The authors of two published case studies on FSE2 stressed that the venture members had few skills. This being the reason for opting for an enterprise operating within the cleaning services sector. In one of these case studies, the members underline the need to improve their skills, in order to diversify the business. Yet they did not have enough income to invest in training nor access to skills programmes. The case study authors underlined:

“The cooperative needs to develop other skills to diversify its services but is unable to get access to skills development programmes run by other organisations. The cooperative does not have sufficient income to pay for such programmes.” (FSE2 – CS1)

Another participant of this social enterprise adopted a different argument. When explaining the process of setting up the organisation, the leader looked at the skills of the community members. However, maybe the skills that he mentioned are in short supply and were not sufficient to help the organisation thrive, as the authors of the case study stressed. Here the participant words:

“Then we have identified cleaning, right, so we look at people that could run these cooperative successfully so that how I got the other members, all of them have different skills that could help in making the cooperative a success.” (FSE2 – C11)

The other participant at FSE2 when asked whether the combination of the different skills and knowledge of each member of the board brought more value to the organisation, simply answered, *“It does not matter”*. (FSE2 – C11)

During the collective interview, the participants of FSE3 noted the existence of certain skills among them. For example, one of the interviewees had experience with baking a typical pastry. The participants criticised the creation process of the micro-enterprises, since the project sponsors did not consider the expertise of each individual. The process took place during a dynamic group process, in which the participants were blindfolded, not taking into account their background nor skills. We understood by analysing other organisational documents that this field of activity was a requisite demanded by the funders, thus constraining the individuals to start-up a social company in recycling. The participants pointed out:

“We thought it was only for an example that we picked that day, ‘you bakery, you tires, you plastic’, and then we were put in groups, and then in the end of the day, that people had to go and register... Where instead, it supposed to be who is interested in a bakery, who is interested in working with tires, who is interested in this but because we were only selected like this, without asking us. I think that is

where things also went wrong because of the end of the day I should have been allowed of being in the bakery, because I bake Koeksisters and it is my passion... and I think that a bakery would have stand today if I were in that group.” (FSE3 – C11)

As we can see from the statement, the participants envisaged the selection process as a failure itself. For them, the sponsors should have considered their skills. Nevertheless, according to one press article and the bank report, the members received training from various private organisations, acquiring a set of skills and knowledge. The press article stated:

“Thank you to programme partners Organisational Development International (ODI), LEAP Training, erstwhile COMSEC, COEGA Development Corporation, Mondelez (Cadbury) and Services Seta for the learning and flexibility to have taken in total all 60 learners and given them skills, attitudes and knowledge to build a better life.” (FSE3 – PA)

According to the participant of FSE5, he and his colleagues had the necessary skills to run a hydroponic project. As he stated:

“We were highly skilled and as I said earlier on one of, the problem with hydroponics that is not a familiar concept of agriculture in black communities.”
“... In terms of the skills we were on top of our game; we knew what we were doing. In fact, we are one of the success stories in the entire Metro.” (FSE5 – I1)

Nevertheless, he changed his opinion concerning this topic during the interview. When he spoke about the selection process of the social enterprise members, he raised criticisms about it. The project sponsors looked at the unemployment statistics when appointing the individuals. That is, the township areas with higher levels of unemployment had more members enrolled in the project. Being so, the sponsors never took into consideration the skills and knowledge of the members. The participant’s own words were:

“The issue of skills in the process of appointment was never looked at, what was looked at was the fact that the person is unemployed therefore by being unemployed he automatically qualifies to be a member of that project.” (FSE5 – I1)

The participant underlined the lack of skills, seeing it as a recipe for disaster (Cf. Chapter 4). He compared it to a blind driver. Since it is challenging to drive a company when people are unskilled, as he said:

“It is very, very important. It is like taking a blind man and throwing some car keys onto him and say drive for the people, how is, where is he going to take the people, if the people are not skilled and educated to drive a project.” (FSE5 – I1)

Moreover, he underlined that a social enterprise, besides having a social mission, also base its operation in business principles, and thus, members must possess the skills to run it accordingly:

“No, it is not a community. It is not a charity organisation...It is a business model as much as it is established and initiated from a community point of view, but it has to operate on business principles in order to match the two, to meet the two you must come with skills that are the only way I can think.” (FSE5 – I1)

5.6.1.1.1 Cognitive Skills

One external advisor of FSE4 (FSE4 – I1) underlined that the members of the social enterprise did not have managerial skills to thrive. One participant of FSE3 (FSE3 – I2) and one participant of FSE6 (FSE6 – I1) referred that the colleagues did not possess business skills. When the researcher asked the participant of FSE6 if he and his colleagues were able to do evaluations, marketing, financial plans, he shortly answers *“Not really”* (FSE6 – I1). One participant of FSE1 (FSE1 – I1) talked about a situation with a recruited administrator (as described in chapter 4) that did not possess the necessary skills to perform the tasks. For his colleague (FSE1 – I2), the employees of the farm cluster did not need academic skills to perform well. Instead, they had acquired the necessary expertise while performing their agricultural tasks. As he noted, *“Ja, they have to have a lot of skills... [That] they developed here.”* (FSE1 – I2). In turn, the board members had the necessary expertise. In the formal presentation of FSE1, the authors highlighted the following qualities: *“financial management expertise, technical expertise in agri-business and business acumen.”* (FSE1 - FP).

5.6.1.1.2 Non-cognitive skills

Participants of four social enterprise mentioned leadership (FSE1, FSE2, FSE3 and FSE7). FSE2 and FSE7 referred to leadership capacity to guide organisations. Both participants of FSE1 (FSE1 – I1) and FSE3 (FSE3 – I1) referred to the leader’s difficulties in implementing this skill. The FSE1 participant gave the following example:

“You may be a very hard manager that says listen this is the line if you go across this line, and then is it bye. Someone else could be a very soft manager where they do not like confrontations, they do not like things like that and as a result people

tend to take more advantage, more advantage, more advantage and then things go pear-shaped.” (FSE1 – I1)

As we examined in the failure causes chapter, the inefficiency of FSE3’s team leaders was due to the lack of internal trust and social capital. Often the team leaders had to carry the whole enterprise, leading to moments of fatigue. In the quotation below, we understand that the other members were unwilling to perform their organisational tasks:

“The team leaders had to do the work, she, herself had to go and put her nice tiny hands into the mud and the people are sitting there.” (FSE3 – C11)

In the causes of failure chapter (Cf. Chapter 4), we verified that the participants of this organisation also mentioned the lack of passion and motivation as one of the main internal issues. The participant also linked it to the low educational background, which influenced their self-perception and self-confidence. During the training that preceded the setting up of the social enterprises, the trainer invested in activities to *“build confidence in a person’s personal abilities.”* (FSE3 - R). In addition, the leader’s selection took into consideration their previous experience and/or their attitude during the training. One report mentioned the following:

“These committed individuals may have shown leadership aptitude in the past, or they may currently be in a position of authority.” (FSE3 - R)

We understood that the leaders definitely possessed this skill; however, the strong discouragement and mistrust of others influenced negatively their performance. One participant underlined the existence of these skills:

“She did have more skills and I could see her making a success of it” (FSE3 – I1)

“She could very easily manage ten to twenty people, in fact; she managed those thirty-five people with a great deal of character and with a style that did not take offence. She would hear the issues, she would listen but...” (FSE3 – I1)

Both the community members where FSE2 is located and the social enterprise members considered the entrepreneur as a strong leader. He was the visionary behind the idea of this social enterprise, and an active citizen in fighting for black community rights. In this sense, all the members respected him. The authors of the case study and the one participant underlined:

“High calibre leadership has been especially important in the success of [name of the social enterprise], especially the leadership of the chairperson. Indeed, the

chairperson was instrumental in initiating the cooperative in the first place and has played a very inspirational role throughout its existence.” (FSE2 – CS2)

“What is especially instructive about the chairperson's leadership is his collective approach to leadership and his genuine effort to empower the other members of the cooperative. While he clearly has a vision and capacity, he has not used his role to amass power for himself, but rather has shared his knowledge and has acted as a guide for the cooperative.” (FSE2 – CS2)

“Ja, ja number one we respect him because of age, number two respect him, he is wise...and he created this.” (FSE2 – CS2)

The sponsor of the FSE5 (FSE5 - PA) considered that the members appointed to manage the organisation lacked the necessary commitment. The participant of FSE7 underlined the unreliability of her employees as one of the causes that led the social enterprise to fail (Cf. Chapter 4). On the other hand, she considered having developed leadership skills during the last three years of high school. Also, it was during these years that she started to define her entrepreneurial mindset. She used these skills both to set up the organisation, as well as to run it until closure. She noted:

“The last three years of my high school. So that is where I already developed some skills in the sense whereby leadership skills, because, basically, the course ran over three years in order to develop your leadership, a leader, to develop somebody who would look at opportunities that are where the entrepreneur side was most probably also you know the seed was planted.” (FSE7 – I1)

We discussed the knowledge of the failed social enterprises in the next lines.

5.6.1.2 Knowledge

We considered the knowledge of each person as part of his or her human capital. Some participants underlined their knowledge, or lack of it, during the interviews.

Both participants of FSE6 and FSE7 highlighted the knowledge they possess about their main product. In the case of FSE6, the participant very briefly stated that, at least, three members knew how to produce the bricks. In turn, the participant of FSE7 showed, during the interview, an understanding of the different types of plastics, and which ones are recyclable. When asked about it, she underlined that to run the business she had to learn by herself all the material properties and specification (as in

the case of plastic), in order to separate it correctly and sell it. She briefly said, *“I have learned over the years... by myself”*. (FSE7 – I1)

Participant of FSE3 considered that they did not have the necessary knowledge to run the social enterprise, mainly pertaining to product knowledge. In particular, one of the social enterprises aimed at transforming tires into new products; however, its members did not have any previous experience with this material. Yet they recognised the effort made by the project sponsors in transmitting them knowledge through training and the business visits that were provided. The participants underlined:

“We accept it what was on the table, and we knew that we did not have enough knowledge about it. Because what I know about a tire, it is dangerous...” (FSE3 – C11)

“We did not have any knowledge, but I can tell you, [Name of the sponsor] did bring a lot of people to show us.” (FSE3 – C11)

Below we discussed the skills and knowledge of the successful organisations.

5.6.2 Successful cases

5.6.2.1 Skills

As we saw in the training sub-section, most of the successful organisations believed that investing in human capital directly benefits the economic growth of the organisation, as well as the empowerment of the target population with whom they worked on a daily basis. They organised internal moments of learning and encouraged the employees to attend external courses aiming at upskilling them. This being, the participants of these organisations often stressed out the term *skills*, as we discussed below.

The authors of the annual report of SSE7 highlighted the empowerment and upskilling of the employees, by saying:

“Critical to our work and vision for [name of SSE7] is the ongoing upgrading of skills for all staff members. We believe it is vitally important to invest in our staff and to promote their ongoing development. In this way, their interest and enthusiasm for work and [name of SSE7] will be maintained.” (SSE7 - R)

In this line of thought, also the participants of SSE2 and SSE4 referred to the enhancement of the skills of the workforce. The participant of SSE2 said that with the revenue generated through the commercial streams, the organisation was able to upskill both the employees and the target population. In turn,

the participant of SSE4 emphasised the skills that each employee possess and the possibility to transfer them to other colleagues. This happened in peer-to-peer learning moments, as we previously saw in the training section. The main skills transferred between colleagues are business, financial, computer, writing and design skills. For this to happen efficiently, the organisation promoted an engaging environment where the employees could grow, as the participant stressed:

“We believe in the importance of creating an engaged environment that helps our staff to grow in their personal capacity, which in return benefits the company. We are also in the process of considering the transferable skills that each staff member has in order to utilise in areas outside of their current functions.” (SSE4 – I1)

The transfer of skills was also visible within SSE3. In one particular moment of the interview, the participant underlined that the colleague with a teaching degree acquired graphic design skills with the team. These skills were necessary to perform well in her role. The participant pointed out:

“She [referring to the colleague] pretty much jumped into the deep end, “ok, I do not know nothing about graphic design but if you teach me”, she is very clever, she picks on very quickly. She came on board like “hey, there is this need, let me try to fill out this need...” (SSE3 – I1)

The participants of SSE2 and SSE7 highlighted that they selected volunteers to be part of the board and/or committee according to the skills and experience that they possessed. We scrutinised the board constitution and their role in the organisation in the sub-section regarding the board of directors and supervisory committee (Cf. sub-section 5.5.2 of this chapter). By this, the organisations aimed at fulfilling the internal skills gap that may have existed, as it is possible to verify through the following quotations:

“I also want to welcome [name] and [name] as board members knowing you will enhance [name of SSE7] work through your vast experience and skills.” (SSE7 – R)

“So, you need to look at what is the skills mix that we need and then try to find those people.” (SSE7 – I1)

“You want actually people with the business skills and knowledge, so we have one who has her own... she is the regional director of creative industries, or something like that. And there is another one who works for the Mandela Bay Development Agency, so it is more on the business skills.” (SSE2 – I1)

From this, we deduced that the members of the organisation were aware of their own capacities, as well as their deficiencies in terms of knowledge and skills. Also the participant highlighted that his role as a manager was to recognise the skills gap, and act according to it. He said:

“I think as management, you try to do that, to see where the skills from your staff are complemented and what kind of skills do you need more and more in-house.”

(SSE1 – I1)

Besides the skills that each individual brought to the organisation, the participants of the successful ones (SSE8, SSE5) highlighted the combination of different skills as a valuable asset. Particularly regarding SSE5, the participant stressed a good point. The team was small, being just three staff members. Yet, she considered that the three have the necessary skills to thrive the business during the initial phase. The core activity was to support other entrepreneurs in difficulty through a TV show. Thus, for her team she recruited a person with a business background (even still studying) and a person with experience on how to conduct TV shows. The participants said the following:

“First of all, I am the face of the organisation. I am the CEO and the host of it. The two girls, one is the business side of it, because she studied business. The business side of the company is she that runs it. The other one is the production side of it, how actually produce a show.” [...] I do not think that I would be able to do the whole thing without the team. I will not be able to run a show on my own and not need them. It takes a whole team; it takes them to help me run the show. They are great capital for me.” (SSE5 – I1)

“The diversity in skills and expertise at every level from the Board through management, the volunteer trainees bring with them an enthusiasm that is an important investment in the project.” (SSE8 – I1)

Furthermore, the participant of SSE3 underlined how the team dynamic worked, by underlying some skills that she and colleagues had, and how they combined different skills together:

“[Name of the manager] is the visionary and quite often her enthusiasm takes the place of practicality, which is awesome to have her leading you because the rest of us, not the rest of us because [name of employee 1] and [name of the manager] they are quite similar, they are both visionaries, they see what they want and they think ‘yes, no problem, we can do it...’

[Name of employee 2] and I, we are much more practical. We can do it but is going to require this and this. So, if [name of employee 2] and I were run the organization it never has grown as much as it had.

A lot of stuff [name of the manager] is trying to do would never come through, so we have a very amazing dynamic. She is the visionary, she is like running with the torch. [Name of employee 1] is very much a help wherever it is needed, and she is very flexible, she is the opposite of me, she will be fine going into her day having nothing on her agenda and 'oh let me help you here and here and here'. [Name of employee 2] and I are much more 'Ok, we need to get this done today and do this by this time. I am very much a planner.

