THE PROCESS OF THE NEW INTER-ORGANIZATIONAL FORMAT OF SOCIAL FRANCHISING FROM A SOCIAL NETWORK THEORY APPROACH: INSTITUTIONS, SOCIAL ENTREPRENEURSHIP PROFILE, SOCIAL INNOVATION AND THE ARGUMENT OF EMBEDDEDNESS

A thesis submitted for the degree of Doctor of Philosophy

by

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Abstract
The inability of the public sector to satisfy social needs – like poverty alleviation, social inclusion of disadvantaged groups, unemployment, health and education - are redefining the relationship between the governments and their citizens by making the latter play an active role as the provider of the welfare state. Citizens through their entrepreneurial activity have been pulled to the third sector leading to the emergence of new organizational forms like social enterprises and social franchises. The main focus of this research study is the investigation of the new interorganizational format of social franchising which has received ‘scant’ research attention up to now. The behaviour of actors and organizations in the social economy sector are influenced by the properties and dynamics of elements coming from the political, social, organizational and individual level. We have adopted a systems approach of social network theory. A grounded theory named Social Franchise Model (SoFraM) has been induced from an exploratory empirical mixed method study conducted at various stages and from different sources during a time frame of thirty months. Primary data were raised through six case studies in the UK and Greece, more than 143 interviews with social entrepreneurs and various stakeholders and three action research projects which were the subject of analytic induction supported by archival analysis of secondary data coming from governmental, European Commission, local authority and other sources. Our findings indicate that the formation, growth and success of social franchises is heavily shaped through: firstly, law, regulations, and incentives introduced by centralized or formal institutions - both supranational and national - as well as their driving logics; secondly, the relational and structural embeddedness of actors in networks and the social norms that subsequently emerge; thirdly, the characteristics of the individual social entrepreneurship profile; and finally elements of the social innovation model adopted. The properties of the system of informal or decentralised institutions of networks have been further explored through a pilot quantitative study on mainstream franchises in the UK and Greece. An online self-administered questionnaire has been created based on our conceptual framework of the Franchise Network Model (FNM) drawn from existing scales from literature. The findings indicate that relational and structural embeddedness of actors and organizations in networks determine choices of formation, partner selection, governance mode and the subsequent performance of franchise systems.
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List of Abbreviations

BSC Big Society Capital aka Big Society Bank
Coop Cooperative Enterprise
CDFA Community Development Finance Association
CDFI Community Development Finance Institutions
CDV Community Development Venture
CITR Community Investment Tax Relief
CIC Community Interest Company
EU European Union
EC European Commission
EuSEF European Union Social Entrepreneurship Fund
FNM Franchise Network Model
LCG Company Limited by Guarantee
LDA London Development Agency
LEP Local Enterprise Partnerships
NGO Non Governmental Organization
RSEN Regional Social Enterprise Networks
SE Social Enterprise
SEKE Social Enterprise Knowledge Exchange
SEUK Social Enterprise United Kingdom
SIFI Social Investment Financial Intermediate
SMEs Small medium Enterprises
SoFraM Scal Franchise Model
SRI Social Responsible Investment
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Interface

“Research in embeddedness is an exciting area in sociology and economics because it advances our understanding of how social structure affects economic life…. Economic theorists argue that affects them (economic transactions) minimally or creates inefficiencies… A well defined theory of embeddedness and inter-firm networks has yet to emerge…revisionist economic frameworks have attempted to explain embeddedness in terms of transaction costs, agency and game theory concepts… (they) apply conventional economic constructs to organizational behaviour… (they) faintly recognize the influence of social structure on economic life” (Uzzi, 1997: 35-38).

The last centuries industrial and technological breakthroughs have helped improve our quality of life while at the same time creating a number of threats to our very existence. Governments and institutions are proven insufficient in tackling these issues (Jeff Skoll in Nicholls, 2008):

"Our best hope for the future of humanity lies in the power and effectiveness of socially motivated, highly empowered, individuals to fight for changes in the way we live, think and behave…. (this is) the case for social entrepreneurship… (It) has rapidly become the most influential idea of our time… exceptional individuals, ideas and movements emerge to face and find solutions to these challenges. Social entrepreneurs are those people- the practical dreamers who have the talent and the skill and the vision to solve the problems, to change the world for the better… operating in a free market where success is measured not just in financial profit but also in the improvement of the quality of people’s lives… there is a great need for ongoing
1. Context and Purpose of the Study

1.1. Introduction

This chapter concerns itself with the essence of this study which is the examination of the phenomenon of social franchising through a systems approach of social network theory. In details it creates the theoretical context, illustrates the general focus, describes the research problem, emphasises the academic interest and pragmatic significance of the study, and concludes with a description of the thesis structure and order of presentation.

1.2. Focus of the Study

The last fifteen years social enterprises have seen a considerable growth in both the developing and the developed world; despite of this growth research suggests that their performance and development has been poor (Foster and Bradach, 2005), they face issues of formation, development, and finance (Foster and Bradach, 2005), they are constrained to their local markets, they struggle to achieve financial independence through generating income (Foster and Bradach, 2005; Meyskens et al, 2010a; Sharir and Lerner, 2006; Tracey and Jarvis, 2007), they rely on volunteers and on staff that are willing to work for under the average rate wages (Sharir and Lerner, 2006), they struggle to externalize from parenting bodies (Jeffery, 2005; Tracey and Jarvis, 2007), and their scale is too small to make the impact that is needed to resolve pressing social issues (Dees et al, 2004; Samuelson, 2010). Solutions to the above are the establishment of branches, mergers and acquisitions among social enterprises, social venture capital (Bishai et al, 2008; Lyon and Fernandez, 2012; Piggot, 2004; Tracey and Jarvis, 2007) and affiliations, like social inter-firm alliances, corporate-social partnerships, social venture networks and social franchising (Bradach, 2003; Dees et al 2002; 2004; Mair and Sezgi, 2011).

Social franchising emerges as a network of alliances among small scale companies in addressing unmet social issues, but at the same time offers the big scales that are needed to attract capital, to exploit economies of scale, to enhance rapid growth, to exploit network and other effects; thus to achieve considerable economic and social impact (Tracey and Jarvis, 2007). Social franchising could offer compelling solutions to help address issues like unemployment, social exclusion of groups, regional development, and poverty by scaling up the impact of social entrepreneurship ventures. It could provide the necessary tools to the financial independence and growth of social enterprises (Bishai et al, 2008; Piggot, 2004; Tracey and Jarvis, 2007). Governments and the European Commission (hereafter EC) have realized the benefits of social franchises and have recently adopted policies to enhance their development (Easton, 2012; Richardson and Berelowitz, 2012).
We identified the existence of six social franchises in the UK in 2010, only one published paper on organizational theory from Cambridge University scholars Tracey and Jarvis (2007), nine more published papers in health journals which mentioned the existence of social franchises while focusing on health aspects in the developing world (Agha, Gage, and Balal, 2007; Agha, Karim, Balal, and Soster, 2007; Bishai et al, 2008; Leite and Carvalho, 1998; Lönnroth, Aung, Kluge, and Uplekar, 2007; Montagu, 2002, 2009; Ngo, Alden, Hang, and Dinh, 2009; Stephenson, Tsui, Suizbach, Bardsley, Bekele, Giday, et al, 2004), a Scottish governmental industry report (Higgins et al, 2008) and various commercial articles. Tracey and Jarvis (2007) work on social franchising resulted in that agency and resource scarcity theories—which they adopted—were insufficient in conceptualizing this new format. They recommended future research to focus on viewing the phenomena through the perspective of embeddedness, through network thinking, and through behavioral propositions (Tracey and Jarvis, 2007). Network theory can better explain the formation, governance, and evolution of alliances (Gulati, 1995; 1998; Gulati and Sign 1998). Today there are 95 social franchises in Europe of which 50 are in the UK (Richardson and Berelowitz, 2012).

We found ourselves in the position of having to investigate a new organizational format. Social franchising is interdisciplinary and multidisciplinary in context and nature, so we had to relate to closely linked existing literature based on the similarity of social franchising with other existing organizational formats. Social franchises are similar to mainstream business format franchises (Higgins et al, 2008; Sivakumar and Schoormans, 2011a), they are forms of inter-firm alliances, and are types of networks; therefore drawing from these three areas of research. They are alliances among social enterprises, nonprofit organizations and corporations. They are run by social entrepreneurs so they also pertain to social entrepreneurship and conventional entrepreneurship literature (Dees et al, 2001). In all subsequent chapters we are reviewing and were appropriate- drawing from existing theories in these areas.

Current theories like the theory of the firm and transaction cost theory, except from network theories, are insufficient in explaining the process of alliance formation (Axinn and Matthysens, 2002; Zajac and Olsen, 1993). Networks cannot be analysed by the market-hierarchy concept they are a distinct structure of governance named ‘network form’ (Powell, 1990). Networked social entrepreneurship or social venture networks account for a different model of governance and growth that cannot be scaled through mainstream business tools (Leadbeater, 2006; Sloane and O’Reilly, 2013; Somerssen, 2013). Existing alliance literature has incorporated an atomistic notion of the firm analysing it in an asocial context, focusing on dyad relations, rather than viewing alliances as whole systems of relationships, that is as channel-wide relations and analysing the interactive elements of the market and institutions (Gulati, 1998; Whipple and Gentry, 2000); thus failing to capture the whole network as a unit and identify the elements that prevail (Sloane and O’Reilly, 2013). The paradigm of neoclassical economics although being the most advanced in terms of scientific rigour is limited in explaining sufficiently the various inter-organizational issues that firms face (Leonidou, 2003). This limitation can be overcome by approaching the phenomena from the relational research paradigm (Donaldson and O’Toole, 2007; Hakansson, 1982; Leonidou, 2003). Uzzi (1997) argues that research on embeddedness advances our understanding of how social structure affects economic life, while economic theorists argue that the latter is either nonexistent or creates imperfections. Granovetter’s argument of embeddedness emerged as a potential theory for joining economic theory and sociological approaches to organization theory (Uzzi, 1997: 35).
In reviewing the franchise and alliance literature the formal aspect of links between franchisors and franchisees has been extensively researched, so have the motives for the formation of the franchise formats, the choice of partners, and the formulation of their governance structure. If we add to that what we already know about the dynamics of relational and structural embeddedness, about trust, commitment, and social norms we see that the franchise network expands and develops to an entity that its properties are much greater than the sum of its parts. Therefore it cannot be treated as a collection of dyadic relationships or be analyzed by studying its parts alone (Achrol, 1996, 1997; Achrol and Kotler, 1999; Gulati, 1998; Paswan, Loustau and Young, 2001).

Moreover, to understand social entrepreneurship one has to view the various systems that influence its process (Leadbeater, 2006; Nicholls, 2008) including: the external environment, like the public sector and institutions (Alvord et al, 2004; Defourny and Nyssens, 2010b; Mendell, 2010; Salamon and Anheir, 1997; Powel, 1987); the network models and alliances that it builds (Nicholls and Opal, 2005; Sivakumarand Schoormans, 2011; Tracey and Jarvis, 2007); the profile of the individual entrepreneurs (Alvord et al, 2004; Bornstein 2004; Drayton, 2002; Guclu et al, 2002); the organizational models built around its social innovation element (Murray, Caulier-Grice and Mulgan, 2009; Mulgan et al, 2007; Porter and Kramer, 2011), a sustainable resource strategy, its social mission and its social impact (Emerson and Spitzer, 2007; Nicholls, 2010; Nicholls and Pharoah, 2007; Steffel and Ellis, 2009).

Therefore, we have viewed social franchising as a network format being shaped by the properties, dynamics and interactions of various systems from the political, social, organizational and individual contexts. Our focus is to understand and explore this new inter-organizational format at a network level through a systems approach. To better understand and analyse this phenomenon we have identified four strategic constructs that play a preeminent role in the birth and survival of inter-firm alliances and networks, these are: formation, partner selection, governance modes, and performance (Gulati, 1998; Parkhe, 1993). The theory of Social Franchise Model (SoFraM) that has emerged from our research forms part of grounded theories. Following a holistic methodological approach we identified four systems and subsystems that influence decision making in the aforementioned four strategic choices. From the institutional political context we analyze the influence of the systems of centralized or formal institutions, whose elements are law, regulations and incentives which are divided in two subsystems a) the supranational institutions (like the EU) and b) the national institutions (like the UK and Greece). From the institutional social context we analyse the influence of the systems of c) decentralized or informal institutions, whose elements are social norms, these elements influence social action and shape organizational behaviour through the relational and structural embeddedness of actors and organisations in networks. From the organizational context of social entrepreneurship we investigate the influence of the system of d) social innovation. Finally from the individual context we investigate the influence of the system of e) the individual/psychological social entrepreneurship profile.

The contribution and novelty of this research work is both the investigation of a novel organizational format as well as the adoption of a holistic systemic conceptual theoretical approach in studying organizational phenomena. This research work builds on ontological holism, on systems theory and social network theory. Our argumentation on the choice of the conceptual theory adopted builds on a debate around: firstly, the fallacy of composition (Aristotle, 384-322B.C. translated by David Ross, 1954; Engel, 1980: 25-26; Mautner, 1996;
McCain, 1984); secondly, the concept of holism (McCain, 1984; Schombert, 2006; Schombert and Bothun, 1987; Seevick, 2004; Tilman, 2000) which was conceptualised by the ancient Greek philosopher Parmenides and was reintroduced by Spinoza it has influenced the works of many scientists, including Smuts, Durkheim, Hegel, Marx, and scholars of quantum theory; thirdly, the relational research paradigm (Donaldson and O’Toole, 2007; Hakansson, 1982; Leonidou, 2003); structuralism (Rabaté in Sturrock, 2003), institutionalism (Battilana and Dorado, 2010; Berger and Luckmann, 1967; DiMaggio, 1988; DiMaggio and Powel, 1983; Dorado and Ventresca, 2013; Battilana, Leca and Boxenbaum, 2009; Mair, Marti, and Ventresca, 2012; Meek et al, 2010; Nicholls, 2010a), systems theory (Greenfield, 2011; Gunaratne, 2008; Mele, Pels, and Polese, 2010; Von Bertalanffy, 1968), social capital theory (Battilana, Leca and Boxenbaum, 2009) and social network theory (Granovetter, 1973, 2005; Gulati, 1998; Obstfeld, 2005; Sloane and O’Reilly, 2013; Simmel, 1950); fourthly, substantivists and the argument of embeddedness (Granovetter, 1985, 1992, 2005; Marsden, 1981; Powell, 1990; Uzzi, 1997; White, Owen-Smith, Moody, and Powell, 2004; Zuken and DiMaggio, 1990); And finally, sustainable arguments to support our thinking derive from a critic on unilateral and bilateral approaches and from a discourse on alternative levels of analysis (Marsden, 1981;1983, Proven and Milward, 1995; Ring and Van de Ven, 1994).

1.3. Research Precedent

Social entrepreneurship has received much criticism; it has been criticised as being: poorly defined, widely misunderstood, representing a controversial business strategy just encompassing a social agenda, a mechanism for governments to try to privatise the social welfare state, the same thing that civil society organizations did just dressed up in new terms, and finally representing a threat to established civil society innovative organizations (Nicholls and Young, 2008). Thus more research is needed to clarify those issues (Nicholls, 2008). Social entrepreneurship research has moved out of its early introduction stage but there are some significant issues to be addressed: firstly, there is a need for more primary data raised; secondly, there is a need for stronger and multi-disciplinary theory development; and finally, there is a need to raise the research credibility of the field (Nicholls, 2008).

Sullivan (2007) argues that more research in needed in identifying the elements that stimulate social entrepreneurship. Existing research on social entrepreneurship has investigated issues of definition (Alvord et al, 2004; Chell, 2007; Dees 1994; Dorado, 2006; Mair and Roboa, 2006; Nicholls and Cho, 2006; Nicholls, 2006; Shaw and Carter, 2007; Tracey and Jarvis, 2007), definition and ethics (Zahra et al, 2009); the process of social entrepreneurship (Griffiths et al, 2013) drawing on the strength of the individual hero or groups and networks (Borzaga and Defourny, 2001; Defourny and Nyssens, 2006); on economic development (Seelos and Mair, 2005); on community sustainability (Young and Young 2008); on sustainability and poverty alleviation (Halkias and Thurman, 2012); on resource-based theory and operational processes (Meyskens et al, 2010b); on social investment (Nicholls 2010b); on entrepreneurship models (Mair, Battilana and Cardens, 2012); on social innovation (Dees, 1998; Donaldson and O’Toole, 2007; Elliot, 2006; Obstfeld, 2005); on systems approaches and institutional theory (like the role of socio-political factors) (Battilana and Dorado, 2010; Korosec and Berman, 2006; Griffiths, Gundry and Kickul, 2013; Mair, Marti, and Ventresca, 2012; Mair and Roboa, 2006; Meek et al, 2010; Nicholls 2010a; Salamon and Anheir, 1997; Sullivan, 2007; Powel, 1987); on institutional entrepreneurship (Battilana, Leca and Boxenbaum, 2009); institutional theory and
intraorganizational political processes (Pache and Santos, 2010); on scaling (Bishai et al, 2008; Bradach, 2003; Dees et al, 2002; 2004; Leadbeater, 2006; Lyon and Fernandez, 2012; Mair and Sezgi, 2011; Nicholls, 2008; Piggot, 2004; Sakaraya et al, 2012; Tracey and Jarvis, 2007; Waddock, 1991); on performance and success (Sharir and Lerner, 2006); on managing social enterprises and organization theory (Bornstein and Davis, 2010; Gunn and Durkin, 2010; Doherty et al, 2009; Mykoskie, 2011). Another area of significant emerging research on social entrepreneurship is resource strategy: the social investment market and the formation of specific financial models (Emerson and Spitzer, 2007; Nicholls, 2010; Nicholls and Pharoah, 2007; Steffel and Ellis, 2009).

The political context of social entrepreneurs has been drawing intrinsic research attention shifting the focus of research from the application of neoliberal economic theories and strategic theories to the study of the politics of social entrepreneurship. This shift indicates that social entrepreneurship is not a format to address the failures of the economic systems but is even more an institutional transformation of these systems to achieve survival (Nicholls, 2008). Little research has dealt with the significant role of macro-level and contextual factors in social entrepreneurship formation, like socio-political, economic and cultural variables (Griffiths, Gundry and Kickul, 2013). Dorado and Ventresca (2013) identify the need for institutional research on social entrepreneurship formation. Korosec and Berman (2006) argue that the means that are deployed by governments to support social entrepreneurship is an under-researched area; the latter research exploited perception and not hard data of the actual methods employed which they acknowledged as being a limitation of their study.

Previous research on social venture inter-firm alliances has dealt with issues like necessity (Brooks, Liebman, and Schelling, 1984; Meyskens and Carsrud, 2011); institutional theory and organisational legitimacy (Huybrechts and Nicholls, 2013); formation (Gricar and Brown, 1981; McCann, 1983; Sakaraya et al, 2012); structure (Austin, 2000; Berger et al, 2004; Waddock, 1991); consumerism and demand (Vock et al, 2013); social network theory and partner selection (Sorensen et al, 2013); governance (Leadbeater, 2006), contract law (Arrighetti et al, 1997); social venture networks and resource-based theory (Meyskens et al, 2010a). Nevertheless, there is a lack of empirical research on the motives, resources and performance of social alliances (Sakaraya et al, 2010). Alliances, especially those that involve multiple partners, need further research attention (Dunning, 2000). Johanson and Vahlne (1990) argue that research needs to be renovated by introducing a network view. There is a lack of research on the performance objectives for entering into alliances as well as on the resulting performance of alliances (Gulati, 1998; Huszagh et al, 1992; Sakaraya, 2012; Whipple and Gentry, 2000). Social network analysis (SNA) has grown in recent years providing further benefits to the investigation of alliances (Sloane and O’Reilly, 2013; Somerssen, 2013).

The variables of social norms need for more research on the emergence of theory, concept and methods of analysis (Achrol, 1997; Meek et al, 2010). Meek et al (2010) recommend the need for future research to address the explanatory power of social norms and their correlation with central institutions interventions in enhancing social/responsible entrepreneurship. Morgan and Hunt (1994) focused on trust and commitment in analysing networks and suggested that future research should focus on norms. Uzzi (1997) supports that more research is needed on embeddedness in order to create rigorous theoretical propositions that could explain the relationship between social structure and economic transactions.
Existing research on social franchising is ‘scant’ (Sivakumar and Schoormans, 2011a) it has considered it in a healthcare or educational context in the developing world and it mostly focuses on effectiveness of health social franchising and health aspects (Agha, Gage, and Balal, 2007; Agha, Karim, Balal, and Soster, 2007; Bishai et al, 2008; Koehlmoos, Gazi, Hossain and Zaman, 2009; Leite and Carvalho, 1998; Lönnroth, Aung, Kluge, and Uplekar, 2007; Montagu, 2002, 2009; Ngo, Alden, Hang, and Dinh, 2009; Ngo, Alden, Pham, and Pham, 2010; Peters, Mirchandani and Hansen, 2004; Qureshi, 2010; Shah, Wangm and Bishai, 2011; Stephenson, Tsui, Suizbach, Bardsley, Bekele, Giday, et al, 2004; Prata, Montagu and Jefferys, 2005). Two papers investigate organizational issues specifically social franchisee partner selection (Sivakumar and Schoormans, 2011a; 2011b), and formation (Tracey and Jarvis, 2007); only the latter research is from the developed world while all other research view cases from the developing world. There are also several industry reports - published by social enterprises and by the International Centre for Social Franchising two of them commissioned by the Big Society Capital and the Scottish Government - which include important information on the social franchising sector (Berelowitz, 2012; ESFN, 2011; Higgins et al, 2008; McNeill Richie et al, 2011; Richardson and Berelowitz, 2012).

1.4. Purpose of the Study

In the beginning of the interrogation we asked ourselves: what is social franchising? How does it work? How does it differ from mainstream franchising? How and why do social franchises emerge? What are the determinants to their formation? What are the specific mechanisms that have been adopted? Who are its constituents? How do networks select members? How is it organised? What are its results? What do they do and where? How can it be more successful? What is its impact? Once we got replies we kept asking: who, how, what? Like: who is a social entrepreneur? What are the determinants of social entrepreneurship? What do they do?

Our research is mainly exploratory building on an analytic induction theory of data raised through mixed-method approaches (Bailey, 2008; Bryman, 2006; Grasser and Strauss, 1967; Sloane and O’Reilly, 2013; Yin, 2008) during a period of thirty months. Our sampling is produced from an activity we performed and is called ‘Mapping of the Social Economy Sector’. Both quantitative and qualitative research techniques were adopted, including: 1) case studies of six social franchises in the UK and Greece; 2) in depth interviews with 113 social entrepreneurs in Greece and the UK; 3) In depth interviews with 20 stakeholders in Greece and the UK; 4) an action research with the local authority of the city of Athens, the project named ‘Athens Social Economy Initiative’; 5) an action research 30 hours workshop with 30 prospective social entrepreneurs and social franchisors in Greece; 6) an action research three days workshop with 7 CEOs of best practices social entrepreneurship centers and hubs in Europe, 2 experts policy advisors from the EC, 2 members of the Social Business Initiative of the EC, and 14 representatives from Greek formal institutions; 7) archive analysis of secondary data from sources including Europa, governmental, organizational, and local authorities; 8) and an online pilot survey through a quantitative approach in franchise systems in the UK and Greece to provide a quantifiable tool for future research needs in evaluating and explaining the influence of the system of informal institutions of relational and structural embeddedness on the choices of franchise formation, partner selection, governance and performance.
A conceptual framework is induced from the data analysis, named ‘SoFraM’ (Social Franchise Model) which identifies the elements that influence social franchising formation, partner selection, governance and performance. These elements pertain to the following systems:

a) Institutional Political Context:
   a. centralized or formal institutions
      i. the supranational institutions, (data drawn from the EU case)
      ii. the national institutions, (data drawn from the UK and Greek case)

b) Institutional Social Context:
   a. decentralized or informal institutions of networks, social norms and the argument of embeddedness

c) Organizational context:
   a. social innovation.

d) Individual Context:
   a. the individual/psychological social entrepreneurship profile

The properties and interactions of the system of decentralised or informal institutions of social networks have been further investigated through the explanatory quantitative study. The ‘FNM’ (Franchise Network Model) has been proposed, and subsequently empirically tested, which describes a number of factors hypothesized to be related to the formation, partner selection, governance, and performance of franchise systems. To analyse and assess the benefits of network organizations we have to see it as a mini society of interdependent relationships characterized by trust, commitment, restraint of power, solidarity, mutuality, flexibility, role integrity and harmonization of conflict, known as the social norms of governance (Achrol, 1996; Heide and John, 1992; Kaufmann and Dant, 1992; Macneil, 1981). These are the constructs that constitute the relational and structural characteristics of the embedded network organization and are the core variables of our theoretical model, the Franchise Network Model. The goal of this secondary quantitative approach was to create a model that could be used in future research in assessing these causal relationships and measuring these variables in social enterprise networks and social franchises. Our objective was not to run a significant large scale quantitative research with strong generalisable results based on a sufficient sample. So it is considered a pilot study.

Consequently, the objectives of our study are to explore the following research questions:

RQ1: What is the role of the system of the individual/psychological social entrepreneurship profile in the formation, governance and performance of social franchising?

RQ2: What is the role of the system of social innovation in the formation, governance and performance of social franchising?

RQ3: What is the role of the system of formal institutions in the formation, governance and performance of social franchising?

RQ31: What is the role of the system of national formal institutions in the formation, governance and performance of social franchising?

RQ32: What is the role of the system of supranational formal institutions in the formation, governance and performance of social franchising?

RQ4: What is the role of informal social and cultural institutions of the system of relational network embeddedness in the formation, governance and performance of social franchising?
RQ4₁: Does the system of relational network embeddedness influence the formation and partner selection decision of franchises?
RQ4₂: Does the system of relational network embeddedness influence the governance mode of franchises?
RQ4₃: Does the system of relational network embeddedness influence the performance of franchises?

Another important goal of this research project is dissemination; we are mostly interested in benefiting practitioners in the field and in identifying applicable solutions to identified needs. We are interested in seeing the specific incentives that exist in the EC, UK and Greece which could benefit the social entrepreneurs and social investors; we are also interested in identifying the specific mechanisms that trigger social entrepreneurship formation growth and success in order for policy makers and support organisations to design appropriate schemes. For these reason our primary data builds on firstly, hard data of policies and regulations; secondly, we identify best practices, thirdly, we approach the phenomena holistically investigating a broad spectrum of contextual factors; fourthly we identify challenges faced by social entrepreneurs and social franchisors as well as emerging needs of entrepreneurs and solutions adopted; finally, dissemination is adopted early on as we engage in action research projects with practitioners and stakeholders.

1.5. Research Interest and Significance of the Study

The choice of Greece as a country for collecting our data can be supported by the recent European and international elevated interest in raising understanding of the Greek situation (Fahrholz and Wojcik, 2010:5; Eichengreen, 2010; Padoa-Schioppa, 2010). The possible limitations to the implications of this research from focusing on the Greek case can be offset by the counter-analysis of the social entrepreneurship sector in the UK which represents the richest policy and organizational context globally because of the fact that: a) the UK government has adopted the most substantive portfolio of public measures to support the formation and growth of the social entrepreneurship sector (Nicholls, 2010a); b) The UK is the world centre for social investment and the global leader in the socially responsible investment market (Eurosif, 2012); c) it has more than double the number of social franchise networks than all other European countries aggregated (Richardson and Berelowitz, 2012).

Studying social entrepreneurship contributes to a holistic understanding of entrepreneurship (Mair and Roboa, 2006). Meyskens et al (2010a) argue that to their knowledge no study has dealt up to now with social venture networks in terms of creating a framework and conducting an explorative study based on hypothesis. The only prior research we identified on social venture networks was Sorensen et al (2013) who dealt with social network theory and partner selection in social venture networks and Leadbeater (2006) who addressed the issue of governance of social venture networks. Incorporating factors of network theory perspective and embeddedness into alliances can have both descriptive and normative outcomes that can provide significant insights to the theories of economics, strategic management, organizational theory, marketing theory, and sociology and has important implications for managerial practices (Gulati, 1998).

Moreover, to our knowledge no prior research has dealt with the analysis of the specific methods deployed by governments and the EU in enhancing formation and growth of social
entrepreneurship. There is no prior research on the analysis of social franchising from a network or systems perspective or an analysis of the influence of relational embeddedness or of formal and informal institutions. To our knowledge there is no prior quantitative research on the influence of the systems of informal institutions of social norms on the formation, partner selection, governance and performance of mainstream franchising through systems approach and network thinking; though individual elements of social norms have been investigated and network research has been conducted. Network theory has been used to investigate aspects of the phenomenon of franchising (Achrol, 1996, 1997; Achrol and Kotler, 1999; Paswan, Loustau and Young, 2001) but not of the aforementioned constructs of franchising. Therefore this research is investigating a novel aspect that is expected to give new insights to franchise theory, network theory and generally to the area of inter-organizational relationships and alliances.

As already said the contribution and novelty of this research work is both the investigation of a novel organizational format as well as the adoption of a holistic systemic conceptual theoretical approach in studying organizational phenomena. In detail significant contributions can be gained by this investigation, which can be considered in four forms. First, the topic could be of significance to the decision maker of social enterprises in adopting a scalable strategy, to social franchising actors in designing their network, to policy makers in adopting public policies for the growth of the social economy sector and social franchising sector, to social investors and financial institutions that want to invest in the social economy sector, and finally to support organizations in designing appropriate services for social entrepreneurs. Second, to the knowledge of this author, this is the first significant attempt by a researcher to investigate the process of social franchising as well as the dynamics of network embeddedness for mainstream franchise formation, partner selection, governance, and performance and thus offers a reconceptualisation of franchising. It is also the first holistic attempt in explaining the process of social entrepreneurship through a systems approach. Third, to the knowledge of this author, it is the first significant attempt by a researcher to bring together at one model the aforementioned constructs, institutions and systems on social entrepreneurship and social franchising and to investigate them through a comparative study in the UK and Greece. Fourth, by examining factors associated with the formation, evolution and performance of social venture networks we are aiming to create a novel theoretical approach with direct implications both to practitioners and scholars.

1.6. Genesis of The Subject Theme

The interaction of the researcher with franchise networks, enterprise Europe networks for rural and regional development since 1999 in the UK and Greece led to the observation of a number of problems that inter-firm alliances—specifically business format franchises—face and to the identification of the existence of many structural and behavioural problems (Achrol, 1996; Higgins et al, 2008; Stanworth, 1995; Stanworth et al, 1998), to mention some: a) high failure rates equal to small medium enterprises failure (Bates, 1995; Lafontaine and Shaw, 1996; 2005; Ozanne and Hunt, 1971; Shane, 1996; Stanworth, 1995; Stanworth et al, 1998; Storey, 1994); b) increased number of inner-network disputes (Achrol, 1996). c) The need for research on the network paradigm, through behavioural propositions and through the argument of embeddedness (Achrol, 1996; Paswan, Loustau and Young, 2001).
So initially we started investigating the relationship between network embeddedness and business format franchises through the lenses of social network theory and developed a model named ‘FNM’ – the ‘Franchise Network Model’ (Zafeiropoulou and Woods, 2006a, 2006b, 2007; Zafeiropoulou, 2006). In 2010 Professor Adrian Woods who was actively involved with social enterprises in the UK made a research proposition: “Social Enterprises and Franchising. How about Social Franchising? What would the contribution be?” (October, 2010, individual research meetings at Brunel Business School). This was the beginning of an interrogation into the area of social entrepreneurship, social economy and social inter-firm alliances through a holistic methodological approach.

Our research into social franchising coincided with the strategic political interest of the European Commission to actively support the growth of social enterprises in Europe and especially in Greece. In January 2011 the writer of this thesis was informally invited by the ministry of Labour and Social Security to consult on the creation of the Greek legislation on social enterprises. In November 2012 they were appointed by the City of Athens as PM of “Athens Social Economy Initiative” to design and lead the policies for the growth of social enterprises in the region of Athens. In February 2013 we established the first regional centre on social entrepreneurship with the municipality of Alexandroupoli in the Thrace Region at the northeastern part of Greece. In March 2014 we incorporated our social cooperative enterprise “The Nest” based on the Greek law (No 4019/2011). The Nest is a centre for social innovation and entrepreneurship providing capacity building, incubation, acceleration and access to funding for prospective and established social entrepreneurs. We have partnered with a Greek university, City Unity College, and have jointly created a research centre on social entrepreneurship, innovation and franchising. Finally we are setting up a Social Entrepreneurship Fund with the support of seeding capital from the Greek cooperative bank Pagkritia, from a newly established crowd funding platform, foundations, big corporations and international affiliations.

We organised and chaired the first International Experts Committee of European Best Practices on Centers for Social Entrepreneurship on 11-13 February, 2013 at the Athens City Hall Centre with the participation of the CEOs from these European centers and experts from the TROIKA task force committee in Greece. We also gave a number of speeches, interviews and wrote articles in: business conferences, like the International Sustainability Summit (October, 2012) in Chania, in public media sources both radio and newspapers, like the Guardian (15-6-2012 interview by Henley, J.), Kathimerini Economic Edition (26-02-2012), Imerisia (18-02-2012), Kerdos (10-02-2012) and municipalities like in Attica and the Peloponnese.

We organised and run the first capacity building programmes in Greece on how to start-up a social enterprise and a social franchise as part of the ongoing learning curriculum of universities (like the American College of Greece-Deree, the Kapodistrian University of Athens and the Vocational Training Centre of the City of Athens) which resulted in the actual creation of social enterprises and social franchises from the participants.

All these aforementioned activities have transformed our thesis and opened new methodological opportunities in investigating the format of Social Franchising which have been incorporated in our research.
1.7. Structure of the Thesis and Order of the Presentation

This study has been structured in a way to reflect the main aim of this thesis and has been structured in seven chapters.

Chapter one has introduced the context and general focus of the study, research precedent, purpose of the study and finally has stretched the academic interest and significance of this research.

Chapter two presents the theoretical framework of the study it focuses on the main concepts of this thesis by reviewing existing literature in an analytical and comparative way. It begins with an analysis of theories pertaining to social entrepreneurship and of the spheres of political and social institutions; the latter is seen through a study of network embeddedness and social norms, as well as organizational and individual contexts. It also reviews the inter-organizational forms that are relevant to this research which are social inter-firm alliances, social networks and social franchising. Then we offer a critical analysis of existing theoretical approaches in analysing the formation, partner selection, governance and performance of interfirm-alliances, networks and franchising. Finally, we present an analysis of the main theoretical theories that have been adopted in studying the phenomena of inter-organizational relations, networks and franchising. It provides the foundation and argumentation on the choice of adopting a systems theory perspective and a social network theory approach.

Chapter three presents the conceptualisation of the factors associated with the phenomenon of social franchising which are the spheres of our research. We also present our theoretical models, the model induced from our qualitative study (‘SoFRaM’) and the conceptual model of our quantitative study (‘FNM’) along with the deduced hypothesis of the latter.

Chapter four presents the empirical approach of this study explaining the epistemological approach, the research design and research techniques adopted, the interviewing process as well as the questionnaire development process for the quantitative study, the survey methodology and the methodology for data analysis. It also presents the process of conducting our empirical research; describing the steps followed and challenges encountered in collecting our primary data from the various sources at the various stages.

Chapter five presents our qualitative data analysis along with the induced research propositions and discussion of findings.

Chapter six presents the descriptive findings of our pilot quantitative study with brief discussion of the tendency of the participants’ responses. The principal components analyses; from this process scale indices are designed and the reliability and validity of the scales is presented. It also presents the correlation analysis and offers a discussion of the hypothesis of the study, and a least squares multiple linear regression analysis is presented.

Chapter seven presents the conclusions of this study, summing up the main findings of the research and their implications for decision makers and policy makers. It also presents the limitations of the research and offers recommendations for future research.
2. Theoretical Framework of the Study: Conceptual foundations of Management and Organizations

2.1. Introduction

This section provides the basis for the following ones in that it creates the theoretical ground for the research that will be constructed step by step at this thesis. In the absence of literature on the process of social franchising we critically review existing theories on the formation of social entrepreneurship, networks and mainstream franchising by focusing on the constructs of our research. The main scope of this chapter is to review existing research on formation, partner selection, governance, and performance of the aforementioned phenomena. And how these four constructs have been associated with the four systems of: social entrepreneurship psychological profile, social innovation, formal institutions, and informal institutions of social norms of relational network embeddedness which are: trust, commitment, solidarity, flexibility, role integrity, mutuality, restraint of power, and harmonization of conflict. We finally provide a critical review of alternative conceptual theories in support of our choice of approaching the phenomena under investigation through the lenses of systems theory and social network theory.

2.2. Social Entrepreneurship

Our qualitative research indicates that in understanding social franchising we have to understand the process of social entrepreneurship and the social innovation model. The latter reflecting the
combination of resources in an innovative way to achieve social objectives and impact. The
determinant factors that differentiate social franchises from mainstream franchises and alliances
are these two elements which are strongly embedded and influenced by their contextual political
and social environments building on the dynamics of social networks. Social franchises cannot be
analysed in isolation from the spheres of social entrepreneurship, social innovation, the political
context within which they emerge and operate and the social settings of relationships they form
with other organizations and actors which shape their behaviour through the dynamics of
relational and structural embeddedness. All these issues will be critically analysed in the
following sections.

The global financial crisis of the last years has increased the need of finding solutions for poverty
alleviation (Seelos and Mair, 2005). The financial recession has mostly affected the most
disadvantaged in society (Cohen, 2010). The social welfare state has been traditionally offered by
the public sector, which has been now forced to make serious cost cuts because of escalating
fiscal deficits, and by not for profit organizations and NGOs, which also have serious funding
issues (Defourny and Nyssens, 2010; Jeffery, 2005; Zahra et al, 2009). The replication of existing
‘best practices’ by development organizations has not been proven successful at the same time
social issues and needs are not only left unsatisfied but have also worsened because of the
financial crises (Seelos and Mair, 2005). So societies are in need of sustainable solutions; with
long-term horizons, that are self-sufficient, self-funded and innovative, and that can address
various social issues simultaneously and bring societal transformation (Alvord et al, 2004).

The fatal weaknesses of the public sector to satisfy social needs have redefined the relationship
between the state and the individual, entrepreneurial activity has been pulled to the third sector
leading to the emergence of new organizational forms like social enterprises (Defourny and
Nyssens, 2010a, 2010b) and social franchises (Sivakoumar and Schoormans, 2011a; Tracey and
Jarvis, 2007). Social entrepreneurs through discovery and experimentation provide innovative
solutions to address pressuring social issues (Seelos and Mair, 2005). Communities and groups of
people form networks. These networks innovate through social entrepreneurial ventures to
resolve the issues that their communities are facing (Bishai et al, 2008; Defourny and Nyssens,
2010b; Leite and Carvalho, 1998; Zahra et al, 2009). Issues of poverty can be challenged through
sustainable inclusive business ventures (Gradl and Knobloch, 2010; Porter, 2010), innovation and
sustainable entrepreneurship (Sonne, 2010) that can also account for the sustainability of the
environment and social development; as Jeffrey Sachs (in Nee, 2010) notes ‘sustainable
development is humanity’s most pressing challenge’ (Seelos and Mair, 2005).

Businesses founded by low-income sections of the population face many challenges from lack of
expertise for their development, to lack of resources for their implementation, through to lack of
performance measurements, goal alignment, and standardization to accomplish growth (Gradl
rural areas and organizational innovation in rural areas is more likely to arise through small
ventures and entrepreneurship, but on the other hand the answer to pro-poor entrepreneurship
financing are big businesses who can provide disadvantaged groups access in the market and who
can enhance the development of inner city economies (Porter, 2010; Porter and Kramer, 2011;
Samuelson, 2010). The most successful performance in battling poverty can come from the big
global businesses (Porter, 2010; Samuelson, 2010). It is time to bring legitimacy back to
businesses by repurposing them towards environmental consciousness, healthy communities,
prosperous inner cities economies, and profit (Porter, 2010; Samuelson, 2010); in this shift business schools and academics should be on board to enhance the creation of social intrapreneurs (Jeff Skoll in Nicholls, 2008).

Samuelson (2010:1) argues that ‘the shareholder-centric business model that the purpose of business is to maximize profit has served as the organizing principle of US-style capitalism for decades’ and as Porter (2010) argues this model has made businesses lose their legitimacy along with ‘economic inequality in urban cities that raise fundamental challenges to capitalism’ (Porter and Kramer, 2011). The debate over the current financial crisis has lead to discussions about issues of business morality and business ethics: ‘was the crisis a moral issue?’ (Thoma, 2008). Cultural shifts of the last decade have moved towards ethical consumerism, ethical finance and community enterprising which have not been slowed by the recession (Big Society Capital, 2012a). Critics to existing organizational approaches argue that ‘amoral (economic and organizational) theories lead to immoral behaviour (of businesses and actors)’ (Johan Roos, 2006). Debates over the role of capitalism and the role of social entrepreneurship are a major topic of discussion today: ‘How can capitalism better serve society?’ (Al Gore and Sir Robert Cohen in Bridges Ventures, 2012). Karl Marx, a collective philosopher adopting a social holistic approach (Schombert, 2006) referred to the inherent contradictions and fatal weaknesses of capitalism (Sarris, 2009). Karl Polanyi saw capitalism as an immoral and inefficient system that causes dehumanization and increased lack of social rights (Sherratt and Sherratt, 1993). Organizations need to reconnect themselves with communities and to exercise their social role as corporate citizens.

Jeffrey Sachs (in Nee, 2010) highlights that poverty alleviation and sustainable development need a change in political thinking; require a holistic approach for the creation of a ‘political sensibility of a global society’. The nation-states play a preeminent role in the creation and growth of these activities by helping the formulation of a social economy institutional framework that provides incentives, regulates, coordinates, facilitates and acts as incubator for the formation of social enterprises and social franchises. If free market societies are to maintain cohesion this will be achieved by a powerful social sector driven by social entrepreneurship and social investment, acting together with governments in tackling social issues (Cohen, Chairman of the UK Social Investment Task Force and Big Society Capital, 2010).

Taking into account the current political debate on the role of the federal state, the role of the local communities, and that of the individual; on the argument that states should be peoples’ states organized by the people for the people, then maybe Social Franchising could be part of a wider concept of local capitalism stepping in within a social capitalistic framework where social enterprises and social franchises are empowered to grow from within and offer the social welfare state to their citizens.

2.2.1. The New Organization

The critic and failure of the bureaucratic organization lead to the emergence of new organizational forms from the late 90s and onwards.

**Table 1** The new organizational forms
(enriched and adapted from Clegg et al, 2005: 98)

<table>
<thead>
<tr>
<th>Concept</th>
<th>Characteristics</th>
<th>Author and Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adhocracy</td>
<td>Lack of structure and formal rules</td>
<td>Mintzberg 1983</td>
</tr>
<tr>
<td>Technocracy</td>
<td>Structure is enabled by technological innovations</td>
<td>Burris 1993</td>
</tr>
<tr>
<td>Internal Market</td>
<td>Flexible markets and internal contracts within an organization structure</td>
<td>Malone et al 1987</td>
</tr>
<tr>
<td>Clans</td>
<td>Organization that is based on shared culture rather than formal rules</td>
<td>Ouchi 1980</td>
</tr>
<tr>
<td>Heterarchy</td>
<td>A form resembling a network or fishnet</td>
<td>Hedlund 1986</td>
</tr>
<tr>
<td>Virtual organization</td>
<td>A form linked through virtual networks involving several separate organizations</td>
<td>Davidow and Malone 1992</td>
</tr>
<tr>
<td>Social Organization</td>
<td>A hybrid form between private, state and network governance mode</td>
<td>Keast et al 2006</td>
</tr>
<tr>
<td>Social Enterprise</td>
<td>(Social enterprises) seek to serve the community’s interest (social, societal, environmental objectives) rather than profit maximisation. They often have an innovative nature, through the goods or services they offer, and through the organisation or production methods they resort to. They often employ society’s most fragile members (socially excluded persons). They thus contribute to social cohesion, employment and the reduction of inequalities</td>
<td>Dees 1994, Borzaga and Defourny 2001, Nicholls 2006, Defourney and Nyssens 2006, Mair, Battilana and Cardens, 2012</td>
</tr>
<tr>
<td>Network organization</td>
<td>An organization formed by intersecting and crosscutting linkages between several separate organizations</td>
<td>Biggart and Hamilton 1992, Ghoshal and Bartlett 1997, Powell 1990, Rockart and Short 1991</td>
</tr>
<tr>
<td>Federated Enterprise</td>
<td>A federation of competing companies replacing the integrated worldwide firm with the strong single culture and hierarchies</td>
<td>Child and Faulkner 1998, Handy 1992</td>
</tr>
<tr>
<td>Post bureaucratic organization</td>
<td>An absence of formal rules and hierarchy and more network structure</td>
<td>Heckscher 1994</td>
</tr>
<tr>
<td>Post-modern organization</td>
<td>De-differentiation of structure</td>
<td>Clegg 1990</td>
</tr>
</tbody>
</table>

The future organization based on Cooper (2001) is going to be a ‘relational enterprise’ which is formed by its core business adding to that all the relational parts that participate in its operation. The new organization has such an access to information which brings new challenges, the need for new organizational culture and new processes (Tabrizi, 2007) moving to the era of ‘social innovation’ and ‘open innovation’ (Elliot, 2006). As Obstfeld (2005) argues the formation of new social connections among people, their ideas and their resources generate new combinations which is frequently seen as the process of organizational innovation. Innovation occurs within and outside organizations according to Schumpeter (1934) and social networks are important predictors of its creation (Obstfeld, 2005).

A significant feature of the new organization influenced by the various institutional logics that exist in the external and internal environment is forcing them to respond to societies pressing need in addressing serious social and environmental issues. The new organization is redefining its social and ethical role by adopting what is called a corporate social responsibility (hereafter CSR) approach. CSR is the responsibility of the organization to achieve long-term goals profitable for the society; it is the attempt of a business to balance its commitments to groups and individuals in
its environment, including customers, other businesses, employees, investors, and local communities (Clegg, Kornberger, and Pitsis, 2005:5; Griffin and Ebert, 2005:5; Jones and George, 2003:3).

The current financial crises increased the competition among organizations over the strength of their CSR strategy, over their capacity to be a good citizen and to offer social value to the general public (Hosford, 2011). Though some research suggests that financial crisis have a negative effect in numbers and extent of CSR projects (Karaibrahimoglu, 2010). Most of the big organizations are adopting socially responsible strategies which can be reflected at this statement of the Bank of America:

"Our communications strategy will be to respond to the genuine concerns of consumers and society with real actions. They want to know that large financial institutions are committed to the prosperity of the communities" (Bank of America in Hosford, 2011:12).

This argument can be strengthened by the practice of ethical consumerism (Nicholls and Opal, 2005). Public attitudes are shifting and consumers expect from the organizations that they transact with to show high social and environmental responsibility. Data from the UK shows that between the years 1999 to 2007 the consumers that chose a product based on the social responsibility reputation of the organisation increased from 51% to 55%. Between 2007 and 2009 ethical consumption grew by 18%, the ethical market’s value in 2009 was £43.2bn, and average household spend on ethical products/services was £754 (Big Society Capital, 2012a)

The socially responsible organization is seen nowadays collaborating with social enterprises. It offers funding through grants or various types of investments, like equity social investments. Through social procurement it chooses the supply of products and services from social enterprises. It forms alliances with social enterprises through corporate-social partnerships or else called business-nonprofit alliances, like social marketing alliances (Sakaraya et al, 2012; Sorensen et al, 2013; Vock et al, 2013).

2.2.2. Definition of social enterprises

There is no universal definition of social enterprises (Dacin et al, 2011; Mair, Battilana and Cardens, 2012; Papaioikonomou, et al 2009). Nicholls (2008) argues that trying to conclude on a single definition for social entrepreneurship proved to be a sterile activity. Instead the scope is to provide boundaries

"what makes social entrepreneurship so successful is that it resists isomorphic pressure to conform to set types of action preferring instead to remain fluid and adaptable to fill institutional voids in environmental or social provision" (Nicholls, 2008, preface:xii).

The characteristics forming these boundaries are: it is the product of any individual, organisational or network activity that demonstrates some element of socialite, innovation and market orientation irrespective of its legal type that is charity or business; of its resource strategy that is for or not for profit; or of its sectoral home that is public, private or civil society (Mair, Battilana and Cardens, 2012; Nicholls and Cho, 2006). They represent a hybrid of public, private and civil society activity; they combine business activity with social purpose (Mendell, 2010;
Papaoikonomou et al, 2009). There is broad agreement in the literature, that the social mission is the central construct in social entrepreneurship. It reflects the aim of creating social value in form of products and services that benefit society at large (Dees, 1998; Mair & Noboa, 2006; Austin et al., 2006). In defining social enterprises elements of how they came to the market, their business model, and their sector play a preeminent role (Cabinet Office, 2011); to understand social entrepreneurship we need to investigate what they do, how they do it and why (Mair, Battilana and Cardens, 2012).

There are two theoretical approaches that have prevailed internationally: the European tradition of the ‘non-profit school’ which bans the distribution of profits and were co-operatives prevail (Borzaga and Defourny, 2001). According to this approach social enterprises are seen as non-profit organizations that generate income to address the issues of budget constraints due to governmental and donors constraints, increased social needs and increased competition (Mair and Roboa, 2006). The North America view of the ‘earned-income’ school through business approaches to solve social problems irrespective of profit distribution; it brings together co-operatives, mutual societies, foundations and associations and stresses the centrality of the social mission of these enterprises (Defourny and Nyssens, 2006). According to this approach social enterprises are formulated by individuals or groups to resolve certain social issues (Mair and Roboa, 2006) through entrepreneurism. The latter approach has been criticised as having a tendency to bring with it elements of individualistic and neoliberal agendas (Nicholls, 2010), despite its social focus. There is also a third group of research that defines as social entrepreneurship socially responsible strategies of for profits through establishing social partnerships (Mair and Roboa, 2006). The economic activity characteristic differentiates social enterprises from social movements or philanthropic activities and the social transformation element differentiates them from socially responsible corporate activities.

“SE (social entrepreneurship) refers to opportunities and activities that leverage economic activity to pursue a social objective and implement social change” (Mair, Battilana and Cardens, 2012: 353)

“social entrepreneurship encompasses the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner” (Zahra et al, 2009:519)

Social entrepreneurship is associated with many different concepts, a plurality of social missions, purposes and motivations. The field includes a quite wide variety of phenomena for this reason there have been attempts to specify different forms of social entrepreneurship. Social entrepreneurship encompasses a wider area of entrepreneurship concepts such as: societal entrepreneurship, sustainable entrepreneurship, ecopreneurship. Ecopreneurship is also referred to as ecological, environmental or green entrepreneurship. It is the ecologically oriented counterpart to social entrepreneurship. Yet, a major point of differentiation to social entrepreneurship is the equally important creation of economic value, which is why ecopreneurship is found in for-profit contexts only (Linnanen, 2002). Sustainable entrepreneurship pursues the triple bottom line of economic, social and ecological goals.

The driving forces to the creation of social enterprises from the demand side have been found to be: (Defourny and Nyssens, 2010b; Greek Ministry of Labour, 2010):
a. persistent structural unemployment,
b. the need to reduce state deficits,
   • the need to reduce the size of the public sector
   • and the need to empower communities
c. the need for active integration policies of exclusion groups,
d. the need to tackle poverty,
e. the failure of the welfare state to satisfy various social needs;
f. the need to enhance social cohesion
g. the need to empower regional development and create new markets (Defourny and Nyssens, 2010b; Greek Ministry of Labour, 2010)

2.2.2.1. Cases of social enterprises

One of the first UK social entrepreneurs who has received world recognition of being ‘the world’s more prolific social entrepreneur’, as argued by Nicholls (2008), is Michael Young; he is the founder of the Open University addressing the issue of making education open to people that couldn't have the ability to appear physically on campus, of the Consumers’ Association, and of the School for Social Entrepreneurs which is one of the first social franchises in the UK (this case is included in our empirical study) (Nicholls, 2008).

In the developing countries we find some outstanding examples of sustainable social entrepreneurship models as early as the 70s, like BRAC in Bangladesh founded in 1972 by Fazele Hasan Abed that enhances through systematic prototyping, evaluation and learning, through micro-credit and ongoing support the establishment of innovative schemes by local individuals and villages to achieve self-sustainable economic development; the model has been expanded to Afghanistan (Seelos and Mair, 2005). SEKEM in Egypt founded in 1980 by Dr Ibrahim Abouleish who was the first social entrepreneur to receive the ‘Right Livelihood Award’ in 2003 known as the equivalent to the Nobel Prize. SEKEM started from a desert land and turned it to organic farming, now has a medical centre, a school, a university, an orchestra and supports a wide network of local farmers and achieves economic, cultural and social transformation impact (Seelos and Mair, 2005).

Social enterprises in recent years are rapidly increasing both in terms of their numbers and their impact (Bornstein, 2004; Drayton, 2006; Harding and Cowling, 2006). They are increasing in the countries in need like India, in Africa, in Latin America; western models adapting to these countries, like ‘UnLtd India’; local models growing internationally and entering the global north like ‘Childline’; new startups and alliances between governments and civil society. Exemplary cases are: the ‘ChildLine’ from India entering the US; in Mumbai India in the sector of education ‘Toybank’; in Andhra Pradesh India the ‘SERP’ and in the sector of renewable energy generation the ‘SELCO’ an Ashden Award winner in 2005 and 2007; in Kerala India a waste recovery model the ‘BIOTECH’ which is an Ashden Winner 2007; in India in the sector of economic development the ‘Fair Trade Forum’; in Africa Vodafone’s ‘M-PESA’ initiative using mobile telephony to provide access in banking for people without a bank account; from Paraguay ‘Teach a Man to Fish’ has a network of 400 initiatives in 65 countries; and in the UK ‘Patient Opinion’ which is a service user evaluation for the Department of Health (Nicholls, 2008).
“Highercroft Action Group is a Lancashire-based community organisation that was set up in 2008 to improve the lives of young people and promote community cohesion on the local Roman Road estate. It started with the transfer from the local council to the community group of two local assets that had fallen into disrepair and disuse – a multi-use games area and a recreational games park. Highercroft Action Group raised funds to regenerate and rebuild these assets, hosting community cohesion events at the new sites (such as a local carnival, youth club, football tournament and junior masterchef competition) and providing volunteering opportunities to young people in the community to help to manage the new assets. The community organisation established a foundation to help to raise funds (£100,000 to date, mainly from local support services and BIG Lottery funding)” (Cabinet Office, 2013c, p.11)

“Shelter is a charity that works to alleviate the distress caused by homelessness and bad housing. It develops practical solutions by giving advice, information and advocacy to people in housing need. It also engages in campaigning and works with the housing sector to promote good practice. Shelter generates most of its revenue from voluntary income (51% of income), national and local government grants (31%) and through its commercial activities (15%) in approximately 100 Shelter shops, training services and housing publications” (Cabinet Office, 2013c, p.12)

“Bikeworks was set up in 2007 with the aim of using bikes to tackle environmental, social and economic challenges in Tower Hamlets, east London. Bikeworks provides employment and training opportunities for marginalised individuals in recycling and refurbishing second-hand bikes. Bikeworks’ approach is to develop and build on the best of small-scale community cycling initiatives but to do so on a greater scale, achieve significant outcomes and build a viable replicable model. They recently opened a second community cycling hub in Kensington and Chelsea, west London, in September 2010, and have aspirations to replicate the service further. Bikeworks’ income is earned through contracts to provide a range of organisational cycling services to local authorities, civil society organisations and corporate clients. It also generates income from the retail sale of recycled bikes and the provision of repairs and maintenance services to the public” (Cabinet Office, 2013c, p.12)

“CLARITY employs over 60 people who work in the manufacture and sale of soap, hand washes, toiletries, cleaning products and perfumes for both UK and export contract customers. It also produces its own CLARITY brand products. Currently, 61% of CLARITY’s employees are blind or have a disability, and they work in a range of factory and office positions throughout the UK. CLARITY also runs specialist ‘Skills for Life’ training programmes, National Vocational Qualifications and basic literacy, numeracy and IT courses to support employees to progress in the organisation and ultimately into mainstream industry. CLARITY has a turnover of almost £4 million. The majority of its income is earned through trading, with a proportion earned through government contracts for supported employment provision. All of its profits are re-invested in the organisation to provide training and employment opportunities for blind people” (Cabinet Office, 2013c, p.13)

2.2.3. The profile of social enterprises

According to the Social Enterprise Business Barometer in 2010 in the UK social enterprises have had a better performance than mainstream businesses throughout the recession and prospective
growth expectations are generally alike (Cabinet Office, 2011). Social enterprises are part of the third sector, also called social sector, or voluntary sector, or civil society sector (Papaoikonomou et al, 2010). In Europe in 2010 they represented 10% of European companies employing 11 million people, 5.9% of total employment and 6.7% of paid employment (Europa, 2011; Greek Ministry of Labour, 2010). In the UK in 2012 their proportion was about 6% (5% in 2006) of all businesses, thus 70,000 (55,000 in 2006) of them were classified as very good fit social enterprises employing 1mil people (half a million in 2006) and generating £55bn income (£27bn in 2006). There were also 283,500 social enterprises not employing people. These numbers were slightly lower than in 2010 (Cabinet Office, 2013a; 2006a). While Social enterprises median turnover in the UK in 2010 was £240,000; 33% had turnover less than £100,000, 39% turnover between £100,000–£1m, and 20% had a turnover over £1m (Big Society Capital, 2012a). There are also 600,000 informal community organisations and 171,000 charities (Big Society Capital, 2012a). In 2009 the majority of charities 53% were micro in size with less than £10,000 income, 32% were small with income £10,000-100,00, 12.5% were medium with income up to £1m and only 2.4% were large with turnover over £1m (Big Society Capital, 2012a).

Based on the UK Cabinet Office (2013a) in the UK in 2012 social enterprises were 80% micro-businesses (1-9 employees), they are mostly found in food/accommodation, health, arts/leisure and the subsectors of membership organizations, sports and leisure, social work, food service, food manufacturing, creative arts, residential health and human health. Only 31% of social enterprises in the UK had work done for the public sector in 2012 and 36% in 2010. Among them Local Authorities was their main customers in 40% of businesses and the Departments of State in 16% of businesses- the latter indicate that they have better access to the Departments of State than SMEs. As opposed to SMEs they are less than average (49%) family businesses and they are more than average women-led (25%) and disabled-led (13%) businesses. Business-owners seem to be older than in SMEs, 23% under 45 and 41% over 55. They are mostly than average located in the most deprived areas of England and in rural areas (18% of social enterprises). 65% of social enterprises are aged over 10years like the SMEs, while 10% are 0-3 years as opposed to 7% in 2010 showing that there is a growth in new social enterprises start-ups (Cabinet Office, 2013a).

Social enterprises can be found to offer work integration for vulnerable groups, like the case of social firms that employ disabled people, or to encourage local development, environmental activities, provision of social and personal services, health care, care for elderly and children, ethical finance, fair trade, consumer rights, cultural creation, education, training and research, and international development (Defourny and Nyssens, 2010b; Papaoioanou et al, 2009). They range from small charitable and community start-ups right through to the largest and longest-established social enterprises (Cabinet Office, 2013c).

2.2.4. Legal Types of social enterprises

Table 2 Characteristics of Social Economy Organizations

(adapted from EMES European Research Network1 Defourny, 2001: 16-18; Defourny and Nyssens, 2006:5; Papaoikonomou et al 2009: 1755; Cabinet Office, 2013a; 2013c)

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1 The letters EMES stand for “Emergence des Enterprises Sociales en Europe” a formal international association that conducts
<table>
<thead>
<tr>
<th>Organizations</th>
<th>Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Organizations</td>
<td>Mission driven organizations that offer service to a specific community or area and aim to build community cohesion and social capital (Cabinet Office, 2013c)</td>
</tr>
<tr>
<td>Charities</td>
<td>Organizations with regulated charitable status that defines social purpose and block profit distribution; rely on grants and donations (Cabinet Office, 2013c)</td>
</tr>
<tr>
<td>Social firms</td>
<td>Sub-set of mainstream enterprises that use market-led businesses to employ people with disabilities or other disadvantages in the labour market (Cabinet Office, 2013c)</td>
</tr>
</tbody>
</table>
| Social Enterprises I   | a) they should think themselves as: “A business with primarily social/environmental objectives, whose surpluses are principally reinvested for that purpose in the business or community rather than mainly being paid to shareholders and owners”  
b) they should not pay more than 50% of profit or surplus to owners or shareholders,  
c) they should not generate more than 75% of income from grants and donations,  
d) thus, they should not generate less than 25% of income from trading,  
e) they should consider themselves to be social enterprise They span a variety of legal types, market sectors and business models (Cabinet Office, 2013a; 2013c) |
| Social Enterprises II  | 1) a continuous activity producing goods or services;  
2) a high degree of autonomy, although they may depend on public subsidies they should not be managed by public authorities;  
3) a significant level of economic risk which is assumed by those that establish the social enterprise;  
4) a minimum amount of paid work.  
The social purpose of these enterprises should meet the following five criteria:  
a) an explicit aim to benefit the community;  
b) an initiative launched by a group of citizens;  
c) a decision-making power not based on capital ownership, although the owners of capital are important when social enterprises have equity capital, the decision-making rights are generally shared with the other stakeholders;  
d) a participatory nature, which involves various parties affected by the activity;  
e) a limited profit distribution, so social enterprises not only include organizations that are characterized by a total nondistribution constraint, but also organizations which, like co-operatives, may distribute profits, but only to a limited extent, thus allowing to avoid a profit-maximizing behaviour; They are registered as private companies, as co-operatives, associations, voluntary organizations, charities, or mutuals; some are unincorporated. (Defourny, 2001p. 16-18) |
| Mutual Societies       | Voluntary and open membership; equal voting rights; resolutions carried by majority; members’ fees based on insurance calculations (where relevant); no capital contributions; autonomy and independence; the sectors of medical, life and non-life insurance, guarantee schemes, home mortgages |
| Associations Voluntary organizations | Voluntary and open membership; equal voting rights; resolutions carried by majority; members’ fees; no capital contribution; autonomy and independence; service providers, voluntary work, sports and advocacy/representative; the sectors of healthcare, care for elderly and children, welfare services, sports and recreation, culture, environmental regeneration, humanitarian rights, development aid, consumer rights, education, training and research |
| Foundations            | Run by appointed trustees; capital supplied through donations and gifts; the sectors of financing and undertaking of research, supporting international, national and local projects, providing grants to relieve the needs of individuals, |

* research projects on social enterprises and, more broadly, on the third sector as a whole. EMES European Research Network brings together ten university research centers and individual researchers specialized in these fields throughout Europe. These research works, mainly supported by the European Commission’s Research Directorate-General. (Defourny and Nyssens, 2010a,2010b; Defourny, 2001)
Where the legal frame allows a freedom for selling goods and services social enterprises are established as associations (Defourny and Nyssens, 2010b). In the UK in 2012 their legal format is 8% Companies Limited by Guarantee (CLG) and 5% Community Interest Companies (CICs) though in the majority, 60%, are private limited companies or sole proprietorships (Cabinet Office, 2013a). Social enterprises include among other community enterprises, development trusts, credit unions, and housing co-operatives (Jeffery, 2005). In other countries, like France, Portugal, Spain and Greece they are more often established as cooperatives (Defourny and Nyssens, 2010b) and are seen as a mechanism to execute public policies.

2.3. Social Networks and Social Franchising

2.3.1. Introduction Cooperative Strategies

At this section we will present the concepts of social networks and social franchises; we will view the latter through the network thinking. Cooperative strategies have attracted increasing attention in the academic world because organizations are realising that they can meet their objectives through cooperation with other organizations instead of competing with them; cooperation with competitors can preserve both the structure of an industry and a firm’s position within it (Child and Faulkner, 1998). Companies competing in an environment characterized by converging consumer tastes and escalating fixed costs, shortening product life cycles and accelerating pace of technological change, declining trade and investment barriers (Glaister, 2004; Parkhe, 2003) and at the same time having competition raising the bar for quality, innovation, productivity, and customer value, find the scope of what they can do alone shrinking (Parkhe, 2003). In this context alliances emerge as an increasingly used organisational structure. Alliances facilitate the transfer of technology and knowledge between countries, they provide access to new markets, and they allow firms to leverage their capabilities and to outsource risk (Clegg et al, 2005).

A major issue in recent research is the development and management of inter-firm relationships (Ring and Van de Ven, 1992), most specifically the types of: inter-firm alliances (Gulati, 1995a; Heide and John, 1990; Ohmae, 1989; Whipple and Gentry, 2000), partnerships (Ellram, 1991), strategic alliances, coalitions, franchises, research consortia, and networks (Thorelli, 1986).

“(Inter-firm alliance are) relations of mutual dependence between organizations that retain their separate identity as legal and/or economic entities, these relations are said to exemplify a distinct form of economic coordination which is ‘neither market nor hierarchy’. Examples of such ‘hybrids’ or ‘networks’ of firms include franchising, patent licensing, joint ventures” (Arrighetti et al, 1997:172).

“(Alliances are) Voluntary arrangements between firms involving exchange, sharing, or co development of products, technologies or services. They can occur as a result of a wide range of motives and goals, take a variety of forms, and occur across vertical and horizontal boundaries” Gulati (1998: 293).

Organizational transactions can take place in the market by firms forming arm’s length relationships with other firms- or else called market relationships- or when these are considered
too costly then internalisation occurs, like internal development, mergers, and acquisitions. In the middle between these two choices we have hybrid governance structures which are mostly known as partnerships, alliances, and networks (Williamson, 1975). Firms in order to manage the dynamics of their various interdependencies they apply inter-firm relationship strategies (Ulf and Ulf, 1996). The portfolio of relationships that they create can offer them various strategic advantages; also these relationships can be either viewed as vertical- which includes organizations on interrelated levels of the distribution chain- or horizontal- which includes organizations in the same industry relationships (Ulf and Ulf, 1996).

The same applies to international transactions, in this case the entry modes are typically classified into three categories: export entry mode (like direct exports, indirect exports through agents/distributors, direct branch/subsidiary, wholly own foreign subsidiary), contractual entry modes (like international franchising, international licensing, technical agreement, service contracts, management contracts, co-production agreements, turnkey projects), and investment entry modes (like international joint ventures, acquisitions, Greenfield sole ventures).

Alliances can vary from written contracts between two or more companies to exchange resources or can result in the creation of new organizations. A typology of alliances based on equity can take many forms at one end there are the joint ventures and at the other end are alliances that share no equity and have few hierarchical control mechanisms. There are the non equity cooperative arrangements; when firms agree to share efforts, assets and profits without engaging in equity ties, these are managed directly through contacts, like licensing agreements, use of brand name, distribution channels, etc. There are equity contracts which are supplemented by equity investments of one partner to the other, like minority equity investments; when one firm takes a minority-equity position in another ongoing firm. At the other end there are the joint ventures when two parent companies agree to jointly establish and share the ownership of the third child company (Jones and George, 2003).

According to Griffin and Pustay (2005) the most common types of inter-firm alliances are: licensing, franchising, management contracts, production contracts, service contracts, technology agreements, turnkey projects, a variation of which are the B-O-T projects (built-operate-transfer), public private partnerships (PPPs), various types of joint ventures. Another typology of alliances based on the scope of cooperation is: comprehensive alliances when the participating firms agree to perform together multiple stages of the process by which goods or services are brought to the market, like research and development, design, production, marketing and distribution. Or functional alliances which involve the cooperation on a single functional area, like: production alliances; marketing alliances, financial alliances, Research and Development alliances or R&D consortia (Griffin and Pustay, 2005).

2.3.2. Social Cooperative Strategies

“We have learned to create the small exceptions that can change the lives of hundred. But we have not learned how to make the exceptions the rule to change the lives of millions” (Lisbeth Schorr in Dees et al, 2004: 26)

One of the most important issues that social enterprises are facing is scaling up to increase their social impact in order to achieve transformational change and sustainable resolution of pressuring
social needs (Bishai et al, 2008; Bradach, 2003; Dees et al 2002; 2004; Leadbeater, 2006; Mair and Sezgi, 2011; Nicholls, 2008; 2009; Piggot, 2004; Sakaraya et al, 2012; Samuelson, 2010; Tracey and Jarvis, 2007; Waddock, 1991). Scaling can happen in two ways through internalization and through hybrid governance structures. Internalization happens through organizational resources to organically grow in order to increase impact, like differentiation of services, diversification, new market development, new product/service development, and penetration (Doherty et al, 2009; Lyon and Fernandez, 2012; Nicholls, 2006); through branching in creating new locations or through the formation of mergers and acquisitions among social enterprises.

Growth can also happen through hybrid structures through the use of formal relationships like affiliations, where affiliated members are independent from each other and tied together through contracts, there is some type of control according to the mode used; they can span from loose coalitions to social franchises. Or through dissemination, where the company- often by the use of contracts- shares knowledge with other partners to adopt the specific model, usually through ‘open source’ approaches; it includes training, consultancy and information sharing; it implies low levels of control but non-profit organizations use dissemination to increase their social impact (Dees et al, 2004; Lyon and Fernandez, 2012; Mair and Sezgi, 2011). An alternative model for growth is networked social entrepreneurship were scaling up is based on the increase of the members of the network. There may be a central organization but the social impact is delivered from the reach of the network partners (Leadbeater, 2006).

Other affiliation hybrid structures are: social inter-firm alliances, social partnerships, social franchising (Bishai et al, 2008; Piggot, 2004; Sharir and Lerner, 2005; Tracey and Jarvis, 2007), private-public partnerships, corporate-social partnerships, business-nonprofit alliances and social alliances like the case of social marketing alliances (Sakaraya et al, 2012; Sorensen et al, 2013; Vock et al, 2013; Waddock, 1991). Many new hybrids among the public sector, the private sector and the social sector are emerging with new innovative business models to address societal change and to ease the impact of social problems. Types of these new models that have emerged from our empirical study are: social impact bonds, spin outs of public services by public servants becoming social entrepreneurs, various types of social joint ventures, community development venture funds, community loan funds, community banks, community development financial institutions and social enterprise networks (Cabinet Office, 2013a, 2013b, 2013c; Cohen, 2010; Sakaraya et al, 2012).

The role of social partnerships and social alliances in bringing social change has become increasingly important (Waddock, 1991) new models of collaboration among the social, the public and the private sector emerge in a pursuit of creating sustainable communities (Sakaraya et al, 2012). Social partnerships are part of what in literature is called collective strategies (Astley, 1984), social action systems (Van de Ven 1976), problem-solving networks (Austrom and Lad, 1986) and action sets (Aldrich and Whetten, 1981); they are:

“(partnerships are) cooperative relationships in which resources are shared and exchanged in the pursuit of mutual goals” (Meyskens and Carsrud, 2011:62). “(Social partnerships are) the voluntary collaborative efforts of actors from organizations in two or more economic sectors in a forum in which they cooperatively attempt to solve a problem or issue of mutual concern that is in some way identified with a public policy agenda item” (Waddock, 1991: 481-482).
2.3.3. The Network Structure and Network Relationships

The new strategic imperative for organizations is on managing multiple and overlapping relationships of the networks they belong to at a global scale (Parkhe, 2003); a significant strategy is considered the successful application of a network strategy (Stevenson and Greenberg, 2000; Ulf and Ulf, 1996).


“The words relationships and networks have recently received a great deal of attention from both academics and practitioners…strategists have been concerned with joint ventures, inter-firm alliances and strategic networks” (Hakansson and Ford, 2002: 133).

According to the writings of Ford (2002) the areas of distribution channels, internationalisation and networks have great similarities although they seem to be investigated in isolation from one another. Distribution channels appeared as a topic of analysis regularly in the 60s and 70s, internationalisation peaked late 70s early 80s, and “nowadays everyone is trying to make sense of things called networks” (Ford, 2002: 226). According to past literature the channel group has been argued to be in the nature of a network. Internationalisation literature concerned itself with how channels through which a company reaches foreign markets evolve over time. Finally, the network literature Ford (2002) claims makes a return to some of the approaches that were common in channel literature, but without acknowledging it.

The growing sophistication of information technology allows managers to share information and cooperate and thus has made managing inter-firm alliances easier; the result in the growth of the network structure. A network structure is a series of inter-firm alliances that an organization creates with suppliers, manufacturers and distributors to produce and market a product. Network structures allow organizations to manage their global value chain, without having to bear the excess cost of employing managers (Jones and George, 2003). Evidence indicates that the classical organization will be replaced by new forms of network organizations consisting of large number of functionally specialised firms tied together in cooperative exchange relationships (Achrol, 1997). Networking is regarded as an especially important strategy for managing the development of the internationalisation of markets and industries, because it combines autonomy and flexibility with increased control and efficiency (Ulf and Ulf, 1996). The challenge of any hybrid form of governance, like inter-firm alliances, joint ventures, partnerships, franchises, research and development cooperation are on managing these networks and the wide variety of relationships in them (Donaldson and O'Toole, 2007).

Network organizations have been defined as:

“A network is a set of relations that connect a multiplicity of independent agents, usually organizations or individuals, in a structure characterised by relations among the parts that make up the network. The relations may be more or less linear-one-to-another- or they may be more complex, interconnecting many agents with many others” (Clegg et al, 2005: 501).
“In its most abstract form a network is a structure where a number of nodes (business units) are related to each other by specific threads (business relationships). Both the threads and the nodes in the business context have their own particular content. Both are "heavy" with resources, knowledge and understanding in many different forms. This heaviness is the result of complex interactions, adaptations and investments within and between the companies over time” (Hakansson and Ford, 2002: 133).

“A network organization is an independent coalition of task-or skill- specialised economic entities (independent firms or autonomous organizational units) that operates without hierarchical control but is embedded, by dense lateral connections, mutuality, and reciprocity, in a shared value system that defines ‘membership’ roles and responsibilities” (Achrol and Kotler, 1999: 148).

Social venture networks or social engagement networks are formed by corporations, governments and social enterprises; these actors through their symbiosis, interactions, mutual interdependence, and collaboration facilitate the acquisition of resources, the achievement of strategic objectives and the creation of both social and economic value (Meyskens et al, 2010a). Strategic networks and inter-firm alliances are used in literature as interchangeable terms. In some cases they do overlap, like the Japanese keiretsu, although there is a distinct separation between them; inter-firm alliances often answer to the transaction cost approach though networks mostly exist for reasons coming from resource dependence theory (Child and Faulkner, 1998).

“The relationships among firms in networks are stable and can play the same function as intra-organizational relations... they are not handled within the transaction cost approach” (Johanson and Mattsson, 1991: 264).

Networks benefit through two significant elements symbiosis and commensalism; commensalism suggests that actors sharing similar requirements will decide whether to cooperate or compete, while symbiosis suggests the mutual dependence of actors with different elements (Meyskens et al, 2010a); the symbiotic element has been identified as a determinant of power and control in networks (Dana et al, 2008).

The network governance form refers to a network where the existence of the relational ties and the communication mechanisms among its members create the dynamics that shape endlessly the nature and form of the network. These dynamics may also offer control benefits to members but this is one of the outcomes of the network and not the ‘raison d’être’ of the network. As Ulf and Ulf (1996) argue network relationships do not only aim at maintaining stability and keeping control, but what is important is that networks generate change and innovation (Obstfeld, 2005). Therefore what is important to consider when defining network organisations is to see what differentiates them from networks of organizations or relationships. According to Barker (1992) the presence of ties is not a distinguishing feature of the network organization. As Barker (1992) argues it is the quality of relationships and shared values that govern it that distinguishes it from networks form of organizations. These relationships, as Gerlach (1992) claims, are characterised by non hierarchical, long-term commitments, multiple roles and responsibilities, mutuality and affiliation sentiments. Therefore a network organization is distinguished from a network of exchanges by the level, frequency and reciprocity of ties, also by the density, reachability, centrality and multiplicity of these ties, by direct (also called strong ties) and indirect ties (also
called weak ties) and a shared value system defining membership roles and responsibilities (Achrol, 1997; Meyskens et al, 2010a). This is the reason why in our conceptual modelling we do not deal with the nodes or the mere existence of threads but the emphasis of our research is on the essence of these threads of the network; on the content and nature of the relationships between exchange partners whose properties are the informal institutions of social norms and how these affect the behaviour of firms and networks.

Inter-organizational relationships can be differentiated between market relationships- or arm’s length ties- and embedded ties- or close or special relationships. The first case follows the patterns of the neoclassical microeconomic theory, while the latter case cannot be explained by neoclassical theories and follows the paradigm of the theory of embeddedness (Uzzi, 1997). Granovetter (1985) argues that embeddedness is the fundamental concept differentiating networks from economic theories of organizations. ‘Embeddedness increases with the density of embedded ties’ (Uzzi, 1997: 48).

According to Easton’s (1992) typology of networks we can distinguish three types: the first refers to the exchange dimension in two or more connected relationships, the other refers to the bond or social relationships that link loosely connected organizations and the third describes the network as a total pattern of relationships within a group of organizations. As we find in the writings of Hakansson and Ford (2002) an important feature of network is the interconnectedness of business relationships. Firms are not only affected by the behaviour of firms with whom they are directly tied, but also by the behaviour of the firms with whom their direct ties are directly tied thus by the behaviour of the firms with whom they are indirectly tied. This is also known as the structural element of networks.

“What happens in one relationship will always affect all connected relationships, sometimes marginally, but often substantially… Thus, the development of any one relationship between two companies will depend on a number of factors: on what has happened in the past in the relationship; on what each of the two parties has previously learned in its other relationships; on what currently happens between the companies in the relationship and in others in which they are involved; on the expectations of both companies of their future interactions; on what happens in the wider network of relationships in which they are not directly involved… No one relationship can be understood without reference to the wider network” (Hakansson and Ford, 2002: 133-135).

As we find in the writings of Granovetter (1973) the strength of a tie is a linear combination of time, emotional intensity, intimacy and reciprocal services; each item is independent of the other but the set of items is intracorrelated. Granovetter (1973) offers two categorisations of ties: firstly, based on the strength of the aforementioned set of items we have: strong, weak, and absent ties; secondly, based on the structural positioning of actors we have direct and indirect ties.

Let us assume that A and B are two actors with direct ties and S is a set of C,D,E, etc actors who have direct ties with either or both A and B. Then Granovetter’s (1973) findings suggest that the stronger the ties between A and B the larger the proportion of individuals in S with whom they will both be directly tied. Granovetter argues that when A has ties with B and A has ties with C, then B and C will be tied with each other, so actors will be connected forming triads of bridges.
What Obstfeld (2005) calls the ‘tertius iungens’. Granovetter also argued on the concept of the ‘strength of weak ties’ suggesting that weak ties are bridges that connect actors and provide the route along which information and influence flows from any contact of A to any contact of B, and from any indirect contact of A to any indirect contact of B. Therefore weak ties are important channels of ideas, influences and information (Granovetter, 1973). Obstfeld (2005) argues that the strategic intention of joining people from opposite sides of the bridges that connect them brings about organizational innovation.

The emergence of the network structure has developed the concept of the boundaryless organizations, whose members are linked by telecommunication devices and who rarely meet with each other in person. People are used when their services are needed without being formal members of the organization; the structure is close to a matrix one (Jones and George, 2003). Inter-organizational networks have been found to be a motive for the creation of new organizations through three central processes: resource exchange, legitimation, and domain definition (Wiewel and Hunter, 1985).

As we find in the writings of Boje and Whetten (1981) there are two important dimensions of inter-organizational networks: the horizontal differentiation of transactions into stable subsystems and the vertical differentiation of organizations into a dominant centre and a less influential periphery. Achrol (1997) differentiates four types of network organizations: the internal market network, the vertical market network or marketing channel networks, the intermarket networks, and the opportunity networks. Snow et al (1992) identify three types of networks: the internal network, the stable network, and the dynamic networks.

There are four interconnected relational issues that actors in international networks face: the need to co-ordinate the management of horizontal and vertical directed network relationships in order to obtain a favourable and stable network position and the need to co-ordinate offensive moves made in order to pursue new opportunities within the extended network and defensive moves aiming at safeguarding original relationships (Ulf and Ulf, 1996). These issues result in: extending the number of potential suppliers and customers, exploiting the complementary competencies and potential synergies of actors on the same horizontal level, co-ordinating competing actors that are a threat to the home market, and controlling the existing resource flow by maintaining established vertical relationships. As we find in the writings of Ghauri, Lutz, and Tesfom (2003) the factors for successful export network organizations are: a clearly defined market problem or opportunity, a willingness to respond together, development of solidarity, coherence and commitment, and initiating foreign market activities.

The disaggregation of the hierarchical organization into a network of independent organizations has already happened as Donaldson and O’Toole (2007) argue. Winning future strategies are those of organizations that can combine resources, capabilities and learning across organizational boundaries. The advantages of technological advancement, like the new interactive World Wide Web, also known as ‘Web 2.0’ and the ‘Social Web’ facilitate the exchange of resources among any network members providing to organizations the benefits of what is called ‘social innovation’ and ‘open innovation’. The benefit of social web is that consumers own and participate in the creation of organizations (Lafley CEO of PandG in Elliot, 2006). As Obstfeld’s (2005: 100) research confirms innovation is generated from the dynamics of social networks which connect people, knowledge and resources and from the strategic orientation of introducing
disconnected individuals what he calls ‘tertius iungens’.

“Networks, involving organized systems of relationships between entrepreneurs and the outside world, are particularly valuable to the small business sector since the vulnerability associated to small size can be offset by supported environment provided by resilient networks” (Donckels and Lambrecht, 1997).

2.3.4. The Paradoxes of Networks

Barriers to networks are firstly time, since cultures of networks take time to develop, secondly finding partners with the network mind-set, thirdly the unwillingness of central members to lose control and power, and fourthly firms may have to incur short-term losses of implementing a network strategy (Achrol, 1996). According to Labianca, Brass, and Gray (1998) the open communication could be used for creation of factions leading to intergroup conflict.

Hakansson and Ford (2002) identified three paradoxes to business networks and their implications to practitioners. The first is related to having simultaneously opportunities and limitation in networks. That is because the development of relationships in networks gives opportunities to both parties, but the same relationships impose restrictions on them. This network paradox implies that firms within a network cannot act according to their own interests or to react to opportunities as they present themselves.

The second paradox is related to influencing and being influenced at the same time. A network is both a way to influence and to be influenced. Both situations are present concurrently and both premises are equally valid. The third paradox is related to controlling and being out of control. Companies in a network attempt to control it and to manage their relationships to accomplish their own goals. The paradox is that the more that a company achieves its aim to be able to assert control, the less effective and innovative will be the network. The more successful a single company is in forcing its thinking onto the network, the more it and those around it are likely to face long-term problems. If the development process becomes directed from one centre it will become more integrated and may have fewer overt conflicts, but the network may cease to exist and become more of a hierarchy (Hakansson and Ford, 2002: 135-137).

Uzzi (1997) identifies the paradoxes of embeddedness. He argues that when firms become too embedded in a network it can firstly lose its ability to adapt, secondly isomorphism within a network can decrease diversity, and thirdly a firm loses its ability to access new opportunities. He identifies three conditions that can lead embeddedness to become a liability: an unforeseen exit of a core network player, institutional forces that rationalize networks and when overembeddedness exists.

2.3.5. Social Franchising

A type of social inter-firm alliances which incorporates the mechanisms of networks is social franchising. Social franchising is proposed as a compelling format to scale up social enterprises and to increase social impact and social value creation (Leadbeater, 2006; Nicholls, 2008; Tracey and Jarvis, 2007). It allows to social or environmental entrepreneurial ventures to scale up with few resources by engaging the resources of local partners/ franchisees and of local communities.
while targeting social change at a wider level (Berelowitz, 2012). The results of the Berelowitz (2012) report highlight that social franchising as a sector is under-developed, under-researched, and under-resourced. They argue that a lot of resources are dedicated into starting-up new ventures ‘too much time and money are currently wasted in reinventing the wheel’.

“We are at a very exciting time in the history of the world. We need solutions, we need them to scale and we need them rapidly. This is where social franchising comes in” (Michael Norton in Berelowitz, 2012:2)

Social franchising is a novel format that has recently appeared in the social sector; it is attracting considerable attention as it can provide the scales that are needed to increase the impact of social ventures. The biggest growth is seen in the US market, following the UK and the European markets. Social enterprises have grown considerably in the UK- almost entering early maturity-, the need now is to direct resources to the scaling of the successful ones so as to achieve sustainable social change and to start generating serious financial returns; especially now that the social investment market is starting to grow (Ritchie et al, 2011). Some evidence for the growing importance of social franchising can be stretched by the fact that since 2003 in the UK a number of public funded programmes supported the development of franchise systems; most of these have grown considerably, like CASA, Big Issue, and Pack-IT. In Europe successful social franchises include Le Mat, Emmaus, and Cap Supermarkets (Higgins et al, 2008; Richardson and Berelowitz, 2012). In 2012 The ‘Big Society Capital’ (also known as the Big Society Bank) whose role is to fund social ventures and boost the social investment market chose to fund- among its five first social ventures- the scheme ‘Franchising Works’ that helps unemployed people in running franchise businesses (Easton, 2012).