[Name of employee 2] is a lot of the know-how, he has so much more work experience than the rest of us. He has an amazing amount of connections and knowledge from his work experience" (SSE3 – I1)

5.6.2.1.1 Cognitive Skills

According to the participant of SSE2, the employees recruited as childcare workers possessed the necessary technical skills to work with their target population. This is one of the requirements to be registered within the national board, as we previously saw. In turn, the participant of SSE6 considered having the information technology (IT) skills required to transmit correctly the information to the learners. He shortly said, "I just bring in the knowledge and skill." (SSE6 – I1). Nonetheless, the participant was aware of his lack of business skills and consequently, of his needs of obtaining external inputs. He mentioned:

"I really need advice, people that have been in the industry, people who are employing people to teach me how these things work". (SSE6 – I1)

One participant of SSE9 referred that when new people start working in the workshops, the team leaders and colleagues transferred her/him the technical skills. For example, if one person joins the wood workshop the colleagues teach her/him to work with that specific material and machinery. The participant believed that these skills are important for the professional future of the person. He said:

"So now we are giving, putting him in a workplace, we teach new skills, so we restore his dignity and he is more proud. He can phone his family home and say, 'listen, life is going better for me, I am learning new skills'. When his programme is

over, he will be able to go and use these skills whatever he will go to work.” (SSE9 – 13)

On the other hand, when a person arrived for the first time, the staff of the organisation accommodated her/him in a workshop or department that fits with their skills and experience. The participant gave an example of an employee:

“Let us take [name] as an example. He has been in the building industry most of his life. And that is what carries on when he does plumbing and the outside projects. He has a team doing renovations on a house at the moment. So yes, your skill level that you had before carries on, but every day also you have different challenges and you learn different things.” (SSE9 – 13)

The other participant of this social enterprise believed he had the skills required to perform well as a social entrepreneur. Besides, he had the education and experience in this field, as we mentioned in previous sub-sections. The participant pointed out:

“Social entrepreneurship is what I do. Basically, it goes to use business methods to fix social ills. That is a skill that I bring it now, that they never used it before. They realised that they need it now to expand.” (SSE9 – 12)

5.6.2.1.2 Non-cognitive skills

Some CEOs of the social enterprises were social entrepreneurs known for their leadership skills and passion for this field. In one press article, the author characterised the social entrepreneur/CEO of SSE4 as a sharp leader, by saying that she had all the *“leadership elements in place”,* (SSE4 - PA). As mentioned in the previous quotation, the manager of SSE4 also led her teams and organisation effectively. Briefly, the participant of SSE1 also mentioned that he looked at the leadership skills when selecting a future staff member. He said, *“[experience] it is important and for us is also leadership.”* (SSE1 – 11).

Not only the social entrepreneurs were passionate by their work within SSE3, but also the employees they recruited. The participant emphasised this aspect during the interview. Above all, the organisation searched for people with a passion for this field of activity, as they believed it is essential to the further development of the organisation, as well as for the person itself. Her own words were:

“When I first came on board, I remember sitting down in the very small table and listening talking about how much it is important for people to be working in their

passions. And [name of SSE3] it is so often placed to people come together and express that passion, they run with it.” (SSE3 – I1)

Below we presented what the participants of the successful social enterprises said about knowledge during the interview.

5.6.2.2 Knowledge

We understand that some members of the successful organisation possessed the managerial knowledge, since they applied managerial instruments in their organisations. For example, the participant of SSE1 and SSE4 when speaking about the evaluation methods they used specific terms of strategic management. Here their own words:

“We have developed a scorecard for our organisation; it is not implemented yet because you need to grow towards that. (...) It is more strategising for the future, where do you want to go and how do you see the organisation and what will be the aim of the organisation.” (SSE1 – I1)

“We measure outcomes through a company scorecard that is based on our strategic anchors for each year, indicating targets that we want to achieve. The company scorecard is then also individualised per staff member based on their job descriptions and how they contribute to accomplishing the targets.” (SSE4 – I1)

According to the participant of SSE7, their tour guides had the necessary knowledge to perform well. The tour guides recruited by this social enterprise were born and raised in the townships of the city. They knew very well their history and mainly they were aware of the specific dynamics of these communities. The participant also pointed out that over the years the organisation developed a core knowledge that was vital to succeed in their field of activity. For him knowledge was not solely about the technical aspects of how to run an organisation, but also on how to contact and build relationships with the community. This being, the staff members had the knowledge necessary to build trust and to operate fairly within the poorest communities. For the participant, trust is a “*flag bearer*”. He underlined the following:

“We are quite unusual on what we do between the Tours and the Trust. So there has been over the years a development of knowledge base among ourselves. It is quite specific. And it is not necessarily replicable everywhere because often is about local contact, it is about understanding local relationships.” (SSE7 – I1)

“We have worked hard on that [referring to trust]. For us trust is very important because it is a license to operate. If communities do not trust us we cannot actually earn our income.” (SSE7 – I1)

“We look forward to continuing our path of growth and development, confident in the knowledge that we have developed a common vision that will serve to support the communities with which we work.” (SSE7 – R)

The participant of SSE1 spoke about knowledge exchange. They brought from Europe volunteers to help in the core activities of the organisation, such as teaching at schools. However, he underlined that the exchange of knowledge also occurred between the management team and volunteers.

“There is a reason why [we bring] so many interns from overseas, they are bringing in knowledge and we have now majored two people [name of the employee] and [name of the employee], they both trained major in certain areas, and it is knowledge exchange.” (SSE1 – I1)

In the next lines, we presented the comparison regarding skills and knowledge of both the failed and successful cases.

5.6.3 Comparison

5.6.3.1 Skills

We summarise the skills of the failed and successful organisations in Table 24. We comprehend that the members of some failed organisations possessed the necessary skills, others did not have it, and still others did not know how to implement them. The managers of FSE1 strategically opted to invite skilled members to their board, and specifically requested private funding for human capital investments. The participant of FSE5 contradicted himself during the interview. First, he considered that the staff members possessed the required skills, and later, he criticised that the sponsors did not consider this aspect when setting up the project, choosing unskilled members. Similarly, the participants of FSE3 criticised the process of selecting the constituents of their social enterprises, since the sponsors did not consider the skills that the individuals possess. Participants of four social enterprises (FSE1, FSE3, FSE4 and FSE6) openly noted the lack of cognitive skills, specifically, managerial and business skills. The other social enterprises did not mention this attribute. Participants of four social enterprises (FSE1, FSE2, FSE3 and FSE7) underlined leadership, yet solely in the case of FSE2 and FSE7, that leadership was of good quality.

All of the participants of the successful social enterprises spoke about skills. Some (SSE2, SSE4 and SSE7) indicated that their organisations invested in the upskilling and development of their employees. Others (SSE4, SSE4, SSE5 and SSE8) emphasised the transfer of skills between colleagues, and the combination of skills and the dynamics that emerged from that. Others (SSE2 and SSE7) chose to fulfil their skills gaps by inviting knowledgeable and skilled people to their boards and committees. The two non-cognitive skills that the participants mentioned were leadership and passion. Regarding the cognitive skills, the participant of SSE2 underlined the abilities of the childcare workers and the participant of SSE6 mentioned his own IT skills. Yet he also openly referred to the absence of managerial skills. Similarly, the participant of SSE5 was aware of the lack of these specific skills, and thus, she opted to recruit someone from the business field. The participants of SSE9 underlined the technical skills that the employees had when entering the organisation, as well as the ones that they were able to develop inside the organisation. Moreover, one participant of this social enterprise considered himself a skilled social entrepreneur.

From the above, we observed some differences between the skills that the employees of failed and successful organisations possessed. Most of the failed organisations did not have the necessary skills, or the skills they had do not fit within their job description or they did not know how to implement them. In turn, the participants of the successful organisations were aware of their skills gaps and of the need to continuously improve it. On this matter, they had been upgrading their competencies, engaging with skilled individuals and selecting team members with different abilities. This latter aspect could have made the difference when it comes to the organisational performance.

5.6.3.2 Knowledge

It is included in Table 24 the knowledge of the failed and successful organisations. Only participants of three failed organisations (FSE3, FSE6 and FSE7) mentioned work-related knowledge. The participants of FSE6 and FSE7 noted the existence of sufficient knowledge to run the organisation. In particular, they spoke about product knowledge. Only the participants of FSE3 acknowledged the absence of this specific human capital attribute.

The participants of SSE1 and SSE7 pointed out the existence of knowledge among the employees of their organisations. One participant specifically mentioned the knowledge exchanged between employees and international volunteers. The organisation relied on international individuals to also improve the employees' know-how and organisational performance. The participant of SSE7 spoke about the community and local knowledge that the tour guides had, as well as the knowledge that the organisation obtained over the years. Also, indirectly we understood that the employees of SSE1 and

SSE4 possessed managerial familiarity due to the terms used to explain their evaluation methods. We did not find significant differences among the cases of failure and success.

Table 24 - Skills and knowledge: failed and successful social enterprises

Skills and Knowledge	
<p>FSE1</p> <p>Sufficient skills among top managers. It decreases with the hierarchy = low skills among general staff. Difficulties in attracting expertise due to lack of financial resources.</p> <div style="border: 1px solid black; padding: 5px;"> <p>Cognitive Skills:</p> <ul style="list-style-type: none"> - Business Acumen of the board/partners members - Lack of technical skills (an example of the administrator) - Farm employees did not need academic skills, but technical skills learnt on the job <p>Non-cognitive Skills:</p> <ul style="list-style-type: none"> - Leadership <ul style="list-style-type: none"> o Difficulties in controlling the staff o Difficulties negotiating with top managers </div>	<p>SSE1</p> <p>Internal evaluation of skills and gaps Investment in future leaders</p> <div style="border: 1px solid gray; border-radius: 10px; padding: 10px; margin-top: 10px;"> <p>Knowledge:</p> <ul style="list-style-type: none"> - Managerial - Exchange with European volunteers </div>
<p>FSE2</p> <div style="border: 1px solid black; padding: 5px;"> <p>Non-cognitive Skills:</p> <ul style="list-style-type: none"> - Leadership = the social entrepreneur is a well-known community leader </div>	<p>SSE2</p> <p>Investment in skills (with revenue generated through commercial activities) Board of directors and Management committee = Skills</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Cognitive skills:</p> <ul style="list-style-type: none"> - Certified home care workers </div>
<p>FSE3</p> <p>Sponsors did not consider the previous skills of the members when selecting them for the social enterprise = Failure</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Cognitive Skills:</p> <ul style="list-style-type: none"> - Lack of business skills <p>Non-cognitive Skills:</p> <ul style="list-style-type: none"> - Leadership = Mistrust hampered the leader's ability - Lack of motivation and passion - Building confidence through training </div>	<p>SSE3</p> <p>Transfer skills between employees and combine the existent skills (team dynamic)</p> <div style="border: 1px solid black; padding: 5px; margin-top: 10px;"> <p>Non-cognitive skills:</p> <ul style="list-style-type: none"> - Passion (founders and employees) </div>

	Lack of product knowledge		
FSE4	Cognitive Skills: - Lack of managerial skills	SSE4	Upskilling Skills transfer (peer-to-peer learning) Non-cognitive skills: - Social entrepreneur = Leader (recognised as such nationally)
FSE5	Sponsors did not consider the previous skills of the members when selecting them for the social enterprise; instead they looked at the unemployment statistics = Lack of Skills within the social enterprise Non-cognitive skills: - Lack of commitment	SSE5	Combination of skills among employees - Business ↔ TV production ↔ Social Entrepreneur
FSE6	Cognitive skills - Lack of business skills Knowledge of the product	SSE6	Cognitive skills: - Information and technology (core activities of the business)
FSE7	Non-cognitive Skills - Leadership (learnt in high school) - The unreliability of the employees Knowledge of the product	SSE7	Investment in upskilling employees Board of directors = Skills Tour guide knowledge (acquired by their own Experience) → Core Knowledge → Help building trust
		SSE8	Combination of different skills - Board of directors ↔ Management ↔ Volunteers

	SSE9	Cognitive Skills <ul style="list-style-type: none">- Social entrepreneurship- Technical skills = Workshops<ul style="list-style-type: none">o Transfer of skills to new employeeso Accommodates employees according to previous skills

5.7 Conclusion

The most significant differences between the failed and successful social enterprises regarding the overall human capital attributes identified in this study were level of education, training and skills. The most clear-cut factor was education. We note from the above that the managers of failed social enterprises opted to recruit individuals with lower levels of education, in contrast to what the managers of the successful ventures did. Among the employees of three social enterprises (FSE2, FSE5 and FSE7), none had attended university. Also, they did not hold any type of certificate/qualification relevant to their job description. The other four failed organisations (FSE1, FSE3, FSE4 and FSE6) had among its members personnel with higher education degrees, or at least, university attendance. Yet some of them did not possess a diploma or qualification relevant to the tasks performed or were not directly involved in the operations of the organisation, as in the case of FSE3 and FSE4. In contrast, all the successful social enterprises employed at least two individuals with higher education diplomas, and most of the employees had a diploma relevant to their job descriptions. SSE1, SSE4, SSE5 and SSE9 emphasised staff members with management and business degrees. Among the failed social enterprises, FSE1 had staff with the highest levels of education, demonstrating clear investment in this attribute. Yet the general manager in charge when the organisation entered its downward path did not possess any managerial qualification, but a degree in medicine.

As mentioned, the failed and successful organisations regarded training differently. The successful social enterprises adopted an internal culture that promoted peer-to-peer learning, as well as learning by doing. Except for SSE1, the successful organisations focused on three types of internal training. The peer-to-peer learning in some of the successful organisations was transmitted informally, while performing the tasks; in other cases, it was formalised and structured. In turn, only the participants of FSE1 referred to the issue of internal training. Once again, we understand that this organisation adopted organisational dynamics similar to the successful ones. For us, the lack of internal training among the failed ventures may be due to a shortage or lack of skills and knowledge, which limits the transmission thereof. Regarding the attendance of external training, we noticed in both set of organisations a focus on obtaining financial training. As we also detailed above, some failed organisations expected the training to be provided by the sponsors, which raised the possibility that it may not have been planned according to the members' needs and the issues on the ground. That is why the components of training received were similar in three failed cases. In some of the successful social enterprises, the training derived from the evaluation of internal gaps and the need to fulfil these.

Moreover, successful social enterprises looked for training in fields other than the financial field, as, for example, ABCD, leadership, personnel development, etc.

As regards skills and knowledge, we verify that the successful social enterprises invested in upskilling their employees through both internal and external training. Moreover, these organisations often referred to the transfer of skills between employees and/or the combination of different set of expertise. Small organisations, for example SSE3 and SSE5, attempted to recruit individuals with a variety of skills and combine these individuals and their skills, as part of vital strategy for survival. Not only is this important for small organisations, but also for organisations that have to combine two different institutional logics, such as social enterprises. Such combination of skills was not visible among the failed social enterprises, except for FSE1. In some cases, the social enterprises were constrained to stick to the activities their sponsors had chosen, and this was a criticism that the members raised (FSE3 and FSE5). The sponsors did not consider the previous set of skills that the applicants possessed. Nevertheless, after the start-up phase, it was up to the members of these organisations to rethink their strategies according to their gaps and needs. The failed social enterprises showed a lack of cognitive skills, mainly, business and managerial related (FSE3, FSE4 and FSE6). They also lacked non-cognitive skills, such as motivation, passion and commitment (FSE3, FSE5, FSE7).

Most of the employees of both the failed and successful organisations had worked elsewhere before entering the entrepreneurial project. We did not see great variances between the cases; yet, some differences stood out. Regarding the field of previous experience, some of the employees of successful social enterprises had worked in the for-profit sector, performing qualified positions. In turn, just two of the failed social enterprises had members with previous experience in qualified jobs. One was the social entrepreneur of FSE3 (financial field), and the managerial personnel of FSE1 (accounting, nursing and medicine). Experience and levels of education were related. This means that people holding tertiary education degrees will perform tasks according to it, and according to their field of studies. An interesting point to note is that some employees of the successful social enterprises (SSE2, SSE3, and SSE7) had previously worked as volunteers, thereby demonstrating their commitment to serve the community, before investing themselves in the organisation. It shows that the values and mission of the organisation drove them. Similarly, the social entrepreneur involved in FSE3 considered himself as passionate about this field. FSE4 and FSE7 members, despite the fact that they had formerly been involved in the cooperatives sector, saw the demise of their social enterprises.

There are some differences and similarities across the venture regarding the issue of external advisors. Most of the social enterprises relied on external stakeholders to obtain advice and guidance, except for SSE6, which instead used its board to obtain the advice needed. Specifically, SSE2 created a

management committee to support and strengthen its decision-making processes. The social entrepreneur of FSE3 had the same idea; yet just for the implementation phase. Besides this failed enterprise, only FSE1 managers' intentionally formed valuable. In FSE7, as an organisation with little resources (physical and human), the social entrepreneur could have focused on building strategic alliances, but struggled to do so. We understood that after the failure of the venture, she looked for a more stable livelihood with an incubator. When interviewed, the participants of FSE2 and FSE6 did not refer to external stakeholders as a vital resource, seemingly accepting what possibly sponsors and clients offer. From Figure 17, we conclude that most of the successful organisations avoided relying on public organisations and sponsors/clients, searching for resources among other market and non-profit organisations. The data shows us that these organisations did not only rely on partners, but also collaborated with them. Only SSE5 enjoyed the support of public development agencies. In turn, five failed social enterprises counted on public organisations, which were mostly also their sponsors/clients.