Examples of social franchises in the UK and Europe are: School for Social Entrepreneurs founded in 2002 in the UK has 12 franchised units; Citizens Advice Bureau founded in 1939 has 394 franchised units; Free, independent, confidential and impartial advice to everyone on their rights and responsibilities; Emmaus founded in 1949 in France that has grown in the UK has 22 franchised units, communities running recycled units and providing home and occupation for homeless people; FoodBank founded in 2004 has 200 franchised units it tackles food poverty through distribution of food to charities and those in need. It grew from 55 to 200 over 18months; Care and Share Associates CASA found in 2004 delivers health and social care services; Pack-IT founded in 1988 has three franchised units, offers direct mail and third party logistics services employing people with disabilities. ‘Fruit to Suit’ founded in 2007 offering healthy snacks to primary school ‘tuck shops’ and management training to pupils so that they can run the tuck shops themselves; it charges £2,500 entry fees and 4% royalties and now also charges school enterprise training thus being able to have a grant-free growth. Le Mat in Italy founded in 1995 has ten franchised units, hotels employing people with learning disabilities and mental health issues; Barka in Poland founded in 1989 has entered the UK, the Netherlands and Ireland provides educational, training to excluded and disadvantaged groups especially housing for homeless people and Eastern European migrants, vocational schools for unemployed and development of social enterprises (Berelowitz, 2012; ESFN, 2011; Richardson and Berelowitz, 2012).

The phenomena of mainstream franchising and social franchising are formations of enterprises through formal linkages (Sivakoumar and Schoormans, 2011a), it is considered to be part of
inter-firm alliance theory (McIntyre, Young and Gilbert, 1994, 1997; Stanworth and Kaufmann, 1996), it is mainly an alliance between SMEs (Stanworth, 1995b), and is considered to be the pioneering network organization (Achrol, 1996). Franchising is a unique phenomenon, sometimes unrelated to any directly experienced reality (Stanworth, 1995) it cannot be fully understood by the development or adaptation of models and theories to this specific practice (Hoy and Stanworth, 2003; Stanworth and Kaufmann, 1996) and could benefit from a fresh look and a new level of analysis (Achrol, 1996; Paswan, Loustau and Young, 2001).

We can identify three schools of thought in theory development on mainstream franchising: the first accepts that it is a variation of existing business formations and so can be studied by applying existing models and theories, the second accepts that it a unique phenomenon but can be understood through the application of existing theories, and finally the third that it is a unique phenomenon that cannot be fully understood by the development or adaptation of existing theories (Hoy and Stanworth, 2003). Evidence from Sivakumar and Schoormans (2011a) research identify that partner selection criteria of mainstream franchising are equally applicable to social franchising, also that major organizational issues encountered by mainstream franchisors are similar to those faced by social franchisors, like control, quality assurance and availability of appropriate franchisees. Lomroth et al (2007:158) research suggests that ‘social franchising applies the fundamental elements of franchising’.

According to the first school franchising can be explained as a variation of what are called partnerships, inter-firm alliance, strategic alliances, or contractual relationship (Baucus and Baucus, 1997; McIntyre, Young and Gilbert, 1994; 1997; Spriggs and Nevin, 1994). Nevertheless, there remains a distinct separation between the parties (Stanworth, 1995b). So according to the second school various theories have been used to explain franchising (Dahlstrom and Nygaard, 1999), like resource-based theory and strategic theory (Huszagh et al, 1992), agency theory (Lafontaine, 1992; Monye, 1997), like the theory of the firm (Barney, 1991; Grant, 1991; Peteraf, 1993; Pfeffer and Salancik, 1978; Wernerfelt, 1984); life-cycle theory (Stanworth et al, 1996), entrepreneurial theories (Kaufmann and Dant, 1999) transaction cost theory (Dahlstrom and Nygaard, 1999); and lately institutional theory (Barthelemy, 2011; Combs, Michael and Castrogiovanni, 2009; Gauzente and Dumoulin, 2012; Gorovaia and Windsperger, 2013; Young and Merritt, 2013). The third school believes that the world of franchising has its own myths, slogans, and ideologies, which form up into a perception of franchising, sometimes unrelated to any directly experienced reality (Stanworth, 1995b). As argued by Stanworth and Kaufmann (1996) the novel ingredient distinguishing franchising from most other forms of business activity is the symbiotic relationship of inter-dependence existing between two legally distinct economic entities. It is a field both interdisciplinary and multidisciplinary, which is not sufficiently understood through the models of overlapping disciplines (Hoy and Stanworth, 2003). Franchises are hybrid governance structures, they are characterized by bilateral dependency of the partners, which mutually invest equity and assets and which agree on how to divide profits and costs (Bercovitz, 1999; Glaister, 2004; McIntyre, Young and Gilbert, 1994). Business format franchising is a popular example of a hybrid organizational form that incorporates elements of both markets and hierarchies (Williamson, 1991). According to current research the constructs of franchising and networks are closely linked since franchising is a form of networks (Achrol, 1996; 1997; Achrol and Kotler, 1999; Paswan, Loustau and Young, 2001; Stanworth and Curran, 1999).
“Franchising is the pioneering network organization based on long-term relationships between independent organizations bound together by well-defined roles, responsibilities, and objectives, it is a centrally organized system of carefully selected and enduring membership of firms organized around well defined business strategy, mutual goals and interests” (Achrol, 1996: 24).

Franchise systems are collections of independent economic entities each specializing in specific tasks and skills, but it is a very franchisor centred system (Paswan, Loustau, and Young, 2001). Franchisors offer expertise in setting up and running the system while franchisees offer financial and managerial resources to the system. The notion of control, commitment, longevity, and governance is often referred to the wordings in a contract, as well as the duties, roles, tasks and access to information. There is a flow of communication and directions from the franchisor to other system entities such as other suppliers and franchisees, while franchisees tend to take on the role of a passive recipient of information, instructions, and dictates. Social norms such as mutuality, solidarity, trust, which are essential for the survival of a franchise are not encouraged (Achrol, 1996). Franchisees own capital that alone has little value and little dynamic to produce (Felstead, 1993). It is the mental means of production that the franchisor own and that the franchisees rent which empowers their physical means of production to actually produce. Franchisees do not have an employment contract but a commercial one, they are legally independent, and they trade as sole proprietors, partnership, or limited liability companies, so they work for profit not for wage. Franchisees appear to be owners of capital, of means of production since they own machinery, raw materials, buildings, and employ their own employees, but these are the physical means of production and with only these means the franchisees would not be able to set up a business and become entrepreneurs. In addition statistics show that most of them have no prior experience of entrepreneurship and no prior experience of the specific business sector, but they have the desire to become self-employed. In addition most of them invest a significant part of their personal savings (Felstead, 1993).

Franchisors own the mental means of production: the business idea, the organizing ability, the recognized trademark, accumulated experience, the ‘know how’ of the business, the contracts with the suppliers, the formula of the products’ production, the marketing, the R&D. It is because of the ownership of these means, which are also the competitive advantage of the business, that they contract with franchisees and they can take part of the value produced by the franchisees. There is an imbalance of power between the two parties. So franchisees according to Felstead (1993) find themselves at a contradictory position being the ‘employees’ of the franchisor and at the same time being the employer of others. Taking into account that the proportion of ownership of each franchisee in comparison to the franchisor is very minor and also the fact that the competitive advantage is in the ownership of the franchisor, a franchisee could not survive at the market alone.

What is missing from most traditional franchise systems is horizontal interaction and communication, which on the other hand is a key characteristic of network organizations (Paswan, Loustau, and Young, 2001). To integrate characteristics of network organizations to franchise systems there is the need for: transparent communication systems where is feasible to have open and routine access to all information including performance about all members in the network, solidarity by integrating a communication program which points out the successful performance of its members with reference to mutual responsibilities and underlines competitor
oriented research, targets and strategies, and flexibility by sharing research and analysis and by allowing to everyone to participate in the process of change and adaptation (Achrol, 1996). Free flow of information and transparent communication are the core characteristics of a franchise network organization.

Paswan, Loustau, and Young (2001) believe that a network organization concept delivers to franchise systems tangible benefits, resources and capabilities that could decrease processing and transaction costs, and that could lead to optimization of distribution networks and band implementation of just in time systems. Supplier’s involvement in the value chain of the franchise network organization could create economies of scale and help perfect production planning, reduce lost sales, wasted resources and over stocking. This system could also provide a tool for effective and high quality franchisee recruiting and include current franchisees in this procedure.

The network concept could also deliver intangible benefits: higher levels of relational norms, like commitment, trust, solidarity and mutuality, improved communication, feeling of openness, feeling of being part of a system, of a strategy, of having common goals. It could boost entrepreneurial innovation of franchisees and help them be proactive, which could benefit the entire system. Higher usage of information technology leads to higher levels of customer trust and commitment (Ryssel, Ritter and Gemunden, 2000). The system is likely to reduce various hazards, like shirking, free riding, and moral hazards. Parties are likely to engage to self-monitoring and self-governing activities (Brass, Butterfield, and Skaggs, 1998), thus opportunism will be constrained (Paswan, Loustau, and Young, 2001).

In addition to the above the integration of customers to the franchise network organization will provide greater market advantage, quality improvements, new product development facilitation, global market research at minimal cost and finally, customers integration could be a competence to create competitive advantage to the franchisors (Paswan, Loustau, and Young, 2001). The use of technology-driven information transparency allows for the creation of a sophisticated communication system that can implement real time decision-making that can enhance the development of networks (Achrol, 1996, 1997; Achrol and Kotler, 1999; Paswan, Loustau and Young, 2001).

2.4. The Process of Formation of Social Entrepreneurship, Social Alliances and Social Enterprise Networks

In this section we review existing literature on the independent constructs of our study which are: individual social entrepreneur profile, social innovation, formal institutions, and informal institutions of social norms of relational network embeddedness which are: trust, commitment, solidarity, flexibility, role integrity, mutuality, restraint of power and harmonization of conflict.

The drivers that have lead to the formation of social entrepreneurship include: individual ethical or religious motives; personal altruism; community or political contexts; professional interests; cultural mutuality; and the development of solidarity (Nicholls, 2008). The aforementioned motives that are essential in explaining the process of social entrepreneurship formation are part of three systems: firstly, the dynamics of the external environment, especially the political context and institutions (Griffiths, Gundry and Kickul, 2013; Salamon and Anheir, 1997; Powel,
1987). Social entrepreneurship is strongly shaped by the public sector dimension and institutional innovation. Social entrepreneurs bring about changes at the societal context within which the issues that they address are embedded (Alvord et al, 2004). Secondly, social entrepreneurship is largely shaped by informal institutions of social norms (like mutuality and solidarity) and the dynamics of networks. Research suggests social enterprises instead of being the product of a charismatic hero entrepreneur are actually the products of groups and networks who collectively innovate to solve social problems (Borzaga and Defourny, 2001; Defourny and Nyssens, 2006). They are in constant quest of forming alliances and so social entrepreneurship has to be examined in relation to network models (Nicholls, 2008). And thirdly, the organizational and individual context dynamics, including: the individual social entrepreneur profile (like traits, character, skills, motivation and ethics) (Bornstein 2004; Drayton, 2002), and the dynamics of social innovation (expressed in missions, strategies, business models).

Evidence from Van Putten and Green (2010) research indicates that formal institutions (tax incentives), innovation (technology) and networks (social networks) are positively related to social entrepreneurship formation which is increased in a recession- like the one started in 2007. Evidence from cross-country research (in the UK, Germany and Italy) supports that the formal institutional context of laws and governmental interventions (providing incentives for maintenance of stable, long-term relationships), the informal institutions of social norms (especially leading to trust building) and the organizational context of technology are strongly related to formation and governance modes of mainstream inter-firm alliances (Arrighetti et al, 1997). The latter argue that to investigate social inter-firm alliances we have to see the influence of the social, institutional and organizational context within which they are embedded. Alvord et al (2004) research on social entrepreneurship formation indicates that external environment institutions, organizational variables and collective action are related to the nature of their innovation, to organizational issues of leadership and to paths to social transformation. Their theoretical approach was built on development studies (which focus on economic, political and social contexts and innovation within these systems), on organization theory (which focuses on organizational context characteristics) and on social movements theories (which focus on collective action and political strategies). Zahra et al (2009) support that the emergence of social partnerships and alliances is due to the same issues that have led to the emergence of social entrepreneurship. Stanworth and Curran (1999) findings suggest that the formation, growth and survival of franchises is influenced by elements at the societal, organizational and individual context; the societal level includes elements from the cultural, economical, and political contexts (the latter identifies governmental interventions towards small medium enterprises growth), the organizational sphere includes organizational characteristics like innovation of franchisees and finally the individual context includes motivation intentions and prior self-employment.

The aforementioned research conclusions are in line with the spheres that emerged from our empirical study as significant determinants to the process of social franchising. In the following sections we analyse in depth existing literature on these spheres.

2.4.1. Individual context: The Social Entrepreneurship Individual/Psychological Profile

Sociological school of thoughts believe that entrepreneurial activity is driven by religious beliefs and ethical values, and these determine entrepreneurial growth (Weber, 1947); like people’s sociological background that can predict how much they strive for success (Reynolds, 1991) and
like the influence of the Protestant culture in shaping the rational of economic attitude and growth of entrepreneurship (Becker and Woessman, 2009; Reynolds, 1991). Economic theory approaches entrepreneurship as being driven by the opportunities detected in the market which trigger entrepreneurial activity that is then seen to create changes in the market (Drucker, 1985; Stevenson and Jarillo, 1990). The dynamic entrepreneurship innovation theory argues that entrepreneurship dismantles the stable circular flow of the economy; a new level of development is created by the entrepreneur (Holmes and Schmitz, 1990; De Jong and Marsili, 2010; Schumpeter, 1949). This latter has been strongly debated (Shane, 2003; Shane and Venkataraman, 2000).

Resource based approaches underline the role of resources in the appearance and growth of entrepreneurial activity (Alvarez and Busenitz, 2001; Clausen, 2006); the latter is more likely to grow and develop when entrepreneurs have access to resources (Alvarez and Busenitz, 2001; Meyskens et al, 2010a; Sharir and Lerner, 2006). With access to financial, human and social resources, entrepreneurs can discover new opportunities and detect gaps in the market (Davidson and Honing, 2003). Evidence shows that when financial capital is accessible, there is a higher chance of establishing a new firm (Blanchflower, Oswald, and Stutzer, 1991; Clausen, 2006; Evans and Jovanovic, 1989; Holtz-Eakin, Joulfaiian, and Rosen, 1994). Recent literature on the resource strategy of social enterprises is focusing on the formation and growth of the social investment market and of various financial models which is seen nowadays as the most important vehicle addressing the sustainability of social ventures (Cabinet Office, 2013a; 2013b; 2013c; Cohen, 2010; Emerson and Spitzer, 2007; Nicholls, 2010; Nicholls and Pharoah, 2007; Steffel and Ellis, 2009).

Criticism to resource dependency theories argue that financial capital is not necessarily associated with being an entrepreneur (Davidson and Honing, 2003; Fairlie and Krashinsky, 2012) highlighting the innovation component of entrepreneurship (Fairlie and Krashinsky, 2012). Innovation theorists argue on the capabilities of creating new products and processes to respond to market opportunities (Davidson and Honing, 2003; Fairlie and Krashinsky, 2012).

According to the entrepreneurial supply theory cultural values, social sanctions and role expectations shape entrepreneurship activity (Cochran, 1964). Thus entrepreneurship urges are associated with the environment where the person was brought up. Entrepreneurship is formed by role expectations established by society, especially in the case where entrepreneurs are seen like role models. Entrepreneurial behavior derives from child learning practices but is mostly dependent on the circumstances and institutional resources available (Young, 1971). According to the human capital theory education and experience are positively related to the emergence of entrepreneurial activity (Becker, 1975; David and Honing, 2003; Korunka, Frank, Lueger, and Mugler, 2003). These factors are differently distributed across people and thus influencing the capacity to identify the difference between opportunities and exploitation (Anderson and Miller, 2003; Chandler and Hawks, 1998; Shane and Venkataraman, 2000).

Institutional approaches highlight the power of the environment in the process of entrepreneurship (Young, 1971), while social network theory approaches identify the significance of the channeling of information and control through the social interactions of actors (Aldrich and Cliff, 2003; Reynolds, 1991; Shane and Eckhardt, 2003). Institutional entrepreneurial theory (Battilana, Leca and Boxenbaum, 2009; DiMaggio, 1988) argues that it’s not only institutions
that influence entrepreneurship but also agents can bring about institutional change in spite of institutions inertia and stasis. The counterargument to this thinking is that actors are an endogenous elements of institutions and deeply embedded in them therefore cannot change them, what is known as the ‘paradox of embedded agency’. A theory of action is proposed by Battilana, Leca and Boxenbaum (2009) viewing entrepreneurs as actors that employ resources to bring about institutional transformation or create new ones through a process of social change; institutional entrepreneurs (being individuals, groups or organizations) are differentiated in that they set up divergent changes to challenge existing institutions- whether or not they do that intentionally or not- and in that they engage in action and mobilize resources to actually make these changes regardless if this change is actually successful or not. An important element of institutional entrepreneurs is that they create new innovative business models to bring about those institutional changes.

The ability of institutional entrepreneurs to actually emerge and break the boundaries of their embeddedness within institutions (the paradox of embedded agency), thus to be able to bring institutional transformation is influenced by the so called ‘enabling conditions’. Enabling conditions have two parameters according to Battilana, Leca and Boxenbaum (2009) research: the field characteristics (like regulatory changes, scarcity of resources, economic and political crises, coexistence of contradicting institutions, low degrees of institutionalisation, the behaviour of other actors) and the social position of actors. Actor’s social position is also influenced by their perceptions of field level characteristics but also by their ability to leverage resources to challenge them. They argue that there exists a correlation among social position -that is structural embeddedness in networks- and institutional entrepreneurship. They also argue on the influence of personal characteristics such as demographic and psychological factors and their correlation with institutional entrepreneurship.

Personality and behaviour are closely interrelated thus leading to the investigation of personality traits in entrepreneurial activity. Personality traits are the fixed qualities that an individual exhibits in most circumstances, like extraversion, these personal characteristics define the entrepreneurs (Coon, 2003). Trait theorists believe that entrepreneurs have innate qualities that naturally make them an entrepreneur (Hornaday and Aboud, 1971; Low and MacMillan, 1988; McClelland, 1987; Shaver and Scott, 1991; Solomon and Winslow, 1988). Personality trait theory has been strongly criticized; evidence suggests that entrepreneurs and non-entrepreneurs are not different in terms of universal characteristics (Shaver and Scott, 1991). Intelligence and skills are also important parameters when applying trait theory (Baum, Frese, Baron, and Katz, 2007). Based on the concept of locus of control entrepreneurial success derives from a person’s abilities (internal locus of control) and support from others or other sources (external locus of control). Empirical data suggests that internal locus of control can characteristically describe an entrepreneur (Cromie, 2000; Koh, 1996; Robinson et al, 1991; Rotter, 1966). The main traits that have been identified by most theorists as influencing entrepreneurial behaviour are achievement motivation, locus of control and preference for innovation (Weaven, Grace and Manning, 2009).

According to motivational theories research indicates that there is a relationship between entrepreneurship and achievement (Johnson, 1990; Shaver and Scott, 1991); entrepreneurs feel the need to succeed, accomplish and achieve (McClelland, 1961). According to the results of Sharir and Lerner (2006) the motives of social entrepreneurs that are common with main stream entrepreneurs were: self-fulfillment, occupational independence, and opportunities for creativity;
the motives that were unique to social entrepreneurs were: personal rehabilitation, search for solutions to individual distress, obligation or affiliation to one’s community.

Mair and Roboa (2006) research on behavioural intentions that lead to social entrepreneurship formation developed a model of social entrepreneurial intentions with which they identified two elements: the perception of whether a social entrepreneurial activity is desirable which is influenced by the traits/behaviours of empathy and moral judgment and the perception of whether a social entrepreneurial activity is feasible which is influenced by social support and the trait of self-efficacy. As Mair and Roboa (2006) argue the various traits and behaviours may be similar to all mainstream entrepreneurs and do not distinguish among failed and successful social ventures, the only element that is actually significant is empathy; they also consider the background and context of social entrepreneurs as important in shaping self-efficacy and moral judgment. Mair, Battilana and Cardens (2012) research adopts a categorization based on the principles of justification that govern the actions and beliefs of social entrepreneurs; these principles include 6 different categories among which the most prevalent to social entrepreneurs in driving their actions are: the world of fame, the domestic principle of trust and tradition, the market principle and the civic principle of collaborative action.

Research on social entrepreneurs highlights that the traits identified are: creativity, collaborative leadership skills, team-work capability, socio-moral motivation, long-term community oriented motivation, unique ethics (Bornstein, 2004; Drayton, 2002; Mair and Roboa, 2006); their capacity to innovatively exploit opportunities suddenly identified; their skills in building networks (Nicholls and Opal, 2005). The issue of commitment to their communities, of team working and collaborative leadership, entrepreneurial personality and the ability to see opportunities was also raised by Korosec and Berman (2006). Social entrepreneurs are motivated by a strong desire to change society, by discomfort of the status quo, by altruistic feelings, and by a need to be socially responsible (Mair and Roboa, 2006). In terms of behaviour attributes include: accept social criticism, ability to appear trustworthy and receptivity to other’s feelings (Mair and Roboa, 2006). Guclu et al (2002) created a model that inter-relates personal variables named ‘individual social assets’ with operational variables which are the creation of a realizable operating model, a social impact theory and a sustainable resource strategy.

The influence of personality traits of franchise partners has received minimum research attention although evidence suggests that it correlates with formation, governance and performance making it an attractive topic to raise understanding (Weaven Grace and Manning, 2009). In social franchising formation the criteria of social franchisees that are evaluated by social franchisors before entering in the relationship are: personality and psychological profile, like commitment level, risk-taking ability, innovativeness, good team players, personal integrity, ability to persuade, enthusiasm, entrepreneurial skills, commitment to social objectives, confidence, willingness to be trained and to maintain quality; skills and capabilities like fund raising skills, linkages with the local networks and knowledge of the local sector and in some cases financial robustness (Doherty, 2009; Holberg and Morgan, 2003; Sivakumar and Schoormans, 2011a; 20011b). In investigating the relationship between partners’ personality and franchise formation the elements that synthesize the system of personality traits are: extraversion, agreeableness, consciousness, emotional stability and intellect (The Big-Five), empathy, and emotional intelligence (Weaven, Grace and Manning, 2009). The letter research findings indicate that among the aforementioned empathy, emotional intelligence, consciousness and emotional
stability were significant.

Evidence from Weaven, Grace and Manning (2009) research suggests the correlation among: firstly, personality traits of franchisees and governance structure modes (multi-unit vs single unit ownership types) and the accumulation effect of alliances formation (multi-unit); secondly, personality traits and performance of the systems (franchisee performance, partners relationship quality, stability and compatibility); thirdly, personality traits and standardised vs customised/personalised franchisee services, the latter leading to better performing systems as trust and long-term relationships with customers are created when customised services are offered.

The initial approaches identified the ‘hero entrepreneur’ as the central constituent of northern paradigms, a trend triggered by philanthropic donators to build on individual hero stories (Nicholls, 2008). Research though identified that social enterprises were mostly the output of groups, networks and formal or informal organizations (Alvord et al, 2004). Alvord et al (2004) research investigated the element of networking leadership skills either in terms of individual leadership skills or in terms of leadership groups and found it to be a significant parameter in the success of social enterprises. Leadership skills that are in line with social entrepreneurship alliances and networks include: a particular open and inclusive leadership style that accommodates for other dynamic and ambitious leaders to act for; leading through persuasion and consensus; good listener skills and ability to promote others contributions; and showing direction (Leadbeater, 2006).

Zahra et al (2009) research identifies three types of social entrepreneurs: a) the social bricoleur, who addresses needs at a small-scale local level, their motives are noble, the level of their ego and ambition are limited; b) the social constructionist who attempts to resolve market failures by launching innovation that can bring social changes, their motives and aspirations are complex and have many facets, their behaviour might become opportunistic and coercive as they try to influence others in meeting their goals; and c) the social engineer who identifies failures at the social structure and launches actions to target revolutionary transformational change, they are the most ambitious, their egos and needs may be ahead of their ventures, they may be individualistic, socially deviant and manipulative. These three types are differentiated based on the process they follow to identify problems, based on the conceptualisation of the impact they want to bring and based on the way they mobilise resources to do that. Their research investigates issues of ethics of social entrepreneurs.

2.4.2. Organizational context: Social innovation

There are many definitions to the phenomenon of social innovation all of them agree that a social innovation has to meet both social ends and means. Social Innovation is the effort to create purposeful focused change in an enterprise’s economic and social potential (Drucker, 1985), is all about innovation that aims to achieve social goals. It is in recent years that social innovation has attracted research interest and concerns new practices to resolve societal challenges and transformation, adopted and utilised by social groups (Alvord et al, 2004). Social entrepreneurship is often defined as innovation that leads to positive social change regardless of the mechanisms through which it is achieved (Dees, 1998; Tracey and Jarvis, 2007). According to this approach the focus is on innovative ventures initiated by social entrepreneurs to tackle
social or societal issues; so meeting the social goals is more important that the resource mix of the enterprise which involves a particular combination of human and financial resources (Dees, 1998; Donaldson and O’Toole, 2007; Elliot, 2006; Obstfeld, 2005).

Social Innovation emerges as a novel solution to a social problem that is more effective, efficient, sustainable for which the value created accrues primarily to society as a whole rather than private individuals (Murray, Caulier-Grice and Mulgan, 2009). Today governments and institutions all over the world adopt the idea of social innovation and create places, frames and actions to enhance social innovation and its practices. The social entrepreneur should be measured by their ability to create shared value (Porter and Kramer, 2011), not just social benefit. The small organizations, individuals and groups are the ones that generate new ideas and the big organizations as government, companies or big NGOs although they are poor in creativity they can support the small ones to deliver the innovation. The existence of both can drive in new ideas generation and implementation (Mulgan et al, 2007). Social innovation to be successful needs to be based on a pragmatic philosophy and not a perfectionist one; it should accept experimentation and trials (Leadbeater, 2006).

The idea of patterns of innovation of social entrepreneurs is investigated by Alvord et al (2004) showing that specific systems of innovation emerge around: local resources, the offering and alliances; they identify three systems of social innovation: capacity building, package dissemination and social movements. Alternative social enterprises business models include (Big Society Capital, 2012a): trading for social purposes; delivering public services; providing support and services to vulnerable and excluded groups; providing financial services. Alvord et al (2004) research results in that a successful social innovation is dependent upon the networking and relationship leadership skills of the social entrepreneurs. The latter argument is consistent with further research that highlights that an important variable of social innovation is the relational capital of societies and their networks, as the ability to attract new information (Mulgan et al, 2007; Murray, Caulier-Grice and Mulgan, 2009). The relations with other locations, the intersections and the use of social networks can accelerate growth, enhance new ideas generation or adopt already used success models of other societies. The dynamics of social innovation are closely related with social networks (Obstfeld, 2005). This is due to the fact that innovation first appears in local social groups, and then its ability to be spread to the rest of the society depends on their social network (Mulgan et al, 2007; Murray, Caulier-Grice and Mulgan, 2009).

Mair, Battilana and Cardens (2012) offer another classification of social entrepreneurship models based on the issue identified, the constituents and the activity selected (the offering as mentioned above). They identify four models: the political capital model, the human capital model, the economic capital model and the social capital model. Battilana, Leca and Boxenbaum (2009) identify the same elements/phases of social innovation in bringing transformational change: create a vision from an identified issue, mobilize constituents, and motivate them to achieve vision. In detail: a) to create a vision for divergent change, this means defining an issue, conceptualizing it and justifying it [this thinking is in line with Mair, Battilana and Cardens (2012) approach on principles justification]; b) the mobilization of people of allies which is influenced by the existence of field characteristics (like crises or institutional voids) through use of discourse and the mobilization of resources through authority and social capital through the social position of actors (structural embeddedness in social networks); and c) the act of motivating those people to actually engage in actions to achieve the vision.
Alvord et al (2004) research identifies a pattern among innovation and scale up strategies. In detail: a) the innovation system of capacity building programmes, it refers to capacity building of disadvantaged groups to achieve self-help usually targeting cultural transformation and challenging existing norms that affect marginalized groups, like women’s role and disabled people; these models scale up by offering their capacity building programmes to other groups. b) The social innovation system of package dissemination programmes, it refers to an offering to disadvantaged groups to help them resolve a social issue they face usually targeting economic transformation through offering tools and resources to enhance productivity, like microcredit services; these models scale up by offering more services to these groups or to individuals. In the beginning the innovation is around a core service/product and then other services are built up and extend the offering. And c) the social innovation system of movement-building initiatives, it refers to the entrepreneurs activities in building networks to address a social issue by influencing other powerful actors usually targeting political transformation, like strengthening political voice of disadvantaged groups to change their political context or education interventions; these models scale up by forming alliances and extending influence to decision makers and other organizations.

Social entrepreneurship ability to choose a successful strategy for scaling up is considered part of its social innovation model. The models used for scaling up social enterprises are: branching, affiliations (which can span from loose coalitions to social franchises) and dissemination (usually through ‘open source’ approaches) (Bradach, 2003; Dees et al, 2002; 2004; Lyon and Fernandez, 2012; Mair and Sezgi, 2011). According to Dees et al (2004) the nature of a scalable social innovation can take the following forms: an organizational model (based on a set structure that mobilizes resources to satisfy a social need), a programme (based on a set of actions that achieve a social purpose), or principles (based on values and rules on how to achieve a social purpose).

Evidence from Mair and Sengi (2011) research suggest that the goal of scaling is to increase social impact while keeping value consistency throughout the network through an appropriate control system. The elements of the control system to maintain coordination are: training, communication, mobility and creation of templates (that is codifying processes through standardised packages). Their results indicate that informal mechanisms of control through training, communication and mobility are vital to create trust and commitment that can achieve culture and value consistency across the network of affiliates and thus higher levels of control.

Social enterprises are evaluated through their social impact and social value creation. Impact is not only seen as the output of social venture activity but is also built in its operation process thus throughout their entire value chain (Nicholls, 2008). Measurements include the Triple Bottom line accounting; ‘social enterprises are committed to measure their success according to the triple bottom line’ (Elighton, 1994), which measures the company's success capturing an expanded spectrum of variables including the impact to the people, the planet and the profit. Other measurements are the Balanced Scorecard (Kaplan, 2002), social reporting, and quantitative benchmarks such as Social Return on Investment (SRI) (Nicholls, 2008) (more on this issue is analysed in the Performance section).

Social enterprises and social entrepreneurs bear a significant economic risk associated with their initiative, so economic sustainability is vital to the venture’s survival (Defourny and Nyssens,
The resources of social enterprises can have a hybrid character coming from trading activities, from public subsidies or from voluntary resources. European social enterprises combine resources from sales through public subsidies and private donations, while the US tendency views them as market oriented non-profit organizations generating earned income strategies (Defourny and Nyssens, 2010b). So based on the ‘earned-income’ school a social enterprise should undertake activities to generate income from the market in support of its charitable mission (Defourny and Nyssens, 2010a; Tracey and Jarvis, 2007). Social enterprises reinvest their surpluses so that they achieve a social or community-related goal, serving either the interest of their members or the interest of a wider social group (Laville and Nyssens, 2001). In a study conducted at WISIs (work integration social enterprises) in Europe their mix of revenues included 53% from the sales of goods and services of which one third was socially motivated sales, 38.5% from redistribution resources from direct and indirect subsidies and 8.5% came from voluntary resources (Defourny and Nyssens, 2010b).

2.4.3. Institutional Context

Institutions through their presence or absence play a central role in the growth of market economies and in determining the behaviour of actors; research should be directed to the understanding of the role of institutional and macro-level socio-political and cultural contextual factors in the process of social entrepreneurship (Dorado and Ventresca, 2013; Griffiths, Gundry and Kickul, 2013; Mair, Marti, and Ventresca, 2012). Institutions and institutional logics influence social action through rules and regulations, normative order, social expectations and culture thus formulating or restraining organizational behaviour (Pache and Santos, 2010).

Acknowledging the position of institutions means that the study of formation can be executed without firstly analyzing why actors engage and also acknowledges the power that constraining institutional environments have over actors’ intentions (Dorado and Ventresca, 2013). This latter research explores the issue of institutional conditions for social entrepreneurship engagement which lies in the middle among the two poles of the Foucaultian position that in institutionally-constrained environments actors will not engage and the functionalist position that the fundamental element is the motivation of actors. They conclude in that formation of social entrepreneurial activity does not require the recruiting of highly moral or over skilled entrepreneurs but rather the creation of the suitable conditions for this to happen through governmental and social interventions (Dorado and Ventresca, 2013).

According to Battilana, Leca and Boxenbaum (2009) entrepreneurs should be seen as actors that are not only influenced by institutions but can also shape and change them as endogenous agents, thus being agents of institutional transformation in a process of social change.

Evidence from Meek et al (2010) research also suggest that decentralized institutions –which are socially formulated such as social norms- as well as centralized institutions- designed by the governments such as laws, regulations and incentives- have a positive effect on the formation of entrepreneurial activity. Their research findings also suggest that social norms influence the formation of entrepreneurial activity and that the effectiveness of governmental incentives is dependent on the social norms that exist in the entrepreneur’s environment. Evidence form Sullivan (2007) research also supports that government interventions enhance the development of social entrepreneurship.
Mair, Marti, and Ventresca (2012) research on institutional factors focused on institutional voids which directly impact social entrepreneurship activity. These happen when interventions of central institutions disregard the role of local decentralized institutions, such as customs, social norms and religious norms. They actually found that ‘voids’ represent an institutional pluralism and are the result of conflict and contradiction among formal and informal institutions. Institutional plurality is also indicated as a source of conflict creation that influences social entrepreneurship (Nicholls, 2010a; Pache and Santos, 2010).

As Pache and Santos (2010) findings indicate the institutional environment of social enterprises can impose pressures to them when their actions are seen as ambiguous and illegitimate, especially with reference to the balance between economic and social objectives. These conflicting institutional demands have to be handled by social enterprises to sustain legitimacy and support (Pache and Santos, 2010). The more fragmented an environment is the more likely institutional pressures will be conflicting (Pache and Santos, 2010). The strength of an institutional logic to prevail in organisational decision making is determined by: firstly, the centrality of actors; for example governments have a central role and through coercive power can impose their institutional logic. Secondly, by the resources of actors; like foundations that have the resources needed by social enterprises and so their logics influence significantly decision-making of social entrepreneurs. And thirdly, by normative processes that shape the behaviour of social entrepreneurs; like through training, mentoring and socialization activities carried by educational and business support centers or by the norms and values coming from the internal environment of social enterprises through their volunteers, trustees and staff and through their social networks and alliances (Battilana and Dorado, 2010; Mair and Serzgi, 2011). As Pache and Santos (2010) argue a typology of strategic responses of enterprises coming from neo-institutional theory suggests that strategic choices are: acquiescence, compromise, avoidance, defiance or manipulation. They argue that this approach ignores the dynamics of intraorganizational processes and behaviour that are triggered in a systematic way to handle this conflict which may lead to organizational break up or paralysis (Pache and Santos, 2010).

2.4.3.1. Political Context: Centralized/Formal Institutions

The role of central institutions in the formation and growth of social entrepreneurship has been documented and evidence suggests that there is a clear positive relationship (Korosec and Berman, 2006; Dees 1994, 1998; Nicholls, 2004, 2008, 2010a; Sullivan, 2007). Emerson and Bonini (2003:106) argue that they may have the primary effect on the formation of social ventures since the government ‘sets the term of play and is a key actor’. Sakaraya (2012) and Leadbeater (2006) research provides evidence that the same applies for social alliances. The context of social enterprises is highly influenced by the institutional context of independent countries (Mendell, 2010), by altering forms of government support to third sector organisations (Defourny and Nyssens, 2010b); tax incentives lead to entry in social entrepreneurship (Van Putten and Green, 2010). Evidence from Korosec and Berman (2006) and Sullivan (2007) indicate that government support to social enterprises in US cities was positively related to both the frequency and the quality of social entrepreneurial ventures without indicating that it is a necessary condition to their existence. If a government wants to direct entrepreneurial activity in one sector then this can be done with the design of a basic legal system, through regulation interventions and through incentives, such as tax reliefs (Ingram and Silverman, 2002; Meek et al, 2010; Sullivan, 2007). These arguments support for the existence of a relationship among the
Formation and increase of quality of social ventures can be also accomplished through the following activities of formal institutions: firstly, through raising public awareness on the existence of social entrepreneurship and educating prospective social entrepreneurs. Secondly, through supporting social enterprises to obtain resources; the government can act as an intermediary to help social enterprises access private capital, it can directly provide financial resources to social ventures, or it can provide services to social enterprises to help them apply for grants. And thirdly, through enhancing the formation of networks, partnerships, alliances and collaborative actions among social enterprises (Korosec and Berman, 2006). Evidence from industry research conducted for the Scottish government highlights that the elements that influence the business model of social enterprises are: the access to public procurement market, the taxation and fiscal instruments for the third sector, the existence and expertise of social enterprise support mechanisms, the characteristics of the local formal and informal economies, and the characteristics of a social enterprise sector in a country (Higgins et al, 2008:7).

Korosec and Berman (2006) research on formal institutions influence investigated: types of support, perception of policy makers of adequacy of support, the roles adopted by public officials, and strategies employed. The limitation of this study acknowledged by the researchers was that it was based on perceptions and not on hard data of the actual methods employed.

In studying the dynamics of the central regulatory systems three element were identified as important in Nicholls (2010a): the regulatory boundaries, the key actors that negotiate within this system, and conflicting ideas and debates that emerge though discourse. His research draws on two institutional theory perspectives: the new-institutionalist theory and the sociology of accounting institutional approach. Nicholls (2010a) in studying the new regulation in the UK that introduced the new organizational format for social enterprises named ‘Community Interest Company’ (hereafter CIC) in 2005 investigated the negotiation of conflicting approaches of actors with reference to the reporting and disclosure elements of this new regulation so that it could have high legitimacy; based on these negotiations the regulation emerged. Within this system of regulatory space actors and discourse elements interact to formulate the reporting and disclosure practices. Another important element of this system is the boundary factors within which disclosure logics are negotiated. Within this system there is a tension resulting from the negotiation between the ‘light touch’ logic of the regulator and the need for performance indicators and reporting systems to provide legitimacy to the new organizational forms that emerge. The findings of this empirical study identify the limitations and challenges of CIC regulation with regards to the light touch logics of its disclosure practices and the resulting barriers to the legitimacy and usefulness to stakeholders of the reporting data disclosed by many CICs (Nicholls, 2010a).

The rationale behind formal institutions interventions to support social entrepreneurship is, among others: firstly, the leadership resources that social entrepreneurs convey to their communities, which are essential to the latter to address their pressuring social needs; secondly, the high experimentation and innovation levels in tackling social issues; and thirdly, the deployment of public resources which can be redirected to other social issues (Korosec and Berman, 2006). Barriers to formal institutions interventions are: unwillingness of public officials to share power; low levels of trust of social entrepreneurs objectives; bias of policy official
towards voluntary/non profits/social organizations of their personal affiliate networks; low levels of trust in the managerial abilities and tactics of social entrepreneurs; legal and contractual barriers; lack of performance measurement tools; lack of public officials that have the skills to enhance public-community collaboration; incompatibility or conflict among social issues addressed by social entrepreneurs and public issues agenda; corruption of social organisations’ missions caused by high value public programmes; and finally, concerns of enhancing formation of grant dependent and public dependent organizational logics jeopardising the emergence of financially sustainable social ventures (Korosec and Berman, 2006).

Social entrepreneurship is not a mechanism to address the fallacies of economic systems but rather an institutional format for these systems to achieve survival and existence (Nicholls, 2008). Social entrepreneurship targets social change through a highly embedded political institutional context (Alvord et al, 2004), this can be stretched by the following two elements: firstly, they have a very close relationship with the public sector either working with public bodies or receiving public funding. Even in the case of the UK where the social/impact investment market is the most advanced; the funding of the Social Investment Financial Intermediaries (who provide financial input to social enterprises) comes 63% from the government (Big Society Capital, 2012a). A significant other proportion of the input financial sources to social enterprises is delivered through transnational and supranational institutions (like United Nations in the first case and European Union in the second case) and through international aid. Also, the output of social entrepreneurship ventures very often brings reforms in the public sector and in the delivery of the social welfare state.

Secondly, social entrepreneurs shape various types of micro-level political structures to overcome institutional barriers in bringing societal change (Alvord et al, 2004), like the case of social enterprise networks. Through the formation of networks they build on the strength of their social norms, e.g. they exploit solidarity and power benefits to address the inequalities that exist in the markets and the public sector that impede them from meeting their social and environmental goals (Nichols, 2010b).

The European welfare states have a long practice of partnerships with third sector organizations which is influenced by the type of welfare mix (Evers and Laville, 2004; Griffiths, Gundry and Kickul, 2013). So social enterprises are also influenced by the type of the economic system based on which each economy is organized which has shaped its welfare state. Based on the Esping-Andersen typology (1999) we have four types: the Anglo-Saxon welfare state of the liberal countries where the low level of government spending has resulted in a large voluntary sector financed by private resources. The UK is a mixed model where the government through contracts and third-party payments has supported third sector organizations. This trend has triggered the creation of social entrepreneurship and social enterprises. (Defourny and Nyssens, 2010b)

In the corporatist countries, like Belgium, France, Germany and Ireland we often see social services offered from associations that are financed and regulated by public bodies, which has resulted in the creation of the so called social economy or solidarity economy. In the socio-democratic countries like Sweden, Norway, Finland, and Denmark which are characterized by large government expenditure for the welfare state, new forms of cooperatives appear in the third sector with the aim of producing welfare. Finally in the Southern-European countries, like Spain, Italy, Portugal and Greece there is low government spending for the welfare state which was
traditionally offered through families and Church-related charitable organizations (Defourny and Nyssens, 2010b). In the United States and Britain social enterprises are seen mostly as business ventures having a social purpose, while in Europe and Canada are seen as having primarily social objectives whose profits are reinvested, they are mostly cooperatives, networks of similar organizations, community-based organizations (Nasioulas, 2012).

2.4.3.2. Social Context: Decentralized/Informal Institutions of Social Norms and Network Embeddedness

Social norms are socially shaped (Mair, Marti, and Ventresca, 2012; Meek et al, 2010) and emerge through the relational embeddedness of actors in networks (Granovetter, 1985). Evidence of Meek et al (2010) study suggests that social norms influence the effect of governmental interventions and therefore before the design of policies authorities should research the social norms that exist in this region and culture. The study of institutional voids of Mair Marti, and Ventresca, 2012) and Mair and Marti (2009) provides further evidence of the strength of social norms when formal institutions are absent or weak and when there exist market failures. These arguments suggest the emergence of contradiction and conflict among the two set of systems that of central/formal institutions and that of decentralised/informal institutions. Another important parameter that has been investigated is the level of corruption in formal and informal institutions which influences social enterprises formation (Tonoyan et al, 2010); evidence from the latter research indicates that the lower the GDP the higher the level of corruption.

The relationship between social norms and social entrepreneurship has been under-researched (Meek et al, 2010). According to Mair et al (2012:820) when market institutions are weak then social injustices are reinforced as informal institutions ‘determine the rule of the game and, importantly, who is allowed to play’ excluding certain groups, like women from entry in the market. In the absence of formal institutions entrepreneurs rely on the social norms of trust in their networks and systems like the blat in Russia and the guanxi in China (Mair, Marti, and Ventresca, 2012). These arguments support for the existence of a relationship among the informal system of social norms and social enterprise formation (Griffiths, Gundry and Kickul, 2013). Research on network embeddedness and social network theory supports the existence of causal relationships among social norms and interfirm alliances’ formation, partner selection, governance and performance (Granovetter, 1973, 1985, 1992; Gullati, 1995b, 1998; Kogut, 1988; Somersen et al, 2013; Uzzi, 1997). Most theories on social innovation identify the correlation among social innovation models and network embeddedness of actors (Alvord et al, 2004; Battilana, Leca and Boxenbaum, 2009; Mair, Battilana and Cardens, 2012; Seelos and Mair, 2005). There is also a relationship that can take the form of conflict among formal institutions and informal institutions (Meek et al, 2010). As argued in the previous section governmental interventions can be offset if they are contradictory to prevailed institutional logics of social norms.

Religious institutions have also been investigated indicating that they support the formation of social entrepreneurship and small business creation (Choi, 2010); though evidence from Griffiths, Gundry and Kickul (2013) research found the opposite that in countries where there are dominant religions in a state there are low levels of social entrepreneurial activity.
Entrepreneurs have a higher chance of succeeding when they have large social connections. Having other entrepreneurs in one’s social network is fundamental for detecting opportunities in the market (Aldrich and Cliff, 2003). Lack of social connections, can make business startups unsuccessful despite having identified an opportunity gap in the market (Shane and Eckhardt, 2003). Obtaining resources can also be facilitated when the entrepreneur has strong bonds with resource providers (Reynolds, 1991). Research suggests that social partnerships and inter-firm alliances have a positive effect on the formation and performance of social entrepreneurial ventures (Meyskens and Carsrud, 2011). Battilana, Leca and Bozeman (2009) support that the structural embeddedness of actors in networks and organizations enables the emergence of institutional entrepreneurship that can bring about social change; it is their social position that influences how they perceive institutional field characteristics that could trigger the need to change those institutions and also their ability to mobilize resources and allies.

A vital characteristic of social entrepreneurs is their ability to build networks (Nicholls and Opal, 2005) those networks provide them access to resources, help them support their venture, but also increase their capacity in making social impact and social value creation (Nicholls, 2008). The study of network models is paramount in raising understanding of the development of social entrepreneurship (Nicholls, 2008). Nicholls (2008) claims that social franchises maybe important in addressing the issues of locality and scale that social enterprises face.

“If we want social entrepreneurs to have more impact we must help them to build larger organizations with finance and management expertise and models of growth- such as franchising and mergers and acquisitions- drawn from the private sector” (Leadbeater, 2006:240)

2.4.3.2.1. The Argument of Embeddedness

Polanyi (1957) analysed the social structure of modern economies through the concept of embeddedness. Schumpeter (1950) and Granovetter (1973; 1985; 1992) researched the dynamics of social structure to economic life and inter-organizational relationships. Granovetter (1985) saw organizational culture as being socially embedded and formed by the social relations of networks of organizations.

“Embeddedness is the realization that economic relations can never be grasped purely in terms of their economic rationality but need to be seen as organically situated within specific features of social settings” (Clegg et al, 2005: 496).

Embeddedness (Granovetter, 1985, 1992; White, Owen-Smith, Moody, and Powell, 2004) is a central concept in economic sociology and one of the most commonly cited ideas in the networks literature. Within the context of richly differentiated networks- social, political, economic, and familial- relations can provide interlocking configurations of multiplex and cohesive support for one another. Embeddedness, as formulated by Granovetter (1985), is a property of structures in which actors that are integrated in cohesive clusters or multiplex relations of social networks face different sets of opportunities and constraints than those who lack such connections or encumbrances.

“Embeddedness refers to the fact that economic action and outcomes, like all social action and outcomes, are affected by actors’ dyadic (pairwise) relations and by the structure of
the overall network of relations” (Granovetter, 1992: 33).

“(Embeddedness refers to) the fact that exchanges and discussions within a group typically have a history, and that this history results in the routinization and stabilization of linkages among members. As elements of ongoing social structures actors do not respond solely to individualistically determined interests” (Marsden, 1981: 1210).

Zuken and DiMaggio (1990) classified embeddedness in four forms: structural, cognitive, political and cultural. The last three forms reflect social constructionist perspective on embeddedness, where as structural embeddedness is principally concerned with how the quality and network architecture of material exchange relationships influence economic activity (Uzzi, 1997: 36).

In analysing the influence of embedded social networks there are two approaches; the one focuses on the differential informational advantages and the other one on the control benefits of actors. According to the first approach embeddedness can provide informational advantages through its relational element that focuses on the norms that are cultivated by the strong direct ties of actors in a social network. In relational embeddedness or cohesion perspectives actors with cohesive ties can possess more common information and knowledge that can diminish uncertainty and promote trust. Embeddedness can also provide informational benefits through its structural element, which focuses on an actor’s position in a network that builds his so called status and through the norms that emerge from the indirect ties or tertius role that actors have. In structural embeddedness or positional perspectives the advantageous positioning of an organization in the structure of the network provides it with higher informational advantages. These aforementioned benefits overlap since the latter provides the former and can be referred to as the relational and the structural aspects of embeddedness (Burt, 1992; Granovetter, 1992; Gulati, 1995a, 1995b, 1998; Owen-Smith and Powell, 2004; Walker, 1988; White et al, 2004). Relational exchange is the extent to which relational norms exist in a relationship between contracting actors.

According to Jones, Hesterly, and Borgatti (1997) the network perspective is based on the notion that economic actions are influenced by the social context in which they are embedded and that actions can be influenced by the position of actors in social networks. Embeddedness of actors in social networks creates norms such as commitment and loyalty, the precondition of the rationale of the creation of the network is mutual trust. The features of the social relationship between a pair of actors in a network, serve as imperfect substitute for the assurances provided by money in an economic system (Marsden, 1983: 692).

“(norms are) patterns of accepted and expected sentiments and behaviour shared by members of an exchange system and having the force of social obligations or pressure” (Jackson, 1966).

Values are beliefs and ideas about the kind of goals members should pursue and about the kind of behaviour they should use, while norms are unwritten informal rules or guidelines that prescribe appropriate behaviour in particular situations (Lebas and Weigenstein, 1986). Norms emerge from values. Therefore as argued by Jones and George (2003) norms perform the same function as formal rules and direct supervision. Values and norms are transmitted through the values of the founder (Schein, 1983), through socialisation, ceremonies, and rites, as well as through stories
Table 3 Existing research on relational norms and inter-organizational relationships

<table>
<thead>
<tr>
<th>Relational Norms</th>
<th>Author and Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>commitment, trust, restraint of power, solidarity, mutuality, flexibility, role integrity and harmonization of conflict</td>
<td>Achrol (1997)</td>
</tr>
<tr>
<td>Trust, restraint of power (reputational, referent, expertise)</td>
<td>Boje and Whetten (1981)</td>
</tr>
<tr>
<td>harmonization of conflict, solidarity, role integrity, trust and commitment</td>
<td>Boyle et al (1991)</td>
</tr>
<tr>
<td>trust and commitment</td>
<td>Child and Faulkner (1998)</td>
</tr>
<tr>
<td>harmonization of conflict, solidarity, role integrity morality and solidarity</td>
<td>Dong-Jin (1997)</td>
</tr>
<tr>
<td>Trust</td>
<td>Granovetter (1985)</td>
</tr>
<tr>
<td>Trust from prior direct or indirect ties</td>
<td>Gulati (1998)</td>
</tr>
<tr>
<td>Solidarity, harmonization of conflict, role integrity</td>
<td>Gundlach and Achrol (1993)</td>
</tr>
<tr>
<td>Commitment</td>
<td>Gundlach, Achrol, and Mentzer (1995)</td>
</tr>
<tr>
<td>Trust, solidarity, role integrity, harmonization of conflict</td>
<td>Heide and John (1992)</td>
</tr>
<tr>
<td>Trust</td>
<td>Jensen (2003)</td>
</tr>
<tr>
<td>harmonization of conflict, mutuality, solidarity, role integrity</td>
<td>Kaufmann and Dant (1992)</td>
</tr>
<tr>
<td>Flexibility, solidarity, harmonization of conflict, role integrity</td>
<td>Kaufmann and Stern (1988)</td>
</tr>
<tr>
<td>Conflict, trust</td>
<td>Kauser and Shaw (2004)</td>
</tr>
<tr>
<td>trust, commitment, cooperation, conflict, uncertainty, dependence, control, satisfaction, and adaptation</td>
<td>Leonidou (2003)</td>
</tr>
<tr>
<td>Commitment, role integrity, solidarity and harmonization of conflict</td>
<td>Macneil (1980, 1981)</td>
</tr>
<tr>
<td>Power</td>
<td>Marsden (1983)</td>
</tr>
<tr>
<td>Trust, commitment</td>
<td>Mavondo and Rodrigo (2001)</td>
</tr>
<tr>
<td>Trust from prior social ties</td>
<td>McGinn and Keros (2002)</td>
</tr>
<tr>
<td>Trust, flexibility</td>
<td>Mollering (2003)</td>
</tr>
<tr>
<td>Trust</td>
<td>Moorman et al (1993)</td>
</tr>
<tr>
<td>Trust and commitment</td>
<td>Morgan and Hunt (1994)</td>
</tr>
<tr>
<td>Trust, commitment</td>
<td>Mowday et al (1979)</td>
</tr>
<tr>
<td>Solidarity, role integrity, harmonization of conflict</td>
<td>Noordewier, John and Nevin, (1990)</td>
</tr>
<tr>
<td>reciprocity, trust, forbearance</td>
<td>Parkhe (1993)</td>
</tr>
<tr>
<td>Trust</td>
<td>Ring and Van de Ven (1992, 1994)</td>
</tr>
<tr>
<td>Power</td>
<td>Thorelli (1990)</td>
</tr>
<tr>
<td>Trust</td>
<td>Uzzi (1997)</td>
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</tbody>
</table>

Relational embeddedness and social network theory explain the role of networks of social relations in producing social norms that define social action and shape organizational behaviour and economic activity. There have been several studies on the relational norms to measure the degree of relational exchange in a network (Dong-Jin, 1997; Heide and John, 1992; Kaufmann and Dant, 1992; Macneil, 1980). Macneil (1980) argues that the norms that most characterise relational exchange are role integrity, solidarity and harmonization of conflict. Relational norms enhance trust and the feeling that the other will not act opportunistically (Dong-Jin, 1997). The focus of the network organization is on the relational ties and how to develop mutually
reinforcing, long-term relationships. Relational cultures are based on the assumption that exchange is an inherently constructive relationship that needs to be cultivated and network cultures underline the importance of loyalty processes in vertical relations and dialogue processes in horizontal relations. The key elements are trust and the social norms of governance (Achrol, 1996). According to Child and Faulkner (1998) the strategic attitudes that bring success to an alliance are commitment and trust. They also argue that one of the main issues that need to be addressed is the issue of control in a subtle way different from that of hierarchies.

The important parameters of the atmosphere governing business relationships that have been the subject of relationship management are: trust, commitment, cooperation, conflict, uncertainty, dependence, control, satisfaction, and adaptation (Leonidou, 2003). According to the writings of Uzzi (1997) the features of embeddedness are trust, personal direct ties, third party or indirect ties, increased information exchange, sacrifice of immediate gains for long-term cooperative ties, joint-problem solving procedures, mutual adjustments and flexibility. According to Child and Faulkner (1998) the key attitudes of alliances which are mostly associated with successful performance are commitment and trust. The importance of trust in social networks is also stressed by Whetten (2001: 176) who argued that the social networks of academics are fruitful when their social fabric is characterised by open, honest, and trusting relationships. He highlighted the importance of mutual trust, including appropriate expressions of support and intimacy.

"Networks are about skill and capability substitution so their strength lies in their specialisation, adaptability and flexibility" (Child and Faulkner, 1998: 7).

From the writings of Durkheim, Pareto and Mayo we see that the cores of the social dynamics are the norms of morality and solidarity. The more relational an exchange becomes the more it creates a distinct social order within the relationship itself and promotes characteristics such as trust, commitment, solidarity, mutuality, flexibility, harmonization of conflict and restraint of power, which are referred to as ‘social norms of governance’ (Achrol, 1996, 1997; Heide and John, 1992; Kaufmann and Dant, 1992; Macneil, 1981).

In the relational literature we often see international business relationships as being investigated without taking into account the differences of cross-cultural contextual factors, but rather through direct replication of Western constructs (Mavondo and Rodrigo, 2001). The latter researchers argue that this approach should be rejected because the constructs that are being analysed should capture the differences in business behaviours and practices that derive from the differences between more collectivistic or more individualistic cultures (Hofstede, 1983).

At this stage we should consider how in Asian cultures the elements of relational and structural embeddedness prevail in economic exchanges (Mair, Marti, and Ventresca, 2012). In Asian cultures which are structured around the Confucian values business relationships are based on high levels of trust (Mavondo and Rodrigo, 2001). The ‘guanxi’ in China indicates that interpersonal and social relationships pertain to business; guanxi is a key part of inter-organizational relationships and extremely important to the conduct of business in China (Mair, Marti, and Ventresca, 2012; Yau, 1988). In Japan for instance the ‘keiretsu’ meetings are a forum where heads of the individual businesses of a network meet to discuss issues of mutual concern, where feelings of camaderie reign, rather than a formal command centre consisting of members with set agendas where policies and practices are determined (Achrol, 1997). The keiretsu
provides a strong social culture and spirit of mutual accommodation, not only business but social as well; the keiretsu network takes care of all needs, e.g. in alimentation, accommodation, health, even facilitates marriages (Achrol, 1996). An interesting example that resembles to that is the culture of the Italian Mafia families as it has been described to us by many films especially “Godfather” trilogy whose director, writer and producer (except for Part I) is Francis Ford Coppola. The Mafia network seems to operate and conduct business based on strong relational and structural norms and on a collectivistic culture.

“The keiretsu (in Japan) reflects the importance of socialisation and informal processes in the structure and operation of the network organization...the Japanese keiretsu provides a classic example of how systems of extensive reciprocal ‘side-bets’ can be created to yield highly interdependent and committed networks...keiretsu networks have strong affiliation cultures which moderate channel conflict via a system of norms...via cultural and sociological solution” (Achrol, 1996: 9-13).

This come in contrast with the US business practices of networks that are based on the norms of competition and fast-tracking (Achrol, 1997).

Under the same notion we expect countries that conduct business according to the Anglo-Saxon paradigm which is based on a more individualistic culture to be differently influenced by the presence of relational and structural embeddedness than more collectivistic cultures (Hofstede, 1983). Therefore in individualistic cultures we would expect that despite the presence of trust, commitment and social norms the structure of the inter-organizational relationships of networks would be still based on higher levels of hierarchies and contractual costs. Thorelli’s (1990) findings suggest that the presence of trust in Asian cultures cancels out the need of formalised contracts. According to game-theory findings the presence of trust in inter-organizational relationships is a source of competitive attitude rather than cooperative, the latter is the case of the US business environment (Scodel, 1962).

“If there is one key difference between the West and the East business philosophy is that the West is individualistic and competitive right down to an interpersonal level, whilst the East is collective and cooperative within dense networks of relationships. This is the basis of its strength. If so, it is important that Western companies understand the philosophy and practice of cooperation, and perhaps adopt those aspects of it that are culturally congruent with our own way of doing things” (Child and Faulkner, 1998: 4).

At the following subchapters we will present and review the core variables of embeddedness as have been identified by our research, these are: trust, commitment, restraint of power, harmonization of conflict, solidarity, mutuality, flexibility, and role integrity.

2.4.3.2.2. Trust

“The primary control mechanisms that govern economic transactions between firms are price, authority, and trust, therefore if there were trust firms would not find hierarchical controls necessary” (Ring and Van de Ven, 1992).

“Trust is perhaps the most efficient mechanism for governing economic transactions”
One of the most salient factors in the effectiveness of social organizations is the presence of trust (Rotter, 1967). Trust is an important issue in international relationships and a common notion in industrial network research (Ford et al, 1986; Huemer, 2004). Trust is the explicit and primary feature of embedded ties, it is a governance structure that resides in the social relationships between and among individuals; it is fundamentally a social process (Uzzi, 1997). The fundamental necessity of trust in alliances has been supported by many scholars none the less trust remains one of the least understood concepts (Child and Faulkner, 1998).

We can find several definitions of trust in existing literature we quote a sample of these for the purposes of this research:

“…The confidence that a partner will not exploit the vulnerabilities of the other” (Barney and Hansen, 1994: 176). “A firm’s trust in its network partners is the belief that the partners will without the exercise of influence or controls strive for outcomes that are beneficial for all member firms” (Driscoll, 1978:45). “(Trust is) an expectancy held by an individual or a group that the word promise, verbal or written statement, of another individual or group can be relied upon” (Rotter, 1967:651).

Trust emerges in two ways: firstly, based on norms of equity which define the degree to which one party judges that the other will fulfil its commitments and that the relationship will be equitable and secondly, trust has direct utilitarian roots and it emerges from the existence of social sanctions and reputation loss if act opportunistically (Ring and Van de Ven, 1992). The first type is called knowledge-based trust and the second enforceable trust (Gulati, 1998). Equity is based on the concept that actors desire reciprocity, fair rates of exchange and distributive justice (Ring and Van de Ven, 1992).

In the writings of Barney and Hansen (1994) we see that there is a significant difference in approaching the construct of trust between behaviourally oriented and economically oriented researchers. The later argue that actors in an exchange are inherently untrustworthy and tempted to behave opportunistically, thus trust will only emerge with governance mechanisms based on legal and contractual safe-guards. Behaviourally oriented literature suggests that this rational economic approach is empirically incorrect, socially inefficient and morally bankrupt.

Mutual trust in a relationship reduces the development of opportunistic intentions and thus may eliminate the need for structural mechanisms of control (Granovetter, 1985). The level of trust in a network is indicated by the confidence in its partners’ sincerity, reliability, loyalty, and willingness to refrain from opportunistic behaviour (Achrol, 1996). Barney and Hansen (1994) identify three types of trust: the weak form of trust, the semi-strong form of trust and the strong or hard-core form of trust. Weak trust is possible because the exchange vulnerabilities are very few, semi-strong trust is possible despite the existence of vulnerabilities because of significant economic and social costs imposed by governance mechanisms in case of an opportunistic behaviour. Finally, strong trust emerges from significant exchange vulnerabilities independent or not of the existence of governance mechanisms, because opportunistic behaviour would violate values, principles and standards of behaviour that have been embedded on actors in an exchange. When we are referring to exchange vulnerabilities we refer to adverse selection, moral hazard,
hold up vulnerabilities (when partners make investments on the partnership), and other.

Trust according to Achrol (1996) implies some level of uncertainty of outcome and of surrendering some influence and control, therefore its two elements are risking and faith, which interact in a dynamic mutually reinforcing spiral and create a trusting relationship (Achrol, 1996). According to Achrol’s writings the most stable trusting relationship will be cultivated when faith is built first, but the easiest and fastest way to create trust is to start with a risk taking approach. In ongoing relationships the nature of a members’ past experiences and continuing relationship reinforce each firm’s confidence that mutually satisfying outcomes will continue to be obtained through the network (Thorelli, 1986). The third element for creating trust is self-regulation/verification processes, to do that a transparent system is needed in which there is open and routine access to all information about all members in the network. The system must be self-regulating rather than run by authority (Achrol, 1996). Social norms, like trust should be self-regulated and operate with the force of social obligation rather than hierarchical control, this means that there should be social sanctions in case of transgression in the form of denial of privileges, roles and status and that institutionalized mechanisms that deal with transgressions must have the character of a process (Achrol, 1996, 1997).

Trust building is facilitated if interactions are among persons of equal status; communication and interaction between the president of the franchise unit and middle managers of the franchisor are not facilitating the development of trusting relationships, also middle managers of the franchisor should be trained to treat the president of the franchisee firm like theirs. Apart from that trust building is encouraged when interactions are perceived as not evaluative, spontaneous rather than planned, empathic rather than neutral and suggestive rather than directive (Achrol, 1996). According to the writings of Uzzi (1997) trust is developed when extreme effort (also called favours) is voluntary given and reciprocated, without the existence of a formal device to ensure reciprocation, like contract, sanctions, fines, etc.

According to Whetten (2001) trust involves the choice of forbearance. By trusting others it means that we anticipate that they will not exploit our vulnerabilities. Therefore he mentions that:

“the reciprocal of the gift of trust is the gift of disclosure. By exposing more of ourselves to others, we give them the opportunity to become trustworthy… in order for norms to change, they must be broken by those who have the most to lose from the resulting social instability. Paradoxically, these individuals are often those in positions of power and high status.” (Whetten, 2001:177)

According to Granovetter (1985) the argument of embeddedness emphasizes the role of inter-organizational relations of social networks and structures of relations as mechanisms to facilitate the emergence of trust and to discourage the presence of malfeasance. Trust emerges from prior direct or indirect ties (Gulati, 1995a; Gulati and Gargiulo, 1999; Ring and Van de Ven, 1992). Direct ties in networks of relations become channels of information that facilitate the emergence of trust for the following reasons: because this information is cheap to acquire, because it is more reliable as one trusts one’s own information best, because repeated ties give an economic motivation to be trustworthy so as not to discourage future transactions, and finally, because continuing ties become overlaid with social content that brings strong expectations of trust and refraining from opportunism (Granovetter, 1985).

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Direct ties between A and B lead to the formation of knowledge based and enforceable trust between A and B. Indirect ties between B and C when actors can assure of their trustworthiness (direct ties: A-B) and (direct ties: A-C) leads to the emergence of trust between B and C (Granovetter, 1973, 1985).

The issue of trust can be viewed in comparison to domestic and international franchises. According to current research there are systematic differences in the behaviour of partners of different nationalities (Parkhe, 1993b) and in the choices of modes of entry into foreign markets (Kogut and Singh, 1988). It is suggested that there are more obstacles in building trust in cross-border alliances and therefore there will be higher hierarchical controls and that trust will be greater in domestic alliances than in international ones (Gulati and Singh, 1998).

2.4.3.2.3. Commitment

Lamsa and Savolainen (2000) argue that commitment is the binding of an individual to behavioural act. There are two main approaches in studying commitment, the first is the attitudinal and the second is the behavioural. The attitudinal focuses on the process by which individuals think about their relationship with an object, while the behavioural focuses on the process by which individuals are committed to a specific course of action.

"Inter-organizational commitment in relational exchanges constitutes of continuity, mutuality, loyalty, and forsaking of alternatives, it is associated with motivation, proactiveness, involvement, and performance and obedience to organizational policies" (Achrol, 1996:8).

Achrol (1997) also identifies two elements of commitment: the attitudinal and the instrumental; the former is in terms of affective commitment, psychological attachment, identification, affiliation and value congruence it is defined as:

"A partisan affective attachment to the goals and values of an organization, to one’s role in relation to the goals and values, and to the organization for its own sake” (Buchanan, 1974: 533).

According to Nielson (1998) commitment refers to the belief that a relationship will continue in the future. Apart from its purely instrumental worth, commitment can be cultivated in two ways, the first by targeting reputational power, thus stability and security of relationships, solidarity, and belongingness and the second by using interlocking management, which promotes the flow of employees and managers in a network, i.e. a franchisor could offer new franchises to its own employees or relatives. In order for commitment not to fade out it has to be supported by ‘side-bets’ that refer to the allocation of resources, which become specific to a relationship (Williamson, 1985). Side-bets goal is to yield highly interdependent and committed networks.

According to the writings of Achrol (1996) interdependence is a vital element that holds the network into a stable, cohesive and mutually oriented economic system and leads to attitudinal commitment which provides the foundation for the development of social norms of governance (Macneil, 1981). One source of interdependence in the franchise networks is through the products and services that are exchanged between franchisor and franchisees. These interdependencies
may not be a strong base for commitment because they can also be the source of conflict. Another way to create interdependencies is through cross investment and shared-equity between the franchisor, the franchisees and the distribution and supply companies set up to service the network; the latter are useful to the extent that they promote efficiency, coordination and quality without the bureaucracy of corporate ownership. Mair and Sezgi (2011) argue that social enterprises should use informal mechanisms such as communication, mobility and training to maintain higher levels of commitment.

According to the writings of Mendelsohn (1992) the relationship between franchisor and franchisee changes as the franchisee moves from a state of ignorance about the way to conduct the specific business and a state of a very high dependence to a state of gained confidence from being a successful businessman that feels that can operate independently. The legal contract, Mendelsohn (1992) claims, that coordinates the relationship between the two parties cannot cover the aspect of the interpersonal business relationship that exists between them. There is a long-term relationship that needs to remain healthy and productive through time for both parties. This relationship is a determinant of success of the franchising. This relationship goes through three main psychological phases: dependence, independence, and interdependence (Hall and Dixon, 1991; Mendelsohn, 1993).

In the first stage the franchisee is completely dependent like a ‘baby’ on the franchisor, which plays a role that, can be paralleled to that of a ‘parent’. In this early stage the franchisee focuses all their strengths in absorbing all the knowledge and techniques that are needed for the successful operation of their own store. The enthusiasm from both sides is at very high levels. This is the dependence phase. In the process as the franchisee gains more and more experience they get to the ‘adolescent’ stage. The franchisee starts to consider that the success of the store is owed solely to them (Knight, 1986). The franchisee starts to feel very limited from the system, starts considering the royalties to be an unbearable burden and seeks for more freedom and autonomy. This is the independence phase. As the relationship comes to a stage of maturity, the franchisee realizes the actual benefits from their participation in an organized chain. Thus the relationship becomes more stable aiming at the mutual benefit. Finally, this can be called the interdependence phase (Hall and Dixon, 1991; Mendelsohn, 1993).

2.4.3.2.4. Restraint of power

“Power is the concept that encompasses the mechanisms, processes, and dispositions that try to ensure that people act according to the rules of the game…it is impossible to escape power in organizations” (Clegg et al, 2005: 153). “Power is having something that somebody else wants” (Ferney in Felstead, 1993: 78). “Power is the possibility of imposing one’s will upon the behaviour of other persons” (Max Weber in Lukes, 1986: 212).

Power and control are significant issues that social entrepreneurship faces when scaling up (Mair and Sezgi, 2011). The factors that dominate network relationships are power and trust, which are the factors that dominate in any political economy institution (Thorelli, 1986). The members of a network although perceived as equals do not have the same degree of power; there are five sources of network power for a member: its economic base, technologies, range of expertise, level of trust and legitimacy given to him by other members (Thorelli, 1986).
“The inter-organizational network may be conceived as a political economy concerned with the distribution of two scare resources, money and authority” (Benson, 1975: 229)

As we find in the writings of Jones and George (2003) there are different types of power: legitimate, reward, coercive, expert and referent power. In studying inter-organizational power in networks there are two important issues: the kind of power that is compatible with network relationships and the way it is exercised (Achrol, 1997). Organizations have used coercive kind of power and legitimate authority which is not compatible with the evolution of networks (Achrol, 1997). According to the works of Barker (1993) there are four types of control: firstly, simple control which is the direct, authoritarian and personal control that is exercised by the owner’s on employees; secondly, technological control which emerges from the physical technology of an organization; thirdly, bureaucratic control that derives from hierarchically based social relations of the organizations; and finally, concertive control. The latter type of control represents a shift in the locus of control from the managers to the employees; the employees achieve concertive control by reaching a negotiated consensus on how to shape their behaviour according to a set of core values of group norms. Concertive control, Barker (1993) argues, reflects the adoption of a new substantive rationality, a new set of consensual values by the organization and its members. Evidence from his research indicates that concertive control is stronger than coercive forms of control, this is because the created system of shared value consensus results in that employees enforce it on each other creating a powerful system of control and because the way it becomes manifested is subtle and less apparent than bureaucratic control.

Power is not only viewed in relations to authority but it exists outside the formal structure of authority. Power is more effective when it is less evident (Clegg et al, 2005). The sources of power are information, expertise, credibility, stature and prestige, controlling uncertainty, access to top-level managers, control of money, sanctions, rewards, control over resources, being in a central position, and building alliances (Benfari et al, 1986; Boje and Whetten, 1981; Clegg et al, 2005; Hinings et al, 1974; Jones and George, 2003; Pfeffer and Salancik, 1974). According to the strategic contingency theory of intraorganizational power an important determinant is the perspective of uncertainty (Hickson et al, 1971). The latter argues that when in an organizational form there is uncertainty and one actor manages to reduce it then they will gain power from that in spite of the existence of formal hierarchies, communication patterns and specified relations. Pfeffer and Salancik (1974) approach power from a resource perspective. In the writings of Pettigrew (1977) and Mintzberg (1975) we view power in relation to organizational politics and strategy formulation, we also view power as deriving from the organizational culture.

“(decisions are) likely to threaten the existing distribution of organizational resources as represented in salaries, in promoting opportunities, and in control of tasks, people, information and new areas of business” (Pettigrew, 1977: 45).

When one is trying to do something against the will of others from a superior position it is called authority and is considered legitimate. On the other hand when one wants to do something against the will of his superiors it is considered resistance and is illegitimate. Resistance as argued by Clegg et al (2005) is not always something bad, because organizations should not be seen as engineering systems which become more efficient as resistance decreases. Lukes’s (1975) theory on power identifies three dimensions of power: Dimension one is power that is exercised in order to secure the application of a decision when there is observable conflict and
disagreement. In this case the powerful impose their decision on the less powerful by observable behaviours. Dimension two is power that is exercised to keep issues on or off the agenda so that conflict or disagreement remains unobservable. This is the case when the decision-making is excluding groups even though the issue concerns them. So the powerful are excluding the less powerful from the decision making. Dimension three is institutionalized power, which is used to define reality for its members. In this case the powerful define reality for the powerless in the organization. The true grievances of the powerless are obscured or distorted by attracting their attention to other events. Lukes (1986) conceptualizes three different notions of power: condign power, compensatory power, and the conditioned power.

“The conditioned power is exercised by changing belief. Persuasion, education, or the social commitment to what seems natural, proper, or right causes the individual to submit to the will of others. The shift in the source of power from personality and property to the organization resulted to an increase of the exercise of conditioned power. The organization is the most important source of power and management teams of specialists exercise conditioned power” (Lukes, 1986: 220).

With reference to power in interfirm alliances we view that:

“The problems in managing joint ventures stem from one cause: there is more than one parent” (Killing, 1982: 121). “A real alliance compromises the fundamental independence of economic actors… alliance means sharing control” (Ohmae, 1989: 143).

Other things being equal, a partner desires more control the greater an alliance’s strategic significance to the partner. More control can be gained through ownership, by increasing equity share or through bargaining power, by making the alliance more dependent on the partner’s proprietary resources that are costly or impossible to replace (Gulati and Singh, 1998; Parkhe, 2003). Control can be gained primarily by three means: price, authority, and trust (Ring and Van de Ven, 1992). As we find in the work of Pettigrew (1977) organizational politics, thus organizational power, derive from the following five areas: structural cleavages in the company among various component elements and identities and the different values associated with these, the complexity and degree of uncertainty, the salience of the issues for different actors and identities in the firm, the external pressure coming from stakeholders, or other organizations in the environment, and the history of past politics.

Franchisors can still exercise various degrees of control over those working in the periphery. This extends to those with whom the flexible firm appears to have a commercial rather than employment relationship – the franchisees in our case. Franchisees have ownership over their stores, which would suggest that they have control, but they are still minority so this only ensures effective managerial control in practice (Belussi, 1987). Franchisees may be self-employed and a significant level of investment, risk, and independence may characterize their work, but working conditions differ little from those classified as employees (Felstead, 1993). Franchisees are legally independent from both their franchisor and others within the chain, yet they trade in more or less the same way, under the same brand name as those from whom they are autonomous (Felstead, 1993). In Germany, Denmark and the Netherlands where the labour market is more regulated there have been cases where franchisees had been considered employees (Der Spiegel, 2 April, 1990). German courts have been ready to sustain claims that works councils for
franchisees should represent them to the level of franchisor and for franchisee’s employees (Felstead, 1993:201). This shows that franchisees are not independent and not fully dependent at the same time. According to Stanworth et al (2002) findings one should not have illusions of the fact that words like franchisee-independency are used only to attract prospective franchisees and do not represent the reality.

“Just because the 'independent contractor' has a stake in the business dressed up in the language of entrepreneurship is no reason to confuse this kind of business with a genuinely independent small business. The language of independence and entrepreneurship, it might be argued, is being used simply to tempt people into committing their efforts and resources since it exploits the cultural approval given to economic independence in capitalist society” (Stanworth, 2002).

Franchisors prefer as franchisees people without prior experience in the operational line of the franchise. The reason usually offered by way of explanation of this is that they are more amenable to training and operational compliance with the franchisors instructions and thus more amenable to be under the franchisor’s control (Stanworth, 1994). The implementation of conditioned power (Lukes, 1986) is also facilitated in the aforementioned case, which is the case of an uneducated and non specialized franchisee that has the illusion that affects the decision making of an organization only because they are part of a franchise network, when the franchisor is being administrated by a team of specialized, experienced managers. In the process as the brand becomes more famous and the franchisor gains more experience on how to manage and control franchisees the supply quantity of franchisees raises and so does the price that they have to pay to enter in the net. So franchisees bargaining power diminishes (Felstead, 1993). The increasing power of franchisor’s as the brand becomes more valuable and popular is also argued by Stanworth (1994), who claims that as franchise companies become well established, recruitment of franchisees becomes easier and selection procedures more rigorous. So franchisors exercise power and control over franchisees and can exploit the surplus of value of franchisees work.

“The power to control or influence the other resides in control over the things he values, which may range all the way from oil resources to ego support. In short, power resides implicitly in the other’s dependence” (Felstead, 1993: 78).

Evidence from Lafontaine (2001b) research on company ownership and managerial control indicate that franchisors manage their portfolio of company and franchised units to maintain a particular target level of corporate control and ownership of outlets. Franchisors with high brand name value (measured by advertising fees) target high rates of company ownership and exert more direct managerial control over the franchisees. High rates of company ownership provide for the franchisor higher incentives to maintain high brand value. According to this research the sectors that show the highest company ownership is the health and fitness, the eating places-fast food, and full service restaurants. The company ownership percentage in some well known chains was: Mc Donald’s 26.5%, Burger King 14.1%, Pizza Hut 49.2%, KFC 26.1%, Church’s Chicken 67.3% and Hertz 66.1%. According to the same survey the ration of company-owned to franchised outlets does not rise or fall with experience or learning, or with success or failure (Lafontaine, 2001b).
In managing organizational power, one of the main strategies of normalization is empowerment, which is targeted by teamwork and by eliminating hierarchies (Clegg et al, 2005). In the writings of Sewell (1998) we see that teamwork is associated with the rhetoric of empowerment, trust and enhanced discretion and with the notion of giving away power. As Barker (1993) claims this is the type of concertive control, which is:

“a substantial consensus about values, high-level coordination, and a degree of self-management by members or workers in an organization” (Barker, 1993: 180).

Under this notion authority comes from an organization’s consensual, normative ideology instead of its structure of formal rules. Recent works on organizational culture identify the creation of culture as a mechanism of soft domination and they view it as rhetoric of control linked with the notions of teamwork, quality, flexibility, commitment and learning organizations (Clegg et al, 2005). So the use of power becomes more subtle and it shifts from hierarchies to the team and socially created and generated rules. According to Barker’s (1993) writings this could result in an even tighter form of control based on peer surveillance.

2.4.3.2.4.1. Network approach to restraint of power

One of the key elements of embedded networks is the restraint of power, so it is an essential concept to analyse the nature and use of inter-organizational power in a network organization. In the pairwise paradigm power-dependence is viewed as an inter-firm organizing mechanism, as the mean by which control and coordination is extended to maximise efficiency and effectiveness of the inter-organizational relationship (Achrol, 1996). Franchisors have used various reward and coercive powers, such as offering or withholding favourable locations, delivery, payment, marketing discounts and legitimate authority, mainly contractual and market power based, which on the other hand are not prosperous for the evolution of the franchise network (Achrol, 1996). The more relational an exchange becomes the less likely the parties will exercise legitimate or coercive power (Macneil, 1981).

Achrol (1996) claims that although power in network organizations is not defined in a hierarchical sense this does not mean that it does not play an important role in the governance of the system. It is rarely exercised by fiat and it is usually behind the scenes manoeuvring and consensus. It is based on the culture of belongingness and solidarity and on a solid web of inter-organizational commitment, where committees are expected to act in the interest of the common good of the network.

In analysing networks with vertical differentiation, status hierarchies and power derive from control over strategic interdependencies and have been approached from a power-dependency perspective and a resource-dependency perspective. In franchisor-centred systems (Dahlstrom and Nygaard, 1999; Paswan, Loustau, and Young, 2001), network centrality boosts power because the ability to control valued resources increases by the proximity of some members at the core of the system (Boje and Whetten, 1981). Network centrality is to be viewed through the structural embeddedness influence of social networks (Gulati, 1998). Apart from the issue of centrality, increased power of franchisors can be also explained through the concept of the ‘tertius gaudens’ as conceptualised by Simmel (1950). The ‘tertius gaudens’ strategy provides the opportunity to exploit structural holes in social networks. That is by keeping unique connections
with members/franchisees in the network which the franchisor keeps disconnected from each other he can manipulate them to his benefit, the franchisor gets access to higher information and has more opportunities to exercise control (Burt, 1992; Simmel, 1950). These networks are named by Burt (1992) as low-density egocentric social networks and the tertius gaudens strategy can be also called a disunion strategy or an active separation strategy (Obstfeld, 2005). The problem of this tertius gaudens strategy and of deliberately keeping structural holes in franchising networks is that although it may lead to the creation of new ideas it does not lead to innovation and to the necessary adoption of action for innovation (Burt 1992, 2004; Obstfeld, 2005).

The typology of power according to Burt (1977) consists of three aspects: control of resources as the bases of power, processes converting the bases of power into the manifestations of power, and the network of influence relations as manifestations of power. The same typology has been used by Boje and Whetten (1981) in analyzing power and hierarchies in inter-organizational networks. They argued that companies formulate strategies to improve their resource transaction position, which are limited by contextual constraints. Strategies and constraints determine the organizations position in the network, which translates into influence in the network. Bonacich (1987) researched power in relations to centrality in networks and found a negative relation contradicting previous findings. He argues that different types of centrality exist which depend on whether a network is local or globalised, on whether it is organised on hierarchy and on the existence of powerful partners, the only variable that had similar significance in all cases was one’s status as a function of the status of those one is connected to (Bonacich, 1987: 1181).

Marsden (1983) has also used the typology of Burt (1977). In analysing power-dependency and control in networks Marsden (1983) argues that when access to resources is limited then the ability to exercise control is restricted. That is because an actor doesn’t have the possibility to conclude all rational transactions, because the set of actors that they can contact may not always include those with complementary patterns of interest and control. Therefore these mechanisms that limit the contacts of an actor create a network of access relationships and the position of the actor in this network defines the set of potential exchange partners. This set of partners is the suppliers and the consumers that he can contact to make an exchange. One way that such a network of restricted access relationships is created is through embeddedness. The social ties between actors in an embedded network create a sense of commitment and loyalty, the precondition of this network is mutual trust. Marsden’s (1983) research on networks with restricted access due to social structural restrictions, such as embeddedness, revealed that there is a reduction in the resource exchange among the members of the network, that actors well positioned in the network have higher power, and that these influence the efficacy of the overall system. The central position of the members is directly influenced by the assumption of leadership roles, having high reputation, participation in collective actions, having control of communication channels. He also concluded that the control of the resources has a partial influence in the centrality of the actors in a network.

According to the writings of Achrol (1996) and Boje and Whetten (1981) the kind of power that is consistent with network organizations is the one that builds social bonds and close relationships, like expert, reputational, and referent types of power. Restraint in the use of power is one of the social norms of governance of network organizations (Achrol, 1997; Kaufmann and Dant, 1992; Macneil, 1981). The expert type of power is exercised through an ongoing programme of innovation, training and communication of competitive gains, market positioning,
customer satisfaction and effects of innovation to all the members of the network. Expert power is based in the special knowledge, skills and expertise that a leader possesses, it can be technical expertise or it can derive from decision making, planning and strategy formulation (Jones and George, 2003). The expertise once passed to the franchisee it is lost and therefore should be constantly promoted and communicated (Knight, 1986). The effective management of expertise according to Achrol (1996) demands that competitive gain, market positioning, effects of innovation and customer satisfaction are constantly monitored and communicated to the franchisees.

Reputational and referent power are also hard to pin down. The stability of relationships, security of employment, and solidarity among member firms are critical elements of their reputational power. Another important element of reputation power is the feeling of belongingness, which can be promoted through interaction among members for joint decision-making; through security and stability of relationships, mutuality and solidarity. This type of power is exercised through processes of socialisation, peer review and consensus and not through executive fiat.

Referent power is more informal than the other kinds of power, it comes from subordinates’ and co-workers’ respect, admiration, and loyalty (Jones and George, 2003). Marsden (1983) concluded that the central position of the members and thus their ability to exert higher influence is directly linked to the assumption of leadership roles, having high reputation, participation in collective actions, having control of communication channels. At the heart of the system with expert, reputation, and referee types of power is a system of cross-investments and interdependencies which create inter-organizational commitment (Achrol, 1997).

2.4.3.2.5. Harmonization of conflict

“Conflict is defined in terms of disagreement over goals, domains, and functions” (Achrol, 1996:23).

Conflict should not be viewed as a problematic situation between the relationships of stakeholders in a franchise net. It is the extreme situations that create problematic conditions and poison the relationship of franchisees and franchisor; it is the absence or the over-presence of conflict that could be the source of negative circumstances. (Huczynski and Buchanan, 2001; Thomas, 1976). Conflict is a state of mind and it has to be perceived by both parties involved in order to exist, otherwise there is no conflict.