We analysed the above six attributes of human capital. We aimed at understanding the role of human capital in the failure of social enterprises, by scrutinising, at the same time, the successful ones. Except for FSE1, all the others failed social enterprises studied, demonstrated a shortage of two or more human capital attributes. This was a fatal combination for the organisations. Even if a deficiency in the above attributes did not directly lead to failure, it served as an impediment in the organisation's path, which, in turn, led to failure.

CHAPTER 6

DISCUSSION AND CONCLUSION

The previous chapters presented an analysis of the causes of failure and the human capital attributes of the members of both the failed and the successful organisations. In this chapter, we discuss the research results, integrating them with the literature review presented in Chapter 2.

We follow the same structure as Chapter 4. This means that we first discuss the external causes and then the internal ones. The last cause that we present regards the human capital attributes. We include on the analysis of this last cause the results of discussed in Chapter 5. We aim at lending robustness to the findings.

After the discussion, we draw our conclusions as to theory and praxis. As our study also had some limitations, we present them at the end of the chapter, followed by suggestions for further research.

6.1 General considerations

This study was prompted by the idea that we might learn and improve our understanding of social enterprises if we looked at the unsuccessful cases. In the previous chapters, we verified that failure was still an understudied phenomenon within social enterprises literature. The majority of the studies selected for analysis followed on the failure of non-profit organisations; only a few focused on social enterprises. Authors use different theoretical lenses to explain organisational failure (Helmig et al., 2014). Yet it is possible to integrate the authors' different, yet complementary, perspectives (Anheier & Moulton, 1999). This is the reason why we presented a framework at the end of Chapter 2 that enlightened us about the complexity of the phenomenon.

When analysing the data regarding the causes of organisational failure in South Africa, we note that some factors are coherent with the literature. Yet we also find some dissimilarities. Table 25 presents all the causes of failure that we discussed previously, both the ones emerging from the literature and the ones identified through the data.

Table 25 - Causes of organisational failure: systematic review and empirical data

Systematic Review	South African Data
<ul style="list-style-type: none"> - Managerial policy / systems - Human capacity - Population ecology - Institutional logics - New institutionalism - Resource dependence theory 	<ul style="list-style-type: none"> - Theft and vandalism - Institutional context - Socio-economic environment - Trust - Resources - Governance - Management - Human capital

As discussed previously, authors often refer to the capacity, skills, expertise, know-how and experience of the members of the organisations when explaining the reasons behind organisational failure. Only one author referred expressly to the human capital theory (Bennett, 2016); others refer to personnel capabilities and human capacity (Hager et al., 1999; Rohe & Bratt, 2003). In Chapter 5, we described the human capital of failed and successful social enterprises, drawing a comparison between both. Divergences in some attributes regarding these two sets of organisations became evident, a phenomenon that is important to discuss again in this chapter.

In the next section, we put all the data of Chapters 2, 4 and 5 in dialogue, examining their convergences and divergences. By doing this, we hope to develop a common ground and theoretical consistency to all data. In addition, we answer our research questions (Cf. sub-section 1.4 – Chapter 1). Moreover, we redefine the several dimensions comprising the failure framework. Mordaunt and Cornforth (2004) concur with the need for the design of an integrative framework and approach to failure research.

Therefore, firstly, we discuss the external and internal causes of organisational failure. Then, we present human capital as one of the causes of such failure, by including the results of Chapter 5.

6.2 Understanding the causes of organisational failure

Several authors refer to the impossibility of attributing failure to a single cause (Hager et al., 1999; Helmig et al., 2014; Mordaunt & Cornforth, 2004), presenting it as a multidimensional phenomenon. Fernandez (2008) contradicts this by emphasising that the failure of the associations he studied, was unidimensional, yet he recognises a multidimensional characteristic of the phenomenon. Anheier and Moulton (1999) highlight “*organisational approaches see the causes of failure in a complex genesis of factors*” (p. 276). The South African data shows a multitude of factors. The participants in this study seldom cited a single reason for the failure of their organisations (Cf. Table 16 – Chapter 4). In addition, we understand that failure rarely derives from different factors independent from each other; these factors are often interrelated. One cause serves as the root and trigger mechanism for another cause,

and exercising a great influence on another one. This being said, we conclude that failure in social enterprises is characterised by multidimensionality, complexity and interconnectivity.

Below we discuss all the causes that determined the failure of the South African social enterprises that participated in the present study. We add to the failure puzzle the conclusions of the studies analysed in Chapter 2. We recognise, similarly to Helmig et al. (2014), the importance of external and internal variables in the context of failure. Firstly, we discuss the external factors, and then the internal ones.

6.2.1 External

6.2.1.1 *Theft and vandalism, and socio-economic environment*

Most of the literature reviewed, does not refer to theft or, vandalism, nor to the socio-economic environment as causes of failure. As we saw in the introductory chapter, Nelson Mandela Bay at a local level, and South Africa at a national level, have high rates of crime, violence, inequality and poverty. Social enterprises also seemed trapped by these issues (FSE1, FSE4 and FSE5). Yet theft and vandalism did not emerge only as external circumstances. Internal problems, such as the lack of financial resources and mismanagement, opened the door to the entrance of thieves and vandals. Rohe and Bratt (2003) briefly mention the increase in the crime rate in a neighbourhoods where one organisation was located. Crime did not affect the organisation directly, but rather the market dynamics, leading to changes that the organisation was unable to control.

Theft and vandalism are issues of the socio-economic environment. The participants in this study emphasised other issues in the external environment that contributed to the failure, in particular community absorptive capacity, laziness, poverty, violence and trauma. These issues reflected in the low levels of social capital and affected the market dynamics. Scott and Teasdale (2012) have nominated some characteristics of the external context, linking the lack of skilled individuals in an area with poor governance. They state, "*there may not have been sufficiently skilled individuals in Steeltown willing to join the board of trustees*" (p.149) of the organisation. Even if not totally in line with what we discovered in respect of the ventures taken under the loop in this study, we use both findings to argue that the characteristics of the socio-economic environment influence the path of social enterprises. Therefore, social entrepreneurs and managers must be aware of the idiosyncrasies of the environment in which the organisations are set up in order to implement measures that will make these organisations thrive independently of the pressures prevalent in the external setting. Based on the above, we include the socio-economic environment with all its specificities in the external setting of organisations.

In the next lines, we discuss the market conditions, which is related with the resource dependence theory.

6.2.1.2 Market conditions (resource dependence theory)

We verify that the participants of the four failed organisations studied, made reference to market characteristics when speaking about their failure. We divided market characteristics into the loss of clients and lack of business. Rohe and Bratt (2003) emphasise that market forces can create enormous problems for organisations. Gras and Mendoza-Abarca (2014) concur stating that even though market-based sources reduce dependency on traditional funding, they also expose organisations to market instabilities. We corroborate their statements, as we verified that market characteristics had had a negative effect on the path of four social enterprises.

In this study, two organisations highlighted clients' loss, but for different reasons. FSE2 failed to implement strategies to diversify its client portfolio, relying on one client only. When the client decided to end the contract, the social enterprise did not have the financial capacity to continue operating. The loss of a client derives from the client's own decision, negatively affecting the cash flow of the organisation, leading to failure. One participant stated that a key learning requirement was how to manage the organisation money frugally and successfully. For the social entrepreneur of FSE7, one of the main obstacles was the loss of clients, which she linked to the lack of the required transport to reach them. A vicious cycle became visible here, since the lack of physical resources led to the loss of clients, which in turn decreased the venture's financial inputs. It is noteworthy that both organisations relied on a single source of income. We discuss further the issue of funding diversity in the financial resources sub-section.

Both FSE4 and FSE6 made mention of lack of business. One participant of FSE4 stated that there was no real craft market in Nelson Mandela Bay, and thus the organisation could therefore not reach consumers to sell its products. The participants of the study of Hager et al. (1999) also underlined a reduction in the number of customers as a cause of failure. The participant of FSE6 associated the lack of business, specifically the impossibility to reach potential clients, to the small size of the venture. This is similar to what the liability of smallness postulates. The hazard rate is higher among small organisations (Bielefeld, 1994; Burde et al., 2017; Fernandez, 2008) due to difficulties in raising capital, attracting, recruiting and retaining highly skilled workers, and higher administrative costs (Aldrich & Auster, 1986 as cited in Mellahi & Wilkinson, 2004). Hager et al. (1999) aver that small (and young) organisations suffer from isolation and disconnection from their environment. External stakeholders tend to consider larger organisations as more successful, overlooking the smaller ones (Baum & Oliver,

1991). Moreover, large organisations depend less on the external stakeholders and have greater access to the market (Bain, 1956 as cited in Mellahi & Wilkinson, 2004).

Taken the above, we conclude that for social enterprises, the overreliance on a single client increases the likelihood of failure; also that small size is a liability in finding market opportunities and reach clients; and that the lack of a market hinders the sale of products. This being said, the managers of social enterprises need to be aware of the market fluctuations and the difficulties in entering it when designing and exploiting commercial opportunities. Moreover, market research to understand its dynamics, demands and future directions is vital (Bennett, 2016). Another advantage of doing so, according to Bennett (2016), is the possibility of expanding the organisational network. Yet, defining viability strategies require a set of skills.

Market conditions present similar findings to the authors citing the resource dependence theory, as seen above. We include both categories in the external context. It is important to bear in mind that both market conditions and resource dependence influence the financial resources of the organisation. We argue that there is intense interaction between the market, the availability of internal resources, and managerial decisions regarding it. Authors believe that the diversification of sources of income, although demanding considerable management effort, decreases organisational vulnerability (Bielefeld, 1994; Burde et al., 2017; Gras & Mendoza-Abarca, 2014; Hager et al., 1999; Rohe & Bratt, 2003).

Below, we draw our conclusions regarding the institutional context and its effect on the organisational failure.

6.2.1.3 Institutional context (new institutionalism)

When coding the data in this study, we created the category institutional context, which aggregates institutional support, politics and social capital. These three sub-categories also appear in the literature review (under the category of new institutionalism). New Institutionalism also includes other sub-categories that the participants of our study did not mention directly. Institutional theorists such as Meyer and Rowan (1977) and DiMaggio and Powell (1983) claim that organisations increase their odds of surviving when obtaining legitimacy, social support and approbation from external stakeholders of the institutional setting.

6.2.1.3.1 Institutional support (institutional links)

We found evidence amongst the data that validated a lack of institutional support as a factor contributing towards failure. The participants of FSE3 and FSE4 highlight this issue. The local authorities had backed the launch of both social enterprises, but they did not follow up with the necessary support. Specifically, in the case of FSE4, such lack of support was reflected in the absence of basic services and resources, such as water and electricity. Instead, the market and non-profit organisations rendered their services and resources to these organisations; yet it was not sufficient for them to thrive. When the social enterprise studied by Scott and Teasdale (2012) began to fail, the local authorities that had supported it, refused to help reverse its downward spiral. Baum and Oliver (1991) confirmed in their study that institutional links and support played a very significant role in reducing the likelihood of organisational failure – in line with institutional theory, which suggests that institutional support brings a variety of advantages, such as stability, social support, legitimacy and access to resources.

Moreover, Baum and Oliver (1991) emphasise that *“young organizations that confronted a liability of newness were shown to benefit to a significantly greater extent from institutional linkages than older organizations”* (p. 214). By this, we understand that legitimacy can be an ‘antidote’ to an organisation’s liability of smallness. FSE3 was a very young organisation (Cf. Appendix E), and we can therefore conclude that the lack of continuous and effective support from the local authority cited, endangered its survival. Furthermore, the external stakeholders did not provide shelter from the risks of youth and inexperience to the fledgling organisation (Baum & Oliver, 1991). Rohe and Bratt (2003) specifically refer to a lack of support from umbrella organisations. None of the ventures in this study reported similar experiences.

Strongly related to institutional support is the issue of legitimacy (Baum & Oliver, 1991; Hager et al., 1999). Fernandez (2008) believes that the state is the main provider of legitimacy. None of the participants of the failed social enterprises in this study referred to a lack of legitimacy as justification for their failure. Yet the participant of FSE3 states that the absence of support from local authorities was based on the good public image in which the organisation was held, stating, *“Good outcomes and they [referring to the local authorities] saw the good things in the newspaper; they read it in the newspapers.”* (FSE3 – I1). The media published several articles valuing the positive work done by FSE3. The local authorities, sponsors of the social enterprise, seeing the good image in the media, considered it as a sufficient way of assessing the feasibility of the project, and therefore, they distanced themselves from it. In addition, the person who launched the social enterprise was a nationally renowned social entrepreneur, and thus, surrounding community/institutions trusted his work. So

being, we argue that the organisation achieved a certain degree of legitimacy among media and public institutions. Scott and Teasdale (2012) present a similar approach to legitimacy as a cause of failure. Local media and authorities accompanied the rise of the social enterprise studied by these two authors, legitimising its work and choices, and facilitating the road for the obtainment of grants. The authors specifically stated,

“The media covered visits to EA [studied social enterprise] by the then Home Secretary, while EA was held up as an example of social enterprise good practice in at least two high-profile government publications, as well as in national newspapers and publications by national social enterprise support organisations.” (p. 146)

Baum and Powell (1995) mention that the media are rich indicators of social legitimacy, as they do not only report, but also influence the opinion of the public (Fombrun & Shanley, 1990). Similarly, Hager et al. (1999) conclude that a positive public image increases the chances of organisational survival. Bruneel et al. (2016) discuss the recognition obtained by a Belgian social enterprise, contending that the constant recognition and legitimation of the social enterprise as a best practice diverted attention from its financial problems and served to further unbalance the institutional logics. We find resemblances between this case and FSE1. Based on the organisational documents, media articles and interviews we conclude that FSE1 received both national and international recognition, along with several monetary prizes. After years of success, the organisation entered a downward path, with causes rooted in financial stress. Moreover, FSE2 received recognition as best practice and successful organisation from the International Labour Organisation (ILO), from the European Union (EU), and the Cooperative and Policy Alternative Centre (COPAC). Likewise, as aforesaid, FSE3 frequently appeared in the media as a venture highly successful in cleaning the community and empowering its members. We argue that these several recognitions, aside from the fact that it boosted organisational legitimacy, decreased external assistance and control, opening the door to failure. This being said, *“social organisations, the press, and politicians should be cautious to award prizes to promote a role model that has not proven sustainability on a longer period”* (Bruneel et al., 2016, p. 283).

In this sense, legitimacy may have a dual effect. On the one hand, studies have proven that legitimacy increases the prospects of organisational survival (Baum & Oliver, 1991). On the other hand, legitimacy may allow organisations to obtain greater autonomy, allowing the emergence of internal defaults (Bruneel et al., 2016; Scott & Teasdale, 2012).

6.2.1.3.2 Politics

Also related to socio-political legitimacy, are political interests and their influence on organisational failure. As mentioned in Chapter 4 (Cf. sub-section 4.2.3.1 – Chapter 4), FSE3 started with the support of the Premier's Office to provide cleaning services. The instruction from the local authority was direct and clear: *"We would like you to work on waste"* (FSE3 – CS1). Later, the social enterprise was caught in-between political fights. On the one hand, politicians used the social enterprise to reach the community and gain votes, and on the other hand, politicians used the social enterprise to attack the opponent's party. The social enterprise suffered from the shift in political parties and their interests. Scott and Teasdale (2012) also refer to politics, yet in a different manner. When the social enterprise entered a downward path, the local authorities and politicians refused to be involved due to its negative image. To our best knowledge, there is a lack of studies that prove the abovementioned.