Based on the writings of Fox (1966) there are four different theoretical approaches to organizational conflict: the unitarist, pluralist, interactionist and radical. Unitarist sees organizations as essentially harmonious and any conflict as bad. It assumes that there is a commonality of interests between the stakeholders and de-politicizes the relationships in the working environment considering conflict to be peripheral. Conflict is considered to be a failure of co-ordination and communication or the result of deviant behaviour. In order to manage conflict theorists of this approach suggest individually focused and liberal-humanistic methods and consider that managers are able to control conflict if they apply the appropriate techniques. Pluralist sees organizations as a collection of groups, each with its own interests, therefore conflict is inevitable. It takes a political consideration and considers that conflict is a positive stage to prevent the ultimate breakdown. It is a warning mechanism that makes both parties
realize the course of the events and makes them adopt correcting behaviours. Therefore management is keeping the balance between conflicting goals, is managing differences and accomplishing compromises. Conflict maintains the vitality, effectiveness, and efficiency of a corporation (Fox, 1966). Interactionist sees conflict as a positive, necessary force for effective performance. It agrees with the pluralist approach and it argues that conflict has to be institutionalized within an organization through systems of collective bargaining. Conflict has to be encouraged in order for the evolution of a corporation, absence of conflict brings apathy, but too much conflict becomes dysfunctional. Finally, radicals see conflict as an inevitable outcome of capitalism. It is based on the Marxist approach. It sees conflict as inevitable since capitalists generate profits from the surplus value of labour and management will have to deal with tensions by limiting the effects of worker resistance (Fox, 1966).

Conflict may arise primarily through two sources: inter-firm diversity, and actual or potential opportunism of alliance partners. Together these sources may help explain a significant portion of the high failure rates observed in alliances (Harrigan, 1988). Alliances bring together partners who may defer in two ways, each being able to arise conflict: Type I diversity includes the familiar inter-firm differences that alliances are specifically created to exploit, like reciprocal strengths and complementary resources. Type II diversity includes differences in partner characteristics that could affect negatively the longevity and effective functioning of alliances, like societal culture, national context, corporate culture, strategic direction, and management practices and organization. During the life of the partnership the dynamics of Types I and II are very differently impacted by the processes of organizational learning and adaptation, and thus destabilizing or fortifying the alliance (Parkhe, 1991).

As we have already mentioned another factor that could cause conflict is opportunistic behaviour by an alliance partner.

“Opportunism is behaviour by economic agents that involves self-interest-seeking with guile” (Williamson, 1975: 26). “Some agents behave in this fashion and it is costly to short out those who are opportunistic from those who are not” (Williamson and Ouchi, 1981: 351).

Voluntary inter-firm cooperation is characterized by uncertainty and vulnerability to opportunism, because: alliances involve mutual interdependence, such that one is vulnerable to another whose behaviour is not under one’s control (Zand, 1972), there is only partial overlap of goals of the cooperating parties (Ouchi, 1980) and each firm exercises only partial influence over the outcome of the alliance.

Excessive use of coercive power and force brings resistance and thus can be a source of conflict. Therefore organizations prefer more subtle mechanism of power (Clegg et al, 2005). Power can be used to prevent conflict by shaping:

“perceptions, cognitions, and preferences in such a way that (people) accept their role in the existing order of things either because they can see or imagine no alternative to it, or because they view it as natural and unchangeable, or because they value it as divinely ordained and beneficial” (Lukes, 1974: 24).

The franchise relationship is characterised by tension caused by the trade off between franchisees
need to be autonomous and franchisor’s need to be in control (Stanworth and Stanworth, 1999). Franchisors exercise power by enlisting the support of franchisees for the intensification of work rather than increasing work themselves by employing more labour within their firm and then they take a part of the increased revenue that the franchisees generate. There is a conflict of interest since franchisors generate profit from the surplus value of labour and this is the traditional conflict between owners of means of production and those who sell their labour power (Brickley and Dark, 1987; Felstead, 1993; Rubin, 1987). In the short run of the relationship when the franchisee is still in the dependant phase and when the broad recognition of the brand is a strong common goal the conflict of interest will remain hidden, in the long run though the conflict of interest will become evident and intense (Thomas, 1976). Then different advantages will need to be offered to keep franchisee motivation high (Peterson and Dant, 1990: 59). Such advantages maybe offer to successful franchisees opinion leader positions or franchisee of the year (Stanworth and Kaufmann, 1996).

The factors that motivate a person to become franchisee and thus affect their level of satisfaction from the system are: security—since the risk is lower that starting your own business independently—, team spirit – since they joined the franchise network to be part of a big team—, and self-esteem – since people that chose to become self-employed have more the need to feel self-esteemed, autonomous, prestigious, and in power; most franchisors use as an advertising slogan for prospective franchisees the ‘ability to become your own boss’ (Hall and Dixon, 1991). When the franchisee joins a network he usually is satisfied, but with the process of time problems may arise which can cause their dissatisfaction and lead to conflict. This can be described by the franchise relationship life cycle. It is the franchisor’s duty to be aware of this situation and to be able to prevent these problems from arising. Dissatisfaction can arise from problems related to control issues. In the process the franchisee will realize that the level of control and power exercised by the franchisor is bigger than they thought, taking into consideration the fact that they will have gained experience of the market by then. So the franchisees need for self-esteem will not be met, creating high levels of dissatisfaction. The dissatisfaction will grow by the danger and the fear of not getting a renewal to his/hers contract. Some franchisors actually use this case as a threat to control the franchisees. When areas of divergent interest also arise then there will be an inevitable conflict between franchisor and franchisee, if this conflict is let unmanaged it can develop severe problems. Therefore the franchisor has to develop a system to control the level of conflict. (Hall and Dixon, 1991)

Usually there can be two kinds of groups of franchisees that can be formed according to Mendelsohn (1992). The group of the resentful and deluded ones that is hostile to the franchisor. The creation of such a group should be impeded by all means, but on the other side it indicates that the franchisor is doing something wrong. The other group that can be created is formed to resolve creatively the problems that may arise in the chain and does not represent a serious danger to the net. Therefore having a healthy communication is a way to overcome serious problems, which is in line with the theory of network organizations.

Relationships between franchisors and franchisees possess for many reasons (i.e. profit, fees, territory, monitoring) the potential for conflict and the franchisor’s management system should keep it at manageable and non-destructive proportion (Stanworth and Curran, 1999). Sources of conflict in a franchise relationship (Felstead, 1993) can be: firstly, royalty fees that the franchisee pays to the franchisor periodically, which are usually a percentage on gross sales; secondly, the
prices of the supplies that the franchisor sells to the franchisees; thirdly, another issue that demonstrates the two parts conflicting interests is the fact that the franchisor targets the maximization of sales of the whole net while the franchisees target the maximization of profits within their own point of sales. Therefore the franchisor has the incentive to open more stores in close geographical areas even if this would mean to get some customers from the existing ones what is also known as the «cannibalization» of the chain, which would result in lowering the franchisee’s profits.

Moreover, the franchisor sets price ceilings on the products/services based on their goal to maximize sales of the whole net and given the condition that prices have to be the same for the entire system. On the other hand franchisees may realize that in their spot of sales the demand is inelastic so there are opportunities for price and profit margins increases. So there is an inconsistency of goals since the franchisor sets prices under a maximization model of sales, while the franchisee would set prices under a maximization model of profits of their own point of sales. Furthermore, conflict could arise from ownership changes of the whole franchise system (Felstead, 1993). Finally, organizational change can lead to conflict. The inability of an organization to cope with change or to be able to manage effectively the chosen change strategies can create an even more turbulent environment (Huczynski and Buchanan, 2001).

The focus of the traditional organization according to Achrol (1996) was in maximizing cooperation, which was often viewed as the contractual obligations and minimizing conflict and opportunism, while the focus of the network organization is on the relational ties and how to develop mutually reinforcing, long-term relationships. Therefore harmonization of conflict is the degree to which the exchange partners rely on trust and other internal processes rather than arm’s-length bargaining and legal enforcement in order to manage conflict (Dong-Jin, 1997; Macneil, 1980). Uzzi (1997) identifies as one of the most important features of embedded ties the existence of joint-problem solving arrangements that enable actors to coordinate functions and work-out problems, which take the form of routines of negotiation and mutual adjustments so as to harmonize the presence of conflict.

2.4.3.2.6. Solidarity

Solidarity is the extent to which the safeguarding of the distinctive relationship is internalised by the exchange partners as being important in and on itself (Jensen, 1997). There are two types of solidarity, the first is the individual preservation, it refers to the safeguarding of memberships in the relationship, and the second is the collective preservation, which refers to the safeguarding of the larger relationship. The contracting parties expect that this relationship will continue for an indefinite period (Macneil, 1980).

Solidarity refers to the notion of unity among members of the network; it is the common conscience, a norm of stability, preservation and sometimes sacrifices (Achrol, 1996). Unity and fellowship appear when there are common responsibilities and interests; therefore the same mechanisms that cultivate commitment and interdependence facilitate solidarity, like cross investment, joint projects, and participation in joint committees, i.e. franchises could promote innovation programmes at the regional levels. Solidarity can be cultivated by offering assistance in the form of finances, management, technology, sales orders, and deferred payments when it is needed to support the franchisee in crisis (Achrol, 1996). It can also be fortified when a group is
directed against external groups like competitors, so franchisors could adopt communication programmes that emphasize achievements in common responsibilities, and competitor oriented research, goals, and strategies.

2.4.3.2.7. Mutuality

Mutuality has two elements: acting in the interest of the mutual good and equitable sharing of future benefits and burdens (Achrol, 1996) and is:

“The extent to which contractual monitoring of individual transactions is tempered by trust” (Kaufmann and Dant, 1992).

In franchise systems standardization of operations is a very crucial part and contracts are formed in a way to ensure the performance of individual transactions. The monitoring of the performance and the presence of norms of mutuality in networks can make sure that members act in the best interest of the network without direct supervision and control. Another facet of mutuality is that when members can see the long term potential, stability, and regularity of benefits they can sacrifice short term gains in favour of the network goals. This can be accomplished by offering to franchisees long-term membership such as stock or options in the franchisor company, multi unit franchises, career opportunities in franchise management and appointment to prestigious councils (Achrol, 1996).

2.4.3.2.8. Flexibility

Flexibility is defined as:

“The bilateral expectations that the substance and terms of exchange are subject to good faith modification and adaptation if environmental changes so require” (Heide and John, 1992).

Franchisors can facilitate the creation of the norm of flexibility by sharing research and analysis of the environment with its members, and by guaranteeing that franchisees have the chance to take part and share in the benefits of changes or adaptations proposed (Achrol, 1996).

2.4.3.2.9. Role Integrity

“Role integrity is seen as complex and extending beyond transactions” (Kaufmann and Dant, 1992).

Role integrity is a sign of the degree to which parties in an exchange maintain highly complex and multidimensional roles, forming a network of relationships that is more than purchasing and selling (Kaufmann and Dant, 1992). In the network the roles are multiplex, and have inter linkages between internal rules, social customs, future expectations, and span a range of obligations. According to Achrol (1996) another important aspect of role integrity is to preserve the domain of members: the identity, markets, customers, technology, functions and other normal responsibilities that define a member’s role as an independent entity and as a part of the network. Franchises often create internal competition and challenge the norm of role integrity; by operating multiple channels were customer segments are not well defined, over saturating a
market and replacing franchisee units with company owned.

2.4.3.2.10. Flow of Information and Communication

Above all organizations are communicating units (Clegg et al, 2005). Early organizational communication research investigated the flow of information in hierarchies and how it influenced efficiency. It is assumed that the more hierarchical an organization, the more specialization, formalisation and centralisation exists then the more restricted communication is.

According to the organizational behaviour theory communication ensures that employees act according to management’s decisions as instructions flow from the top to the bottom. From a cultural perspective the process of communication produces and shares common meanings and interpretations in order to achieve openness, trust, commitment and collaboration (Clegg et al, 2005). From a power perspective the process of communication is a mean to manage conflict and to achieve control. According to a recent approach of the discourse theory, communication is seen as discursive, both verbal and non verbal, both writing and speaking, both formal and informal, and it informs about organizational actions and decision-making processes (Clegg et al, 2005).

“Communication conveys all organizational attempts to create an organization’s most powerful point of differentiation – its identity” (Clegg et al, 2005: 315)

As we find in the writings of Littlejohn (1989) there are four levels of communication: dyadic communication, it’s an interpersonal communication based on interdependence; small group communication, when group dynamics influence the whole decision making; organizational communication, which is seen as patterns of shared meanings and understandings; and finally, mass communication, which is between the organization and its audience. We can also identify three types of communication based on its audience: intraorganizational, inter-organizational and with the wider society. The case of inter-organizational communication is becoming essential for organizations which rely for many reasons on inter-organizational collaboration and networks (Clegg et al, 2005). As we find in the writings of Irwin and More (1994) networks in order to grow need mutual trust and consensus which can only be achieved through communication. Networks require a great deal of coordination, cooperation and bargaining, which in cases create conflict and coercion, the latter can only be managed through communication and non-communication.

According to Obstfeld (2005) the exchange of information and communication among members in a dense network where social norms are present lead to the creation of knowledge and especially to the sharing of complex knowledge. It also creates the dynamics for the appearance of action that leads to innovation (Obstfeld, 2005); ‘a firm’s capacity to integrate knowledge represents a critical competitive advantage’ (Obstfeld, 2005: 107). Communication should be an essential part of an organizations strategy (Hatch and Schultz, 2001).

Evidence from Battilana and Dorado (2010) and Mair and Sezgi (2011) research on social enterprises scaling stretch the importance of communication mechanisms to ensure value congruence among the systems members, the emergence of commitment and the creation of a strong identity of the social venture. Leonidou (2003) has also stretched the importance of the
element of communication in inter-organizational relationships and has approached it from the relational paradigm. The formal and informal use of information and meaning between the exchange parties is essential for the relationship. Information exchange in embedded ties in comparison to arm’s length ties is more proprietary, it includes information on strategy and profit margins, it brings tacit knowledge through learning and is holistic in nature (Uzzi, 1997). Alliances sometimes arise on the basis of already existing personal friendships, the growing body of shared information and mutual knowledge help the development of trust in alliances and the sense of shared identity which solve issues of control, integration and learning (Child and Faulkner, 1998).

“Networks have influence primarily through their channelling of information, if one is to observe dynamics at the network level it is valuable to assess how the content of information flowing through those networks may change over time” (Gulati, 1998:307).

Informational advantages to organizations from their prior ties constitute a specific type of strategic resources called network resources. According to the structural approach to networks, the firms’ centrality in networks is an indicator of the measurement of accessible information (Gulati, 1999; Paswan, Loustau, and Young, 2001). To manage communication successfully in networks there is the need for two distinctive roles that of the boundary spanner, this person represents the organization’s views to its partners and also collects information from them, and that of the interlocker, this person works for both organizations and so has access to information that the boundary spanner as an outsider has not (Wenger, 1996).

2.4.4. Formation, Partner Selection, Governance and Performance

At this section we present a theoretical debate on the dependent constructs of our study which are formation, partner selection, governance, and performance of social networks and social franchising. In reviewing literature we identified that to raise understanding of social franchising we have to see the determinant elements that shape and constrain decision making with reference to these strategic issues (Parkhe, 1993). This thinking is supported also by the writings of Gulati (1998) who argues that the phenomenon of alliances can be better investigated and understood when viewed in the sequence that it occurs, that means decision to enter an alliance, the choice of appropriate partners, the choice of structure for the alliance, the dynamic evolution of the alliance and the performance of the alliance relationship. He argues that an organization’s social connections are closely related to the process that underlies an organization’s entry into new alliances. At the following sections we critically evaluate existing literature, we elaborate on its weaknesses which we try to address through the network theory approach. We bring together theories on social entrepreneurship, alliances, networks and franchising.

2.4.5. Motives for social inter-firm alliance and social venture network formation

Existing research on inter-firm alliances has attempted to answer the research question of why and when alliances are formed (see Table 2). Institutional theorists have been based on the works of DiMaggio and Powell (1983) who argue that the engine of rationalization that makes firms more similar, without necessarily making them more efficient, is the result of three institutional isomorphic processes: coercive, mimetic and normative. It is argued that firms yield in
isomorphic pressures and mimic other firms that have entered alliances (Griffiths, Gundry and Kickul, 2013; Korosec and Berman, 2006; Meyscens and Carsrud, 2011; Venkatraman, Koh, and Loh, 1994). Institutional approaches have been used in analysing formation of franchising (Barthelemy, 2011; Combs, Michael and Castrogiovanni, 2009; Gauzente and Dumoulin, 2012; Gorovaia and Windsperger, 2013; Young and Merritt, 2013). Stanworth and Curran (1999) identified the influence of societal (from the cultural, economic and political context), organizational and individual factors in the formation of franchising activity. Transaction cost theory suggests that alliances are intermediate hybrid forms between markets and hierarchies that happen when the transaction costs of an exchange are too high for a market exchange but not so high for a vertical integration (Dahlstrom and Nygaard, 1999; Glaister, 2004; Hennart, 1988, 1991; Stanworth and Curran, 1999; Williamson, 1975, 1985). From an agency theory perspective alliances have been seen as a mean to lower moral hazards by residual claimancy instead of monitoring (Lafontaine, 1992; Shane, 1996).

From a population ecology and resource scarcity theory perspective social enterprises address natural and environmental constraints and resource scarcity constraints by forming interorganizational relationships and entering into social venture networks thus responding to selection pressures and achieving survival (Meyskens et al, 2010a). From a resource-based perspective social venture networks and social alliances are formed so that firms can acquire resources. These resources are combined by enterprises to help them achieve competitive advantage. Resource-based theory views the formation of social venture networks as a mean to allow for the exchange of resources and the achievement of the social objectives of social enterprises (Barney, 1991, 1999; Glaister, 2004; Kogut, 1988; Meyskens et al, 2010a; Pfeffer and Salancik, 1978; Tallman, 2000). From a corporate strategy perspective firms enter alliances to improve their strategic position (Kogut, 1988; Contractor and Lorange, 1988).

Table 4 Literature Review on Theories of Motives for Alliance and Franchise Formation

<table>
<thead>
<tr>
<th>Authors</th>
<th>Date</th>
<th>Theory on Motives for Alliance/Franchise Formation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alon</td>
<td>1999</td>
<td>Expectation of rapid cash and risk of competitor international expansion</td>
</tr>
<tr>
<td>Alon and Welsh</td>
<td>2002</td>
<td>Regional economic integration</td>
</tr>
<tr>
<td>Balakrishnan and Koza,</td>
<td>1993</td>
<td>Trust from prior ties, social networks</td>
</tr>
<tr>
<td>Bartlett and Ghoshal</td>
<td>2000</td>
<td>New product creation, industry transitions, competition</td>
</tr>
<tr>
<td>Baucus et al</td>
<td>1993</td>
<td>Self-employment and executive redundancies</td>
</tr>
<tr>
<td>Beamish and Banks</td>
<td>1987</td>
<td>Transaction cost motive formation for international horizontal diversification</td>
</tr>
<tr>
<td>Contractor and Lorange</td>
<td>1988</td>
<td>Seven overlapping objectives: risk reduction, economies of scale and/or rationalisation, technology exchanges, co-opting or blocking competition, overcoming government mandated trade or investment barriers, facilitating initial international expansion, and vertical quasi-integration advantages of linking the complementary contributions of the partners in a value chain</td>
</tr>
<tr>
<td>Dees et al</td>
<td>2004</td>
<td>Increase impact of social objectives</td>
</tr>
<tr>
<td>Dong-Jin</td>
<td>1997</td>
<td>Relational exchange and transaction costs; economic ethnocentrism, cultural distance, uncertainty, exporting performance and duration of relationship</td>
</tr>
<tr>
<td>Ellram</td>
<td>1991</td>
<td>Financial, managerial and technological motives</td>
</tr>
<tr>
<td>Eroglu</td>
<td>1992</td>
<td>A conceptual model based on a cost/benefit framework of analysis of the</td>
</tr>
<tr>
<td>Author(s)</td>
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</tr>
<tr>
<td>Gulati</td>
<td>1995</td>
<td>Resource considerations, a quest for complementary skills and mainly direct or indirect ties between firms influenced the formation of alliances</td>
</tr>
<tr>
<td>Gulati</td>
<td>1998</td>
<td>Social networks and the channel of information, embeddedness</td>
</tr>
<tr>
<td>Gulati et al</td>
<td>2000</td>
<td>Industry structure, positioning within an industry, inimitable resources and capabilities, contracting and coordination costs and dynamic network constraints and benefits.</td>
</tr>
<tr>
<td>Hall and Dixon</td>
<td>1991</td>
<td>Growing role of services and self-employment</td>
</tr>
<tr>
<td>Heide</td>
<td>1994</td>
<td>Social networks and channel of information through access, timing and referrals</td>
</tr>
<tr>
<td>Huybrechts and Nicholls</td>
<td>2013</td>
<td>Institutional organizational legitimacy; pragmatic and moral legitimacy</td>
</tr>
<tr>
<td>Huszagh et al</td>
<td>1992</td>
<td>Motives of financial and managerial resources lead to franchising.</td>
</tr>
<tr>
<td>Kogut</td>
<td>1988</td>
<td>By the organisational learning motive, by the transaction cost motive and by strategic behaviour</td>
</tr>
<tr>
<td>Lafontaine</td>
<td>1992</td>
<td>The need for fast growth.</td>
</tr>
<tr>
<td>Leonidou</td>
<td>2003</td>
<td>Social networks and channel of information through access, timing and referrals</td>
</tr>
<tr>
<td>Lyon and Fernandez</td>
<td>2012</td>
<td>Increase impact of social objectives</td>
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<tr>
<td>Mair and Sezgi</td>
<td>2011</td>
<td>Increase impact of social objectives</td>
</tr>
<tr>
<td>Martin</td>
<td>1988</td>
<td>Motives of financial and managerial resources lead to franchising.</td>
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<tr>
<td>Meyskens and Carsrud</td>
<td>2011</td>
<td>Institutional theory and resource acquisition</td>
</tr>
<tr>
<td>Millington and Bayliss</td>
<td>1995</td>
<td>Organizational learning</td>
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<tr>
<td>Nicholls</td>
<td>2008, 2009</td>
<td>Increase impact of social objectives</td>
</tr>
<tr>
<td>Parkhe</td>
<td>2003</td>
<td>Organizational learning and network membership</td>
</tr>
<tr>
<td>Paswan, Loustau, and Young</td>
<td>2001</td>
<td>Industry dynamics and home-market saturation</td>
</tr>
<tr>
<td>Peterson and Dant</td>
<td>1990</td>
<td>Franchisor and Franchisee motivation patterns</td>
</tr>
<tr>
<td>Powell et al</td>
<td>1996</td>
<td>Network membership</td>
</tr>
<tr>
<td>Sakaraya et al</td>
<td>2012</td>
<td>Coercive, cognitive and normative; alliance-driven objectives and partner-driven objectives. Social enterprises ‘altruistic’ objectives</td>
</tr>
<tr>
<td>Sanghavi</td>
<td>2002</td>
<td>Business growth, brand name global, the image, positioning value, ego satisfaction</td>
</tr>
<tr>
<td>Shane</td>
<td>1996</td>
<td>The need for fast growth</td>
</tr>
<tr>
<td>Sorensen et al</td>
<td>2013</td>
<td>Social networks and channel of information</td>
</tr>
<tr>
<td>Stanworth and Curran</td>
<td>1999</td>
<td>A sociological approach by evaluating the influences of formation, growth and survival of franchise networks at three levels: societal, organizational, and individual.</td>
</tr>
<tr>
<td>Stanworth and Kaufmann</td>
<td>1996</td>
<td>Franchisee motivation patterns, a social theory of motivation in the area of franchising</td>
</tr>
<tr>
<td>Stugley</td>
<td>1983</td>
<td>Transaction cost motive formation for international vertical integration</td>
</tr>
<tr>
<td>Tracey and Jarvis</td>
<td>2007</td>
<td>Agency theory and transaction theory in social franchise</td>
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<tr>
<td>Waddock</td>
<td>1991</td>
<td>Market failures and interdependencies</td>
</tr>
<tr>
<td>Walker</td>
<td>1989</td>
<td>Unsolicited enquiries from potential franchisees</td>
</tr>
<tr>
<td>Wille</td>
<td>1988</td>
<td>Three categories: resource-driven alliances, market-driven alliances, risk-driven alliances</td>
</tr>
<tr>
<td>Whipple and Gentry</td>
<td>2000</td>
<td>Financial, managerial, technological and strategic motives</td>
</tr>
<tr>
<td>Uzzi</td>
<td>1997</td>
<td>Social networks, embedded ties, relational and structural embeddedness</td>
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</tbody>
</table>
The nationalities of partners, the motives and goals for entering alliances, and the formal structures used to organize partnerships have all become increasingly varied (Gulati and Singh, 1998). According to Contractor and Lorange (1988) there are seven overlapping objectives for which companies tend to form cooperative ventures: risk reduction, economies of scale and/or rationalisation, technology exchanges, co-opting or blocking competition, overcoming government mandated trade or investment barriers, facilitating initial international expansion, and vertical quasi-integration advantages of linking the complementary contributions of the partners in a value chain. Based on the motivations that form the alliances we have three categories: resource-driven alliances, market-driven alliances, risk-driven alliances (Wille, 1988). Modern alliances are driven by multiple motivations, i.e. the focus now is on the creation of new products and technologies, and partnerships are often forged during industry transitions when competitive positions are shifting (Bartlett and Ghoshal, 2000).

Kogurt (1988) analysed alliances being driven by the organisational learning motive, when firms learn or seek to retain their capabilities, by the transaction cost motive, when firms want to minimize the sum of production and transaction costs and by strategic behaviour when firms want to enhance their competitive position or market power. Using the transaction cost motive, Stugley (1983) studied the case of alliance formation for international vertical integration, while Beamish and Banks (1987) examined the choice of alliance formation for international horizontal diversification. According to the writings of Vyas, Shelburn, and Rogers (1995) on inter-firm alliances there are six dimensions along which alliances are being formed: intra/inter-industry alliances, arena of alliances, alliances built on relationships, influence of technology and market related factors-like distribution channels, synergy, diversification, sourcing raw materials-, alliances driven by state of technology, and alliances to produce technology fusion. They also define the octopus strategy, which is the case when multidivisional companies from Japan, EU and the USA join forces to create multiple inter-firm alliances.

Sakaraya et al (2012) argue that resource dependence theories are not sufficient in explaining social alliances which can be resolved by the perspective of institutional theory. Coercive forces can be related to regulatory pressures from a local government, legal status and reporting requirements which a local partner may be familiar with. Normative forces can be related to various norms of a specific industry, like knowing the right people in a government or even bribing authorities, which a local partner can bring in the alliance. Mimetic powers maybe associated with the need of an organization to mimic other organizations in the way they overcome institutional constraints thus avoid being an outsider in close communities or having to bribe; thus choosing a local partner to achieve these (Meyskens and Casrud, 2011). Social alliances can be a respond to the need of social enterprises to scale up and increase the impact of their social venture (Bishai et al, 2008; Bradach, 2003; Dees et al 2002; 2004; Leadbeater, 2006; Mair and Sezgi, 2011; Nicholls, 2008; 2009; Piggot, 2004; Sakaraya et al, 2012; Samuelson, 2010; Tracey and Jarvis, 2007; Waddock, 1991). Huybrechts and Nicholls (2013) analysed the formation, partner selection, framing and evolution of social partnerships through an institutional perspective of organisational legitimacy and found that moral and pragmatic legitimacy influences the aforementioned constructs.
The emergence of social partnerships and alliances is due to the same issues, such as market failures and social problems that have led to the emergence of social entrepreneurship (Zahra et al, 2009); ‘the dominant precondition for the emergence of social partnerships is the existence of a problem that is indivisible’ (Waddock, 1991:486). ‘Environmental turbulences’ lead to higher levels of uncertainty and resource interdependences of organizations, so organizations have to enter into joint actions and resource exchanges to solve these problems (Waddock, 1991).

Social alliances aim in raising the effectiveness and efficiency of social enterprises through leveraging resources (Meyskens and Carsrud, 2011). Types of these resources are: a) human, like volunteers as board members, trustees, staff and pro-bono consultants and from paid full-time and mostly part-time staff; b) social capital, which refers to resources gained from relational and structural embeddedness that emerges through the relationships of actors and their positioning in networks; c) financial capital, like grants and investment capital coming from formal institutions- i.e. the EC, governments and local authorities-, the social investment market, philanthropy, religious entities, communities and individuals, the latter group provides resources through crowd funding platforms and from fees paid by customers; d) physical resources, like space coming from incubators and other organizations and location; e) organizational resources, like systems, distribution channels, structure and planning; and finally, f) intangible resources, like tacit knowledge, learning new skills, leadership, organizational styles, values, culture, reputation and innovation (Meyskens et al, 2010a). Especially in developed countries social alliances allow social entrepreneurs to overcome formal and informal institutional barriers and to overcome higher resource restraints that social ventures face (Meyskens and Carsrud, 2011). The findings of Meyskens et al (2010b) study suggest that social entrepreneurs follow similar operational processes in managing resources as do mainstream entrepreneurs. Resource-based theory views the formation of social venture networks as a mean to allow for the exchange of resources and the achievement of the social objectives of social enterprises.

Evidence from Sakaraya et al (2012) research in corporate-social partnerships formation identified that motives can be grouped in two categories: alliance-level objectives and partner-level objectives. Alliance-level objectives apply for both social enterprises and corporations, they are joint value creation, which refers to the joint products or services produced, and building community capacity, which refers to interaction with disadvantaged groups. The partner-level objectives for corporate partners are stakeholder appreciation and enhanced reputation and image and for social enterprises are fund raising and enhanced visibility and image. In terms of inputs the corporate partner provides mostly financial resources and organizational infrastructure, while the social enterprise partner provides knowledge, networks and expertise. Evidence from Mair and Sezgi (2011), Lyon and Fernandez (2012), and Dees et al (2004) research on scaling social enterprises identified that the motives for the formation of interfirm alliances and affiliations were the increase of the social impact, rather than organizational motives. In live with the above results both Sakaraya et al (2012) and Waddock (1991) research identified that the motives of social enterprises for scaling were ‘altruistic’ in nature.

According to the findings of Child and Faulkner (1998) motives for network formation are: to reduce uncertainty, to provide flexibility, to provide capacity, to provide speed, to provide access to resources and skills and to provide information. Dong-Jin (1997) approached formation through relational exchange theory and transaction cost theory; his findings indicate that economic ethnocentrism, cultural distance and decision making uncertainty influence
opportunism, which in turn affects relational exchange in alliances. Relational exchange, exporting performance and the duration of the business relationship also affect the decision to form an alliance.) Recent research identifies two, sometimes related, motives for alliance formation: organizational learning and network membership (Millington and Bayliss, 1995; Parkhe, 2003; Powell et al, 1996).

“Recent research has shown the importance of embeddedness for alliance formation, its results indicated that motives were not only financial and technological, but also how firms are embedded in social networks between firms” (Gulati, 1998: 301).

Gulati (1998) research indicates that organizations that decide to form alliances face moral hazard concerns, which are due to opportunistic and unpredictable behaviour of partners, and thus alliances are considered risky. Also changes to the environment may change a firm’s needs and orientation thus making the relationship even more unpredictable. Therefore organizations in order to enter into alliances that would help them satisfy their needs and at the same time minimize the risks should have information about potential partners, their needs and requirements, and their reliability.

According to Sorensen et al (2013) the positioning of social enterprises in networks with close connections with other members increases the opportunity for social alliance formation. Meyskens and Carsrud (2011) research argues that social partnerships have positive effects in the formation and performance of social entrepreneurial ventures. Social networks and the channel of information explain the formation of alliances (Gulati, 1998; Sorensen et al, 2013). Network theory suggests that organizations rely to existing networks to find information that lowers search costs and the risk of opportunism. It also argues that social networks can both restrict and enable the alliances a firm enters. Network theory suggests that the motives for alliances are based on economic motivations and strategic complementarities. According to existing research the social structure of resource interdependence is an important determinant of the formation of ties between firms which suggest that resource considerations and a quest for complementary skill is a valuable incentive for the formation of alliances (Gulati, 1995b; Gulati and Gargiulo, 1999; Sorensen et al, 2013), but that these alone are not sufficient conditions for alliance formation.

“…The channelling of information helps organizations to discover new alliance opportunities and can affect how often and with whom they form alliances…it is a firm’s network that helps it identify new alliance opportunities and chose appropriate partners that possess the complementary assets…In the case of inter-firm alliances their accumulation can also become a social network, therefore they can be investigated through network theory perspective as both endogenous and exogenous factors. In the first case we see the influence of social networks for the formation of an alliance and in the second case we see how the effects of social networks explain the accumulation of alliances” (Gulati, 1998: 293-317).

“Embedded ties primarily develop out of third–party referral networks and previous personal relations... The structural consequence of the formation of dyadic embedded ties is that they generate a network of organizations that becomes a repository for the accumulated benefits of embedded exchanges” (Uzzi, 1997: 47-48).

Trust from prior ties can be an indicator of alliance formation and partner selection. Prior ties can
also be a negative experience and resulting in firms not forming further alliances between them or when it is a positive experience it can help control adverse selection problems since firms can have firsthand reliable information about each other and promote repeated ties (Balakrishnan and Koza, 1993).

The informational advantages to firms from a network can enable the creation of new alliances by three means: firstly access, which refers to information about current or potential partners on their capabilities and trustworthiness, secondly timing, which refers to having informational benefits about potential partners at the right moment, and thirdly referrals, which is the fact that existing partners of a firm may refer it to other firms for alliances (Gulati, 1998; Heide, 1994; Leonidou, 2003; Sorensen et al, 2013). Gulati’s (1999) findings indicate that accumulated network resources arising from firms’ participation in a network of accumulated prior alliances are influential in alliance formation. Network resources are influential advantages of firms from their prior ties. They are considered competitive advantages because they are specific types of resources that provide the strength to a company in order to conceive and implement its strategies (Barney, 1991). The larger the information the greater the opportunities from network resources, critical factors influencing network resources are the frequency of past ties and the identity of partners (Gulati, 1999).

In line with that, experience shows that the first franchisees that enter a system are members of the family of the franchisor or personal friends, because also at the first stage the level of confidence to franchisees is low (Felstead, 1993).

In the writings of Whipple and Gentry (2000) on networks and motives for alliance formation we find four categorisations of motives, the first three are based on the work of Ellram (1991) and are: firstly, financial like economic performance and stability, sharing business risk, economies of scale, joint product development (Clegg et al, 2005); secondly, technological like gain of technological capabilities from new technologies, sophisticated information capabilities, R&D, process improvements, new products, higher quality of goods and services (Achrol, 1996; Clegg et al, 2005); thirdly, managerial like easier management from having reduced number of suppliers, quality improvements, effective marketing, support, supply chain efficiency (Barney, 1991, 1999; Glaister, 2004; Kogut, 1988; Tallman, 2000); and fourthly, strategic like competitive advantage (Contractor and Lorange, 1988; Day, 1994; Kogut, 1988; Larson, 1992; Ohmae, 1989), new products/market, and differentiation (Ansoff, 1957).

While Gulati and Singh (1998) used the following motives for alliance formation which are similar to the aforementioned ones: sharing costs/risks, access to financial resources, sharing complementary technology, reducing time span of innovation, joint development of new technology, access to new markets, access to new products, sharing production facilities. The latter typology of motives has been also used by Contractor and Lorange (1988).

Gulati et al (2000) studied the factors that lead to the incorporation of strategic inter-firm networks and found them to be: industry structure, positioning within an industry, inimitable resources and capabilities, contracting and coordination costs and dynamic network constraints and benefits.
2.4.5.1. Motives for franchise formation

“To understand how and why the franchise partnership is created a clear explication of the incentives of each party is needed” (Peterson and Dant, 1990).

Coming from the third school that views franchising as a unique phenomenon that cannot be sufficiently explained by existing theories we have the works of Stanworth and Curran (1999) who attempted to bridge this gap by creating a theoretical overview of franchising through a sociological approach building on existing literature and suited to quantitative and qualitative research approaches. They created a general theory of franchising by evaluating the influences of formation, growth and survival of franchise networks at three levels: societal, organizational, and individual. The model takes the form of 15 general propositions. The three levels interconnect and overlap. In more detail the elements that were identified as catalytic in formation growth and survival are the following:

Franchising at the societal level: Cultural, the extent to which economic individualism is a valued means of initiating or operating economic activity. Where value is strong we can expect franchise to prosper. Economic, to the extent that the economy contains a high proportion of tertiary activities, there is greater likelihood of the franchised business form. Political, the emergence and survival of franchised business forms depends on state attitudes to small enterprises (Stanworth and Curran, 1999).

At the organizational level: Rapid market penetration, franchise organizations will be common where an initiating organization, relatively small, seeks rapid market penetration through multiple outlets dispersed over a wide geographical area. This will be reinforced when the initiating organization find franchisees the most attractive or the only source of capital to fund the expansion. Divergent economies of scale, when the linked production and marketing processes of a product or service involve strongly divergent or split economies of scale franchising may emerge. Format permanence, the franchise business form is a relatively permanent and genuine form and unlikely to lapse into vertically integrated hierarchical organization, this may happen but there is no evidence of a pattern or cycle of development Relationship management.

At the individual level: Route into self-employment, the franchised business form will exist most successfully in societies where there is a supply of individuals positively committed to economic individualism in the form of small business ownership. Unemployment push, franchising may be attractive to individuals constrained by the dynamics of labour market. Prior self-employment, a substantial minority (one third to one half) will be drawn from those with previous experience of self-employment. Complexity of franchisee motivation, it will be more varied and complex than being simply an expression of profit maximization desires or a solution to hierarchical control, as agency theory tends to suggest. Intrinsic/extrinsic goals, for franchisees with no prior self-employment experience, independence, and autonomy act as strong early motivations. For those with prior self-employment experience, such intrinsic goals may yield to extrinsic such as security and profitability, but intrinsic goals will remain significant. Franchisor advertising will acknowledge the importance of both kinds of goals. System Innovation, franchisees will make substantial contributions to innovation such as new product development or pioneering ways to adapting to local conditions like cultural differences and as the system grows and matures this
contribution will be formalized. Contemporary views of autonomy, the franchise business may realize the cultural values of independence, autonomy, material rewards, and even creativity more effectively than other forms (Stanworth and Curran, 1999).

Stanworth and Curran (1999) argue that at the macro level of analysis cultural, economical, and political contexts may be favourable or unfavourable to franchising. In the mid of the 20th century economic individualism was being destroyed by large-scale bureaucratic firms. Towards the end of the century the need for customer-organization interface through small-dispersed outlets was pushing towards decentralization and multi-establishment operations, which produced problems of personnel motivation, supervision and quality control. Therefore corporations needed to seek for another way to retain control, one such strategy was franchising. Moreover, large corporations had to deal with globalization and problems of synchronizing national, regional and community levels. Thus a network organization, of which franchising is an important form, emerged (Stanworth and Curran, 1999). Driven by turbulent, dynamic and knowledge rich environment large vertically integrated value-addition-chain systems evolve into more efficient, flexible and adaptable network governance systems, which allow open access to information and are not very rigid in terms of meshing of systems entities (Paswan, Loustau and Young, 2001). Network systems are also more efficient in obtaining, retaining, and using knowledge (Achrol, 1997; Achrol and Kotler, 1999).

According to Stanworth and Kaufmanns’ writings (1996) franchisee motivation patterns will probably occur with certain regularity required to back up a social theory of motivation in the area of franchising. The study adopted an ‘Action frame of Reference’ based on Weber, Parson, Mead and Silverman. Results showed that slightly over 50% of prospective franchisees were now or prior self-employed both in the US and the UK, slightly over 50% wanted a sector where they had no prior experience, except for business services, food, retail, building, automotives and printing. The majority did employ staff. US respondents were running larger businesses and had more money to invest. The reasons why they chose franchise according to this study were independence, proven business system, known trade name, and reduced risk.

“Franchising has grown rapidly the recent years and this can be due to several reasons. The most important is the growing role of service activities; many sectors are personnel-intensive and rely on the existence of a distribution network with a large number of outlets dispersed geographically” (Hall and Dixon, 1991).

Another factor is the growing interest for self-employed activities and the importance that has been attributed to entrepreneurship in modern western economies (Hall and Dixon, 1991). There is a big trend towards small firms and there is also an extended literature that encourages the small entrepreneurship. In recent years, entrepreneurs and ”corporate dropouts” or former Executives (Fortune 1991) have turned to franchising as an attractive alternative to traditional forms of organization (Baucus et al, 1993). As Stanworth (2002) argues in the final two decades of the 20th century, in sharp contrast to earlier trends and predictions, self-employment has grown faster than civilian employment in most OECD economies.

The growth of franchising can be also due to the fact that:
“The new systems are situated on the burgeoning ‘new economy’ of the high technology –like virtual businesses- and often are linked to the trend of big organizations to go outsourcing or sub-contracting to small businesses many of their activities, while they are focusing on their core activities” (Stanworth, 2002).

The benefits and thus motives for both parties entering a franchise venture can be summarised as following. The franchisor experiences firstly, rapid business growth.

“Firms use franchising when they want to grow faster, implying that franchising allows franchisors to relax some form of constraint on their growth” Lafontaine (1992: 281)

“Hybrid organizational forms like franchising may be valuable when firms want to grow faster than the rate of expansion of their managerial capacity” (Shane, 1996).

At the same time it provides rapid geographical growth, it strengthens the brand name and it increases the convenience and accessibility of a broad clientele. It also provides economies of scale to the markets of raw materials and semi-manufactured goods, by accomplishing better deals with companies offering services: like marketing, construction, insurance, equipment, computerization, etc. Financing the business growth with investment capital accomplishes diversification of business risk. At the same time the organizational structure remains simple, thus accomplishing lower administrative leverage. Moreover, franchisees have high incentive to function for the maximization of the chains performance, so there is a high commitment strategy. Also, small and large firms alike use franchising to overcome the problems of stretched financial and managerial resources (Huszagh et al, 1992; Martin, 1988).

Other motives for franchisors are the steady and frequent flow of profits from the franchisees to the franchisor in the form of royalties and the steady flow of information about the trends of the market which allows them to easily adapt. Furthermore, the franchise system offers increased control to the franchisor over the distribution because the franchisee is obliged to buy only from the franchisor, it offers the franchisee’s experience of the sector and it increases the intangible value of the company. Apart from that it offers higher credibility and access to the financial systems because of the existence of the chain (Mendelsohn, 1993; Stanworth, 1995a, 1999). Franchising creates also defence mechanisms to multinational organizations.