We argue that the political environment influences not only the development of the sector (Bull, 2018), but also how and whether organisations thrive. As Kay, Roy and Donaldson (2016) underline, social enterprises *"need to be aware of the dangers and political implications of being unwittingly co-opted by the public sector to act as service providers, and not as independent organisations addressing social and community needs."*

6.2.1.3.3 Social capital

Trust is an essential component of social capital. If in place, it allows individuals and organisations to collaborate. Participants of FSE3 emphasised the lack of trust among community members as a cause of organisational failure. This is in line with what authors postulate in their studies (Rohe & Bratt, 2003; Seanor & Meaton, 2008). Hager et al. (1999) have studied the issue of social capital, however by measuring it through variables other than trust (Cf. sub-section 2.4.2.1.1.1 – Chapter 2). They establish that the lack of social capital was a factor contributing to closure. It is not one of the most significant factors, yet it does carry importance. In turn, Rohe and Bratt (2003) and Seanor and Meaton (2008) have analysed trust levels, establishing that a lack of trust often stemmed from managers' decision to hide essential information about both the financial situation and other internal obstacles from their boards and external stakeholders. Consequently, the funders distanced themselves from these organisations. Moreover, Seanor and Meaton (2008) underline that existence of distrust within social enterprises' networks leads to an increase in competition and isolation.

Regarding FSE3, the lack of social capital was an endemic problem in the community in which the organisation operated. The project sponsors were aware of this issue when the social enterprise started; however, they did not manage to mitigate this successfully. We argue that low levels of social

capital influence internal trust levels and lead to failure. The aforementioned authors aver that a lack of communication and reluctance to share information decrease the level of trust that external stakeholders and boards had in organisations. Taken the above, we may conclude that social capital has a dual root, yet it leads to similar outcomes. On the one hand, internal issues or the poor choices of managers lead to a decrease in social capital in the network of the organisation (Rohe & Bratt, 2003; Seanor & Meaton, 2008). On the other hand, the pre-existence of low levels of social capital in an organisational environment affects internal trust levels (FSE3). We acknowledge that the low levels of social capital among community stakeholders may be a specific feature of the Nelson Mandela Bay context. Nevertheless, other contexts may face the same issue, and future social entrepreneurs must therefore be aware of its consequences prior to the establishment of social enterprises.

The participants do not mention the normative control and/ or local policies to justify the organisational failure. Hence, it is impossible for us to discuss the influence of overregulation by business or government and outsider influence as the authors did. Yet we do consider these two aspects as a possible failure cause, and thus they are included in the framework.

In the next section, we discuss the internal causes of organisational failure, focusing on an analysis of the human capital attributes, integrating the data of Chapters 4 and 5 with the literature.

6.2.2 Internal

6.2.2.1 Trust

We verified in Chapter 4 that participants of two social enterprises emphasised a lack of internal trust as a contributor to organisational failure. In one case (FSE3), the mistrust had its roots in the surrounding environment, since it was associated with lack of social capital. In the other case (FSE6), the mistrust emerged from a lack of business and insufficient revenues to distribute amongst members, which led to incidents of internal theft. In both cases, this resulted in relational problems that hindered organisational survival. Along this line, Mordaunt and Cornforth (2004) and Seddon et al. (2015) discuss internal mistrust between the board and staff members of the ventures they scrutinised. In both these studies, mistrust was found to have contributed to organisational failure. Mordaunt and Cornforth (2004) underline that *“Once this happens there is a danger of a downward spiral in relationships and growing problems”* (p. 230). In the same paper, these authors also present the turnaround of two social enterprises, explaining the role of developing more trustful relationships in overcoming a number of organisational issues. This being said, we consider vital the establishment and maintenance of trustful relations and dynamics as vital in enhancing organisational survival.

None of the other authors refer to the issue of the lack of internal trust amongst members; yet authors point out other internal problems that hinder the development of sound and stable work relations. Rohe and Bratt (2003) and Seanor and Meaton (2008) refer to a lack of communication, while Bennett (2016) and Fernandez (2008) indicate other internal conflicts. The participants in Fernandez's (2008) study, referred to conflicts related to power control. Bennett's (2016) findings regarding internal conflict specifically refer to disagreements between staff and volunteers regarding the mission, and disagreements with the trustees. In addition, the participants admitted that they do not know how to deal with internal conflict over policies.

Taken the above, we consider the work environment as a dimension of the organisational setting that contributes to failure. Lack of trust was the first cause pointed out by three participants of FSE3; some members of the organisations did not trust others to undertake simple daily tasks. This prevented them from planning and looking at the future, and hindered the leader's ability to drive the organisation. We decided to broaden this category to also include conflict and lack of communication, naming it work environment.

Next, we share our conclusions regarding the resources category.

6.2.2.2 Resources

In this sub-section, besides explaining the role of lack of financial resources, we highlight the major findings regarding lack of human and physical assets. The data of the present study confirmed that lack of physical, human and financial resources endangered organisational survival.

6.2.2.2.1 Financial resources

As we previously mentioned in the sub-section on market conditions, market strategies affect the number of financial assets available to organisations. There, we focused mainly on the discussion of commercial activities (lack of business and loss of clients), while the issue of funding from other sources is relevant here.

One of the main symptoms of organisational distress is the shrinking of financial resources. In our study, members of four social enterprises underlined the effect of the lack of these assets. All participants of FSE1 referred to this issue. One participant considered that the financial problems arose from the withdrawal of public grants; the other two participants, instead, blame problems in management and governance. Scott and Teasdale (2012) also link financial stress with management and governance incompetency. One of the causes they underline is poor governance. In this study,

they found that the board of trustees seemed not to possess the necessary financial skills and did not demonstrate hands-on oversight to recognise the problems. Regarding management, the authors prefer not to take a simplistic standpoint of financial unskilfulness, rather looking at other factors, such as the pressure of the external rules in the internal strategies. Also, Hager et al. (1999) found that most of the participants in their study referred to financial difficulties, without further specification. The authors placed this aspect under managerial expertise.

The social entrepreneur of FSE7 started the organisation with her personal investments and did not obtain further capital through other channels. The income generating activity was not sufficient to cover the organisation's expenses. We find a similar pattern within FSE5 and FSE6. However, these social enterprises were not started with members' personal funds, but rather with public grants. All three organisations obtained inputs from a single source; two relied on public funding, and one on commercial activities. We mentioned previously that FSE2 lost its main client, endangering financial inputs and thus leading to failure. The managers of this social enterprise also did not implement strategies that could help them move beyond a single source. One of the failure cases studied by Rohe and Bratt (2003) also relied heavily on a single source. Organisations who do not take actions to diversify their revenue strategies, present higher odds of failure (Bielefeld, 1994).

Hager et al. (2004) specifically argue that non-profit organisations that rely on public funding increase their possibility of failure by 155% over those that do not have government support. Public funding is dependent on political agendas, which fluctuate according to changes in priorities. Moreover, small organisations are more vulnerable to funding instability. In the case study presented by Scott and Teasdale (2012), high dependence on public funding, and the late payments of it, led to financial stress. For Mordaunt and Cornforth (2004), an external problem of the studied organisation was funding. Yet they do not refer to the absence of it, but to the sudden reception of a large amount of funding.

Gras and Mendoza-Abarca (2014) contend that broadening income strategies to more market-based sources will decrease the hazard of failure, since organisations will then control their finances better. However, this would also expose the organisations to market oscillations, increasing the odds of failure, as it would not only ameliorate the independence of the organisations, but also intensify the management of funding (Fernandez, 2008) or management effort (Bielefeld, 1994). Therefore, if the managerial team does not have the necessary skills to manage funding diversity correctly, it may bring drawbacks as well.

Taken the above, we verify that the absence of financial capital among the studied social enterprises stemmed from overreliance on a single source (funder, client or commercial activity), which concurs with authors' findings (Bielefeld, 1994; Gras & Mendoza-Abarca, 2014; Hager et al., 2004; Rohe & Bratt,

2003). In addition, the hazard rate decreases for organisations with various sources of income (Burde et al., 2017). Being so, we highlight that social enterprises must find a healthy balance regarding financial inputs. It is important to avoid an excessive dependency on one single source, since it renders the organisations vulnerable to external fluctuations.

6.2.2.2 Human and physical resources

The scarcity of physical and human resources endangered the survival of five of the social enterprises that participated in this study. FSE4 and FSE7 did not have the necessary basic resources to function properly, such as water, electricity, drainage, and transport and deposit facilities. In both cases, the lack of physical resources emerged from a lack of financial assets, and in the case of FSE7 this triggered the loss of clients. Likewise, the insufficiency in their human resources components also stemmed from financial crises. FSE1 lost employees due to its inability to pay their salaries. The members of FSE6 saw their financial expectations unmet, and therefore chose to leave the organisation for other jobs. In one of the failure cases analysed by Mordaunt and Cornforth (2004), on-going financial stress led to staff redundancies. Rohe and Bratt (2003) highlight the issue of a deficiency of pecuniary resources to recruit and retain personnel. Moreover, Fernandez (2008), as in our five cases, verifies that the Spanish associations he studied, had closed due to the insufficiency of physical and human resources, this being one of the two major causes of closure. For the author, resource insufficiency comprises “*sparseness of physical resources, insufficient involvement of the members, exit of many members, and lack of entrepreneurship*” (Fernandez, 2008, p. 134). In our study, we include lack or sparseness of physical resources and exit of members/employees, voluntarily or involuntarily, as causes of organisational failure.

From the above, we comprehend that physical and human resources are vital to organisations. Fernandez (2008) does not explain the reasons behind the lack of the abovementioned resources. In our cases, lack of these resources could be explained by the absence of pecuniary assets, which in turn, caused the loss of clients and inoperability.

In the following sub-section, we discuss the issues related with governance.

6.2.2.3 Governance

The participants of three social enterprises (FSE1, FSE5 and FSE6) underlined governance issues as a cause of failure. One common aspect cited was the lack of control. In all cases, the governing bodies did not implement effective systems and procedures. Specifically, the participants of FSE1 referred to lack of control over the organisational finances, mainly regarding the income of the commercial

activity. In the other two cases, the sponsors did not oversee the continuous operations on the ground. Likewise, Bruneel et al. (2016) found that the social enterprise they studied, did not have the governance mechanisms in place to respond appropriately to the competing logics.

The organisations studied by Scott and Teasdale (2012) and Mordaunt and Cornforth (2004) showed signs of poor governance as well. In the Scott and Teasdale (2012) study, the poor governance cited, entailed mainly the lack of proper structures to accompany the expansion and transition of the social enterprise. In our cases, the organisations were not in expansion or transition; however, they also required an advanced governance structure, which was not in place. Scott and Teasdale underline the lack of skilled board members reflecting the human capital characteristics of the external environment. According to the participant of FSE1, the individuals composing its board of directors had the necessary skills (in contrast to the composition of the board of FSE5). The participant of FSE6 did not mention the board. One of the boards analysed by Mordaunt and Cornforth (2004) did not comply with external changes, triggering cash flow problems. The participants of FSE1 and FSE6 alleged that their overseeing bodies failed to control the financial situation.

Based on these insights, we conclude that poor governance affects the path of social enterprises. We concur with the results of two papers (Mordaunt & Cornforth, 2004; Scott & Teasdale, 2012). In this regard, the bodies governing social enterprises, besides being aware of the need to balance successfully social and commercial goals, must also put in place mechanisms and systems essential in guaranteeing well-functioning.

Other category emerged as a failure during the coding was management. We discuss the particularities of it in the next lines.

6.2.2.4 Management

Managerial problems were transversal to six of the social enterprises studied. As referred in Chapter 4, we include in this category general aspects of management, as well as monitoring, planning and strategy. The participants usually referred to bad management and mismanagement; in the case of FSE2, specifically to financial mismanagement. All three participants of FSE1 agreed about the prevalent bad management and a lack of management systems. Bhattamishra³² (2012) briefly refers to poor management due to lack of managerial skills as a cause of failure among grain banks in India. Interestingly, Bruneel et al. (2016) enquires what 'bad management' constitutes, since it appears as the most cited cause by authors (citing Perry, 1991). We understand from the participants' discourse

³² It is important to note that this author does not study specifically the causes of failure but dedicates a small section to an overview of the failure of grain banks.

that mismanagement and bad management had a special focus on the mishandling of financial aspects. Mainly regarding FSE1, one participant spoke about corruption off record. The formal presentation of the organisation corroborates this element, along with fraud, as a cause of failure. As we mentioned previously, Hager et al. (1999) include under lack of managerial expertise the issue of the financial difficulties of the organisation. Rohe and Bratt (2003) conclude that good financial accounting is a valuable management dimension to guarantee survival.

Monitoring measures were lacking in FSE1, FSE6 and FSE7. Deficiency in monitoring commercial operations, mostly its incomes and outcomes, allowed internal and external theft. It is also visible that the organisations lacked proper planning. Our results are in line with the findings of Rohe and Bratt (2003). These authors emphasise as management dimensions vital for organisations to survive good decision-making, staff development and supervision. Another problem that the participants of the failed social enterprises in this study raised was the lack of marketing and lack of foresight, which we consider as lack of strategy. FSE2, FSE3 and FSE5 did not define a clear and coherent strategy for the future, only reacting to daily occurrences. Members of FSE2 and FSE3 had difficulties in visualising the future of their organisations. Only FSE5 referred to lack of marketing, since the enterprise was not achieving a sustainable amount of sales. Scott and Teasdale (2012) point out the lack of a coherent strategy in the organisation they studied. The authors specifically refer to the absence of an organisational financial strategy. This being, the business plans of the organisation were not planned with specific goals, but rather as justifications for grant applications. The main difference between the case presented by the authors and our cases is that the latter did not even have a plan in place to apply for funding. Bennett (2016), by analysing human capital levels, also points out the lack of planning and initial market research as reasons for the failure of most studied organisations. He links these management aspects with the skills and capacities of organisational staff. Mordaunt and Cornforth (2004) mention weaknesses in management, yet they present it together with governance aspects.

We find that management is a broad umbrella that comprises many other dimensions, whether the management of financial or human resources, decision-making, planning or marketing. Besides what was previously mentioned, we want to underline other examples. Fernandez (2008) refers to “*absence of managerial rotation*”, without further explanation. Seddon et al. (2015) emphasise management inefficiency in implementing changes, while Bruneel et al. (2016) highlight the inappropriate organisational and management structure to support the rapid growth of a social enterprise. The existence of different management dimensions makes the role of the managers even more difficult, especially in small organisations that have less skilled employees.

The next sub-section is concerned with human capital attributes. As we specified in the beginning, we aim at verifying the role of human capital in the failure of the social enterprises we studied, by conjugating all the data regarding it.

6.3 Establishing the role of human capital

In Chapter 1, we briefly pointed out the importance that the human capital theory has gained in the last decades. Authors explain the performance, as well as the success and failure of for-profit organisations, and entrepreneurial ventures through the lenses of this theory. However, in the non-profit sector, specifically, regarding failure, we found only one article that discussed these issues. Clearly, a knowledge gap exists, which we attempt to address in this section.

From the deconstruction of the internal and external causes above, we understand that human capital attributes often appear associated with other factors. A socio-economic environment composed of individuals with low levels of education and skills affects the recruitment of skilled personnel for any organisation. Financial stress derives from the lack of competencies of the management team. Mistrust hinders the cognitive and non-cognitive abilities of leaders and staff members. Politicians, for example, who invest (or not) in social enterprises cannot be separated from their intellectual capital. Other private organisations that support social enterprises possess a stock of human capital that they either make available or not, influencing the social enterprise. As Becker (2008) states, we cannot dissociate skills and knowledge from a person. These results make us believe that human capital is transversal to all the dimensions of an organisation.

We now focus on a discussion of human capital aspects. We present the attributes in this order: education, experience, training, external advisors, board of directors and other human capital attributes.

6.3.1.1 *Human capital*

The participants of six failed social enterprises cited several attributes of human capital, such as education, training, skills, capacity, understanding and implementation of knowledge. As we previously mentioned, Bennett (2016) is the only author to specifically use the human capital theory to what regards the failure of non-profit organisations. Hager et al. (1999) and Rohe and Bratt (2003) argue that managerial expertise and human capacity are causes of organisational failure. Some other studies mention attributes of human capital, as discussed below.

6.3.1.1.1 Education level

The participants of FSE3 and FSE7 emphasised that the low levels of education of the staff members were a cause of failure. Most of the members of these social enterprises had matric or lower. In Chapter 5, when analysing the levels of education, we verified that the members of the failed social enterprises had lower levels of education than did the members of the successful ones; only FSE1 presented with the same levels of education as the successful organisations. We concur that education levels influence organisational survival. Our results are contradictory to Bennett's (2016) findings; he does not corroborate that low levels of education contribute to failure.