“…It offers a solution to promoting or defending market share for companies at both ends of the polarization trend between small and large scale organizations” (Sanghavi, 2002).

“The argument that franchisors chose franchising only because of capital constraints is not strong, because firstly there would be a trend to reduce their reliance on franchising as they grow stronger, which has not been established empirically, secondly it is not unusual for franchisors to provide financing to franchisees and finally a risk averse franchisor could obtain cheaper capital by offering shares of all his outlets to his store managers” (Lafontaine, 1992).

Franchisees are supposed to gain- and thus their motives for entering into a franchise agreement are-: minimization of business risk, guarantees for a successful and profitable performance from early stages, continuous support to all business aspects and problems, benefits from the economies of scale that are created, and ability to offer products at very competitive prices.
Moreover, franchising offers to franchisees benefits from the national or international marketing that the franchisor conducts and of which the franchisees incurs only a small percentage. The franchisees remain legally independent businessmen and yet benefit from the brand name and trademarks of the franchisor. Furthermore they benefit from the continuous development and evolution of the system, from the continuous access to information for the rest franchisees and competitors. Also the franchising businesses are supposed to be less vulnerable to external shocks during recession. Recent data from the US, the UK and Greece indicate that the latter argument has been confirmed and that franchise systems resisted stronger to the recent recession (see Chapter 1.3). Franchisees enjoy the benefits of the umbrella effect since they are part of a credible system. Finally, the control that the franchisor exercises can be to the benefit of the franchisee since it secures the smooth functioning of the system and it is a disincentive to ‘bad’ entrepreneurs as it protects the system from the phenomenon of adverse selection and moral hazard that can appear in an umbrella system (Mendelsohn, 1993).

2.4.6. Partner selection criteria

2.4.6.1. Introduction

“Identifying and selecting a partner is possibly the most important consideration in establishing a cooperative venture” (Lane and Beamish, 1990 cited in Parkhe, 2003).

“Success of an alliance is heavily dependent upon the partners’ behaviour” (Gulati, 1998:301).

“Alliances involve close interaction and interdependence between two parties making common cause when their interests run parallel to each other” (Ohmae, 1989).

The second strategic phase when analyzing alliances and franchises is the issue of partner selection, which is also closely linked to the motives for alliance formation.

2.4.6.2. Social inter-firm alliances partner selection process

Most theories on partner selection according to Gulati (1995b; 1998) have been based on resource dependence theories that suggest that firms create ties with partners that can help them manage strategic interdependencies, when one firm has resources or capabilities beneficial to but not possessed by the other. Harrigan (1985) and Lynch (1989) have suggested that partners should be complementary in the products, geographic presence, or functional skills that they bring to the venture. Apart from these, as Beamish (1988) has emphasized it is important to select a partner with whom trust already exists or can be established. Geringer (1991) separated task- and partner-related dimensions of partner selection criteria and concluded that observed variations in the choice of criteria used to select alliance partners might be attributable to differences to the specific competitive circumstances confronting the proposed venture. Partner selection has been also explained through the perspective of knowledge transfer between partners (Simonin, 1999), cultural factors (Fedor and Werther, 1995), and a firm’s home market relationships (Elg, 2000).
Theorists have also attempted to explain franchisee selection through agency theory (Doherty, 2009; Holberg and Morgan, 2003; Sivakumar and Schoormans, 2011a; 20011b); according to this approach three problems may arise from partners’ selection: adverse selection, moral hazard and holdup. In the case of social franchising where monetary objectives are not that important the most important threat is through adverse selection which could lead to serious losses for the social franchisor (Sivakumar and Schoormans, 2011a; 20011b). The selection criteria provide to franchisors a control strategy in minimizing ex-posts costs that could arise from adverse selection and moral hazard threats from franchisees (Weaven, Grace and Manning, 2009). The characteristics that have been identified as elements that franchisors assess during the filtering stage are: personality, age, professional and industry experience, entrepreneurial background, financial robustness, psychological profile, educational background, linkages with local networks and knowledge of local sector (Doherty, 2009; Sivakumar and Schoormans, 2011a; 20011b). Sivakumar and Schoormans (2011a) conclude in that mainstream franchising criteria are equally applied to social franchisee partner selection criteria. Theorists argue that approaches on selection criteria are “outdated, narrowly focused and unreliable”. Other theorists argue that personality characteristics have not been researched, although evidence suggests that they are significant determinants of the quality of exchange relationships (Weaven, Grace and Manning, 2009:91).

Porter and Fuller (1986) identify six criteria for partner selection: possession by the partner of the desired source of competitive advantage, the need for a complementary or balanced contribution from the partner, a compatible view of international strategy, low risk of the partner becoming a competitor, a pre-emptive value in relation to rivals and high organizational compatibilities. Kanter (1994) links the process of selection to the personal-relationships and identifies three factors: self-analysis, chemistry, and compatibility. Child and Faulkner (1998) identify two factors: strategic fit and cultural fit based on which many theories have been developed.

“Franchisors have often gone on record as preferring potential franchisees from outside the operational line of the franchise in question. In order not to introduce pre conceived ideas or ‘bad habits’ and ‘contaminate’ the rest franchisees” (Felstead 1994: 85).

The reason usually offered to explain this is that they are more amenable to training and operational compliance with the franchisors instructions and thus more amenable to be under the franchisor’s control (Stanworth, 1994).

According to Huszagh et al (1992) research small franchise systems succeed internationally when significant financial, managerial, and marketing expertise is contributed by local franchisees. Hadjimarcou and Barnes (1998) researched the case of internationalization by relatively new and small franchisors. They concluded that the importance of alliance from the host country and the issue of partner selection are critical to the franchise operations. They suggested that sensitivity to host country culture and the advantages gained from a partner that represents this culture are very big.

The issue of partner selection is a vital first step to the success of social franchises; unlike commercial franchises where the strong brand plays a vital role the social franchises depend highly on the performance of social franchisees (Sivakoumar and Schoormans, 2011a). The partner selection process is harder for social franchisors than mainstream franchisors as the partners have to be able to meet both financial and social objectives (Tracey and Jarvis, 2007;
Sivakoumar and Schoormans, 2011a). According to Battilana and Dorado (2010) research the criteria could be either to select partners with strong socializability skills or with specific sectoral capabilities. In the former case partners can help create a strong network identity but could have implications in growth. In the latter case partners with specific sectoral capabilities or specific capabilities in meeting social objectives could provide growth benefits but could impose a threat in emerging conflict; this is because different institutional logics would have to co-exist in the network and intra-network conflicting groups may be formulated.

Network theorists claim that interdependence can explain the formation of ties between some firms, but is not adequate to explain the alliance formation and thus partner selection (Gulati, 1998). According to network theory familiarity with potential partners is likely to lead to joint venture formation (Gulati, 1995; Glaister, 2004). The decision of an organization to form an alliance is closely linked to its decision for an appropriate partner and may even be determined by that partner’s availability, it is the network that allows to firms to learn about new alliance opportunities and to overcome the fears associated with such partnerships through the mechanisms of access, timing and referrals (Gulati, 1995b, 1998; Stuart 1998).

As evidence by network theorists suggests, we will analyse the motives for franchise formation and the criteria for partner selection as two facets of the same decision, thus as one construct.

### 2.4.7. Governance structure

#### 2.4.7.1. Introduction

“An important aspect of the significant growth of inter-firm alliances the last twenty years is the increasing diversity of the alliances, which suggests that there are significant variations in the formal structure of alliances” (Powell, 1990).

The governance structure of the alliance is the formal contractual structure participants use to formalize it (Gulati and Singh, 1998). It has been defined as a “mode of organizing transactions” (Williamson and Ouchi, 1981) or:

“(Governance is) a short end expression for the institutional framework in which contracts are initiated, negotiated, monitored, adapted and terminated” (Palay, 1984: 265).

When we talk about contracts we do not refer necessarily to the formalised legal binding documents (Heide, 1994). The different types of alliances’ governance structures are based on the degree of hierarchical elements and on the extent to which they reproduce control. So at one end there are the joint ventures and at the other end are alliances that share no equity and have few hierarchical control mechanisms of organizations (Gulati and Singh, 1998; Harrigan, 1987; Hennart, 1988). Hierarchical controls are viewed as a mechanism to manage uncertainty in the inter-firm relations (Gulati, 1998) and existing literature has approached these issues from different perspectives. Various typologies of alliances based on equity and other parameters have been discussed in Chapter 2.5.3
2.4.7.2. Theories on inter-firm alliances and social venture networks governance modes


Research on transaction-cost economics has been based on the writings of Williamson (1975; 1985). Some transactions because of transaction-specific investments and external and internal uncertainty have higher transaction costs and therefore cannot take place at the market level. Transaction-specific investments give rise to safeguarding problems, external uncertainty cannot be predicted ex-ante and gives rise to adaptation problems and internal uncertainty gives rise to evaluation problems. These three sources of problems rise transaction costs. So the solution would be internalisation of the transaction. If internalisation is not feasible or desirable then hybrid governance structures will be selected (Dahlstrom and Nygaard, 1999; Heide, 1994; Parkhe, 2003; Williamson, 1975).

Dahlstrom and Nygaard (1999) used transaction cost theory to explain the structure of the franchise organizations. After a franchise agreement is established the parties face ex post transaction costs: bargaining costs (are expenditures associated with negotiation between transacting parties; long-term franchise agreements do not eliminate them, i.e. franchise partners keep negotiating about order quantities and delivery schedules), monitoring costs (are expenditures made to guarantee the fulfilment of contractual obligations, i.e. franchisees dedicate effort to ensure that shipments are accurate and timely), and maladaptation costs (are embodied for communication and coordination failures between parties to a contract, i.e. they franchisor may benefit from making a product/service available for selling to franchised outlets without providing instructions regarding the use and sale of the product) (Williamson, 1985: 21). Dahlstrom and Nygaard’ study (1999) concluded that franchisor opportunism is associated positively with franchisee bargaining, monitoring, and maladaptation costs, thus transaction costs.

Franchise relationships are subject to moral hazard on the part of the franchisor as well as the franchisee (Lal, 1990). As Parkhe (2003) claims ex-ante and ex-post safeguards exist to defend against opportunism, like alter alliance’s payoff structure to reduce gains from cheating, or increase gains from cooperation or increase costs of agreement violation.

“Franchisors/ees are opportunistic in their behaviour, for example franchisors are opportunistic when they develop national promotional campaigns for products but fail to ship appropriate quantities of the product to franchisees, which also results in higher transaction costs”
According to the model created by Dahlstrom and Nygaard (1999), opportunism is a determinant of multiple facets of ex post transaction costs and is associated positively to them. They concluded that inter-firm cooperation (which refers to the interaction between principals and agents to coordinate marketing strategies) and formalization (which refers to the level that rules and procedures govern the relationship between inter-organizational partners) are control structures negatively related to franchisor opportunism, under the condition that rules and procedures recognize complementary responsibilities and convergent goals.

“Franchised systems should audit the level of cooperation and formalization operating in the channel continually in order to minimize opportunism and lower transaction costs” (Dahlstrom and Nygaard, 1999: 167).

According to the new institutional model franchise minimizes transaction costs of shirking, as well as excessive consumption of leisure and weak corrective incentive structures. Managers of company owned stores, even if they have performance related payments they do not have the same incentive as franchisees. On the other hand the more concentrated geographically company owned stores get the lowest get the monitoring costs, and it is more profitable for a manager to monitor several units. Moreover, because of the franchisees’ incentive to free ride there is the pattern of both company owned and franchise ownership outlets within a chain (Brickley and Dark, 1987; Felstead, 1993; Rubin, 1987).

“Contracts must incorporate sanctions and safeguards that limit the liabilities incurred as a consequence of dealing with opportunistic trading partners” (Dahlstrom and Nygaard, 1999: 162).

It is critical to ensure that franchise partners do not shrink contractual responsibilities (Dahlstrom and Nygaard, 1999). Participative decision-making is critical to the maintenance and development of the inter-organizational franchise relationship (Dahlstrom and Nygaard, 1999). Especially knowing when theory suggests that the system is designed, developed, perfected and initiated by the franchisor, who controls all aspects of the system including communication and flow of information, therefore it is a very franchisor-centred system (Paswan, Loustau, and Young, 2001).

Much research coming from the marketing channels literature has approached the issue of governance of inter-organizational relationships through a microeconomic approach which is based on the neoclassical economic theory suggesting that the decision is based on economic efficiency and on a cost analysis (Stern and Reeve, 1980). Another approach is through the behavioural paradigm which has viewed governance as the issue of establishing and employing power and control opportunities (Hunt, Ray and Wood, 1985). This latter approach has failed to specify the relationship between power and performance or to address the effect of contextual variables like when specific power strategies are suitable (Heide, 1994). Felstead’s (1993) research on franchising through the economic perspective is viewing the issue of governance through a power and control analysis. Both approaches offer limited explanations into the specific mechanisms that can be used to govern inter-organizational relationships (Heide, 1994).
According to resource dependence and resource scarcity approaches social enterprises need resources that are owned by other organizations and so enter into inter-organizational relationships with them to acquire access to these resources; the acquisition of scarce resources by organizations explains their positioning in social venture networks and thus their ability to have a dominant role (Meyskens et al, 2010a). The resource-dependence theory is based on social exchange theory (Emerson, 1962) of power-dependence relations and views governance as a strategic response to conditions of uncertainty and dependence (Meyskens et al, 2010; Pfeffer and Salancik, 1974; 1978). So firms in order to reduce uncertainty and manage dependency they will use various governance structures to formalise their relationships and increase coordination. Another important determinant of governance structure is the social structure of resource dependence between partners and so particular governance structures maybe selected to control specific resource asymmetries (Gulati, 1995b; Gulati and Gargiulo, 1999; Baker, 1990).

According to the resource-based theory of the firm the management control will be structured in a way to help the acquisition of competencies and is driven by strategic motives (Glaister, 2004). The governance of social venture networks in which actors (like organizations, governments, social enterprises, beneficiaries and community groups) are embedded will be formed in a way to allow for the acquisitions of resources (social, financial, human, physical and intangible) to gain competitive advantage and create social and economic value and to help to the growth and development of individuals, communities and regions (Meyskens et al, 2010a). The acquisition of resources is strongly influenced by social capital (or relational and structural embeddedness), by the existence and content of the relationships between inner network actors and among networks as well as by the positioning and diversity of location of actors ties (Meyskens et al, 2010a). Rubin (1987) applied the theory of the firm to investigate issues of franchise governance.

Lafontaine (1992) argued that franchisors adjust to differences in risk, supervision problems and capital constraints more often through their contract mix decisions than through their contract terms, since they typically offer a single franchise contract at a point in time, which tends to be relatively stable over time. So she argues that it is more valid to focus on studying the proportion of franchise stores rather than the terms of the franchise contract when studying governance structure. Lafontaine (2001b) applied agency theory persective to analyse the governance of international franchises. She conducted a research on large geographical dispersed chains with international operations and experience in master franchising and concluded that they have the same extent of company owned versus franchised stores worldwide as in their domestic market. Moreover, the financial contract terms set by the franchisors, in the vast majority of cases, are exactly equal to those set in their home market.

“Consistent with agency-theory arguments, the few firms that do use a differentiated contractual structure tend to be those with more international experience and a more delegated approach” (Lafontaine, 2001b).

It can be argued that the organizational structure is the skeleton of the company where as control and culture provide the muscles, nerves and sensations that allow regulating and governing (Jones and George, 2003). We can identify three types of control; the output control, through financial measures, organizational goals and operating budgets, the behavioural control, by direct supervision, management by objectives, bureaucracies, formalisation and hierarchies, and finally,
the clan control. The latter being the way to govern through the values and norms of an organization’s culture (Ouchi, 1980).

In the case of behavioural control through hierarchies we see that as companies grow, managers need to develop a clear hierarchy of authority in order to be able to coordinate the organizational activities (Blau, 1970). The hierarchy of authority is an organization’s chain of command, specifying the relative authority of each manager. By authority we mean the power to hold people accountable for their actions and to make decisions concerning the use of organizational resources. As hierarchy rises, the organization becomes less flexible, managers’ response to changes slows and costs rise from the existence of many managers. Also communication problems arise, resulting in more time-consuming decision making, and in the accidental or intentional distortion of commands and orders (Jones and George, 2003). Hierarchy creates unacceptable levels of organizational inertia that impedes the organization to respond to turbulent environments and to manage efficiently information (Achrol, 1997).

Based on Sharir and Lerner (2006) findings the governance of social enterprises based on behaviour, decision making, skills and mix of the board of directors and board of trustees- who are often pro-bono members- are important contributors to the success of a social enterprise but there was no indication of a significant correlation among boards and success.

In the case of the clan control we see that employees internalise organizational values and norms, and then let these values and norms guide their decision and actions. Norms are unwritten informal rules or guidelines that prescribe appropriate behaviour in particular situations, they emerge from values and have the same function as formal rules and direct supervision, thus as the hierarchical controls (Lebas and Weigenstein, 1986). An organization may intentionally choose to encourage and develop the organizational values and norms that are suitable to their task, environment, strategy or technology (Feldman, 1984) as there should be coherence between structure and task (Mintzberg, 1981). According to Ouchi (1980) when a strong and cohesive set of organizational values and norms exist, then employees act for the best of the organization in the long-run. What keeps partners together in alliances is not only the expectation of gains but rather values and common interests (Ouchi, 1980).

According to Gulati and Singh (1998) previous research on governance structure has been inadequate because of two reasons. Firstly it has been based on transaction cost theory suggesting that hierarchical controls are a response to appropriation concerns in alliances and even research on the theory of the firm has suggested, they argue, similar moral hazard concerns as a reason why firms integrate power relations. Ring and Van de Ven (1992) argue that traditional transaction cost economics and agency theory leave a void in the study of governance modes because they ignore the issue of trust and of equitable outcomes, they focus on a single transaction as a unit of analysis and they are static in their approach. As we find in the writings of Heide (1994) both microeconomic approaches of marketing channels literature and transaction cost theory are limited in that they fail to analyse the relationships between contracting firms.

Appropriation concerns come from contracting hazards and behavioural uncertainty at the time the alliance is being formed, difficulties of specifying intellectual property rights, challenges of contractual monitoring and enforcement, cost uncertainties, problems in observing partner’s contributions, and all these aggravate the potential for moral hazards. Hierarchical controls
enable monitoring and provide incentives and the greater the appropriation concerns from an alliance the higher the hierarchical controls will be (Glaister, 2004; Williamson, 1985). Appropriation concerns are influenced by two conditions: firstly, the presence of a technology component in the alliance, that is because it is difficult to monitor and codify the knowledge and fears of free-riding and possible appropriation of key technology by the partner arise so hierarchical controls will be higher, and secondly, the appropriability regime in the industry which is the degree to which firms can capture the rents generated by their innovations; the strength of this condition is related to the patent strength, the value of first mover advantage, and the ability to maintain the secrecy of an innovation, the weaker it is the more the hierarchical controls will be (Gulati and Singh, 1998).

In addition to that Gulati and Singh (1998) suggest that there are also concerns on anticipated coordination costs that influence the governance structure of an alliance. Gulati and Singh (1998) researched the level of coordination costs in alliances and found them to be very indicative of the governance structure that would be chosen. Coordination costs arise from the interdependence of tasks across organizational boundaries and the complexity of coordinating activities to be completed jointly or individually, they also derive from the division of labour and the uncertainty originating from the need to coordinate interdependent subtasks. When interdependence or coordination costs rise they can lead to an increase to information-processing costs, to pressure for fast responses and to conflict all these can ultimately lead to a drop in performance (Gulati and Singh, 1998).

Interdependence between partners can vary at one extreme an alliance may have a simple division of labour with minimal ongoing adjustments or at the other extreme there may be anticipation of a complex and overlapping division of labour that demands mutual adjustments between partners and require each partner to link specific activities with other partners regularly (Gulati and Singh, 1998).

“Interdependence is a vital element that holds the network into a stable, cohesive and mutually oriented economic system and leads to attitudinal commitment which provides the foundation for the development of social norms of governance” (Achrol, 1996:12).

The higher the anticipated level of interdependence between alliance partners the greater the expected coordination costs will be, so partners will have to create mechanisms through their governance structure to be able to process information (Gulati and Singh, 1998). Hierarchical controls institutionalize or formalize interactions between partners and reduce uncertainty for future tasks they can also decrease coordination costs by informal means, by creating a moral sense of shared purpose and minimize conflict. Coordination costs are managed by hierarchies through planning, rules, programs and formalised procedures (Dahlstrom and Nygaard, 1999; Ghoshal and Moran, 1996; Gulati and Singh, 1998).

“Franchisees will make substantial contributions to innovation such as new product development or pioneering ways to adapting to local conditions like cultural differences. As system grows and matures this contribution will be formalized” (Stanworth and Curran, 1999).

Waddock (1991) produced a typology of social partnerships based on multiplexity and on joint-problem solving perspective. He argues that the type of social partnership that will be formed and
the number of partners is dependent on interdependence and on the structure and salience of the problem. Three types emerge: the systemic social partnerships, when interdependence is high organizations commit at a strategic or institutional level and the need of interaction among top managers is needed; the federation partnerships when interdependence is medium; and the programmatic partnerships when the problems are structured, so interdependence is low and the partnerships includes interaction of low level managers. If there is a fit among these elements then social partnerships tend to be more successful (Waddock, 1991).

Secondly according to the writings of Gulati and Singh (1998), prior research has been restricted because theorists have classified alliances as equity and non-equity and have considered shared equity synonymous to hierarchy. They argue that shared equity offers only a partial measure for categorising types of governance structure.

“Equity stakes provide a mechanism for distributing residuals when ex-ante contractual agreements cannot be written to specify or enforce a division of returns” (Teece, 1992: 20).

As we find in the writings of Gulati (1998) a major drawback in the traditional literature on governance structure is that the thinking is static and ignores the influence of time and experience to alliances governance structure. They argue that appropriation concerns and coordination costs can be controlled through the emergence of trust and social norms in alliances.

Network theorists believe that:

“The governance structure may be the result of previous alliances and of the prior interaction between partners that may change the thinking of firms when forming contracts” (Gulati, 1998:303).

Multi-unit ownership as opposed to single-unit ownership emerges as a compelling typology in studying governance structures. Multi-unit ownership being an accumulation of alliances between the same partner actors provides many advantages to franchisors, minimising threats of adverse selection and moral hazard, of free riding and shirking, rapid system growth, system-wide adaptation and uniformity, and the strategic delegation of quantity or price choices; the multi-unit franchisee gains subsystem scale economies as well as higher control advantages in the wider system (Weaven, Grace and Manning, 2009). The profile of franchisees of multi-units is more entrepreneurial than single-units which could be seen as a ‘controlled self-employment’. Evidence from research suggests the correlation among personality traits of franchising partners and governance structure mode (Weaven, Grace and Manning, 2009).

The appropriation concerns of firms when forming alliances can be minimized either by a detailed contract or by trust (Gulati, 1998). According to contractual theory the relationship between contracts and trust has been widely researched implying that contracts can offset cooperation; that law is inversely related to cooperation (Arrighetti et al, 1997). There are three types of contractual approaches the classical contract law based on strong legal agreement that provision for all cases; the neoclassical contracts where assets are specified but flexibility is allowed; and relational contracts were the focus is on ongoing cooperation, flexibility, building trust, and self-regulating mechanisms based on social norms of governance (Arrighetti et al,
Evidence from Arrighetti et al (1997) cross-country research supports the significant role of trust in the formation and governance of inter-firm alliances as opposed to contracts. Social venture networks governance is based on relationships and trust (Meyskens et al, 2010a). The embeddedness of alliances in trusting relationships has as a result that the partners are likely to have greater confidence in the predictability of each other’s actions and thus appropriation concerns will be lower when forming the alliance.

“The primary control mechanisms that govern economic transactions between firms are price, authority, and trust, therefore if there were trust firms would not find hierarchical controls necessary” (Ring and Van de Ven, 1992).

Gulati and Singh (1998) argue that inter-firm trust can also control coordination costs since partners are more likely to be aware, or to have the willingness to become aware, of rules, routines, and procedures without the need of formal hierarchical control. Coordination costs would be also reduced in the case of inter-organizational trust promoted by prior networks. In Gulati and Singh’s (1998) writings it is stated that the presence of trust in alliances can reduce adverse selection problems. Therefore Gulati and Singh (1998) argue that network embeddedness can promote trust, which can control both coordination costs and appropriation concerns and thus partners are likely to promote fewer hierarchical controls.

According to the findings of Gulati and Singh (1998) alliances in which there is less trust between partners are more likely to be organized with more hierarchical governance structures that those in which there is greater. Repeated ties diminish the use of hierarchical controls, regardless the type of their prior alliances.

According to the relational contracting theory of Macneil (1978; 1980; 1981) relational exchange is formed by the historical and social context in which transactions take place. Enforcement of obligations is viewed as being based on the bilateral relational aspects that govern the relationship between the contracting parties. He differentiates relational exchange from discrete exchange, the latter is the case of transactions as defined by the classical and neoclassical economic theory where actors remain autonomous, pursue their self-interests and rely on economic and legal sanctions. It is a unilateral governance mode based on hierarchical command. As we find in the writings of Rubin (1978) and Heide (1994) franchising is considered often a unilateral governance mode as the franchisor specifies standard operating procedures, incentive systems, monitoring mechanisms and termination clauses. Sharma’s (1998) research identifies three factors that govern exchange in international inter-firm alliances which manage to control opportunism and prevent exit from the alliance, these are: relational, ethical and institutional.

“Governance is a normative process in which the members of a system come to adopt the norms of the larger system through socialization efforts... deviance or opportunism is dealt with in a proactive fashion; members use self-control based on their internalised values” (Heide, 1994: 74).

Although this approach encompasses the social structure within which exchange is embedded (Granovetter, 1985), Macneil’s theory has been criticised as failing to make explicit predictions with regards to the conditions under which bilateral structures are appropriate in dealing with performance ambiguity and offers only general assumptions that bilateral elements are required
for a set of parties to project their exchange into the future (Heide, 1994: 74).

An important notion of norms is the fact that they are a system of voluntary shared values. In addition to that there has to exist a notion of sanctions for non conforming behaviour, the latter is seen through the force of social obligations and not through hierarchy. For a system of sanctions to exist there has to be some sort of denial of privileges, roles and status for the non conforming behaviours. The mechanisms that institutionalise these social sanctions have to be though peer processes of a self-regulated system where transparent communication and free flow of information exists about all members of the network (Achrol, 1997). Even when actors do not value certain norms and reject them, evidence suggests that they will conform to the majority of the norms (Packer, 2008). Granovetter (1985) argues that embedded partners in social networks put the networks in risk if they act opportunistically and they emphasize the presence of mechanisms to impose social costs and, as DiMaggio and Powell (1983) claim, to lose social legitimacy by having a reputation of a cheater. Social norms emerge partially from direct, utilitarian roots related to social sanctions and reputational loss by acting opportunistically (Ring and Van de Ven, 1992).

Social inter-firm alliances are associated with a long-term horizon of cooperation which is mutual to all partners, there is a level of risk-sharing and exchange of information; this can take a formal contractual form or be based on informal agreements (Arrighetti et al, 1997). Social partnerships have shared responsibilities and power, they interact to mutually implement and manage activities, they must be committed to a common goal, they lie on a common shared set of values, and their purpose has a social positive impact; their structure is that of a network (Sakaraya et al, 2012; Sorensen et al, 2013; Vock et al, 2013; Waddock, 1991).

Network organizations are organised on decentralized authority which is based on the social norms of mutuality, solidarity and commitment, where committees act in the interest of the common good of the network (Achrol, 1996). Coercive types of power are replaced by expert, reputational and referent types of power (Achrol, 1996). Evidence from Mair and Sezgi (2011) research indicates that the issue of the type of control systems of the governance of social enterprises affiliations when scaling up should be based on informal mechanisms like communication, mobility and training (that account for higher commitment) when a social enterprise wants to maintain higher control levels and both operational and value consistency. The elements of control and resource dependencies were also identified by Lyon and Fernandez (2012) as determinants in the choice of the governance mode of scale up strategies of social enterprises.

Social entrepreneurs function in environments with inadequate governance and control mechanisms (Zahra et al, 2009). The existence of institutional plurality which is more possible to arise in social partnerships that have to combine different logics (logics guide actors’ beliefs and behaviour) through their hybrid nature of having at the same time social nonprofits logic and rely on the logics of a specific sectoral business logic, can lead to the emergence of conflict. The network to overcome conflict and institutional plurality needs to create a strong identity based on a specific set of values and behaviours. The mechanisms that are employed to achieve this are through hiring or partner selection and through socialization policies (Battilana and Dorado, 2010). These mechanisms used are in line with Mair and Serzgi (2011) research and are: communication, training, and incentive systems of collective performance and group activities.
Evidence from Leadbeater’s (2006) research suggests that the governance of networks of social entrepreneurship are based on five key factors: firstly, an open and inclusive leadership style; secondly, shared platforms where there is free access and open flow and sharing of information; thirdly, a pragmatic philosophy of social innovation which allows for experiments, trials and errors; fourthly, on a high distribution of resources to all agents of the networks; and finally, on a collaborative and conversational engagement which allows for shared responsibility, there are clear rules but also ability to mutate, adapt and evolve for a fast growing network to survive. In investigating cross-national best practices of social enterprise the conclusions of Alvord et al (2004) indicate that the significant element is the ability of leadership—either of the individual social entrepreneurs or of groups—on managing relationships and establishing networks among diverse constituents. Their scale up is either organic by investing in organizational and management systems or through the establishment of social inter-firm alliances; a drawback in the latter is that the size of the venture remains small because the impact depends on allies rather than on organizational resources (Alvord et al, 2004). In the case of social franchising this weakness is offset as the social alliances are all part of the same network and investment in organizational capacities (like management systems, staff development, and performance evaluation and reporting systems) is a pre-requisite for its formation.

2.4.8. Performance

2.4.8.1. Introduction

“The issue of measuring the performance of an alliance has received less attention because of various difficulties, such as measuring indicators and collecting data, as a result it remains one of the most exciting and under explored areas of alliance research” (Gulati, 1998:308).

This process becomes an even bigger challenge for social enterprises and social franchises as social outcomes and social impact have to be measured and evaluated and a balance has to be kept among social and financial objectives (Meyskens et al, 2010a; Nicholls, 2010b; Zarha et al, 2009).

2.4.8.2. Measuring performance social inter-firm alliances & social venture networks

In measuring performance one approach is in the use of objective measures, like financial indicators, market share, survival and alliance duration, but these measures have been criticized as being too narrow. Research indicates that multiple performance measurements should be used (Sharir and Lerner, 2006).

“So researchers have begun to use indirect criteria for assessing alliance outcomes like fulfilment of major strategic needs and indirect performance indicators (net spill over effects for parent firms, the alliance’s profitability relative to its industry, and overall performance assessment by responsible parties)” (Parkhe, 1993b).
In social partnerships the performance is measured with regards to the actual delivery of the desired outcomes that benefit all partnering organizations, so all members must receive benefits (Meyskens and Carsrud, 2011; Meyskens et al, 2010a); the benefit that partners receive must offset their costs for entering into social alliances (Waddock, 1991). Social enterprises are evaluated through their social impact and social value creation. Impact is not only seen as the output of social venture activity but is also built in its operation process thus throughout their entire value chain (Nicholls, 2008).

Evidence from Sakaraya et al (2012) research on social alliances indicates that performance measurement can be done by using perception criteria of impact achieved and criteria for measuring the social transformation impact of alliances. Social enterprises measure the social impact of the output of their social alliances and no measurement exists to assess their corporate partners meeting of objectives. The means to collect data are through on site data collections techniques, recording devices, tools created by psychologists, and enterprise information system. According to Zahra et al (2009) performance can be measured through social wealth creation which adds on total wealth maximisation, encompassing both economic and social wealth creation and costs incurred and accounting as well for opportunity costs (that is of opportunities that have not been pursued). Balancing among their motive to meet social objectives but at the same time achieve financial sustainability is a difficult process for social entrepreneurs (Zahra et al, 2009). An important obstacle in performance measurement of social ventures stems from the difficulty of measuring many of the products and services that social entrepreneurial ventures offer, like how to measure clean water or change in norms and behaviour and also from the subjective nature of social value itself among societies (Zahra et al, 2009). As Alex Nicholls (the first world Lecturer in Social Entrepreneurship at Skoll Research Centre in Oxford University) says (in Sky News, 2012) when an organization is deciding in which way to chose to assess its social impact the important thing is primarily to turn to its beneficiaries and ask them ‘how would you evaluate us?’ and then incorporate those parameters in the social reporting of the organization.

The most popular measuring instruments of social ventures are the triple bottom line approach (Elighton, 1994) and the social return on investment (SROI); the former evaluates performance based on value creation with reference to people, planet, profit or else economic, social, environmental impact measurements. The latter is an adaptation of (ROI) ratio through a blend of both social and economic value creation elements (Emerson and Bonini, 2003; Meyskens et al 2010b). Other instruments are: the balanced scorecard (Kaplan, 2002), social reporting and various quantitative benchmarks (Nicholls, 2008).

Evidence of Sharir and Lerner (2006) research identified eight elements of success in social enterprises, these are in order of importance: the entrepreneur’s social network, commitment to success, capital base in starting up phase, receptiveness of venture in public discourse, start-up team composition and also ratio of paid staff to volunteers, establishment of alliances with public bodies and nonprofits in the long-run, market testability of offering, the entrepreneurs background in terms of management experience. In evaluating performance they measure three conditions: the level at which social enterprises can meet their objectives, the capability of the social enterprise to raise resources so as to maintain stability and sustainability of the offering (service/product/programme), and the resources available to achieve growth and development. The variables are drawn from individual, environmental and organizational contexts and process.
Their findings indicate that the only two conditions that are necessary to the success of the social venture are the social network and levels of commitment. Meyskens and Carsrud (2011) research results support that alliances and networks are more important for social ventures than for mainstream businesses (Galaskiewicz et al, 2006) and also that they are more important for social ventures in developing countries than in developed countries to overcome formal and informal institutional barriers and to overcome higher resource restraints that social ventures face (Meyskens and Carsrud, 2011). The results of Sakaraya et al (2012) findings indicate that: performance measurements of social alliances revealed the altruistic motives of social enterprises; the perception of impact achieved was evaluated as successful for all partners although perceptions were higher for corporate partners than social enterprises due to the fact that social enterprises engage in many social projects and have higher knowledge of the needed impact. In measuring the social transformation element findings indicate that most corporate-social partnerships are micro in focus as they target individual and organizational change and their nature is cultural. Their research confirmed the issues of effectiveness and sustainability of such social ventures in making social change.

Various research studies support that the survival and success of social enterprises is heavily associated with their ability to secure financial capital coming from formal institutions like the EC, governments and local authorities, from the social investment market, from philanthropic donations, from crowd funding platforms and customers (Nicholls, 2010); their access to financial capital can allow them to focus on delivering their social objectives and creating social impact (Meyskens et al, 2010a). To be able to access capital social enterprises need to use performance measurement tools which is a skill that most of them lack (Nicholls, 2010).

In social franchising in lack of a strong brand the performance of social franchisees plays a significant role to the survival and development of the system (Sivakoumar and Schoormans, 2011a); their capabilities to raise funds from donors, to engage and raise community resources, to act as referees through word of mouth, to meet social objectives and make social impact at their local communities, to maintain quality of social offering. Evidence from current research suggests that personality traits of franchisees influence their performance as well as the quality of the relationship with the franchisor, compatibility and stability of franchise systems (Weaven, Grace and Manning, 2009). The latter view performance in terms of the franchisees financial performance, the quality of the relationship with franchisors seen as stability and compatibility and through the franchisee services offered to customers seen as standardised vs. customised arguing that customised services lead to long-term and trusting relationships with customers thus better performing systems.

Related to performance is the issue of alliance stability. According to Gomes-Casseres (1987) there are three types of alliance instability: an alliance may liquidate completely, an alliance may be sold to the local partner or others, or one partner can buyout the other’s interest in an alliance and create a wholly owned subsidiary. Yan and Zang (1999) defined instability as:

“The extent to which the (alliance) alters its strategic directions, renegotiates its contract/agreements, reconfigures its ownership and/or management structures, or changes the relationship with/between the parents that may have a significant effect on the venture’s performance” (Yan and Zang, 1999: 405).
Another issue is the performance consequences for firms entering into alliances. Research suggests that there are positive performance outputs for firms entering into vertical alliances when there is high information exchange and long-term commitment, which lead to greater cooperation and joint activities among partners, and higher asset-specific investments (Gulati, 1998). Hybrid organizational forms provide a way to overcome the agency problems of adverse selection and moral hazard in selecting, assimilating, and monitoring new managers (Shane, 1996). Shane concluded that franchising is an expansion strategy that provides positive outcomes to growth and survival since it overcomes managerial limits to firm growth. Strong evidence from many research studies supports the positive causal relationship among cooperation and performance, especially in the case of networks which have proven to be sources of higher efficiency and competitiveness (Arrighetti et al, 1997); taken into account the losses associated with overembeddedness in networks.

Based on the competitive strategy theory there are factors that provide strategic advantages to established firms against their competitors and create entry barriers to new firms, such factors are: cumulative experience, scale economies, product differentiation, high capital requirements and the benefits associated with the location of a firm’s headquarters (Huszagh et al, 1992). Huszagh et al joined the two theoretical perspectives of the competitive advantage and the theory of the firm and concluded that franchisors with an international network have greater competitive strengths in comparison to domestic franchise nets in terms of experience, scale economies and location and that such strategic advantage provides greater prospects for success against internationally established firms.

According to Gulati (1998) it is important to research the issue of whether alliances that are embedded to a greater or lesser degree in various networks perform better or worse than others and why; he also argues that the extent to which an alliance is embedded is likely to influence its performance. Evidence from various research studies supports that social enterprises growth and success is greatly associated to their embeddedness in social networks (Alvord et al, 2004; Leadbeater, 2006; Meyskens and Carsrud, 2011; Meyskens et al, 2010a; Sharir and Lerner, 2006). According to Burt (1977, 1992) to approach the issue of performance in social networks of alliances we have to view actors as being provided with social capital which can become an essential foundation for competitive advantage.

This is because by being in an alliance the partnering firms are most likely to share high levels of confidence and trust, both because they have greater information and because the network creates a safeguard for bad behaviour that would damage reputation. As Powell (1990) argues embedded relationships have fundamentally different characteristics and course than those that are not. Therefore there are higher prospects for success of the alliance. Research has also indicated that alliances with embedded ties may perform better and for longer (Gulati, 1998; Kogurt, 1989). The extended network of embedded ties has profound effects on firms’ performance (Uzzi, 1997). The values and norms of an organization affect organizational actions and behaviour and thus are closely linked to its performance (Jones and George, 2003).

“Trust has been shown to be a determinant of critical factors related to performance, like more open exchanges of relevant ideas and feelings, greater clarification of goals and problems, more extensive search for alternative courses of action, greater satisfaction with efforts and greater motivation to implement decisions” (Zand, 1972)
“The different evolutionary paths that alliances follow can have very important implications on their performance” (Harrigan, 1987).

“It is important to investigate the dynamic processes that underlie the development of alliances, which can offer valuable insights on how they could be better managed” (Gulati, 1998:305).

Proven and Milward (1995) did a comparative study of inter-organizational networks to investigate the issue of network effectiveness; their findings indicate that critical structural and contextual factors were significant, these are: network integration, external control, system stability and environmental resource munificence. For their research design to assess effectiveness they considered the views of organizational constituencies or key stakeholders and chose a measure of effectiveness that reflected outcomes of network-level activities and structures.

2.4.8.3. Failure rates of franchise ventures and networks

According to a research conducted by Stanworth et al (1998) business failure rates of franchised small businesses are at least as high as non-franchised small businesses (Higgins et al, 2008). New methods indicate that franchising could be more risky than conventional business in the first five years of operation, but thereafter, has a relatively low risk of failure once break-even has been reached. According to another study of Stanworth (1995b) it was proven that developmental franchises would experience high rates of business failure. The result was that half the sample had failed in 10 years time scale and that franchise operations are quite vulnerable to failure in the early years of their development. The analogy that applies for commercial to social businesses failure rates apply also to mainstream and social franchise failure rates (Richardson and Berelowitz, 2012)

Based on the principle of ‘cloning’ success, a principal tenet of the franchise fraternity is that franchise failure rates are low (Stanworth et al 1998); therefore it is valuable to compare franchise failure rates with SMEs failure rates. According to Hoy (1994) the issue of franchisee failure rates is an ambiguous area because of the following problems: unreliability of uncorroborated franchisor reported data. Many franchisee failures are disguised by franchise outlets changing hands, ‘under-reporting’ by franchisors, low questionnaire response rates, the exclusion of unethical franchises, etc.

Storey (1994) after comparing US and UK data on SMEs resulted in:

“The broad pattern which emerges is that the young are more likely to fail than the old, the very small are more likely to fail than their larger counterparts, and that, for young firms, probably the most powerful influence on their survival is whether or not they grow within a short period after start-up” (Storey, 1994: 109).

This also supported by Martin (1988) who argues that the larger a franchise system is, the lower the per-unit cost of operating it because of economies of scale. Therefore the survival of new franchise systems depends on whether they will be able to grow at the number of outlets that will
provide them with competitive cost structure before they run out of cash (Carney and Gedajlovic, 1991).

Moreover based on data analysis from VAT registrations and deregistrations he showed that failure rates of UK small business start-ups is 1/3 (33.3%) within 3 years and 70% within 10 years, with higher rates of failure on the 2\textsuperscript{nd} and 3\textsuperscript{rd} year. Also according to Phillips and Kirchhoffs’ study (1989: 74) they used the US Small Business Administration’s 1976-1986 Establishment Longitudinal Microdata files and showed that small business start-ups failure rate over 6 year period is 60% it ranging from 75%in construction and 53% in manufacturing.

On the other hand on Franchise failure rates we have the following studies:

Lafontaine and Shaw (1996; 2005) using data in the US from 1980-1992 showed that in a period of 11 years the failure rate of franchise business was 70.8% and in a period of 12 years was 71.4%. In 1989-1992 they identified 2,524 firms entering the franchise industry of which 1,941 exited during the same period. They commented,

“This while many firms keep entering into franchising, giving the impression of tremendous growth, many are also exiting, leading to an overall growth rate at best commensurate with that of the economy” (Lafontaine and Shaw, 1996, 2005).

“The use of franchising enhances firm survival and growth. This finding is particularly significant given that the failure rates of new franchise systems approximate that of new organisations” (Shane, 1996: 230).

Shane identified 138 US franchise systems in 1983 and in a period of 10 years the 75.4% had failed.

“Potential franchisees should be very wary of buying into systems that have not yet reached their fourth anniversary” (Shane, 1996).