Some members of the failed organisations who occupied managerial positions never attended school at all. In contrast, the lowest level of education among successful cases was secondary education. Moreover, we saw that these organisations recruited individuals with diplomas that fitted the relevant job descriptions. Katre and Salipante (2012) raise an interesting point: based on their research, they intend to advise future social entrepreneurs with a social work background to focus on the development of more market-oriented behaviours, in order to find an equilibrium between social and commercial competencies. We verified in the successful ventures studied, the existence of a mix of educational backgrounds (business, managerial, social work, development studies, etc.), which brings a set of different skills to the organisation according to the two institutional logics.

Keeping in line with the analysis of human capital, we present, next, the discussion of the experience category.

6.3.1.1.2 Experience

We divided experience into three sub-categories: experience in social enterprises and the social economy sector; field of activity; and general experience. Some differences between the two sets of organisations (failed and successful) emerge. The sub-category with the most significant differences concerns general experience. We discuss each of these sub-categories separately below.

6.3.1.1.2.1 Social enterprise and social economy sector

None of the participants in the interviews referred to the lack of any type of experience as a reason for failure. From the data about experience included in Chapter 5, we verified that some members of four failed organisations did not have previous experience in social enterprises and the social economy sector. One member each of FSE4 and FSE7 previously worked in a cooperative; the entrepreneur of the latter social enterprise had set up a cooperative that also failed. She underlined the advantages of

having such experience and the training received while running that cooperative. The social entrepreneur of FSE3 has experience in the sector.

We did not verify a salient gap between these organisations and the successful ones, yet some differences emerged. The main dissimilarities were that some members of the latter ventures volunteered in the sector previously; for example, both founders of SSE2 and SSE3 had performed community work for a long period prior to setting up their social ventures. Moreover, one employee of SSE3 has one year of experience, while four members of SSE4, SSE8 and SSE9 possessed long experience in the sector. Bennett (2016) finds that *“Start-ups run by people with prior experience of working in charities had a significantly better chance of survival than start-ups managed by individuals lacking such experience”* (p. 333). By working in the field, the individuals familiarised themselves with the particularities of it, building a network and enhancing their self-efficacy (Davies, 2009, as cited in Bennett, 2016). Furthermore, besides the work experience in the field, members of successful social enterprises also volunteered and did community work. Through volunteering, individuals can enhance their human and social capital (V. Smith, 2010), which is translated later to the organisational environment. We also believe that such individuals have a true passion for the social entrepreneurial sector (further discussed in the non-cognitive skills sub-section).

6.3.1.1.2.2 Field of activity

Divergences also emerged in the data regarding experience in the sector of activity. In two failed social enterprises studied (FSE1 and FSE4), members had long experience in their core activity. In the other failed social enterprises, members had little or no experience. Katre and Salipante (2012) find that struggling social entrepreneurs generally have less experience in the sector of activity than the successful social entrepreneurs. Two social entrepreneurs of successful organisations studied, did not have work experience in the field of activity, as they started the organisation after graduating from university, albeit in the same field of studies. All other successful organisations had at least one member with experience in the sector of activity. One of the criticisms raised by members of FSE4 was that the project sponsors failed to consider the specific skills that each individual possesses (Cf. sub-section 5.6.1.1 – Chapter 5), acquired through work experience.

6.3.1.1.2.3 General experience

The other type of experience we analysed in Chapter 5 was general experience. One of our goals was to understand whether the participating individuals had experience in managerial positions. The data shows a more significant gap regarding this type of experience between the failed and the successful

social enterprises. Members of the successful social enterprises generally had previously work experience in the market sector or in qualified positions. Our results are in line with other authors' findings (Katre & Salipante, 2012; Kovoov-Misra & Olk, 2015; Mordaunt & Cornforth, 2004; Rohe & Bratt, 2003): less experienced staff increases the hazard of failure. In the study of Kovoov-Misra and Olk (2015), the staff members of failed organisations reproached the leaders for not having the necessary experience to make the organisation thrive. Mordaunt and Cornforth (2004) highlight the role of a new board member with management experience in turning around the negative path of one studied organisation. In the two failed organisations analysed by Rohe and Bratt (2003), absence of experience emerged as a common feature. The organisations struggled in retaining qualified and experienced personnel, due to financial constraints. Bennett (2016) finds that individuals with business experience and/or experience in charity management do not report lack of managerial skills as a problem in their organisations.

Considering the results of all the types of experience, we concluded the following. On the one hand, our data did not contradict the findings of the abovementioned studies. On the other hand, we cannot peremptorily affirm that the recruitment of experienced individuals would certainly avoid failure. Yet from the above, we argue that experience is very relevant to drive an organisation and to make it succeed, not only due to the skills developed through previous experience, but also through the increase in social capital, establishment of networks, knowledge of the surrounding environment, etc.

In the next sub-section, we discuss the training aspects regarding both failed and successful organisations, and its role on their failure.

6.3.1.1.3 Training

Another factor contributing to failure was, according to the participants of FSE2 and FSE3, a lack of previous training (although members of both social enterprises received training after the launch of the enterprises). Participants from the other five failed social enterprises had received some type of training. Just looking at whether the organisation provided training or not, we cannot affirm that this played a role in failure. However, when comparing the training specificities of both sets of organisations, some differences relevant to our discussion emerged. One significant difference involved on-the-job training. The failed social enterprises did not create an internal environment propitious for peer learning, knowledge and skills transfer. As discussed in Chapter 5, we deduce that this is due to the low levels of skills and education amongst members of failed social enterprises, which prevented them from sharing competencies. What also caught our attention was the high dependency of three organisations (FSE2, FSE5 and FSE6) on their funders/sponsors (public organisations) for most

of the training – in contrast to what happened in the successful social enterprises, where there was a diversification of the training providers. This may relate to a lack of pecuniary resources, lack of understanding of its importance (Rohe & Bratt, 2003), non-acknowledgement of the needs for and importance of gaining new learnings (Bennett, 2016), and/or unawareness of skills and knowledge gaps (Katre & Salipante, 2012). We affirm that in order to understand gaps in knowledge, it is necessary to conduct self- and organisational evaluations. These last two authors also underline the issue of the lack of time to attend training courses.

Moreover, as the participant of FSE6 stated, it is impossible for an individual to assimilate all the content, which normally is taught at university level for several years, in one or two days of a workshop. Hence, we argue that only a few training sessions are not sufficient to transmit, and for the individuals to assimilate, the knowledge regarding, for example, financial management, especially when such individuals do not have the background or a level of education and/ or experience that would facilitate such acquisition. In line with our argument, the participants of FSE3 emphasised their difficulties in understanding the training and implementing it. In the introduction chapter, we saw that Becker (1964) distinguishes between investment and outcome in human capital. For us, these results highlight this statement. We verified that there was investment in training; however, the individuals did not acquire and transfer skills to organisational tasks. The members of FSE1 and FSE4 also referred to the difficulty in implementing knowledge. Members of FSE3 linked this with low levels of education (Cf. sub-section 4.3.5 – Chapter 4). The participants of the failed social enterprises criticised the training provided, considering it insufficient and of low quality. In this line of thought, one participant of FSE1 stated that public organisations, when promoting training sessions, failed to verify whether the participants assimilated the training. We acknowledge the impossibility of generalising this statement, but ask ourselves whether this also happened with the other three failed social enterprises that received most of their training from public organisations.

The above concurs with the findings of Bruneel et al. (2016), who consider the training and coaching received by the staff members in the organisations they studied as insufficient. They specifically underline *“low qualifications of the new hired people, more training and more coaching were needed to manage the internal operations compared to an average firm”* (p. 16). The authors add that, despite the training provided – and it was considered inadequate by an advisor of the social enterprise – the staff members still lacked the skills to perform effectively. This statement corroborates our previous argument. Furthermore, this advisor refers to the absence of investment in the development of personnel skills. As we saw in Chapter 5, the word investment was often used by the participants of successful social enterprises in this study. Training for them was not just a measure to fulfil a need, but

also an investment for the development of personnel, with a significant positive impact on the organisation itself.

The successful organisations in this study, besides promoting peer-to-peer learning and learning by doing, also organised training for these employees. Among these organisations, we noted a balance of training, in line with their social and commercial missions. Taking SSE2 and SSE7 as examples: the relevant managers promoted training to enhance social activities, such as childhood development initiatives, and asset-based community development and permaculture, as well as managerial and financial activities (Cf. Table 22 – Chapter 5). Rohe and Bratt (2003) argue that organisations can avoid failure by investing in additional training and assistance for board and staff members. In our opinion, it is not just a matter of investing in training, but also of assuring that the knowledge is assimilated, and then carried into the organisation.

Based on the above, we can verify the relevance of investing in continuous internal actions and external training sessions to upskill organisational actors. However, only few training sessions do not seem sufficient for individuals to assimilate the required knowledge. Besides gaining knowledge, it is also vital to know how to implement it. Therefore, training providers must ensure the acquisition and proper assimilation of the training content, and perhaps accompany the implementation of it in the organisation. As we said at the beginning of this sub-section, the number of trainings sessions presented, was not the only difference between failed and successful organisations, but mainly the focus of the latter in upskilling their human capital.

Next, we present our conclusions regarding the external advisors.

6.3.1.1.4 External advisors

External advisors did not figure in the causes of organisational failure mentioned by the participants in this study. Nevertheless, as we saw, in the institutional context, the participants of two social enterprises criticised the public authorities for not giving them the support they needed. In Chapter 5, we verified that both the failed and successful organisations received support from external partners. Yet, some idiosyncrasies are important to highlight. The failed organisations obtained external support from sponsors/funders – mainly public authorities, while the successful social enterprises focused on gathering guidance from other local and national private organisations, and individuals in their private networks. What also caught our attention was the fact that FSE2, FSE5 and FSE6 were dependent, once again, on their funders/sponsors. One participant of FSE2 commented that this support was occasional and on a needed-basis or:

“The municipality officials, sometimes they come when, [for example], we wanted to buy a truck and so we were new into all this debt through the banks and all that stuff, so they helped us in making a statement, year statement...” (FSE2 – C11)

In contrast, the participant of FSE6 highlighted the sponsors’ refusal to help the members, for example, in finding new clients (Cf. sub-section 5.4.1. –Chapter 5). We understand from his statements some dissatisfaction regarding the support received. The above is coherent with the findings of Scott and Teasdale (2012), who refer to the insufficient and poor guidance received by the studied social enterprise. Likewise, the poor support endangered the organisation’s survival. In addition, four social enterprises in this study (FSE2, FSE4, FSE6 and FSE7) had trouble in establishing a diversified supportive network. In this line of thought, Katre and Salipante (2012) find that struggling entrepreneurs generally fail to expand their network.

Rohe and Bratt (2003) refer to a lack of support from the umbrella organisation to the two failed cases they studied, highlighting the absence of an *“effective strategy for helping the organization to overcome its problems”* (p. 23). We do not have data from failed social enterprises studies to uphold this finding. Yet, we find data validating this result in one successful case. The strategy of the managers of SSE3 was to strengthen relationships with a local foundation. It served as an umbrella organisation, and therefore, SSE3 could access its services, members’ advice, as well as the other social enterprises that were part of it. Besides sharing knowledge, they also shared profits, which helped SSE3 in consolidating its financial assets. The participants of the successful social enterprises did not envisage the external support as merely an opportunity, but as a strategy to reinforce their activities. In this sense, we saw a greater expansion of their sources. In most of the failed social enterprises, however, the external support derived from previous relations with funders and managers did not expand their sources (except for FSE1).

We discuss, in the next lines, the role that the board of directors play in the failure of social enterprises.

6.3.1.1.5 Board of directors

Studies have proven that board of directors are important assets for the overall performance of the organisations (Brown, 2007; Herman & Renz, 2000). In some of the organisations studied, failed or successful, the boards of directors, besides being overseeing bodies, also provided advice. As presented in Table 23 (Chapter 5), the participants during the interviews would frequently speak about the board and external advisors. Mordaunt and Cornforth, (2004) specifically, studied the role of the board of directors in failure and turnaround of non-profit organisations. The authors do not only emphasise the need for a set of skills for the board members to succeed while using their power

sources, but also that they must be committed to the organisation and be effective in applying their powers (Pettigrew and MacNulty, 1995, 1998 as cited in Mordaunt & Cornforth, 2004).

Furthermore, from Table 23 in Chapter 5, we have verified that the organisational staff are also on the board of directors of the failed social enterprises. In this sense, the board did not bring other skills and knowledge to the organisation. It is evident that the failed organisations, which also relied mainly on one sponsor, did not see potential in involving other partners in their boards. The members opted not to diversify their competencies, expertise and skills through the involvement of an external board or other advisors, which could have been vital in avoiding their failure. FSE1 was the only failed organisation that constituted four different boards and considered the skills and expertise of its membership. On the other hand, we see that the managers of the six successful social enterprises chose their boards of directors strategically. According to Brown (2007), selecting and recruiting competent board members improves board performance and influences the future of the organisation. Also, for the author, organisational actors must recruit board members in accordance with the skills and competencies needed to perform well.

Our results are contradictory to what Hager et al. (2004) has found. These authors examine social capital by using the prestige of the board members as a variable. They contend that a board with higher status would be more accountable and able to access more resources. Thus, a prestige board would decrease the odds of failure. Yet they did not find any empirical evidence supporting this hypothesis.

As mentioned in Chapter 5, while coding that data, other categories, such as skills and knowledge, emerged. We discuss the findings of these categories in the next lines.

6.3.1.1.6 Other human capital attributes: skills, knowledge, capacity, know-how

The last human capital attributes that we mentioned in Chapter 5 were skills and knowledge. The participants did not directly mention capacity, competencies, know-how or other synonyms, and thus we do not have data regarding these. However, authors use these synonyms interchangeably, disregarding any differences that may exist. In the next section, we discuss these without entering into any discussion on conceptualisation.

6.3.1.1.6.1 General skills

The participants referred to the lack of skills, both cognitive and non-cognitive. As mentioned in Chapter 4, cognitive skills involve the intellectual effort used in thinking activities, and non-cognitive skills are related to certain personality traits, characteristics and attitudes. The participants of FSE1

and FSE5 referred to skills, in general, without specifying the type of skill that was in need. In particular, in FSE1, the lack of skills was visible mainly among the middle management team and operational staff. Similarly, for Bruneel et al. (2016), the social enterprise studied, lacked a qualified middle management team with the required skills to manage its operations and combine both institutional logics. In our case, the difficulty in attracting qualified and skilled employees was mainly due to financial limitations (FSE1 – I1), which coincides with the findings of Rohe and Bratt (2003). Although the participants did not mention this, we noted a lack of skills in other social enterprises (FSE2, FSE3, FSE5) when analysing this attribute in the human capital chapter.

Several authors speak about the lack of skills, capacities, knowledge, expertise and know-how among members of failed social enterprises as influencing, negatively, their paths (Bielefeld, 1994; Katre & Salipante, 2012; Kovoov-Misra & Olk, 2015; Rohe & Bratt, 2003). Struggling social entrepreneurs possess more homogeneous knowledge than the successful ones. In addition, they do not adopt behaviour that enables them to acquire new knowledge (Katre & Salipante, 2012). These authors refer to the importance of recognising skills and knowledge gaps, as well as deficits in their networks. As they say, *“an acknowledgement of the structural gaps in their knowledge and networks may be the first step toward enabling social entrepreneurs to address their deficits”* (Katre & Salipante, 2012, p. 988). We noted that the leader of FSE2 opted to recruit community members to the organisation to access their skills, mainly in cleaning and gardening. Nevertheless, in one published case study (FSE2 – CS3), the author underlined this business choice and justified it based on the absence of other skills amongst the organisational actors. This being said, we argue that the organisation was aware of the lack of certain skills, and therefore, opted for cleaning services, yet also showed a devaluation of the managerial and financial skills so important to organisational success.

6.3.1.1.6.2 Cognitive skills

The participants of FSE1, FSE3 and FSE4 pointed out a lack of cognitive skills, mainly business, managerial and technical skills. These results are in line with prior literature. The authors specifically underline the influence of a lack of managerial skills, business management skills, business-specific organisational skills, commercial expertise, and financial incompetency (Bennett, 2016; Bhattamishra, 2012; Bielefeld, 1994; Bruneel et al., 2016; Gras & Mendoza-Abarca, 2014; Scott & Teasdale, 2012). Particularly, Seddon et al. (2015), Burde et al. (2017), and Scott and Teasdale (2012) refer to the lack of entrepreneurial skills among managers and other staff members. Some participants of successful social enterprises underline the importance of cognitive skills and knowledge, such as IT skills (SSE6), tour guiding knowledge (SSE7) and entrepreneurial and technical skills (SSE8).

The formal documents of the FSE1 state that the board and partners possessed business acumen. Likewise, most participants of the successful social enterprises acknowledged the cognitive and non-cognitive skills of their boards.

6.3.1.1.6.3 Non-cognitive skills

The non-cognitive skills that the participants mentioned were lacking in the social enterprises were leadership (FSE1, FSE3), motivation (FSE3), passion (FSE3) and commitment (FSE5). It is important to note that the problems in leadership in FSE3 derives from the generalised mistrust among members. This means that the leader might have had the necessary skills, but the constant issues among organisational members hindered the leadership functioning. FSE1 also experienced problems around the leadership style of both the board and top managers. The members of FSE2, and the community in general, were cognisant of the social entrepreneur's skills and the participant of FSE7 stated to have the leadership skills needed to run the organisation. One vital aspect that distinguishes the organisations that manage to turnaround and the ones that failed, according to the study of Mordaunt and Cornforth (2004), is the quality of leadership and teamwork. This being, we cannot affirm that a lack of leadership compromises an organisation's path.

The selection process of the organisational constituents was ill-founded in FSE3 and FSE5. Firstly, the project sponsors of FSE3 and FSE5 did not consider the skills of the individuals when setting up the social enterprise. Consequently, members did not have any knowledge about the products or services that these organisations delivered. Secondly, in a community where social capital was very low and sponsors were aware of this problem, the option for a process of selection where the members chose their colleagues in a blindfolded group dynamics of setting was a step in the wrong direction (Cf. subsection 5.6.1.1 – Chapter 5).

How is passion, commitment and motivation expected in a team where all the members only share the same socio-economic environment? In turn, we see the importance of passion within a successful organisation. Frequently, the participant of SSE3 referred to the passion of each member of the organisation (board, founders and employees) as a major asset for its functioning. The volunteering and community work performed by some members and founders of successful social enterprises, to a certain degree, showed their interest and passion for the activities of the sector. Commitment is another non-cognitive skill that emerges among FSE5 data. Likewise, Katre and Salipante (2012) argue that struggling social entrepreneurs often lack commitment. Mordaunt and Cornforth (2004) underline the *“willingness of the boards to commit time and energy was a critical factor for turnaround”* (p. 232).

In turn, the board of the failed organisations studied by the authors lacked commitment in executing their responsibilities.

Furthermore, members of FSE3 and FSE5 had expectations different from those of the sponsors: they wanted to work for a salary instead of being social entrepreneurs (Cf. sub-section 4.3.5.5 – Chapter 4). The members of these organisations had difficulties in understanding the concept and basics dynamics of an entrepreneurial initiative. Furthermore, one participant of FSE3 remarked that the members had never been exposed to a business and entrepreneurial environment. Thus, besides motivation for being social entrepreneurs, this suggests that the participants lacked entrepreneurial mindset and skills.

We consider important to discuss the investment and combination of skills as an attribute of human capital. Thus, we provide this discussion in the following sub-section.

6.3.1.1.6.4 Investment and combination of skills

A distinguishable aspect regarding skills and knowledge that the successful social enterprises displayed and the failed ones did not, was investing in human capital and organisational skills. The participants of successful social enterprises created an internal environment favourable to the exchange of skills and knowledge, and encouraged participation in external courses. Among the failed ventures, only FSE1 displayed the same pattern as the successful ones. We argued previously that the continuous upskilling of employees was vital for organisational survival. In addition, one strategy that to us seems advantageous, mainly for small organisations, is to recruit employees and efficiently combine skills according to commercial and social activities. The mix of skills, especially if these are complementary, could and should cover all organisational needs. Our argument is line with the findings of Katre and Salipante (2012). They refer to heterogeneous skills and knowledge of the successful entrepreneurs, and thus, it was a critical asset for organisational survival. SSE3 explains in detail the combination of skills among members (Cf. sub-section 5.6.2.1 –Chapter 5). Moreover, our argument follows the one of Molloy and Barney (2015) (Cf. Table 1 – Chapter 1), when they refer to co-specialised human capital, stating that the value of the whole (human capital and other resources) is greater than its individual parts. When the skills are not in place and if there is not a continuous investment, along with a strong commitment and motivation, unskilled individuals will have difficulties in overcoming internal and external challenges.

Another important aspect is that the members of successful social enterprises must seek to fill the skills and knowledge gaps with the involvement of professionals in their boards and via the advice of externals. Teece et al. (1997) and Teece (2009) refer to dynamic capabilities as the ability to integrate

and build internal and external competencies to overcome the changes in the environment. They relate dynamic capabilities to the achievement of competitive advantages. We think that dynamic capabilities are the greatest asset for most of the successful social enterprises. In turn, we do not see the same configuration in the six failed social enterprises (except for FSE1).

Besides all the aforementioned causes of failure, we do not find evidence to corroborate other causes that the authors have specified. However, we dedicate the next lines to a brief discussion of it.

6.3.1.2 *Other causes*

We want to highlight that none of the participants of the study underlines the presence of competing logics, and/or the preference of the social goals over the financial ones, or *vice versa*. From that, we understand that this was not a major issue or cause for the failure of the studied organisations. Nevertheless, from the participants' discourse, we note a focus on the commercial side when referring to failure. Also, when asked if they were achieving their social goals, all of the participants answered positively. Nonetheless, we verify that FSE7 was not achieving its social goals – to raise awareness and change behaviours regarding the environmental issues. Regarding the successful cases, we confirm that the managers invested in training that covered the upskilling of individuals for both social and commercial activities. It is also possible to see, as we previously mentioned, a diversification of the educational backgrounds in Table 18 (Chapter 5). This leads us to think that the managers were aware of the need to balance competing logics. Yet we cannot corroborate exactly what Bruneel et al. (2016) underline in their study of this matter, as we do not have data in this regard.

The participants did not mention ambiguity, competition or age as causes of failure. Only one participant (of FSE6) referred to the small size of the organisation. Due to this liability, the organisation had difficulties in reaching other companies, mainly the big ones. Although we do not have data to prove ambiguity, competition or age as contributing factors to failure, we do not want to discard those, as several studies had identified them as contributors. Therefore, we include these constructs in a final framework.

6.4 An integrative framework of the causes of failure

Considering all the causes mentioned in the literature, as well as by results of our study, it is possible to gather those in one integrative framework (Figure 18). We composed the framework by two main environments: organisational and contextual. The contextual environment strongly influences the internal dynamics of the organisation. It is constituted by its socio-economic characteristics, new

institutionalism features, population ecology (specifically, competition), and market conditions. Organisational members should recognise the importance of its characteristics, particularities and changes and act accordingly, in order to survive. The dimensions included in the organisational setting are in continual interchange with one another and with the dimensions of the external setting. These dimensions are governance, management, population ecology (age and size), work environment, resources, institutional logics, and human capital.

In the next sub-section, we underline our contribution with this study to theory and praxis, as well as the limitations of the research and avenues for further inquiry.

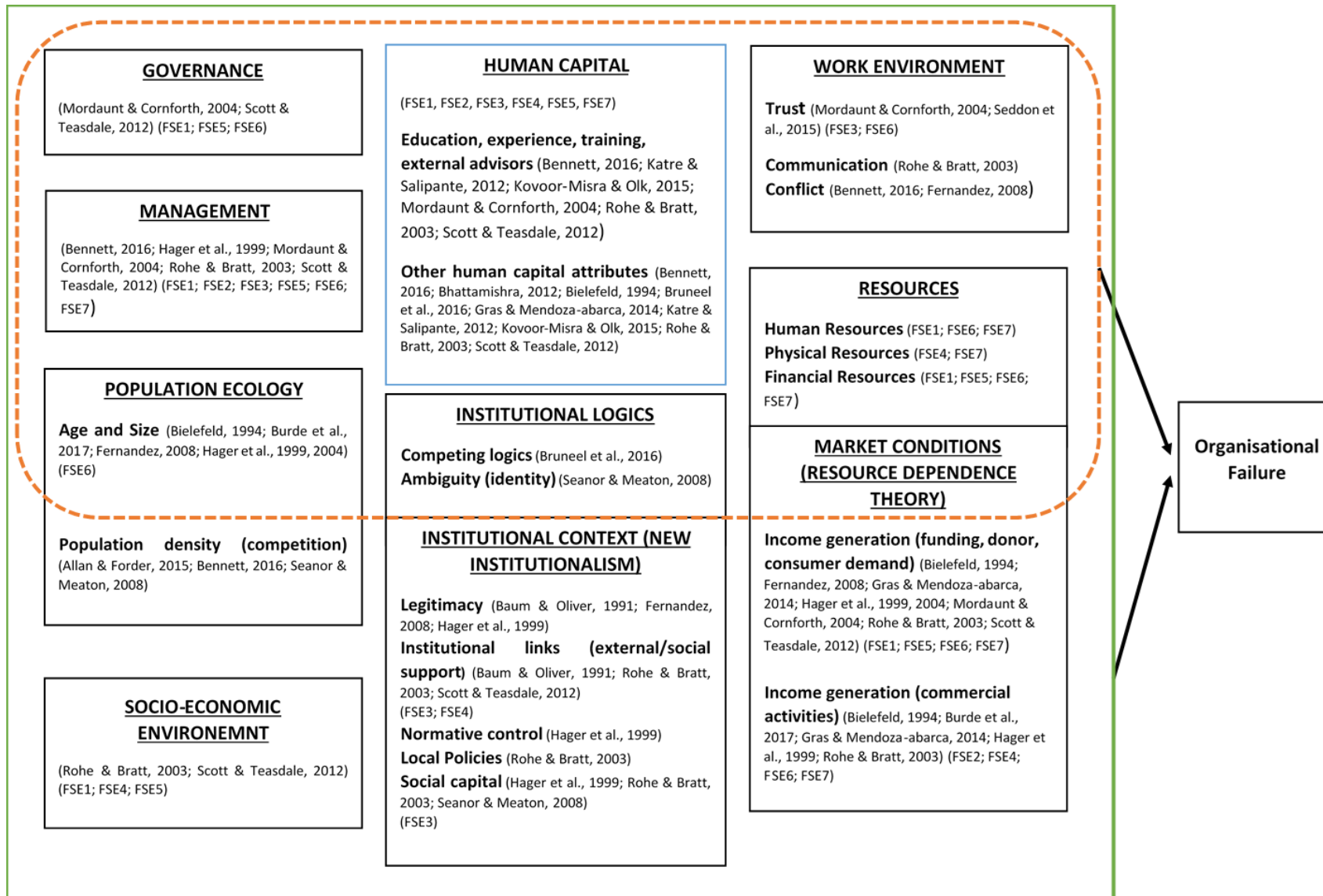


Figure 18 - Integrative framework of the causes of failure

6.5 Contribution to theory and praxis

6.5.1 Contribution to theory

Our research constituted an effort to clarify the determinants of the failure of social enterprises, giving emphasis to the role of the stock of human capital. As we saw in Chapter 1, various authors (Gras et al., 2011; Haugh, 2005; Zahra et al., 2009) have called for more research on the understanding of this particular organisational phenomenon, since it has been a quite neglected topic. Likewise, the authors that have studied non-profit organisations and social enterprise failure call for an in-depth analysis of failure, and for the integration of all its causes (Helmig et al., 2014; Mordaunt & Cornforth, 2004). We believe that our research has contributed towards meeting the above research requests.

Exploring the complexity of the causes that the participants underlined, gave us a broader understanding of the organisational internal dynamics and its interplay with the external environment. We defined a set of factors that are important to take in consideration to improve practices, and consequently, achieve organisational success. This thesis contributes theoretically to the literature of social enterprises and non-profit management, at a narrower level, and to the organisational failure and organisation studies at a broader level.

Our first contribution to the theory is through the results of the systematic review. The main goal of the systematic review was to find and synthesise the causes (including the human capital dimension) explored so far. This gave us an extensive comprehension of the literature of organisational failure. We not only showed the *state of the art*, but we also advanced a first integrative framework of the causes retrieved of, and theoretical perspectives on, the failure of non-profit organisations and social enterprises. Our goal was not to generalise or just to identify which factor had a higher influence on the negative path of organisations, but to understand what these factors were and their role in such failure.

Our second contribution to the literature stems from the empirical data collected in South Africa. Although focused on a particular socio-economic setting, the findings complement the existent literature. Part of the findings are coherent with the results of the literature, which helps us in bringing consistency to this issue. Other factors discussed, relate specifically to the South African context. However, they may be transposed to other developing countries. By putting together both results, we obtain an overview of the complexity, multidimensionality and interconnectivity of organisational failure. They also enhance our knowledge of the need to interrelate causes and put the different theoretical lenses in mutual conversation.

Moreover, the outcomes regarding the stock of human capital lend support to its role in organisational failure. The results help us sustain the argument that humans are the core assets and influencers of the course of an organisation. As we saw, most of the other dimensions of failure interconnected somehow with the skills, expertise and capacities of the individuals involved. In addition, the research gave us an outline of the human resources composition of social enterprises in South Africa. Furthermore, it provided us with an indication of the need to invest in human capital, not only at an organisational level, but also at a national level. With these results, we also advanced the human capital theory regarding the non-profit and social enterprise sectors.

Existing literature on social enterprises focuses on an idealistic perspective that stems from best cases, success practices and heroic stories of social entrepreneurs, mainly with a western (developed countries) configuration. This research complements this perspective by showing a more realistic side of it and focusing on a developing country.

6.5.2 Contribution to praxis

Several entities, such as social entrepreneurs, managers, staff members, funders, policy makers and support organisations, may benefit from the afore-mentioned theoretical enlightenment to define, develop and enhance practices on the ground. As already mentioned, the goal was never to just figure out the causes of failure, but to provide practitioners with a set of recommendations vital in achieving good organisational performance.

Social entrepreneurs and managers must bear in mind the two different, but highly interconnected environments of any organisation. *Per se*, the organisation is part of a wider external environment that influences its path positively or negatively. We verified that the institutional context (social capital, politics), market conditions and socio-economic environment contributed to the failure of the social enterprises studied. At first sight, it seems that these are independent of the management competencies. Yet a manager and/or team should understand, prior to the launch of their organisations, the contextual interactions. After launching, changes that may occur must be integrated into daily practice.

This being said, skilled individuals must constitute the internal setting. Besides having the skills and knowledge, it is important to define and implement mechanisms and systems of management and governance that can facilitate the operations internally. These mechanisms also support the organisation to cope with the external environment. We understood that overreliance on a single source of income is risky, thus, we recommend strategies to balance income generation strategies. Balancing social and commercial goals requires a specific set of competencies. Thus, we recommend

the constitution of teams with complementary skills. If not possible, the social entrepreneur must continuously invest in balancing core competencies that are relevant for the success of social and commercial activities. Commitment and passion are not sufficient to run a hybrid organisation. We saw successful social enterprises guaranteeing, even when small, a diversification of skills in their teams and boards. It is also important to constantly evaluate the organisation's performance, aiming at understanding organisational and staff members' needs.

Support organisations, both public and private, must define effective programmes and proposals. First, the people's needs and skills must be a priority. We recommend that instead of gathering people around pre-established designs (FSE3, FSE5), it is vital to gather and comprehend their own ideas, interests, needs and skills through community sessions. The programmes must be defined bottom-up, and not top-down. Social enterprises are doomed to failure if led by people that do not understand the entrepreneurship process and/or do not have an entrepreneurial mindset. For this, the adoption of entrepreneurial awareness campaigns is required, before constraining people to projects. Lumping people together without building on their (entrepreneurial) intentions, wants and desires, skills or competencies may check some CSR or municipal commitment boxes, but rarely amounts to more than a recipe for disaster (as shown by FSE3 and FSE5). This may also have further implications in terms of self-esteem and future entrepreneurial ventures, which may be one avenue for further research.