According to Price (1996) in the UK in the period 1984-1995 a total of 1,658 companies were identified as being operational and at the end of the period a 64% had failed, with younger systems displaying higher withdrawal rates than their older counterparts.

“There is evidence from the US of franchisor failure …may not only fail but do so quite frequently” (Ozanne and Hunt, 1971).

They also argued that these tend to be younger franchises with only fairly small numbers of franchisees experiencing the problems of rapid growth.

Bates (1995) created a sample of 7,270 small businesses started between 1984-1987 from the US Census Bureau’s Business Owners Database. He used 1987 as a baseline and analysed those companies through to 1991. He found out that 34.9% of franchised businesses failed compared to 28% of non-franchise businesses. And that pre-tax income was higher for non-franchise businesses.
According to Stanworth and Curran (1999) factors that influence the survival of a franchise net are at the societal level, political factors, such as the emergence and survival of franchised business forms depends on state attitudes to small enterprises. They also argued that franchise failure rates are the result of interplay between age of system, quality of franchisees’ prior experience, sector, and niche and vary within even the same franchise.

Cross (1994) concluded that the SME failure ‘generic’ factors are: undercapitalisation, absence of economies of scale, lack of business acumen, inability to survive intense competition where entry barriers are low. While franchising related factors are: business fraud, intrasystem competition between franchisee-franchisee and franchisee-company owned, insufficient support, poor franchisee screening, and persistent franchisor franchisee conflict. According to Bates (1995) other reasons are high royalties and franchisor base fees. According to Mendelsohn (1992) lack of adequate infrastructure of the franchisor, poor management and control of the chain, inexperienced executives and badly staffed franchisor, inefficient channels of communication with the net that impede the flow of information. Coming from the franchisee: badly choosing franchising as a way to be self employed, badly choosing to invest in a concept that does not fit with his/hers nature, wrong selection of geographical spot to open the franchisee store, low initiated and low motivated, a franchisee that resists change and improvement of the chain.

Issues related to the international expansion of a franchise network that can lead to failure are: evaluation of target markets, selection of franchise candidates, location of sites, legal barriers in matters of taxation, protection patents, and trademarks, maintenance of product quality, and supervision and training of personnel. It is difficult to maintain control on product quality and employees’ attitude towards customers. There are many problems related to personnel management, financing and marketing adaptation. (Adams, 1987)

The risk to integrating the framework of network organizations in franchise systems could lead to failure. Barriers to that are: time, network cultures take time to develop and franchisors may not want to wait, to find prospective franchisees with the network mind-set, the unwillingness of franchisors to lose control and power, the unwillingness of franchisors to face the short-term losses of implementing a network theory (Achrol, 1996). Also other risks associated to network strategy is overembeddedness and the paradoxes of networks (see Chapter 2.5.3.4)

Solutions that could promote the success of an alliance are: flexibility in the management of the alliance, building trust with partners, constructive management of conflict, continuity of boundary personnel responsible for the interface between the firm and the alliance, managing partner expectations, etc (Gulati, 1998).

2.5. Conceptual Theoretical Approaches in Studying Social Inter-firm Alliances and Social Networks

At this chapter we attempt a critical review of the main conceptual theories that have been adopted in the study of inter-organizational alliance literature, franchising and networks

In researching theories of cooperation there is no universal accepted theory to economists, sociologists and anthropologists (Child and Faulkner, 1998). There are different approaches from economics, game theory (Axelrod’s, 1984; Zagare, 1984), strategic-management theory
(Contractor and Lorange, 1988; Harrigan, 1988; Geringer, 1991), organization theory (Barney, 1991; Grant, 1991; Peteraf, 1993; Wernerfelt, 1984) and other. There are four main different approaches in economics which have been used in analysing cooperative strategies: the market-power theory, transaction-cost economics, agency theory and increasing returns theory. As presented in Glaister (2004) inter-firm alliances have been examined from a variety of theoretical perspectives, two approaches have been influential the transaction cost theory (Williamson 1975, 1985, 19991; Hennart 1988, 1991; Beamish and Banks 1987; Buckley and Casson 1988) and the resource-based view of the firm (Penrose 1959; Wernerfelt 1984; Mahony and Pandian 1992; Grant 1991; Barney 1991; Peteraf 1993). These two theories provide different insights to the issue of alliance activities and according to the findings of Glaister’s study both theories influence the decision to form a joint venture. Moreover his findings support that together these perspectives provide a more balanced and comprehensive understanding of the potential advantages of collaborative ventures.

“Therefore they should be regarded as complementary views rather than substitute views. Both perspectives assume a rational choice process in deciding to adopt a particular organisational form. Transaction cost basing choice on cost minimization and resource-based view on value maximization” (Glaister, 2004:497).

Most research trying to explain the creation of franchise systems has been based on franchisor motivation and used agency theory (Monye, 1997; Lafontaine 2001b, 2002) and transaction cost analysis (Dahlstrom and Nygaard, 1999; Stanworth and Kaufmann, 1996). Other theoretical approaches include resource scarcity theories (Castrogiovanni et al., 2006; Tracey and Jarvis, 2007), life-cycle theory (Vernon, 1966; Stanworth et al, 1996), entrepreneurial theories (Kaufmann and Dant, 1999); the theory of the firm (Huszagh et al, 1992); institutional theory (Barthelemy, 2011; Combs, Michael and Castrogiovanni, 2009; Gauzente and Dumoulin, 2012; Gorovaia and Windsperger, 2013; Young and Merritt, 2013). Previous literature has investigated issues referring to franchising, such as ownership redirection (Dant et al, 1992), franchisee selection (Doherty, 2009; Holberg and Morgan, 2003), efficiency (Lafontaine, 1992), control (Brickley and Dark, 1987), coordination (Lal, 1990) and the failure of new franchise systems (Bates, 1995; Lafontaine and Shaw, 1996; 2005; Ozanne and Hunt, 1971; Shane, 1996; Stanworth, 1995b; Stanworth et al, 1998; Storey, 1994) from a domestic perspective. There have been researches which attempt to create new conceptual models of franchising (Sashi and Karuppur, 2002; Stanworth and Kaufmann, 1996). Franchising in global markets (Eroglu, 1992; Quinn and Doherty, 2000; Sashi and Karuppur, 2002). In recent years there have been more attempts to cover the international aspect of franchising. So there are studies about the diffusion of franchise systems (Welch, 1989; Aydin and Kacker, 1990), differences between domestic and international systems (Huszagh et al, 1992), factors prompting internationalization (Eroglu, 1992; McIntyre and Huszagh, 1995; Shane, 1996), and control issues in international franchising (Quinn and Doherty, 2000).

Traditional approaches have viewed the phenomena from a dyadic perspective as opposed to systems and network perspectives (Gulati, 1995, 1998; Paswan, Loustau and Young, 2001); therefore the network concept is presented hereunder and is evaluated against the other conceptual theories. Social network theorists have mainly approached there analyses through two perspectives the relational network perspective and the structural network perspective (Burt, 1992, 2004; Granovetter, 2005; Ibarra, 1993; Obstfeld, 2005;). Few research studies have dealt
with the relational ties of franchising through the network theory perspective (Achrol, 1996, 1997; Achrol and Kotler, 1999; Kaufmann and Dant, 1992; Li et al, 2013; Paswan, Loustau and Young, 2001). Structural network perspectives have dealt with issues of power, control, and flow of information by focusing on the positioning of members in franchise networks (Boje and Whetten, 1981; Bonacich, 1987; Hinings et al, 1974; Marsden, 1983; Pfeffer and Salancik, 1974). The problems of mainstream franchising have been related to moral hazards, high monitor costs from forbearance and sub-optimal behaviour, free riding hazards and opportunistic behaviour. The solutions to these problems through the perspective of the dyadic relationship have been provided by legal or economical acts. In contrast to that network organization framework proposes that franchisors, franchisees, suppliers and customers are intricately involved with one another (Paswan, Loustau, and Young, 2001). There is a growing interest in understanding the influence of the social context in which firms are embedded on their behaviour and performance (Gulati, 1998). The network is the key-integrating concept because it offers the essential context in which a mini society governed by its own norms of conduct can emerge and regulate itself (Achrol, 1996).

2.5.1. Transaction Cost Theory

Transaction cost theory is the most popular one used to explain alliance formation (Tsang, 1998:218) and offers compelling logic for evaluating the efficacy of exchange in alternative governance structures, like franchise (Dahlstrom and Nygaard, 1999). The most common explanations of the emergence of franchising are linked to transaction cost theory (Stanworth and Curran, 1999). Transaction cost theory was pioneered by Coase (1937) and developed by Williamson (1975).

In transaction cost economics the decision centre of a firm targets on minimizing the transaction costs and production costs (Williamson, 1975) in order to maximise efficiency (Stanworth and Curran, 1999). Transaction costs are those caused by the realization of an economic exchange, such as costs of research, negotiation, monitoring and control of economic exchanges, finding contacts, managing logistics (Glaister, 2004) and vary independently of competitive prices and the product exchanged (Robins, 1987). While production costs are related to in-house learning, organizing and managing production. When the transaction cost of an exchange is high according to Glaister (2004) then internalization (mergers, acquisitions and internal development) is preferred. On the other hand market exchanges that incur transaction costs but avoid production costs will be chosen when production costs are high and transaction costs are low.

Williamson (1975, 1985) identifies a set of factors that influence the decision of a firm to conduct transactions in the market or within the organization (the latter is called ‘hierarchies’, where one set of owners/managers have unilateral authority which usually defines large-scale vertically-integrated organisations), such as: opportunism, bounded rationality, number of exchanges, degree of uncertainty and complexity, information impactedness, and asset specificity.

Between the two choices of market and hierarchies there are intermediates stages, which are hybrid governance structures (Glaister, 2004), like franchising. The franchise business form is an important strategy to reduce transaction costs in many sectors (Stanworth and Curran, 1999).

After an agreement is established the partners face bargaining, monitoring and maladaptation
costs (Williamson, 1985, p.21). Partners can control and monitor activities which result in decreasing the level of control that the other can exercise. To overcome this as stated at Glaister (2004) they rely on long-term contracts, on both offering mutual hostages, such as assets and on building trust.

“In the transaction cost theory inter-firm alliances are viewed as a hybrid form between the polar cases of market and hierarchy, inter-firm alliances are chosen as the optimal organisation mode” (Glaister, 2004)

Partner selection involves issues of trust and opportunism (Williamson, 1975), so the type of the management control structure of the alliance will be determined by the transaction costs of the venture, in order to minimize opportunism and promote co-operative activity to bridge diversity (Parkhe, 2003). So the performance of the alliance will be seen in relation to partner selection, motives for alliance formation and the issue of control.

Dahlstrom and Nygaard (1999) argued that in long-term contractual alliances –like franchising-geographic distance, legal constraint, and local market characteristics often make integration infeasible or undesirable. Integration could damage motivation structures and complicate cost allocations. Management must therefore find other ways to boost performance. They proved with their study on franchise networks that management actions that try to minimize opportunism have as a result to lower transaction costs. To prove the above point they implicated inter-firm cooperation and formalization as control structures to ease opportunism.

The main theme of the transaction cost approach to the rational of alliance formation as Glaister’s (2004) study points out is to ask why a partner firm chooses a particular transactional mode, that is on which ground the choice between market transactions (such as exporting), internalization (internal development or mergers/acquisitions) and hybrid co-operative arrangements (such as joint ventures) would be made, that is what are the advantages of each alternative.

“In transaction costs, internationalisation is imperative when market agents are likely to take advantage of a firm’s limited knowledge and when future transaction contingencies could not be specified because of uncertainty or complexity” (Shenkar, 2003)

In predicting entry modes, transaction cost theorists associate higher cultural distance with a higher cost of transaction, due to information costs and the difficulty of transferring competencies and skills (Vachani, 1991 cited in Shenkar, 2003). The loosening of control in culturally distant locations was seen as a way of reducing uncertainty and information costs (Alpander, 1976; Richman and Copen, 1972 cited in Shenkar, 2003).

2.5.2. Agency Theory

Agency theory is another approach of economists that deals mostly with governance mechanisms from a principal-agent perspective and addresses issues like control, incentives, conflict, and asymmetry of information. It deals with identifying the most efficient contract to govern the relationship between agents and principals (Child and Faulkner, 1998).

According to the writings of Shane (1996) in most cases of modern corporations there is a
separation of ownership and control since managers are not the owners of the organizations that they manage. Entrepreneurs (principals) are compensated through residual claimancy and managers (agents) through wages, which means that they are motivated by different goals and may act in different ways. So there are three problems that owners face: adverse selection, when an employee misrepresents his/hers true abilities; moral hazard, when an entrepreneur cannot know whether an employee is working hard or shrinking (Hendry, 2002; Lubatkin, Schulze, Ling, and Dino, 2005); and holdup, when a principal may act opportunistically once the investment has been made to renegotiate the terms (Sivakoumar and Schoormans, 2001a).

According to agency theory, there are two solutions to these problems residual claimancy and monitoring, the first solution is to replace wage by hybrid organizational arrangements like franchising that provide residual claimancy to employees and the second solution is to increase the amount of information about the agents’ behaviour by monitoring agents (Shane, 1996). When applying agency theory to franchising according to research the owners encounter a significant dilemma. The dilemma is choosing between agents to manage the unit is either to employ a manager that will run the business and be remunerated by salary or to employ an external franchisee who is allowed to retain the unit’s profits in return for a fee; in both cases, the delegation of responsibility incurs agency costs for the system (Tracey and Jarvis, 2007). Shane’s research results in that when firms grow rapidly, franchising is a superior solution to monitoring employees and to reduce the agency problems of firm growth, thus of adverse selection and moral hazard in selecting, assimilating, and monitoring new managers and employees. As the firm grows franchise reduces the rate of the increase of monitoring costs, thus allowing the firm to grow faster (Shane, 1996: 221). Lafontaine (1992) concluded that in terms of the theoretical models explaining franchising, the empirical results are consistent with a two-sided hidden action or moral hazard explanation of franchising. That franchising is more possible to happen when there is an incentive or monitoring problem downstream since, she argues, franchisees are more motivated than hired managers.

According to the writing of Castrogiovanni et al. (2006) the cost-benefit trade-offs that the franchisor incurs based on agency theory mean that the proportion of franchised against company-owned outlets will get to an optimum level, rather than a maximum or minimum level. Also they note that evidence shows that agency problems are likely to decrease if the proportion of franchised outlets increases as the system grows.

A counter argument to agency theory comes from Stanworth and Curran (1999) who argued that franchisee motivation is more varied and complex than being simply an expression of profit maximization desires or a solution to hierarchical control as agency theory tends to suggest.

2.5.3. Market-power Theory

The Market-power theory is an economic theory that refers to the way organizations can improve their competitive success by securing stronger position in their markets. Higher market power which increases returns can be the result of cooperative ventures (Child and Faulkner, 1998).

A first approach of market-power theory to alliances was by Hymer (1972) who differed among offensive and defensive coalitions. One of the more influential writers on market-power theory is Michael Porter (1980); at his writings he refers to the notion that the relative position of
organizations in an industry formulates their generic strategies: cost leadership, differentiation or focus. Inter-organizational cooperation offers opportunities to firms to modify their position and thus their generic strategy.

Another theory that uses the market-power perspective is Porter’s (1985) value chain which categorises between primary and support activities. According to the value chain theory alliances can be seen as bringing together similar resources to secure economies of scope or complementary resources to create new joint value chains (Child and Faulkner, 1998).

As we find in the writings of Child and Faulkner (1998) the market power perspective focuses on how contextual features, like national, industrial, and organizational factors determine the cooperative ventures that firms can form. It is a deterministic approach that fails to capture the way that the emerged relationships between firms can influence the rationalities and strategic options of firms.

2.5.4. Increasing-returns Theory

Coming from the area of economics is the increasing-returns theory which contradicts the traditional economic assumption that after a certain point there are decreasing returns to factor inputs (Child and Faulkner, 1998). As we find in the writings of Arthur (1989) increasing returns are mostly evident in knowledge-based industries and help firms form dense technological networks and build loose alliances around those key technologies. In these cases returns have the potential to increase until they lead to market domination.

2.5.5. Resource Scarcity Theory

According to the writing of Meyskens et al (2010a) population ecology and resource dependent theories explain the formation and processes of social venture networks and inter-firm alliances; the former approach explains formation and stability seen as the need of organizations to adapt to natural and environmental constraints in order to survive and respond to selection pressures thus forming networks. While the latter explains control of actors in networks through their structural positioning, the logic is that organizations need to acquire scarce resources that other actors have which drives them to form inter-organizational relationships with them.

As we find in the writings of Oxenfeld and Kelly (1969) according to resource scarcity theory firms turn to franchising because of a lack of resources to finance their growth and this is due to the fact new firms often are established below minimum efficient scale (Lafontaine and Kaufmann, 1994). Research suggests that there is a positive correlation between acquisition of resources through franchising and growth and survival for new firms (Azoulay and Shane, 2001).

So franchising provides rapid market penetration and access to resources that are vital for the growth of the firm thus overcoming the barriers to financing that usually new start-ups face (Oxenfeld and Kelly, 1969; Tracey and Jarvis, 2007).

Apart from insufficient access to financial resources new businesses encounter lack of managerial expertise as well as low information on the local markets they want to expand to (Shane, 1996) so they turn to franchising to get access to new talent and to share the risk associated with entering
new markets (Kaufmann and Dant, 1998; Tracey and Jarvis, 2007).

According to the writing of Tracey and Jarvis (2007) as the social franchise system grows the social franchisor has greater access to financial and managerial resources so franchisors opt for maximization of returns (social and economic) from each unit. According to the resource scarcity theory the franchisor will try to turn the profitable franchisee units into company-owned ones. Nevertheless, research shows that franchisors do not search for buying out all of their franchised outlets as predicted by resource scarcity; this would be too costly, and as some franchised units underperform there would be no motivation to buy this back (Castrogiovanni et al., 2006). There is strong evidence to support that franchisors tend to keep a stable level of franchised outlets over time (Lafontaine and Shaw, 2005). As Stanworth and Curran (1999) argue business format franchising is characterised by format permanence, which means that the franchise business form is a relatively permanent and genuine form and unlikely to lapse into vertically integrated hierarchical organization, this may happen but there is no evidence of a pattern or cycle of development.

2.5.6. Game Theory

Game theory deals with the strategies adopted by the players of a game and with the prediction of outcomes from these games among economic actors (Child and Faulkner, 1998). It focuses mostly on the issue of cooperation and competition among partners of an alliance.

“Games are social situations involving two or more actors whose interests are interconnected or interdependent” (Zagare, 1984: 7).

Game theory assumes that actors’ behaviour is based on self-interest and though cooperation maximises joint interest it doesn’t maximise self-interest. This leads to the popular ‘prisoner’s dilemma’ which describes how one acts selfishly against the collective rationality of the common good as trust is inexistent. Axelrod’s (1984) research on game theory suggests that the best strategy is to be cooperative at the first time and to reciprocate your partner’s behaviour at the second round, the so called ‘tit-for tat’ strategy.

The more the players of the game the highest the cost for a partner who defects, as not only he will lose the benefits from the specific alliance but he will create a bad reputation against future alliances (Child and Faulkner, 1998). As we find in the writings of Gulati et al (1994) game theory fails to address the issue of cooperation being developed by partners mutually offering commitments. Child and Faulkner (1998) argue that the assumptions made by game theorists are simplistic and rarely found in real life; they also fail to include issues of social ties, embeddedness, norms created from the cooperation between actors, and the relational aspects of the interaction among actors.

2.5.7. Strategic Management Theory

From the area of strategic management theory we find many approaches that try to explain the motives for alliance formation, the choice of partners and the way integration among exchange partners is achieved and many of its contributions often join those of organization theory. Its main focus is how organizations manage to fit their respective strategies so that the alliance can
value-add to their strategic objectives (Child and Faulkner, 1998). Different approaches lead to different conclusions within the area of strategic management and according to the contingencies that each one assumes. We have presented in more detail some of these approaches in the previous chapters that dealt with formation, selection and governance. Namely some of the scholars are Contractor and Lorange (1988), Harrigan (1988), Geringer (1991), etc.

Scholars on strategic management theory focus on various contingencies like technology, size, environment, etc in investigating how fit of strategies can be achieved. Mintzberg (1981) argues that the major concept is consistency and coherence between structure and task. Child (1972) argued that strategic choice is the prevailed construct that forms an organization’s structure. Two issues that are of significant importance in inter-firm cooperation are national culture and organizational culture (Child and Faulkner, 1998). The contingent view of strategic management theory is more sophisticated and realistic than the universalistic rationales contained in the economic theories that we have presented and emphasizes the matching of partners rather than looking at cooperation simply from a single partner’s point of view (Child and Faulkner, 1998: 33).

Based on the competitive strategy theory there are factors that provide strategic advantages to established firms against their competitors and create entry barriers to new firms, such factors are: cumulative experience, scale economies, product differentiation, high capital requirements and the benefits associated with the location of a firm’s headquarters (Huszagh et al, 1992).

2.5.8. Resource-based Theory of the Firm

From the area of the organization theory we find an ample of perspectives that investigate the issue of inter-firm cooperation. A very influential approach is that of the resource-based theory of the firm. According to the resource-based view a firm can achieve and sustain a competitive strategic advantage from its assets in a way that cannot be imitated perfectly, or by its resources and capabilities that are durable and not perfectly transferable and replicable (Barney, 1991; Grant, 1991; Peteraf, 1993; Wernerfelt, 1984). The terms used in theory as ‘organisational resources’, ‘dynamic capabilities’, ‘core competencies’ and ‘invisible resources’ are all according to Tallman (2000: 97) considered as interchangeable. The resource-based approaches are rooted at the classical theory of the firm as conceptualised by Penrose (1959).

The Uppsala Model of the Nordic School (Johanson and Vahlne, 1977) approaches the issue of internationalisation through the resource-based theory; it explains entry modes as a time-dependent process and a consequence of a firm’s prior knowledge.

According to the writings of Glaister (2004) based on the resource-based view there are three mechanisms for acquiring resources and capabilities: markets (buying resources or hiring people), hierarchies (internally creating them) and inter-organizational relationships (through combination of complementary resources and/or capabilities). The decision to form an alliance implies three considerations: firstly, the firm does not possess the required resources or capabilities to form the desired competencies, and cannot acquire them at acceptable time frames and cost. Secondly, the market transactions do not make available the organisational integration to facilitate the organisational learning of embedded knowledge. According to Barney’s (1999) theory there are various reasons why it may be costly for a firm to create a desired capability on
its own: historical context, path dependence, social complexity, and causal ambiguity. Thirdly, acquiring another firm that possesses these skills is not feasible (Glaister, 2004). Based on the theory of Hennart (1988) Barney (1999) identifies a number of reasons that explain why acquisition may not be feasible or desired: legal constraints, reduced company value, costly to reverse, acquiring “unwanted capabilities” and integration difficulties.

Therefore the costs and difficulties linked to internal development or acquisition means that a firm may turn to hybrid organisational forms in order to gain access to capabilities and desired knowledge. Thus inter-organizational relationships have advantages over market transactions.

Knowledge is distinguished between explicit and tacit, the first being codifiable and exchanged easily the second being uncodifiable, more individual or organisation-specific and cannot be easily exchanged in the market. An alliance can provide access to certain types of explicit knowledge, but it is more difficult to acquire the tacit types of competencies that a partner has. Because the accumulation of tacit knowledge is based on shared experiences and deeply embedded in the day-to-day organizational practices of learning, co-ordination and communication it is very difficult to transfer it across organisational boundaries (Choi and Lee, 1997:39).

“Alliances permit firms to create new joint competencies by rapidly and inexpensively combining sets of resource and capabilities that are not available to them individually, but which are in a way complementary” (Tallman, 2000: 96).

The resource-based theory views strategy in relation to the resources and skills of the firm (Glaister, 2004). The acknowledgment according to the study of Glaister (2004) from the part of the firm to fill a resource or a competence gap provides the motive for alliance formation. In this context partner selection is seen as accessing relevant competencies in order to provide strategic capabilities. The management control will be structured in a way to help the acquisition of competencies and is driven by strategic motives. The performance of the alliance is seen as the outcome of the strategic motives of the parents’ strategy. Therefore the success of the alliance is seen as the result of partner selection and management control structure in the context of motives for the alliance.

Based on the concept of resource-dependencies various scholars have analysed the issue of power and control which have been further analysed in previous chapter (see Chapter 3.5) on restraint of power (Burt, 1977; Pfeffer and Salancic, 1974). These analyses offer also a political perspective on inter-organizational relationships.

From a resource-based perspective the very ability to bridge cultural distance can offer a unique advantage (Barney, 1991). Huszagh et al (1992) joined the two theoretical perspectives of the competitive advantage and the theory of the firm and concluded that franchisors with an international network have greater competitive strengths in comparison to domestic franchise nets in terms of experience, scale economies and location and such strategic advantages provide greater prospects for success against internationally established firms.

2.5.9. Theories of entrepreneurial behaviour
According to the writings of Hoy and Shane (1998) the act of creating a franchise network and the act of becoming a business owner through franchising are both entrepreneurial in nature; therefore franchise is an entrepreneurial venture. Kaufmann and Dant (1999) have also used theories of entrepreneurial behaviour to explain the concept of franchising. For more on entrepreneurial theories see Chapter 2.5.2.

2.5.10. Social Network Theory and Systems Approach

2.5.10.1. Introduction

Before presenting the conceptual theories that has been adopted in this research work we will debate on the various weaknesses of alternative research approaches. We are doing this to justify our choice of studying inter-firm alliances from a social network theory perspective. Some of the arguments that we have used to elaborate on these weaknesses are: the fallacy of composition, the concept of holism, the concept of structuralism, the theoretical debate between substantivists and formalists, social capital theory, the argument of embeddedness, the relational research paradigm, institutional theory, systems theory and a discourse on different levels of analysis.

2.5.10.2. The Fallacy of Composition

The first argument concerns the ‘fallacy of composition’; the fallacy of composition is committed when a conclusion is drawn about a whole based on the features of its constituents when, in fact, no justification is provided for the inference (Engel, 1980: 25-26; Mautner, 1996). There are actually two types of this fallacy, both of which are known by the same name. The first type of the fallacy of composition arises when a person reasons from the characteristics of individual members of a class or a group to a conclusion regarding the characteristics of the entire class or group (taken as a whole). The second type of fallacy of composition is committed when it is concluded that what is true of the parts of a whole must be true of the whole without there being adequate justification for the claim (Engel, 1980: 25-26; Mautner, 1996).

"Should we not assume that just as the eye, hand, the foot, and in general each part of the body clearly has its own proper function, so man too has some function over and above the function of his parts?" (Aristotle, 384-322B.C. translated by David Ross, 1954: 16)

To commit the fallacy of composition is to reason that what one family or company can (or should) do, also can (or should) be done by a whole group of families or companies. This is a fallacy because it ignores the possibility that the group of families or households may interact (for example, taking away customers from one another) so that the group works differently than an individual does. Since interactions of this kind are very common in economics, the fallacy of composition is one we have to be on the lookout for (McCain, 1984).

In critical reasoning more generally, the fallacy of composition would be an example of an informal fallacy; that is reasoning that does not directly violate any rules of logic, but is hasty and inconclusive. One of the objectives of critical reasoning is to find and (if possible) repair informal
2.5.10.3. Holism

The second criticism to traditional thinking, which is related to the above-mentioned argument, concerns the concept of holism. Holism from ‘holos’, a Greek word meaning whole is “the idea that the properties of a system cannot be determined or explained by the sum of its components alone” (Meyers, 2011, p 36). The holism of Parmenides who argued that at some primary level the world is a changeless unity (Schombert, 2006). The ontological holism of Aristotle’s Forms, the Aristotelian Ethical Holism, the holism of the one Being of Parmenides and Plato’s holism (Popper, 1971) have formed extensively the philosophy of physics specifically quantum physics (Esfeld, 2000; Schombert, 2006; Seevick, 2004) and are emerging as an alternative ontological approach in studying organizational phenomena as well. Nowadays we come across this concept even in documentary films like “Zeitgeist: The Movie” of Peter Joseph (2008) where he argues that “it is all one” and that a new conscientiousness is created that views the world as one organism and accepts that an organism which is in war with itself is destined to vanish. We will discuss about the influence of holism to sociology, economics, physics and finally, alliances.

According to Spinoza, all the differences and apparent divisions we see in the world are really only aspects of an underlying single substance, which he called God or nature. Hegel, too, had mystical visions of the unity of all things, on which he based his own holistic philosophy of nature and the state. Nature consists of one timeless, unified, rational and spiritual reality. Hegel's state is a quasi-mystical collective, an ‘invisible and higher reality’, from which participating individuals derive their authentic identity, and to which they owe their loyalty and obedience. All modern collectivist political thinkers - including Karl Marx - stress some higher collective reality, the unity, the whole, the group, though nearly always at the cost of minimizing the importance of difference, the part, the individual. Against individualism, all emphasize the social whole or social forces that somehow possess a character and have a will of their own, over and above the characters and wills of individual members (Schombert, 2006).

The word, along with the adjective holistic, was coined in the early 1920s by Jan Smuts, although sociologist Emile Durkheim also used it earlier. Smuts defined holism as ‘The tendency in nature to form wholes that are greater than the sum of the parts through creative evolution’ (Oxford English Dictionary, 2011)

Emile Durkheim used the concept of holism to oppose the fact that society was a simple collection of individuals. Durkheim's holism is evident in his statement that society is not a mere sum of individuals; rather the system formed by their association represents a specific social reality, which has its own characteristics. It is in the nature of this social reality, not in that of its component units, that one must seek the immediate and determining causes of the facts appearing there (Tilman, 2002). Durkheim developed an early ‘systems model’ to explain how when men come together they create a 'social entity', the sum of the relationships is greater than the individual parts and it takes on a being of its own that exists apart from but through its members (Tilman, 2002). Durkheim saw that autonomy of individuals is itself socially generated and correlative with the development of the individual personality, social differentiation, and the morality of individualism as well as the absurd cult of the individual. Durkheim and Veblen both reject the conception of the individual given primacy by the neoclassical economists in whom the
hypothetical isolated individual functioning in the exchange mechanism of the market is happier and freer than when bonded to society (Tilman, 2002).

Louis Dumont's 1984 essay opposed ‘holism’ to ‘individualism’ as two different forms of societies. According to him, modern man lived in an individualist society, whereas Ancient Greek society, for example, could be qualified as ‘holistic’, as the individual only lived for the whole. Thus, the individual was ready to sacrifice himself to his community, as his life without the polis had absolutely no sense whatsoever (Richards and Nicholas, 1976). As we find in the writings of Aristotle in Nicomachean Ethics a person’s ultimate goal is happiness which is found in virtue and rightness and is closely linked to his role in his community and towards his fellow citizens (Aristotle, 384-322B.C. translated by David Ross, 1954: 16). Aristotelian Ethical Holism in his view of eudemonia.

As we find in the writings of Tilman (2002) and Dingley (1997) the main point of Mayo’s theory is that a common morality embracing everyone was necessary to maintain order and social cohesion. Such a morality was only possible when a social dimension is realized through continuous contact with each other. The concept of social man as a moral phenomenon had its origins in the sociology of Durkheim. The contribution of Durkheim to Mayo's work is extensive. Social man is the key concept - asserting that man is not just the utilitarian economic animal of classical economics and scientific management but that he has other, social needs and that this has led to a concern with the social relationships at work as an influence on man's productive activity.

The concept of `social man' is attributed to the influential nineteenth century sociologists, Pareto and Durkheim. In Durkheim's thinking, the nature of social cohesion was the initial problem of sociology. How to create an integrated and cohesive society that didn't fragment into conflicting parts by creating a sense of solidarity amongst members of a society; building the concept of social solidarity is the focus of his book Division of Labour in Society. Co-operation, harmony, unity and common purpose are all products of our feeling of a sense of solidarity with those around us. That we are one and part of the same group, unit or society; with known rules and functions, our place and purpose understood as are our relations with others. Durkheim argued that we feel a sense of social solidarity that constrain and directs our behaviour so that we maintain the solidarity of the group. What Durkheim was attempting to do was establish a science of morality, for it was morality that provided social solidarity; morality can only exist in a social context, morality is a product of society, the only force superior to man (Dingley, 1997; Tilman, 2002). These social norms and the objective of social cohesion are nowadays paramount to social entrepreneurship.

“Durkheim developed an early 'systems' model to explain how when men came together they created a 'social' entity, the sum of the relationships was greater than the individual parts and it took on a being of its own that existed apart from but through its members. For Durkheim a social/moral order had to exist to allow us to enter into contracts, a force (moral) to constrain us to keep the contracts, for contracts only had force if there was some higher order compelling compliance” (Dingley, 1997:1121).

We find implications of holism in the economic research. Social economics appears to presuppose holism - that the whole is more than the sum of its parts. It also presupposes that
society is such a whole (social holism), without repudiating individualism.

“To know one another as individuals is to confirm the individuality of one another; thus, individualism fully understood presupposes social holism. Given its social holism, social economics tends naturally to be particularly ready to recognize that there are interrelationships among humans in any real society that are not and cannot be mediated by markets and property rights. Recognition of the reality of community as a force in human affairs will require novelties of economic theory” (McCain, 1984:92).

Holism is also applied in physics. Holism as an idea or philosophical concept is diametrically opposed to atomism. Where the atomist believes that any whole can be broken down or analyzed into its separate parts and the relationships between them, the holist maintains that the whole is primary and often greater than the sum of its parts. The atomist divides things up in order to know them better; the holist looks at things or systems in aggregate and argues that we can know more about them viewed as such, and better understand their nature and their purpose (Schombert, 2006; Schombert and Bothun, 1987; Seevick, 2004).

“The early Greek atomism of Leucippus and Democritus (fifth century B.C.) was a forerunner of classical physics. According to their view, everything in the universe consists of indivisible, indestructible atoms of various kinds. Change is a rearrangement of these atoms. This kind of thinking was a reaction to the still earlier holism of Parmenides, who argued that at some primary level the world is a changeless unity. According to him, ‘All is One. Nor is it divisible, wherefore it is wholly continuous.... It is complete on every side like the mass of a rounded sphere’” (Schombert, 2006:1).

“At the point of convergence, and the consequent collapse of proximal ego boundaries, an old mystical truth reveals itself as self-evident: all life on earth is one. Any of the boundaries drawn between one part of the biota and any other are just as selfmade as the visualization of political boundaries” (Pesce 1999:462)

Another example is relational holism in quantum theory; some of the properties of quant emerge only through relationship, quantum entities are not wholly subject to reduction either (Schombert, 2006; Schombert and Bothun, 1987; Seevick, 2004). Michael Esfeld (2000) in his book Holism in Philosophy of Mind and Philosophy of Physics analyses Aristotelian Holism in studying quantum physics and links under the ontology of holism the thinking of Parmenides, Plato and Aristotle:

“... the unchangeable and specifically formed atoms were only the ‘eternal’ of the one Being of Parmenidis, of Plato’s Ideas and Aristotle’s Forms, ‘in material form’” (Hans Blumenberg in Esfeld:167-168)

“Such an emphasis upon oneness and wholeness- especially of the state; or perhaps of the world- maybe described as ‘holism’. Plato’s holism, I believe, is closely related to the tribal collectivism…Plato was longing for the lost unity of the tribal life” (Popper, 1971:80)

“The truth is somewhere between Newton and Spinoza. Every quantum entity has both a wavelike and a particle like aspect. The wavelike aspect is indeterminate, spread out all over
space and time and the realm of possibility. The particle like aspect is determinate, located at one place in space and time and limited to the domain of actuality. The particle like aspect is fixed, but the wavelike aspect becomes fixed only in dialogue with its surroundings - in dialogue with an experimental context or in relationship to another entity in measurement or observation. It is the indeterminate, wavelike aspect - the set of potentialities associated with the entity - that unites quantum things or systems in a truly emergent, relational holism that cannot be reduced to any previously existing parts or their properties” (Seevick, 2004:670).

Methodological Holism as opposed to Methodological reductionism refers to the thinking that understanding of a certain kind of complex system is best sought at the level of principles governing the behaviour of the whole system, and not at the level of the structure and behaviour of its component parts. According to methodological reductionism the understanding of a complex system is best sought at the level of the structure and behaviour of its component parts (Schombert, 2006; Schombert and Bothun, 1987; Seevick, 2004).

The transfiguration of ontology through structural coupling produces consequent (Pesce, 1999) changes in human culture.

As we find in the writings of Berger et al (2006), whose research is on social alliances, holistic involvement is an essential concept of social alliances. For a partnership to prosper the managers need to be deeply and holistically involved in the partnership. The involvement, they argue, does not only have cognitive and relational elements, but is has to also include emotional, social and physical elements; it engages the whole person. The sharing of goals and commitment refers not only to the individuals that negotiate the formation of the alliance, but to the organizations they represent and to the common goals that unite the organizations that form the partnership. Organizations are viewed through a holistic approach as entities with expanded purposes and more legitimate roles in society (Berger et al, 2006).

2.5.10.4. Alternative Levels of analysis

In the existing literature we saw that in most cases phenomena are being analysed by studying one part alone (i.e. in franchising literature that is done by applying the resource-based theory of the firm or transaction cost theory to the franchisees only or the franchisors only in order to explain franchise formation) or through dyadic approaches (i.e. in franchising literature that is the case when agency theory is applied to explain the relationship between franchisors and franchisees).

When studying phenomena we can distinguish between different levels of analysis the individual (Macneil, 1980) or atomised or unilateral level, the dyadic or bilateral level (Bonacich, 1987), triads (Granovetter, 1973), the agency or organization level, the network level (Proven and Milward, 1995; Ring and Van de Ven, 1994), and the collective level (Marsden, 1981). The network level has been also often approached through the aggregation or synthesis of various dyadic levels (Gulati, 1995b). We will see further down the differentiation between the atomised level of formalists and the socialised level of substantivists. Burt (1977, 1992) differentiated between the atomistic approach which he characterised as undersocialized and the normative approach as oversocialized, he proposed the structural approach in understanding actions which is close to the argument of embeddedness of Granovetter (1985). Marsden (1981, 1983) in studying
power differentiated between collective actions and atomistic ones. Christakis (2009) was first studying dyads until he realised that these simple structures accumulate forming huge nets of nodes that are profoundly extended and realised that what was important was to find a way to research these complex social formats. Battilana, Leca and Boxenbaum (2009) support the need for research into multi-levels of analysis when studying institutions and entrepreneurship.

“As elements of ongoing social structures actors do not respond solely to individualistically determined interests” (Marsden, 1981: 1210)

“The analysis of social networks is the elaboration of the macro-implications of a small-scale interaction: the strength of dyadic ties... One of the weaknesses of sociological theory is that there is no relation of micro-level interactions to macro-level patterns, so we don’t know how interaction in small groups aggregates to form large scale patterns... The analysis of process of interpersonal networks provides the most fruitful micro-macro bridge” (Granovetter, 1973: 1361-3).

In studying the influence of embeddedness in the social connection of networks of alliances there is a transition from the unilateral to the network thinking (Achrol, 1997). According to Ulf and Ulf (1996) when studying alliances it is more productive to research its linkages to the rest of the network than to study only the alliance itself.

As we find in the writings of Gulati (1998) the pitfalls of prior alliance literature are that the unit of analysis is the firm or the alliance, that the phenomenon has been investigated in an asocial context, and that research has been focused on firm-level and industry-level factors. Therefore an atomistic notion of the firm has been adopted and little attention has been given to the behaviour of other firms or to the relationships in which they themselves are already embedded and to the interactive elements of the market. Axinn and Matthyssens (2002) argue that existing theories are insufficient in explaining the internationalization of today’s firms, the Uppsala model of internationalization of the Nordic School and transaction costs theory have significant limitations that need to be solved.

“All traditional theories and models except the network theory are limited by their focus on firms per se as opposed to networks or value chains” (Axinn and Matthyssens, 2002: 445)

2.5.10.5. Structuralism

Husserl in his writings on judgement refers to the universal being as a higher structural form which includes in its essence the idea of a particular being and raises it to a higher form (Rabaté in Sturrock, 2003).

“(For Husserl) structure is an abstract model of organization, including a set of elements and the law of their composition... what stands out in a structure is that the relationships between the elements are more important than the intrinsic qualities of each element. In Husserlian phenomenology the genesis of individualities is subsumed under the global idea of the system” (Rabaté in Sturrock, 2003: 6).
2.5.10.6. Substantivists and Formalists

There can be identified two major schools of thought in analysing economic exchange. On one side is the utilitarian tradition of the classical and neo classical economics, supported by the formalists, who believe in the rational of self-interested behaviour of actors which is minimally affected by social relations (Granovetter, 1985). And on the other side based on the argument of embeddedness is the normative approach of substantivists who argue that the behaviour of actors and institutions are so constrained by ongoing social relations that to analyse them as independent is a serious misunderstanding (Granovetter, 1985). The debate in economic anthropology between substantivists and formalists started somewhere in the 60s and 70s. As we find in the writings of Sherratt and Sherratt (1993) according to formalists the formal methods of economic analysis involving price maximisation were applicable to ‘primitive’ societies, while substantivists counter argue that societies have to be analysed in their own terms with reference to prevailing mechanisms of distribution. The same debate takes place between historians the primitivists (forerunners of substantivists), mostly based on Weber’s writings and the modernists (forerunners of formalists), based on Meyer’s thoughts (Frank, 1993).

Formalists are based on the thinking of Adam Smith who claimed that in tribal societies, economic behaviour was sufficiently independent of social relations for standard neoclassical analysis to be useful (Granovetter, 1985). The same thinking is being supported by the approach of the new institutional economics who argue that behaviour and institutions can be better understood as resulting from the pursuit of self-interest by rational atomised individuals (Williamson, 1975). Influential formalists’ scholars are Le Clair and Herskovits (Frank, 1993). Neoclassical economic theorists argue that the effect of social relations on economic transactions is either minimal or creates inefficiencies (Uzzi, 1997).

Embeddedness is associated with the substantivist school and is closely linked to the Marxist thought (Frank, 1993). One of the major substantivist scholars is Karl Polanyi who saw capitalism as an immoral and inefficient system; he argued that the vicious market principle according to which market exchange plays a dominant role in society causes dehumanisation and increased lack of social rights (Sherratt and Sherratt, 1993).

According to Granovetter (1985) although economic transactions have various degrees of embeddedness in social institutions, the profit motive is rarely absent from the social life. He disagrees with both schools saying that:

“The level of embeddedness of economic behaviour is lower in non market societies and has changed less with modernisation than substantivists think, but that this level has always been and continuous to be more substantial than is allowed by formalists” (Granovetter, 1985: 482).