Additionally, support organisations should be attentive to the specific managerial needs of social enterprises and develop training programmes tailored to the skills level of the organisation, with a view to equipping the members of that organisation with the skills and competencies for it to grow and flourish. If the entrepreneurial route is seen as a way forward in addressing developmental challenges at community, regional and national levels, nascent entrepreneurs need to be nurtured and accompanied in an intelligent way. This is of crucial importance, especially for entrepreneurs coming from disadvantaged backgrounds. We understand that training and upskilling must go beyond one-day workshops (Bennett, 2016; Bhattamishra, 2012), mainly to individuals with lower levels of skills and education. Local authorities must be the first to promote a closer follow-up, perhaps by adopting a model similar to incubation. Private organisations must invest in upskilling the social enterprises' members, and not focus on specific organisational activities only.

6.6 Limitations

Certain limitations apply to the investigation: one refers to the data of the social enterprises. Most was self-reported, and some participants did not answer all the questions of the interview. The causes of the failure discovered from the data were the participants' own perceptions and attributions. Humans

tend to assign causes of behaviour and (negative) events to factors external to them (E. E. Jones & Davis, 1965; Kelley, 1967). If we had interviewed external stakeholders to the organisations, the results might have been different. We had this in mind while conducting the interviews; however, the participants were free to highlight any causes of organisational failure they wished to.

Moreover, analysing past events requires recalling and reconstruction. Through time, the perception that we have of a phenomenon may change. In cases of restarted social enterprises, it was even more difficult to recall and concentrate on the facts of the past event. That is why it was so important to triangulate the data, but in some cases, it was not possible to interview a second participant within an organisation.

We had to opt for a snowballing process as a method of selecting the cases. Our time constraints, the unfamiliarity of the research context, the difficulty in obtaining the contacts of failed organisations, did not allow us to choose another less biased method. Another limitation derives from these difficulties and regards the use of the comparison method. It was not possible to analyse successful organisations totally matching the failed ones and in the same number. Moreover, one difficulty that reflects one limitation was the struggle in obtaining information about all the personnel involved in both failed and successful social enterprises. Thus, we do not have the same amount of data to both sets of organisations.

6.7 Suggested further research

6.7.1 Causes of failure

From the results, we comprehended that the causes of failure are multiple and mutually interconnected. On the one hand, researchers, in the future, may opt to focus on the analysis of a single dimension of organisational failure, acknowledging the phenomenon's complexity. On the other hand, we believe in the high value of integrating the different theoretical lenses in comprehending failure, mainly by the examination of the systematic interaction of the causes. Further investigation in this sense is needed in order to bring more consistency to existent data and insights. Also, by integrating the several theoretical lenses, the researcher avoids fragmentation.

We acknowledge the need for more quantitative approaches in the field of social enterprises. Thus, we call for national, cross-national and global research on the causes of organisational failure drawing on quantitative methods. Alternatively, due to its complexity, in-depth case studies also would bring substantial knowledge to the field, allowing the discovery of the specificities of the causes, their relations, and the process of organisational failure.

Moreover, researchers may focus on qualitative and/or quantitative comparative research. Failed versus successful cases in a specific domain of activity, or several domains of activity. Failed social enterprises and failed commercial enterprises, revealing divergences and convergences between both sectors. Future research focused on the understanding of failure in other developing countries, specifically in order to assess the difficulties that the bottom-of-the-pyramid entrepreneur suffers, and which strategies could be enhanced to support them.

6.7.2 Human capital

Human capital or human capital resources is vital to any organisation and country. Continuing improving the understanding of these aspects will enhance the awareness of the practitioners (managers, social entrepreneurs, sponsors) of its importance. Human capital in social enterprises is still an understudied topic. The existent studies focus on the role of human capital (or attributes of it) on the social entrepreneurial intentions for starting a social enterprise (Corner & Ho, 2010; Ernst, 2011; Hockerts, 2017; Sharir & Lerner, 2006). In this sense, we argue the need to use this theory in gathering empirical explanations on the role of these attributes in achieving organisational performance and success, similar to what has been done in the for-profit sector.

6.8 Final remark

From the above, it is difficult to determine *the* ultimate cause of organisational failure. Even in cases where one factor seems more dominant than another, it also appears interconnected with other determinants, or is the root or the consequence of it. This being said, we can say that failure is characterised by interconnectivity, together with multidimensionality and complexity. It is difficult to determine absolutely that the lack of human capital leads to failure, yet it is possible to say that it contributes strongly to it. Human capital attributes are also much linked to one another, and exercised a great influence on the other causes. It is not our intention to say that a social enterprise only must recruit, for their staff and board, individuals who possess a tertiary degree, several years of experience, various trainings and a set of cognitive and non-cognitive skills. However, it is important to find a good combination of skills, knowledge and expertise in order to thrive in a dynamic and often challenging context.

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APPENDICES

APPENDIX A: PROTOCOL

Systematic review

What is the role of human capital on the failure of social enterprises?

The follow protocol is an instrument to be used during the process of conducting the systematic review. Different steps, namely, problem statement, research goal and research questions, search strategy, panel review the method used, compose it. All the changes undertaken during the process must be flagged and justified.

1. Problem Statement

The academic work published to date about social enterprises emphasise an optimistic and idealistic side of it (Scott & Teasdale, 2012). Researchers are mainly producing knowledge through the analysis of cases of success and best practice, devaluing the insights that can emerge from the exploration of the failure process and undesirable outcomes. Leaders of social enterprises, according to Foster and Bradach, also display a *“pattern of unwarranted optimism”*, as well as *“unrealistic expectations”* (W. Foster & Bradach, 2005). Despite all the positivism associated, most of the social enterprises fail (Chell, 2007; Dees, 1998) or cease operations (Haugh, 2005). However, little is known about the factors that oblige social enterprises to cease operations. Several studies have been conducted in the for-profit sector, which recognize organisational failure as a multifaceted phenomenon (Mellahi & Wilkinson, 2004). Chell (Chell, 2007) underline that the high rate of failure among social enterprise is due to two main factors. One factor appears related to the conflict underpinned by competing logics and the other is associated with the lack of business perspective. Implementing business-like logics in an organisation requires from the managers a strong capacity in balancing the two logics, and reshaping the activities and strategies accordingly (Dart, 2004). Additionally, in line with Dees (1998), managers shall cope with the market disciplines and dynamics, and focus on strategies oriented to achieve the commercial goals. Brinckerhoff (2000) in this work underline the importance of business skills to achieve the desired sustainability. Human capital theory is not clearly stated in the abovementioned studies, yet attributes of it are mentioned as crucial for the success of a social enterprise. The term human capital was world-widely disseminated through the work of Schultz (Schultz, 1961) and Becker (1962), who argue the importance of investing in the stock of human capital. This term is used as a shorthand for the stock of

knowledge, skills and abilities, which reside with the individuals, which can be innate or acquired through the investment on formal and/or informal learning, as well as experience. Even if it is strictly related with the individual characteristics, the stock of human capital also carries positive outcomes at an organisational level, augmenting its performance, as it was tested in several studies (see for example, Crook et al. (2011) In turn, social entrepreneurship and human capital scarcely appear associated in the academic literature (Ernst, 2011). The few studies focus on the propensity to start-up and social entrepreneurial intentions (Corner & Ho, 2010; Hockerts, 2017; Sharir & Lerner, 2006). It is possible to verify a gap in the inclusion of failure cases in the stories written academically about social enterprises. Also, it exists a lack about the positive or negative effect of the stock of human capital on the performance of social enterprises. We acknowledge the challenges associated with exploring the organisational failure, yet we are also aware of the vast potentialities of learning that can emerge from it. Haugh (Haugh, 2005) calls for research that address the organisational failure. In her opinion, understanding the failure provides information for the social enterprise actors, founders and policy makers. The author also underlines that *“research that investigated causes and consequences of social enterprise failure, and identified strategies to avoid failure, would be extremely valuable for the practitioners”* (Haugh, 2005). Moreover, focusing the knowledge solely on the cases of success limits the capacity of understanding the social enterprise dynamics (Alvord et al., 2004).

2. Research Goal

The goal of this systematic review is to **determine if the human capital plays a role on the failure of social enterprises.**

3. Research Questions

Initial questions	Final questions
<ul style="list-style-type: none"> a. What is failure? What is failure in the Non-profit sector? What is failure in the Social Enterprises field? b. Does failure have different causes? c. How failure can be determined? d. What is human capital? e. What are the different attributes of human capital? f. What is the relation between human capital and failure in the non-profit 	<ul style="list-style-type: none"> a. What is organisational failure? b. What are the causes of organisational failure (in the non-profit sector in general, and among social enterprises in specific)? c. What is the role of human capital theory on the organisational failure of NGOs and social enterprises?

<p>sector, and specifically, in the social enterprise?</p> <p>g. What work has been done about failure on social enterprises? What work has been done about human capital on social enterprises?</p>	
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Reasons for change: As it is possible to verify, during the process we aggregated the seven questions predefined into just three main questions. In our opinion, these three final questions better suit our purpose and better support us during the synthesis and analysis steps.

4. Review Panel

The review panel is constituted by:

- CLAEYE, Frederik, PhD – Université Catholique de Lille
- JEGERS, Marc, PhD - Vrije Universiteit Brussel
- RAMOS, Sandra - Phd Candidate in Management Science, Université Catholique Lille

An independent review will support us during the selection phase. The reviewer is:

- ANTEPARA, Inigo, PhD – Université Catholique de Lille

5. Search Strategy

5.1. Key words

Social Enterprise OR "Social Entrepreneur"; "Social Entrepreneurship"; "Social Business"; "Social Venture"; Nonprofit; "Non-profit"; "Non-profit sector"; "Non-profit organisations/organizations"; "Non-profit organisations/organizations"; "Non-governmental organisations/organizations"; "Civil Society"; "Third Sector"; "Social Economy"

AND Human Capital

AND Failure OR Organi* Failure (both organisational and organizational); Organi* death (both organisational and organizational); Mortality; Dissolution; Fail* (concerning failure; failed, failing); Unsustainable; Closure; Exit

5.2. Combination of words

First Combination of search terms	Second combination of search terms
Fail* OR "Organi* Fail*" OR Unsustainable OR Bankruptcy OR "Organi* Death" OR "Mortality" OR "Dissolution" OR Closure OR Exit AND "Human Capital" AND "Social Enterprises" OR "Social Entrepreneur*" OR "Social Business" OR "Social Venture" OR "Nonprofit" OR "Non-profit" OR "Non-profit organi*" OR "Non-profit sector" OR "Non-governmental organi*" OR "civil society" OR "Third sector" OR "Social Economy"	Fail* OR "Organi* Fail*" OR Unsustainable OR Bankruptcy OR "Organi* Death" OR "Mortality" OR "Dissolution" OR Closure OR Exit AND "Social Enterprises" OR "Social Entrepreneur*" OR "Social Business" OR "Social Venture" OR "Nonprofit" OR "Non-profit" OR "Non-profit organi*" OR "Non-profit sector" OR "Non-governmental organi*" OR "civil society" OR "Third sector" OR "Social Economy"

5.3. Databases

Searches will be conducted in the follow databases:

- Ebsco Host (Business Source Complete and EconLit)
- Web of Science
- Emerald Insight
- Springer Link

5.4. Inclusion and Exclusion Criteria

(No changes to report)

Criteria	Inclusion	Reasons for inclusion
Used in the identification phase		
Date	No date restrictions	
Geographical area	No geographical restrictions	To ensure a cross-country picture of the subject
Population	Studies that considered the following organisations:	The reason why we consider both non-profit organisations and organisations with generating income projects (social

	<ol style="list-style-type: none"> 1. Third sector, social economy and/ or non-profit organisations 2. Social enterprises, social businesses or social organisations with a generating income initiative, fitting into the nine EMES indicators. <p>All sectors of activity of the abovementioned organisations.</p>	enterprises, social businesses), was because of similarities in terms of organisational principles and in order to understand which lenses the authors used to study and analyse organisational failure.
Study and Design	<p>All types of published studies (conceptual, empirical, case studies), with a qualitative and quantitative approach.</p> <p>Only books or book chapters from well-established publishers in the field of management, economics and the non-profit sector.</p>	To ensure that all published studies were included in the review.
Discipline	Only studies in the field of management, economics and the non-profit sector.	Only studies in these fields, as it was our goal to analyse failure and human capital only through economic and management perspectives.
Language	English	Only studies in English, as we tried to avoid potential conceptualisation problems deriving from translations.
Used in the selection phase		
Theoretical perspective	<p>Only studies referring to organisational failure.</p> <p>Studies that also used a different lens of analysing organisational failure, and not only human capital theory, in order to identify which definition of failure was commonly used and which theories were used to analyse the causes of failure.</p> <p>All the studies that contained elements related to human capital in the abstract, or contained words like competencies or skills of the</p>	

	individuals working in the social organisation.	
Outcomes	All the studies with outcomes that addressed the research questions of the present study.	

Criteria		Reasons for exclusion
Used in the identification phase		
Study and Design	Unpublished studies (for example, reports and grey literature).	Focus on high-quality peer-reviewed broadly validated research.
Population	For-profit and public sectors.	Even if some characteristics of non-profit organisations may have appeared similar to those of public sector organisations, we intended to verify solely the specificities about the failure of the non-profit sector. The for-profit sector organisations were not considered relevant for this study. Studies that did not clearly mention if the organisation studied was a not-for-profit organisation.
Disciplines	Studies in all the other fields, for example law, psychology and sociology.	Studies that did not focus on economic or managerial theory/perspectives.
Language	Other languages	All the studies written in languages other than English to avoid misinterpretations due to translation differences (to avoid getting lost in translations).
Used in the selection phase		
Theoretical perspective	Studies that did not specifically refer to organisational failure	Studies referring to government failure, market failure or another type of failure is not directly related to organisational failure. Studies discussing organisational closure associated with mergers, sales and ownership changes.

6. Method

We opt to use the five steps Model developed by the Denyer and Tranfield (Denyer & Tranfield, 2009).

The steps delineated by the authors are:

- Step 1 - Question formulation

- Step 2 - Locating Studies
- Step 3 - Study selection and evaluation
- Step 4 - Analysis and Synthesis
- Step 5 -Reporting and Using results

APPENDIX B: CRITERIA TO ASSESS QUALITY OF THE STUDIES

Element	Level				
	0 Absence	1 Low	2 Medium	3 High	Not applicable
Theory robustness	The study does not provide enough information to assess this criterion	Poor development and unclear appropriateness of theoretical body	Basic development of theory and use of concepts gathered from existing literature	Deep use of theory and clear appropriateness of the concepts gathered from existing literature	This element is not applicable to the document or study
Methodology, methods and data	The study does not provide enough information to assess this criterion	Data incomplete and inadequate to the theory Poor research design	Data fairly supports the arguments but with some deficiencies Clear research design	Data strongly supports the arguments Robust research design	This element is not applicable to the document or study
Findings	The study does not provide enough information to assess this criterion	Poor relevant findings	Fairly relevant findings	Strongly relevant findings	This element is not applicable to the document or study
Contribution	The study does not provide enough information to assess this criterion	Poor contribution to the subject/ field	Fairly contribution to the subject/ field	Significant contribution to the develop of the subject/field	This element is not applicable to the document or study

APPENDIX C: SUMMARY STUDIES (METHODOLOGY, AREA OF STUDY, TYPE OF ORGANISATION)

Author (date)	Methodology	Area of study	Type of organisation
(Mordaunt & Cornforth, 2004)	Case study	UK	Non-profit organisation
(Katre & Salipante, 2012)	Semi-structured interviews	North America	Social entrepreneurs (Non-profit and for-profit social enterprises)
(Bhattamishra, 2012)	Survey method	India	Grain banks
(Fernandez, 2008)	Mix methods	Spain	Associations
(Bruneel et al., 2016)	Qualitative study Retrospective in-depth case study	Belgium	For-profit social enterprises
(Bennett, 2016)	Quantitative Questionnaire	UK	Charities
(Kovoor-Misra & Olk, 2015)	Survey method	USA	Non-profit organisation
(Helmig et al., 2014)	Systematic review	Global	Non-profit organisations
(Hager et al., 2004)	Mix methods	USA	Charities
(Bielefeld, 1994)	Quantitative study	USA	Charities
(Seddon et al., 2015)	Semi-structured interviews	UK	Institutional partnership that established a WISE
(Seanor & Meaton, 2008)	Case study	UK	Social Enterprises
(Hager et al., 1999)	Mix methods	USA	Charities
(Anheier & Moulton, 1999)	Does not apply	Does not apply	Does not apply
(Baum & Oliver, 1991)	Quantitative study	Canada	Child care services organisations
(Rohe & Bratt, 2003)	Case studies	USA	Community Development Corporations
(Scott & Teasdale, 2012)	Case study	UK	Company limited + charity
(Allan & Forder, 2015)	Quantitative	UK	Care homes
(Burde et al., 2017)	Quantitative	Israel	Non-profit organisations
(Gras & Mendoza-Abarca, 2014)	Quantitative	Canada	Charities

APPENDIX D: SUMMARY OF THE CAUSES OF FAILURE

Authors (Date)	Theoretical perspective (Variables used to analyse the causes of failure)	Main findings
(Mordaunt & Cornforth, 2004)	<ul style="list-style-type: none"> - Internal factors - External factors 	Internal <ul style="list-style-type: none"> - Weak governance - Mismanagement - Lack of trust External: <ul style="list-style-type: none"> - Funding
(Fernandez, 2008)	<ul style="list-style-type: none"> - Population ecology (age, size and density dependence theory) - New institutionalism - Resource dependence - Division into internal and external dynamics 	<ul style="list-style-type: none"> - Population ecology: Associations suffered from liability of newness and smallness - Resource dependence theory: access to various stream of funding increased the associations life span - New institutionalism: only a minority of the dissolutions were associated with lack of external legitimation
(Bruneel et al., 2016)	<ul style="list-style-type: none"> - Competing institutional logics 	<ul style="list-style-type: none"> - Managers neglected the commercial logic of the social enterprise
(Bennett, 2016)	<ul style="list-style-type: none"> - Human capital theory - Organisational ecology - The survivor principle 	<ul style="list-style-type: none"> - Lack of skills and knowledge (human capital) of managers and staff makes it difficult to understand the organisational and environmental characteristics, such as competition, which all together leads to failure
(Helmig et al., 2014)	<ul style="list-style-type: none"> - Deterministic school: population ecology model - Voluntarist school: resource dependence and new institutionalism 	(no empirical evidences)
(Hager et al., 2004)	<ul style="list-style-type: none"> - Liability of newness - Liability of smallness - Density dependency 	<ul style="list-style-type: none"> - Young and smaller organisations are more likely to fail (for every year of life the rate decreases 6.38%)

	<ul style="list-style-type: none"> - Structural embeddedness 	<ul style="list-style-type: none"> - Organisations dependent on government funding have 155% more odds of failure - Organisations more dependent on donations or volunteers are less likely to fail (marginally significant) - Age affects closure of the organisations with two-thirds of volunteer staff - Government funding have a harmful effect on older organisations - Age has no effect if the organisation does not rely on volunteers
(Bielefeld, 1994)	<ul style="list-style-type: none"> - Population ecology theory - Resource dependence theory 	<p>Population ecology:</p> <ul style="list-style-type: none"> - Younger, smaller organisations with lower expenditures are more likely to fail <p>Resource dependence theory:</p> <ul style="list-style-type: none"> - Failed organisations had fewer strategies aimed at funding and fewer streams of funding, and more strategies focusing on retrenchment
(Seddon et al., 2015)	Holistic theoretical model that combines academic theory on leadership, partnership and collaboration	<ul style="list-style-type: none"> - Culture of violence innocence led to the dismissal of institutional partnerships and consequently to the organisational failure
(Seanor & Meaton, 2008)	<ul style="list-style-type: none"> - Ambiguity and trust 	<p>Four main themes have arose from the analysis of the ambiguity and trust:</p> <ul style="list-style-type: none"> - Identity and Language: a blurred identity for some organisations was an advantage for other meant the loss of support - Communication and Information: lack of open communication channels that led to distrust among different stakeholders - Operating environment: misunderstanding and lack of support by users and community on the transition process from voluntary organisation to social enterprise - Intentions and Outcomes: mistrust and competition among social enterprises

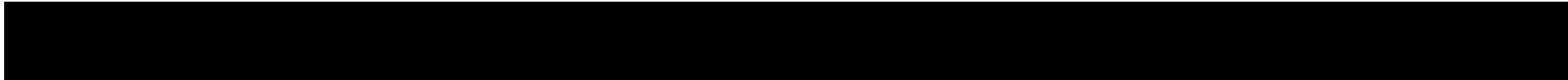
(Hager et al., 1999)	<ul style="list-style-type: none"> - Internal factors: Organisational age and size - Environmental factors: Resource dependency New institutionalism 	<p>Internal factors:</p> <ul style="list-style-type: none"> - Size and Age (-)³³ - Instability (Personnel loss and turnover; Goal changes) (+) - Managerial expertise (Financial difficulties; Personnel capabilities; Conflict among staff; Power struggles; Unclear mission) (+) <p>External factors:</p> <ul style="list-style-type: none"> - Market conditions (consumer and donor demand) (+) - Social capital (social isolation) (-) - Legitimacy (+) - Normative control (-)
(Baum & Oliver, 1991)	<ul style="list-style-type: none"> - Institutional linkages 	<ul style="list-style-type: none"> - Institutional linkages reduce the likelihood of organisational mortality - Institutional linkages reduce the liability of newness and smallness
(Rohe & Bratt, 2003)	<ul style="list-style-type: none"> - Contextual causes - Organisational causes 	<p>Organisational causes:</p> <ul style="list-style-type: none"> - Organisational mission (+) - Funding sources (-) - Management problems (+) - Staff and board capacity (+) - Communication (+) - Community support (+) <p>Contextual causes:</p> <ul style="list-style-type: none"> - Market forces (+) - Changes in the city policies (+) - Role of intermediaries (-) - Lack of support organisations (+) - Level of trust (+)
(Scott & Teasdale, 2012)	<ul style="list-style-type: none"> - Voluntarist school - Deterministic school 	<ul style="list-style-type: none"> - Financial incompetence - Lack of coherent strategy (mis-use of business plan)

³³ The factors with the sign (-) were less cited by the interviewees than the factors with the (+).

		<ul style="list-style-type: none"> - Poor governance - Lack of external support during the crisis
(Allan & Forder, 2015)	<ul style="list-style-type: none"> - Quality (regulation system) - Competition 	<ul style="list-style-type: none"> - Care houses with poor quality had more odds of closure - Care homes experiencing high competition had more odds of closure
(Burde et al., 2017)	<ul style="list-style-type: none"> - Liability of smallness - Liability of newness - Liability of adolescence - Funding instability 	<ul style="list-style-type: none"> - Hazard rates increase with age, reach a maximum and then decrease - Largest Non-profit organisations exposed to a long period of funding instability are more vulnerable than mid-sized Non-profit organisations
(Gras & Mendoza-Abarca, 2014)	<ul style="list-style-type: none"> - Resource dependence theory 	<ul style="list-style-type: none"> - U-shaped relationship: Higher the income generated through market-based strategies, higher the odds of organisational survival; however, these strategies expose the organisation to market risks, increasing the likelihood of failure

APPENDIX E: SEMI-STRUCTURED INTERVIEW

SEMI-STRUCTURED INTERVIEW



Date and Where was the interview:



Organisation

Name of the organisation:



A Demographic characteristics - interviewee

Name	
Gender	
Race	
Educational Background	No schooling completed Some high school, no diploma High school graduate, diploma or the equivalent Some college credit, no degree Trade/technical/vocational training College degree Bachelor's degree Master's degree Professional degree Doctorate degree Other:
Position in the organisation	

Responsibilities in the organisation	
Number of years of experience in organisation	<0 1 – 5 5 – 10 >10
Total number of years of experience in the NP sector?	<0 1 – 5 5 – 10 >10

B Demographic characteristics - organisation	
1.	Who launched the organisation?
2.	Was it a local founder/ owner or non-local?
3.	In which year was it created?
4.	In which year was it legally registered?
5.	What was the Legal form?
5.1.	Why did you choose this legal form (and not another)?
6.	Why was it set up? - Perceived necessity / needs-driven - Pull factors / opportunity driven - Response to a 'favourable event' / golden opportunity
7.	Can you describe to me the history of the process of setting up your organisation? (process, motivation)
8.	Do you know whether the organisation received some funds or investments for the process of start-up?
8.1.	If yes, can you specify the source of these funds and the amount? (Private, personal network, CSI, public (government, local authorities), own investment)
9.	Where was the organisation located? (urban, peri-urban, rural)

10.	What was the main mission?
11.	What were the main goals?
12.	What was your field of activity? (including sector/theme; e.g., Social Services; Child welfare)
13.	Which type of goods or services did the organisation produce or provide?
14.	Did you measure outcomes?
14.1.	If yes, how did you measure the outcomes? (methods, instruments – practical examples, how exactly did you track)
14.2.	Did you have some of difficulties in trying to measure the outcomes?
14.3.	If yes, was it an internal evaluation or did you use an external evaluator?
14.3.1.	Did you encounter difficulties in the evaluation?
15.	Did you receive some kind of public recognition? For example considered as a best practice? By a public or private entity?



C Governance Model

16.	Who was the main manager of the organisation?
17.	Did you have a Board of directors?
17.1.	If so, what was its constitution?
18.	Who was invited to the Board meetings?
19.	Did you have a General Assembly?
19.1.	If so, what was its constitution?
20.	What was the power (decision-making) of the Board? (That is, what kind of decisions can it make?)
21.	What was the power (decision-making) of the management team?
22.	How was the decision-making power (1 person 1 vote or other) distributed amongst the board?
23.	How were powers and responsibilities divided between the Board and the Director/CEO?
24.	Did any external body (public authorities, a for-profit company...) have a say in the organisations' decisions?
25.	Which types of stakeholders were involved in the activity and in the governance of the organisation?
25.1.	How were they involved?



D Business Model

26.	How did you describe your business model?
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27. How did you generate income?

27.1. Can you split up the streams of income and their sources (private customers, public contracts, foundations, crowd sourcing, etc.)?

Streams of income	% (sum = 100)	Source
Grants		
Trading		
Investments		
Financial donations		
Donations in kind		
Other streams, specify		

28. How did you try to ensure financial sustainability of the organisation?

E Failure (closure)

29. What were the reasons that led to closure?

30. What would you say was the main cause of the closure of your organisation?

31. Were there any other factors that contributed to the closure?

31.1. Do you think that the South African / Nelson Mandela Bay context is more susceptible to higher odds of failure?

31.2. Did you declare closure because you were not able to meet your financial obligations?

31.2.1. If yes, could you not fulfil your responsibilities with the financial stakeholders?

31.2.2. If no, why did you declare the closure?

31.2.3. Were the activities not achieving your goals?

31.2.4. Were the clients not satisfied?

31.2.5. If yes, was the organisation not economically sustainable?

32. Before the closure or restructure did some staff leave the organisations voluntarily or involuntarily (resign contract)?

33. Was there a growth period before the failure? For example, the recruitment of other employees/ volunteers? The acquisition of infrastructure?

34. When did you decide to close?

35. Who made the decision to close?

36.	According to your experience, do you think that failure can be considered as a learning process?
36.1.	If yes, what learnings do you draw from the process of failure?
F	Human Capital
37.	How many staff did you employ at the moment of failure? (Number of salaried employees)
37.1.	How many staff were working part-time and how many were working full-time?
38.	Were you employing some of your clients?
39.	How did the structure of the organisation look? – Organisational chart (formalised way of accountability and responsibilities within the organisation)
40.	Did you have job descriptions: positions, tasks? (ask for the employee to provide the formal documents that describe this)
41.	Employees / Board background
41.1.	Level of education (general skills)
41.2.	Other non-formal degrees or courses
41.3.	Professional background
41.4.	Years of experience
41.4.1.	Sector of experience (public, private, third sector)
41.4.2.	Type of precedent experience (Organisations - industry-specific - or other business forms)
41.5.	Informal education (courses or workshops attended)
42.	Did you provide to your employees / board with training-on-the-job?
42.1.	If yes, what kind of training?
42.2.	If yes, why did you provide training? (In case of yes for some employees and no for other, why this difference?)
42.3.	If yes, by who was this training organised? (Internal, external)
42.4.	Were you legally obliged to provide training?
42.5.	On average how many training did you offer per year?
42.6.	In the last year of operation how much training did you offer?
42.7.	Who was able participate? (employees / board)
42.8.	Who was responsible for choosing the participants for training / workshops?

42.9.	Duration (hours of training per year)
42.10.	If no, can you explain the reason why you did not provide training to employees / board?
43.	Did you provide your employees with the opportunity to participate in courses / workshops outside of the organisation (per year)?
43.1.	If yes, what kind of courses / training / workshops?
44.	Did you have any restrictions? (For example, in 10 employees just one could follow a course outside the organisation)
44.1.	If yes, what were the motivations behind these restrictions?
45.	How did you accommodate for staff to follow training / courses? (Penalties - e.g. economic)
46.	After the training did the employee/organisation enjoy some benefits or growth (e.g. wage growth, responsibilities, position)?
47.	Did you have staff leave the organisation voluntarily after training?
47.1.	If yes, how long after training did they leave the organisation?
48.	If you had a board, how were they selected? (education level, experience or just for altruistic reasons)
49.	In the daily activities of the organisation did you have the support of any external advisors?
49.1.	If yes, who were they and in what measure did they support your actions?
49.2.	If yes, did they bring more value to the organisation? Can you give me a concrete example?
50.	Was there the possibility of mobility and growth inside the organisation in accordance with educational level and experience?
50.1.	If Yes, can you give an example?
51.	Did you have specific operational routines and procedures (Firm-specific)?
52.	How long did it take for new employees to fully understand and implement these routines?
53.	Did you have any operational routines that were specific to your organisation?
54.	Can you describe how the combinations of human capital (human resources system) were? (explain)
55.	Do you consider the South African government to be investing in actions to enhance the level of skills and capacities of people in the Non-profit sector? (empowerment)

APPENDIX F: SOCIAL ENTERPRISES IN SOUTH AFRICA

Social Enterprise	Legal Status	Mission/ Main goals	Commercial service/Activity	Year of Creation	Year of Failure
FAILED SOCIAL ENTERPRISES					
FSE1	Trust (non-profit organisation) Section 21 - For-profit Section 21 – Non-profit	To create an enabling environment for mitigating the health, psychological and socio-economic impact of HIV /AIDS on the family and community	Agriculture Radio station	2004	2013/2014
FSE2	Cooperative	To empower the community members	Cleaning, Gardening, Recycling	2004	2011 (reopened in 2016, reclosed in 2017)
FSE3	Pty Cooperatives	To empower the community members	Waste management (different cooperatives with waste management service/products: cleaning, craft, etc.)	2012	2014
FSE4	Non-profit organisation (NPO)	To fight poverty, to clean the environment and create jobs	Craft products (from recycle material)	1999 (formalised in 2008)	2016 (several closures during the last decade)
FSE5	Cooperative	To create jobs, empower the community and eradicate poverty	Agriculture	2006	2013
FSE6	Cooperative	To empower the cooperative members	Brick manufacturing (housing)	2007	2013

				(formalised in 2009)	
FSE7	PTY Limited (for-profit)	To change the mind-set of our people to be more environmentally responsible, to save our natural resources	Environment (waste management)	2012 (formalised in 2014)	2016
SUCCESSFUL SOCIAL ENTERPRISES					
SSE1	Trust Non-profit organisation	To improve education and unlock the extraordinary potential of disadvantaged communities	Training	2004	
SSE2	Trust	Youth and Adult care centre	Piggery Aquaponics	2002 (formalised in 2010)	
SSE3	NPO	To meet the needs of the poor and marginalized (feeding schemes, education programmes, clothing distribution)	Events	2012 (formalised in 2013)	
SSE4	Non-profit company (NPC)	To see people grow and positively and financially impact communities	Consulting services	2001 (formalised in 2004)	
SSE5	Close Corporation (CC) NPO	To support the entrepreneurs in difficulty	TV show	CC: 2007 NPO: 2014	
SSE6	NPO	IT Development skills programmes	Training	2012	
SSE7	CC Trust	Empowering poor communities	Tourism services	CC: 1997 Trust: 1999	
SSE8	Foundation Public Benefit Organisation (PBO)	To assist the under-privileged communities To become an effective tool in educating the needy, especially females, in agricultural methodologies	Agriculture	Foundation: 2008 PBO: 2010	
SSE9	NPO PBO	Improve the livelihoods of under-privileged communities	Recycling	1998	

	Section 21		Woodwork (and other workshops) Charity Shop		
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