Granovetter (1985) characterises the formalists as employing an undersocialized approach, since the economic analysis is based on the behaviour of socially atomised individuals and the application of economic principals presumes the inexistence of social relations. When analysing behaviour and decision making that is being determined by more individuals, dyads or groups, formalists conceive them through an atomised approach. On the other hand he characterises the substantivists as employing an oversocialized approach who define economic behaviour as being driven only by consensually shaped norms and values.
“...because the analysed set of individuals-usually dyads, occasionally larger groups- is abstracted out of social context, it is atomised in its behaviour from that of other groups and from the history of its own relations. Atomization has not been eliminated, merely transferred to the bilateral or higher level of analysis... Actors do not behave or decide as atoms outside a social context, nor do they adhere slavishly to a script written for them by the particular intersection of social categories that they happen to occupy” (Granovetter, 1985: 487)

Granovetter (1985) argues that purposive actions are embedded in concrete ongoing systems of social relations. The argument of embeddedness is based on the role of concrete personal relations and structures of such relations (or networks of relations) in influencing the behaviour and decision making of actors.

2.5.10.7. Relational Paradigm and The Argument of Embeddedness

Abrahamson (1997) suggests that there are two types of management rhetorics: rational and normative. The former is related to upswings and points out the technical aspects of work organization. Normative order refers to behaviour which is formed by social norms (Clegg et al, 2005). Rationalities become institutionalized, as we find in the writings of Berger and Luckmann (1967) that developed an institutional theory based on a generic social constructionist perspective, which argues that reality is socially constructed and therefore organizations have the structures that they do mainly for cultural reasons. According to DiMaggio and Powell (1983) the engine of rationalization and bureaucratization that makes firms more similar, without necessarily making them more efficient, is the result of three institutional isomorphic processes: coercive, mimetic and normative. The concept of management actions being socially embedded is coming from the sociological discipline (Uzzi, 1997). It is first introduced by the substantivists or even earlier by the historians so called primitivists. Polanyi (1957) analysed the social structure of modern economies through the concept of embeddedness. Even earlier than Polanyi, Emily Durkheim and Max Weber studied the close relationship that exists between the economy and the society, and the influence of social structures to the economic life. Within the same thinking we have the even earlier works of Marx who highlights the relations between economic life and social institutions; his theory that economy and relations of production form the basis of the society on top of which social institutions will be created in a way that is coherent with these relations of production (Kabounidi, 2007).

Schumpeter (1950) and Granovetter (1985) further analysed and established the important effects of social structure on economic life. Granovetter (1985) argued that the institutions and behaviour of organizations cannot be studied in an independent basis because they are formed by continuing social relations. He focuses on the central role of networks of social relations in producing trust in economic life. So he viewed rationalities as being socially embedded. Ronald Coase in the 30s shaded some scepticism over the thinking of the neoclassical economic school by debating on ‘Why do organizations exist’ if agents act individualistically. Granovetter went on by asking why organizations form alliances, business groups, rather than acting on their own.

Social norms are strong determinants of social action; they are socially shaped and belong to the sphere of informal institutions. Relational and structural embeddedness is the most significant functioning through which properties, elements and interplays emerge from systems of networks.
It is the main concept both in social network theory analysis as well as in social capital theory analysis. Social networks and social capital are often used interchangeably (Manning, 2008). Relational and structural embeddedness is also often used interchangeably with relational and structural social network theory; though embeddedness is the subject of the study of social network theory.

Uzzi (1997) argues that Granovetter’s argument of embeddedness emerged as a potential theory for joining economic theory and sociological approaches to organization theory, but fails to form concrete propositions of how social relations affect economic exchange, while classical and neoclassical economic theories have concrete and rigorous scientific propositions (Heide, 1994; Leonidou, 2003; Uzzi, 1997).

“A well defined theory of embeddedness and inter-firm networks has yet to emerge…revisionist economic frameworks have attempted to explain embeddedness in terms of transaction costs, agency and game theory concepts… (they) apply conventional economic constructs to organizational behaviour… (they) faintly recognize the influence of social structure on economic life” (Uzzi, 1997: 36-38)

Inter-organizational relationships do not only involve economic transactions, but also many behavioural interactions between the parties involved during which information, social and other intangible elements are exchanged (Leonidou, 2003). To overcome the recent stagnation of research being driven by the neoclassical microeconomic paradigm several theorists have incorporated the perspective of the relational research paradigm of relationship management (Hakansson, 1982; Leonidou, 2003). In studying the relational elements of inter-organizational relationships theorists draw from various areas, like relational theory, channel relationships, network theory, social exchange and the argument of embeddedness in social networks (Granovetter, 1985; Mavondo and Rodrigo, 2001). As argued by Heide (1994) relationship management is turning into a core research paradigm in the marketing channels literature as inter-firm relationships move away from the market paradigm incorporating alternative mechanisms for governing exchange.

“Extensive reliance on the neoclassical microeconomic paradigm has been responsible for its (inter-organizational research) recent stagnation or even decline…one way to circumvent this problem is by augmenting the analysis using the relational paradigm” (Leonidou, 2003:129).

In inter-organizational relationships exchange parties show great dependence on each other’s resources, knowledge and expertise, so the way they manage their working relationship is crucial to the successful performance of their alliance (Styles and Ambler, 1994). The existence of ongoing ties between firms is explained by neoclassical economic theorists as “being more a matter of self-interest profit-seeking behaviour than willingful commitment or altruistic attachment” (Uzzi, 1997: 36).

Current literature on franchising has focused on seeing this phenomenon from a dyadic perspective thus not much research has been devoted in seeing it from a network perspective (Paswan, Loustau and Young, 2001). The focus of the traditional organization according to Achrol (1996) was in maximizing cooperation, which was often viewed as the contractual obligations and minimizing conflict and opportunism; while the focus of the network
organization is on the relational ties and how to develop mutually reinforcing, long-term relationships. Traditional thinking was focused on how to prevent disintegration or how to cajole cooperation out of opportunistic partners.

Social networks and the channel of information explain the formation of alliances (Gulati, 1998). According to Gulati and Gargiulo (1997) the formation of alliances is due to exogenous resource dependencies and to an endogenous embeddedness dynamic, in which the emerging network gradually orients the choice of partners. Direct or indirect ties between firms influence the formation of alliances, firms that are already allied will form further alliances because of the close ties between them and unconnected firms are more likely to form alliances if they have common partners or are closer in an alliance network (Gulati, 1995b). Embeddedness, as Gulati (1998) argues, influences also the partner selection.

“The information stream of a network provides to firm a priori information about prospective partners even if the firms are bound together directly or indirectly” (Gulati, 1998:301).

The reputation and status of a firm is influenced by its position in a network having direct implications to whether it is an attractive partner or not (Gulati, 1998). According to Gulati and Gargiulo (1997) high status companies tend to ally with other high status partners which is called ‘homophile principle’, the initial high status of a company is also influenced by the status of its already partners. The study of Martin, Mitchell, and Swaminathan (1995) indicates that the network embeddedness of firms influences the creation of vertical alliances between buyers and suppliers.

Research on governance structure has also been focused mainly on transaction cost theory. As we find in the writings of Gulati (1998) a major drawback in that way of thinking is that it is static, it views alliance governance structure as a discrete independent event occurring in an ahistorical context. Network theorists believe that the governance structure may be the result of previous alliances and of the prior interaction between partners that may change the thinking of firms when forming contracts (Gulati, 1998). The appropriation concerns of firms when forming alliances can be minimized either by a detailed contract or by trust and it is argued that network embeddedness can promote trust (Gulati, 1998).

Alliance-based cross border ventures including multiple partners need further research attention (Dunning, 2000) and Johanson and Vahlne (1990) argue that research needs to be renovated by introducing a network view.

“Alliances cannot be explained by the market-hierarchy concept of the transaction cost theory, but constitute a distinct structure of governance named ‘network form’ ” (Powell, 1990).

“Transaction cost theory focuses on single party cost minimization, while alliances are dyadic exchanges therefore there is the question whose costs are being minimized, and also that alliances are about joint value maximization… Transaction cost theory fails to see the issue of governance structure as a continuous process resulting from the ongoing relationship of partners” (Zajac and Olsen, 1993).
Christakis (2009) - Professor at Harvard University who has been awarded as one of the one hundred most important thinkers in the world by Foreign Policy and by Times Magazine in 2009- says that in the course of our lives we interact with many people who interns interact with many others thus placing ourselves in a vast human net. This net has many types of immense capacities that influence us in ways we are unable to control. These influences, he argues, are so fundamental to our existence that have been acknowledged by ancient Greek philosophers, like Plato in his work Lysis and Aristotle in his works Ethics Nicomachean, and other thinkers who tried to understand human behaviour through the study of groups. The contemporary science of social networks helps this discussion go further by dealing with issues like how do individuals form networks, what are the objectives of networks, how does the whole exceeds the sum of its parts, how does our positioning in a network influences our lives, and so on (Christakis and Fowler, 2009: 13-16). The ontological holism of Aristotle's Forms, the Aristotelian Ethical Holism, the holism of the one Being of Parmenides and Plato’s holism (Popper, 1971) have formed extensively the philosophy of physics specifically quantum physics which as opposed to the study of atoms adopts a holistic methodological approach (Esfeld, 2000; Schombert, 2006; Seevick, 2004). The aforementioned theories are emerging as an alternative ontological approach in studying organizational phenomena as well.

2.5.10.8. Institutional Theory

New institutional theory, largely shaped among others by the work of DiMaggio (1988), DiMaggio and Powel (1983) analyse the influence that institutions have in economic transactions. In contrast to the classical approaches of organizational theory and new institutional economics who disregard the societal context within which organizations and actors interact (an argument that has been strongly debated in the previous sections) the institutional theorists argue that organizations and actors behaviour is strongly shaped by institutions. Institutions were researched by DiMaggio and Powel (1983) to explain the isomorphism and homogeneity among organizations. Based on institutional theory the beliefs and actions of principles are strongly shaped by logics; logics have been studied in explaining the variance of organizational forms, when plurality of logics co-exist, or else called institutional pluralism this can lead to the emergence of conflict (Battilana and Dorado, 2010).

New institutional theories support that the relationship between actors, myths and narratives and other normative elements influence the formation and development of economic sectors (Nicholls, 2010a). Agents through their actions in a process of social change can influence institutions and bring about institutional change; the so called institutional entrepreneurs (DiMaggio, 1988). The ability of some actors to break the boundaries of the very institutions that they are deeply embedded in and bring about transformational institutional change is called the ‘paradox of embedded agency’ which associates to the debate among agency and structure (Battilana, Leca and Boxenbaum, 2009). On one hand is the rational choice model of agency and on the other hand is structural determinism; what institutional entrepreneurship theories argue is that culture, institutions and social relations strongly shape the behaviour of agents, they facilitate or impede their choices but that these do not determine the choices of actors. The notion of ‘enabling conditions’ associated with the characteristics of the environment and with the characteristics of actors can support the debate on helping resolve the paradox of embedded agency (Battilana, Leca and Boxenbaum, 2009). Embeddedness is a central element in
institutional theory as it formulates the context within which institutional entrepreneurs exist and interact (Battilana, Leca and Boxenbaum, 2009).

The plurality and conflict of institutional demands that are imposed on social enterprises strategic choices, like balancing between social and economic objectives, has been an element of investigation as the latter try to maintain legitimacy and support by responding to these pressure (Pache and Santos, 2010). In studying the influence of regulations, introduced by formal institutions, in the development of economic sectors the issues of reporting and disclosure are important research elements and are seen as products of wider social power structures and norms; the latter research approach belongs to the ‘sociology of accounting institutional practices’ (Nicholls, 2010a:395).

2.5.10.9. Social Capital Theory

Social capital theory has emerged since the 90s as one of the most significant social science theories (Manning, 2008). Social capital theory is often used interchangeably with social network theory; both theories analyse the dynamics of relational and structural embeddedness in shaping organizational behaviour. Social capital theory views relational and structural embeddedness as a mean for actors to acquire resources. The resources that social capital theory deals with are power, control and information through their relationships with other actors in their informal networks and through their structural positioning in these networks that privies them with higher status (Battilana, Leca and Boxenbaum, 2009). There is some skepticism coming from social capital theorists of whether social networks are social capital and to the equation of these two concepts, the argumentation against this interchangeability builds on the following arguments: firstly network theory is overstretched trying to explain everything through the network lenses; secondly, are issues of network content and context, social capital theory is more than seeing elements through embeddedness in groups (Manning, 2008)

2.5.10.10. Systems Theory

Leadbeater (2006) argues that social entrepreneurship should be viewed through system-level approaches; social entrepreneurs unlike mainstream businesses seek system wide social changes which can only be realized through networks that aggregate a number of micro-impacts of different social ventures what he called ‘networked, system-level social entrepreneurship’ (2006:236). The same argument is supported by Sakaraya et al (2012) research on social alliances; they also support the need for the study of institutions in formation issues rather than only focusing on resource-dependence arguments.

General systems theory can be divided into philosophy of science, behavioral phenomena and methodological. Network theory and social systems theory is part of the second category. Systems theory is not one single theory but includes various approaches whose common ground is that they all have the system as the unit of analysis (Gunaratne, 2008). Systems theory can be explained as the number of interacting components that work together to make a whole. It focuses on the components, like technology, that are connected to make a whole (Greenfield, 2011; Mele, Pels, and Polese, 2010; Von Bertalanffy, 1968); which is called structural functionalism (Parsons, 1951). Functionalism focuses on interactions with the environment (Greenfield, 2011). Systems have closed boundaries; little influence from the environment, or
open boundaries; continuous influence from the environment (Bailey, 2008). A close system usually a physical one goes gradually through progressive chaos (entropy), disintegration and death (Gunaratne, 2008). An open system, a biological, psychological or social system exchanges matter-energy and information with the environment.

According to one approach of first-wave systems theory it is argued that social systems have to equilibrate four subsystems the existence of personality system (individual/psychological), social (relationships), cultural (values), and organismic (biological) (Gunaratne, 2008). While second wave theories dealt mostly with issues like information processing, control and entropy. A system possesses physical or abstract components, attributes, relationships, interdependence and an environment. According to Gunaratne (2008) study the characteristics of systems are: wholeness, interdependence (among its components), hierarchy (subsystems, periphery, like solar systems), self-regulation and control, equilibrium/homeostasis (it can never actually reach equilibrium or maximum entropy), environment interchange and adaptability, equifinality (a system can reach the same particular end goal from different courses, starting points and energy needed).

In the Living Systems Theory there are eight hierarchical levels and 20 subsystems; levels are: cell, organ, organism, group, organization, community, society and supranational system. Among the 20 subsystems only two process simultaneously matter-energy and information these are the reproducer and the boundary. The Social Entropy Theory wants to keep entropy in the social system at optimal levels below maximum entropy. The system should open to receive matter-energy and information and to reject useless resources and it should close to protect it from threats and losses of valuable resources. The social system regulates 6 key system components: which are population, information, space, technology, organization and level of living; it also regulates the flow from these components, types of flow are: human population, elements from the environment (like plants), energy, culture, technology, information, organization and level of living (like wealth) (Bailey, 2008). As Bailey argues social system theorists study the inner elements of groups while not dealing with the boundaries of the system, with inflow and outflows to the system, with interaction with other systems and the relationship with the wider environment.

Traditional systems perspectives see society as a stable functioning arrangement of social institutions being in equilibrium. These are interdependent, each relying on and supporting one another. A change in one social institution which causes disequilibrium will influence the whole society until it adapts to this change to reach equilibrium again (Beverland and Lindgree, 2007; Burnes, 2004; Gunaratne, 2008). So the nature of systems is harmony and dynamic balance a concept in line with Asian philosophy and with what the ancient Greek philosopher Heraclitus named ‘palintonos armonia’ (palintonos harmony), that is the harmony that is achieved through the unity of opposites through war, he believed that there was a continuous change ‘ta panta rei’ (everything flows) and so ‘no man ever steps in the same river twice’ (in Khan, 1979)

The systems perspective of stability was disliked during the 1980s were scholars addressed the constant development and changes in systems (Germain and Gitterman, 1980). This brought the development of chaos theory (Bolland and Atherton, 1999; Hudson, 2000; Warren, Franklin, and Streeter, 1998). Chaos theory stresses that system processes involve changes- sudden, radical or rapid- which eventually lead to stability again. Negative changes can be important processes in a
system. Chaos theory can facilitate rapid change (Warren et al., 1998). The whole system is composed of subsystems (Germain and Gitterman, 1980).

Anthropology and sociology have empirically supported systems theory (Fraser, 2004; Hutchison, Matto, Harrigan, Charlesworth, and Viggiani, 2007; White and Klein, 2008) as useful for comprehending human behavior holistically. It allows the understanding of a construct at various levels: micro, immediate surroundings, e.g. family and peers; meso, connections between immediate surroundings, e.g. distance between home and work; and macro, cultural context, e.g. values and beliefs. It also promotes multidimensional interventions in order to expect better outcomes, thus facilitating change (Hutchison et al., 2007).

Systems theory approaches on the fields of anthropology, sociology and psychology can be contrasted to other theoretical approaches to the same fields. Firstly, to conflict theory; conflict theory addressed by Marxism focuses on how conflict causes human behavior politically, culturally and economically. At all times more than one social conflict occurs, which exists in various kinds of groups, like economic, ethnic, religious (Coser, 1957). The difference between conflict theory and systems theory is that conflict theory emphasizes a constant struggle because of the differences between people’s statuses-like is a continuous conflict over desires, roles and goals (Zimbardo, 2007), while functionalism claims that different parts of society function together towards a common goal for society to work out. Conflict theory posits that society is unharmonious because it is controlled by powerful and rich people, creating inequality (Coser, 1957; Vahabi, 2009). On the other hand systems theory assumes that society has a sense of direction and it is rather harmonious.

The similarities between the theories are that they are both macrospective. Both theories view society holistically. They consider the components of society, like family, education and how people are affected rather than how people affect these components. Both theories claim that individuals’ position in society is influenced by their education, which is either equal or unequal. Moreover, both theories support that a system consists of social structures; nevertheless, these are viewed differently by both theories in terms of their purpose. Systems theory sees them as entities that function together to benefit everyone. Conflict theory sees them as social structures that are in place, but differ in their advantages relying upon wealth and power of the individuals involved (Vahabi, 2009).

Secondly, to social exchange theory; social exchange theory argues that people aim to maximize their own advantages and lessen costs (Naidoo and Adamowitz, 2006). Social exchange theory differs from systems theory because it believes reciprocal relationships are important in life (Hartman, 1995; Meyer, 1993). It assumes interaction happens through the trading of social resources that generate obligations (Cropanzano and Mitchell, 2005), while systems theory associates interaction with education. Rewards and costs are crucial factors in the social exchange theory that the system theory does not consider (Molm, 1990). Both theories similarly believe that people in a society are goal-directed and they interact with each other or work together to accomplish their goals and progress as a society. However, social exchange theory also thinks of people as rational and conscious beings (Becker and Joseph, 1988; Grossman, 2002).

Thirdly, to social constructionism theory; the social constructionist perspective concentrates on people’s way of learning through interacting with each other to distinguish parts of the world and
their place in it. Interaction is through shared meanings and understandings about the world they live in (Kyle and Chick, 2007). It differs from systems theory because systems theory greatly emphasized that interaction occurs mainly from education, which allocates people to different economic levels. Social constructionism looks more at language, customs, historical and cultural contexts that lead to interaction (Charon, 1998). Another difference is that systems theory focuses on how interaction through education can help people understand rules, help them economically and cooperate. But social constructionism mentions that social interactions generally help the person also develop attitudes, and see how the self has developed through social interactions (Franklin, 1995).

Fourthly, to psychodynamic theory; psychodynamic theory focuses on how human behavior is motivated by needs, drives and emotions (Borden, 2009). With systems theory, the difference is that psychodynamic theory places emphasis on emotions that cause human behaviors (McLeod and Kettner-Polley, 2004). The psychodynamic theory posits that childhood experiences influence people’s behaviors during adulthood unconsciously thought processes (Garner, 2002). Different parts of the unconscious mind are constantly struggling with each other creating different behaviors. People tend to use their defense mechanisms to avoid facing or accepting certain situations (Baumeister, Dale, and Sommer, 1998). Systems theory does not consider how people think, but rather how their roles in society create their usual behaviors for maintaining a balance. The very slight similarity between the theories is that they both believe human behavior derives from a certain factors: Unconscious and childhood experiences, psychodynamic and person’s role structure in society, functionalism.

Fifthly, to psychosocial developmental theory; the developmental approach deals with how human behavior unravels behavioral changes across the life span. Biological, psychological and social processes interact together in a complex way defining the stages of human development (Erikson, 1963). Developmental theory differs from functionalism in that it greatly focuses on life’s stages that build up from each other and they are all qualitatively different (Erikson, 1963) depending on factors such as gender (Borysenko, 1996), sexual orientation (Troiden, 1989) and ethnicity. While the developmental perspective deals with progression in life through stages, functionalism sees that life progresses through the communication, cooperation and interaction between people in a society. Another difference between the theories is that the developmental perspective considers that people change their status and roles in society as they progress through life stages (Elder and Giele, 2009), but systems theory does not consider specific roles, only the existence of inequality.

Finally, to behaviorism and social learning theory; the social behavioral perspective posits that human behavior is learnt through interaction with the environment. This happens through classical conditioning that is behavior learnt through association (Allen and Madden 1985); through operant conditioning, that is behavior as a result of reinforcement (Staddon and Cerutti, 2003); and though cognitive social learning, that is behavior learnt by observation, imitation, beliefs and expectations (Bandura, 2002). Comparing this perspective to functionalism, behavioral theory considers that behavior can actually change and be defined depending on circumstances (Bouton, 2004; Garcia-Hoz, 2004). Functionalism only considers that people may or may not maintain similar values and beliefs, but they all work interdependently to achieve what is best for society (Grube, Mayton, and Ball-Rokeach, 2010). One similarity between the theories is they both mention about deviant behavior but describe it in different ways. Systems
theory sees deviant behavior as creating negative changes in the system and breaking the existence of equilibrium (Durkheim and Halls, 1984). Behavioral theory claims that undesired behaviors can arise causing human problems (Bandura, 2002), however this behavior as all behaviors can be changed (Bouton, 2004).

2.5.10.11. Social Network Theory

Network theory derives from systems theory (Gunaratne, 2008)

“The appearance of networks as well defined forms of economic organization brought some scepticism in the efficiency of the use of traditional dyadic perspectives for its analysis. This is because; the network of relationships in which particular exchanges are embedded has properties, which are greater than the sum of its parts and outcomes, which cannot be explained by studying its parts alone” (Achrol, 1996:3).

From a mathematical approach networks have been analysed based on the theory of neurals (Granovetter, 1973).

Social network theory was indicated the most appropriate in studying motives for social alliance formation (Sorensen et al, 2013). Social network analysis is needed in the study of alliance and networks in order to view the whole network as one entity and identify the properties that influence it (Sloane and O’Reilly, 2013). Paswan, Loustau, and Young (2001) used network theory to examine the franchise system. They believe that social network and network theory are two frameworks that have significant convergence and overlap. Network theory investigates the relationships between firms or units in a value added chain while social network perspective focuses on the social relationships between decision makers or players. According to Jones, Hesterly and Borgatti (1997) the social network perspective is an important characteristic of organizations governed on network organization philosophy. The network perspective is based on the notion that economic actions are influenced by the social context in which they are embedded and that actions can be influenced by the position of actors in social networks.

Underlying embeddedness is the search for information to reduce uncertainty and networks of contacts can be important sources of information (Gulati, 1998). Transactions between actors that share little familiarity or affect and no prolonged past or expected future social ties, have been differentiated from socially embedded transactions, those facilitated by structural social relations between the actors (Granovetter, 1973; Hakansson and Ford, 2002; McGinn and Keros, 2002).

According to Gulati (1998) there is a big trend in analyzing firms through the influence of the social context; elements of that context have been categorized as structural, cognitive, institutional, and cultural. The structural context, according to his research, points out the importance of the social networks in which economic actors may be placed and proposes that the most important aspect of an organization’s environment is its social network of external contacts.

A social network as we have previously mentioned is defined as:

“a set of nodes (e.g. persons, organizations) linked by a set of social relationships (e.g.
friendship, transfer of funds, overlapping membership) of a specified type” (Gulati, 1998: 295).

There are two analytical approaches for examining the influence of social networks the first focuses on the differential informational advantages offered by social networks and the second focuses on the control benefits that actors can have if they are advantageously positioned within a social network. These benefits overlap since the latter provides the former. Informational advantages can be provided through two mechanisms: relational embeddedness or cohesion perspectives, based on which actors with cohesive ties can possess more common information and knowledge that can diminish uncertainty and promote trust and structural embeddedness or positional perspectives, which emphasize the position of an organization in the structure of the network that provides it with higher informational advantages (Gulati, 1998). The more relational an exchange becomes the more it creates a distinct social order within the relationship itself and promotes characteristics such as trust, commitment, solidarity, mutuality, flexibility, role integrity, harmonization of conflict and restraint of power, which are referred to as Social Norms of Governance (Achrol, 1996; Kaufmann and Dant, 1991).

Network theory focuses on investigating how embeddedness of individuals influences their behaviour and how the same argument is used for organizations. Organizations can be interconnected with other organizations through various social and economic relationships thus forming a social network (Gulati, 1998). In the case of inter-firm alliances, as argued by Gulati, their accumulation can also become a social network; therefore they can be investigated through network theory perspective as both endogenous and exogenous factors. In the first case we see the influence of social networks for the formation of an alliance and in the second case we see how the effects of social networks explain the accumulation of alliances.

As we find in the conclusion of Gulati’s study (1998):

“…The channelling of information helps organizations to discover new alliance opportunities and can affect how often and with whom they form alliances…Social networks of prior alliances not only influence the creation of new alliances but also affect their structure, their evolution, their successful performance, and the choice of potential partners, as they turn to existing relationships for potential ones” (Gulati, 1998: 293-317).

He then argues that when two firms have decided to form an alliance, their proximity in the network can influence the governance structure that will be formed. Finally, the level to which they will be embedded can influence their behaviour and the future success of the alliance.

Studying the structural perspective of social network we see that direct and indirect or weak ties carry information and resources among members (Granovetter, 1973). The structural positioning of members in a network influences the dynamics of transferring knowledge and resources, so according to Ibarra (1993) network centrality increases cross-boundary innovation. While Obstfeld’s (2005) research indicates that weak ties can also be a strong predictor of innovation, which is seen as the result of combining people, knowledge and resources. Obstfeld (2005) argues that sparse networks that have structural holes, because of the absent of connections among many members (Burt, 1992), can offer more opportunities to its members than dense networks. The opportunities that sparse networks present are in the creation of new ideas but the obstacles that they pose are in actually implementing those ideas, while the opposite stands for
dense networks (Burt, 2004). The latter is due to the existence of common interests, aligned perspectives, common language and stronger levels of trust among members in dense networks (Granovetter, 2005). According to Obstfeld (2005: 102) the solution to the problem could be the adoption of ‘tertius iungens’ strategies from the part of networks, that means the commitment towards bringing together nodes in your social network by either establishing connection with disconnected nodes or by encouraging coordination between already connected nodes.

According to social capital theory there are two different conceptualisations the first conceptualisation focuses on the opportunities of sparse networks and structural holes and on the control and informational opportunities that the latter offer to brokers or gatekeepers (Burt, 1992). In line with this conceptualisation is the ‘tertius gaudens’ strategy (Simmel, 1950), or disuinion strategy, or active separation of brokers who deliberately keep unique connections with firms in their networks that remain disconnected with each other, thus taking advantage of structural holes. The second conceptualisation focuses on the benefits of closed, dense, or cohesive networks, which include increased cooperation and trust and where exchange of ideas and repeated interaction leads to the creation of knowledge (Obstfeld, 2005: 105). The opportunities of dense networks as Obstfeld (2005) highlights is in the existence of norms that lead to self-regulating behaviour that constrains opportunistic behaviour and make members act for the collective good. Other opportunities are the exchange of complex knowledge and the creation of action that is necessary for innovation (Obstfeld, 2005).

According to the writings of Donckels and Lambrecht (1997) based on the broad definition of networks as organized systems of relationships, they can take many different forms, requiring different variables to analyze a network. So based on social, communication, business and moral determinants we can find various networks, i.e. a social network is family and friends, a communication network is one where there are non trading ties, while moral ties arise from entrepreneurs obligation to do everything possible for their partners.

Other ways to view networks that we also find in the research of Donckels and Lambrecht (1997) is through: the perspective of informal versus formal; the first case is all possible information channels between individuals while a formal network is mostly a link between an entrepreneur and an organization, the perspective of indirect versus direct; in the direct tie there is a direct contact, and the perspective of centralization versus decentralization; in the first case a core enterprise is central in the network and coordinates the activities in the network, this can also be evaluated by examining the structure within which the network exerts influence, if influence over decisions is concentrated in a single organization then the network is centralized (Proven and Milward, 1995).

2.6. Conclusion

In the previous chapter we laid the basis for the following sections by presenting the theoretical stand of the research that is being conducted in this thesis. The subject of these chapters was a critical review of the conceptual foundations of organizational and inter-organizational relations theory; on the various types and forms that these can take and on the development of theories in these fields; we elaborated and comparatively assessed theories pertaining to the process of social entrepreneurship, social inter-firm alliances, networks and social franchising building on the similarities and differences among them and mainstream entrepreneurship, alliances and
franchising especially with regards to the issues of formation, partner selection, governance and performance; we emphasized the role of formal institutional dynamics, the individual/psychological profile of social entrepreneurs and social innovation models; we provided an in-depth analysis of the elements of informal institutions specifically social norms that emerge from the embeddedness of actors in networks which influence the formation, partner selection, governance and performance of alliances and networks; finally we argued through a critical review of alternative conceptual theories on the theoretical approaches adopted in this thesis.

The primary result of this review is that despite the substantial body of existing research that has been published the issue of social franchising has been severely under-researched. Also the elements that trigger social entrepreneurship formation need further research attention, especially from social network thinking. The issue of scaling social enterprises has also been under-researched and finally the influence of informal institutions in alliance and franchising literature is an area that needs to be further investigated. Generally the fields would benefit from holistic approaches building on systems of institutions and networks. In the following chapter we will attempt to address these theoretical shortfalls and provide our conceptual models of the factors associated with the formation, partner selection, governance and performance of social franchising. This approach also explains the formation of social entrepreneurship.

3. A Conceptualisation of the Factors Associated with the Social Franchise Network

3.1. Introduction

At this section we present the conceptual framework of this study as it has been induced from the analytic induction of the qualitative data. The preceding chapter reviewed a number of issues, which have been extensively tested in empirical studies within the alliance, franchising and social entrepreneurship theory. We have reviewed existing research on the sequential strategic stages of the phenomenon of (social) franchising: the motives for its formation and partner selection criteria, its governance structure, and its performance. We also presented a comparative study between the various theoretical approaches on different levels of analysis that have been applied in analysing those constructs.

3.2. The Conceptual Framework

“Theorization (or conceptual framing) is the value-added of qualitative research” (Llewelyn 2003:662).

Conceptual framing does not exist outside the empirical research, on the contrary it is part of the social phenomena that are being investigated; theory and data are interdependent (Burrell and Morgan, 1979; Mouzelis, 1995; Llewelyn 2003; Wodak 2001). The theory of this study pertains to grounded theories and is induced through analytic induction from the qualitative data that have been collected. It is primarily an explorative research in understanding social franchising. It is secondarily explanatory with regards only to the dynamics of the system of informal institutions and social networks in shaping the behaviour of actors and organization when forming social
franchises. The explanatory research has been based on causal hypothesis deduced from theory; these hypothesised relationships were also indicated from the exploratory research. Therefore, our conceptual theory although it preceded data analysis in the presentation of this thesis it has actually proceeded the data analysis processes.

3.2.1. The Social Franchise Model

The purpose of this study, as already mentioned, is to explore the phenomenon of social franchising through a holistic approach identifying the systems that determine the formation, growth and success of social franchising. Our qualitative research indicated that the determinant factor that differentiates social franchises from mainstream franchises and alliances are social entrepreneurship and the socially innovative model of the venture which are both strongly embedded and influenced by their contextual political and social environments. Social franchises cannot be analysed in isolation from the spheres of social entrepreneurship, social innovation, the political context within which they emerge and operate and the social settings of relationships they form with other organizations and actors which shape their behaviour through the dynamics of relational and structural embeddedness.

The Social Franchise Model- SoFraM (see Figure 3) presents the relationships among the constructs of this research. The formation, partner selection, governance and performance of social franchises is determined by decisions and policies adopted by formal national and supranational institutions, by norms that emerge from the relational and structural embeddedness of actors in networks of informal institutions, by elements of the social innovation of the ventures and by elements of the psychological profile of the social entrepreneurs. The emphasis on subgroups and substructures of the network is considered important when applying social network theory (Sloane and O’Reilly, 2013).
3.2.2. The National Comparative Advantage Social Economy Sector – The Holistic Model of SoFraM

In an economy where the four systems intersect we expect to find best practices of social franchises and social enterprises. These economies will develop a comparative advantage in the social economy sector concentrating more successful social entrepreneurial ventures that have greater prospect of scaling and establishing social partnerships. Organizations and actors who are active in an economy where the state has adopted a portfolio of policies enhancing social entrepreneurship, when these organizations and actors are advantageously positioned and relationally embedded in social networks, given that these organizations have developed a
socially innovative business model and that the entrepreneurs are committed to this social venture then we expect that these ventures will be stemmed with success (See Figure 4).

Figure 2 National Comparative Advantage Social Economy Sector - The Holistic Model of SoFraM

Original work of the author of this study; depicted by Chartered Architect Mr Theodoros Gazotzis; ‘ΟΛΙΣΜΟΣ’ stands for the Greek word ‘Holism’.

At the following subchapters we present the conceptualization of the four systems of our study.

3.3. The Conceptualisation of the System of the Individual/Psychological Social Entrepreneur Profile
The dynamics of the system of individual social entrepreneur in understanding the phenomena of social enterprises and social franchising is a personality system of individual/psychological nature and contains elements like traits, knowledge, experiences, background, personality, motives and intentions.

Personality traits were investigated and were found to correlate with the accumulation of franchise formation (multi-units), with governance modes of franchises and with the performance of franchise systems (Weaven, Grace and Manning, 2009). According to the results of their study multi-unit franchisees have a significant lower score in personality traits indicating that they prefer to be part of organised structured systems, to adhere to system rules and to manage the system thus being more system oriented. Though most of the variables scored as not significant apart from empathy, emotional intelligence, consciousness, and emotional stability. For measuring personality profile of franchisees Weaven, Grace and Manning (2009:95-96) used: firstly, the Big-Five personality traits, consisting of a) extraversion, how outgoing a person is and how easily they engage in verbal and physical expressions the higher this the more adventurous and social a person is, b) agreeableness showing altruism, caring, and emotional support, the higher this the more kind and sympathetic and giving a person is as opposed to being competitive, self-centred, indifferent and jealous, c) consciousness has to do with the ability of person to define goals and objectives and actually meet them, the higher this the person is characterised as being an achiever, responsible and focused as opposed to impulsive, d) emotional stability is related to stress the higher this score the more calm a person is as opposed to being stressful and having anxiety and depressive tendencies, e) intellect which measures creativity and openness to new ideas, the higher this score the more innovative a person will be, better coping with complexity as opposed to being more conservative and resisting to change. (Weaven, Grace and Manning, 2009). The operationalisation of personality traits in the research of Weaven, Grace and Manning (2009) was based on big-five measurement through the IPIP-B5 of 50 items with 5point Likert-type response scales (Cattell, 1957; Goldberg, 1992; Tuples and Chrystal, 1961).

Another important dimension in personality traits is empathy which has to do with how we react when we see someone experiencing certain situations, the degree to which we can identify ourselves with them. Empathy has four dimensions a) the perspective taking, which has to do with the ability of a person to step outside of their shoes and understand the position of the other person, the higher this the person will have a better social functioning and higher self-esteem because of that; b) empathic concern that is the level at which a person can feel concern for others, the higher this score the more sympathetic and non-selfish a person will be; c) fantasy is the ability to identify with characters in books and films, the higher this score the person will be more sensitive to others, have higher emotional reactivity and verbal intelligence; d) personal distress is the degree which a person is emotionally influenced by witnessing the negative feelings of others, the higher this score the less self-esteem a person will have and less social functioning (Weaven, Grace and Manning, 2009). For measuring empathy they used the Interpersonal Reactivity Index (IRI) of 14 items with 5point Likert-type scales (Davis, 1980)

Finally according to the same research the third factor of personality traits is emotional intelligence, it is ‘the ability or tendency to perceive, understand, regulate and harness emotions adaptively in the self and in others’ (Schutte et al, 2003:523). The higher this score the most successful a person will be in many dimensions, it is considered a very important element in
analysing personality, intelligence and success of individuals (Weaven, Grace and Manning, 2009). For measuring emotional Intelligence they applied the Emotional Intelligence Scale (EIS) of 33 items (Schutte et al, 1998), they also included age, gender and franchise system.

Other skill identified by research: creativity, collaborative leadership skills, team-work capability, socio-moral motivation, long-term community oriented motivation, unique ethics (Bornstein, 2004; Drayton, 2002; Mair and Roboa, 2006); their capacity to innovatively exploit opportunities suddenly identified; their skills in building networks (Nicholls and Opal, 2005); commitment to their communities, of team working and collaborative leadership, entrepreneurial personality and the ability to see opportunities (Korosec and Berman, 2006); a strong desire to change society, by discomfort of the status quo, by altruistic feelings, and by a need to be socially responsible (Mair and Roboa, 2006). In terms of behaviour attributes include: accept social criticism, ability to appear trustworthy and receptivity to other’s feelings (Mair and Roboa, 2006). Sharir and Lerner (2006) identify as motives of social entrepreneurs that are common with main stream entrepreneurs were: self-fulfillment, occupational independence, and opportunities for creativity; the motives that were unique to social entrepreneurs were: personal rehabilitation, search for solutions to individual distress, obligation or affiliation to one’s community.

Social franchisee selection criteria: commitment level, risk-taking ability, innovativeness, good team players, personal integrity, ability to persuade, enthusiasm, entrepreneurial skills, commitment to social objectives, confidence, willingness to be trained and to maintain quality; skills and capabilities like fund raising skills, and knowledge of the local sector and in some cases financial robustness (Doherty, 2009; Holberg and Morgan, 2003; Sivakumar and Schoormans, 2011a; 20011b).

For franchising formation: route into self-employment, individualism, unemployment push, prior self-employment and creativity. Complexity of franchisee motivation, like intrinsic/extrinsic goals, for franchisees with no prior self-employment experience these are: independence, and autonomy act; for those with prior self-employment experience are: security and profitability, and the aforementioned intrinsic goals (Stanworth and Curran, 1999).

Findings indicate that trustworthiness (the belief that the partner is worth of the trust of others) that is an attribute of an individual partner is positively related to franchise and alliance formation, governance and success (Barney and Hansen, 1994; Mollering, 2003; Ring and Van de Ven, 1992; Rotter, 1967); while trust is an attribute of a relationship between partners. Mollering (2003) findings indicate that trust and trustworthiness have a very strong correlation.

Networking leadership skills are a significant parameter in the success of social entrepreneurial networks: a particular open and inclusive leadership style; that accommodates for other dynamic and ambitious leaders to act; leading through persuasion and consensus; good listener skills and ability to promote others contributions; and showing direction (Leadbeater, 2006).

Grifitths, Gundry and Kickul (2013) investigated education and gender, their research results indicate that while education has no significant correlation to social entrepreneurship formation, gender plays a significant role suggesting that the support of the growth of female entrepreneurs has positive effect to the growth of social entrepreneurial ventures. Alvord et al (2004) research in cross-national best practices of social enterprises also found no patterns in terms of
background (coming from poor or rich backgrounds or education), country of origin, gender, occupation, and being individuals or groups. What they found as significant was their skills in managing constituents from diverse groups and establishing bridges among them; thus in establishing social networks.

Mair and Roboa (2006) model of social entrepreneurial intentions suggest that empathy, moral judgment (is the cognitive process that motivates an individual to help others in search of a common good) which both influence desirability of a social venture, and self-efficacy (the belief in one abilities to mobilize resources and meet a target) and support of social groups (ability to mobilize resources from networks) which both influence the feasibility of the venture are the underlying parameters that lead to social entrepreneurship formation. Mair, Battilana and Cardens (2012) and Battilana, Leca and Boxenbaum (2009) distinguish among principles that guide social entrepreneurs’ actions and justifications in conceptualizing the desired social outcome of their entrepreneurial activities; they employ a categorization based on ‘orders of worth’ based on the conceptualization of Boltanski and Thevenot (2006): a) the world of inspiration (non conformity, dream and rebel), b) domestic world (worth is associated with trust and tradition, acts of preservation), c) world of fame (worth is seen through the perception of others, exercise influence and accomplish recognition), d) civic world (worth is associated with collectivism and belongingness, thus mobilize others and acting in groups), e) market world (worth is associated with price mechanisms, acts through competition and identification of market opportunities), f) industrial world (worth is associated with efficiency and effectiveness, acting through the application of plans, models and tools). They found that the four social entrepreneurship models that they created are associated with different justifications and principles: the political capital model is mostly associated with fame, the human capital model with fame and domestic principles, the economic capital model with the market principle and the social capital model with the civic principle.

The choice to form entrepreneurial ventures is also influenced by demographics and psychological characteristics (Battilana, Leca and Boxenbaum, 2009).

Zahra et al (2009) research identifies three types of social entrepreneurs: a) the social bricoleur, who addresses needs at a small-scale local level, their motives are noble, the level of their ego and ambition are limited; b) the social constructionist who attempts to resolve market failures by launching innovation that can bring social changes, their motives and aspirations are complex and have many facets, their behaviour might become opportunistic and coercive as they try to influence others in meeting their goals; and c) the social engineer who identifies failures at the social structure and launches actions to target revolutionary transformational change, they are the most ambitious, their egos and needs may be ahead of their ventures, they may be individualistic, socially deviant and manipulative. These three types are differentiated based on the process they follow to identify problems, based on the conceptualisation of the impact they want to bring and based on the way they mobilise resources to do that. Their research investigates issues of ethics of social entrepreneurs.

RQ1: What is the role of the system of the individual/psychological social entrepreneurship profile in the formation governance and performance of social franchising?

3.4. The Conceptualisation of the System of Social Innovation
The dynamics of the system of social innovation in understanding the phenomena of social enterprises and social franchising has a technological nature and contains elements of technology, knowledge, technical, resources, strategies, tools, business models, resource mix, missions, goals and other organizational elements.

Alvord et al (2004) identified three systems of innovation being building local capacity, disseminating a package and building local movements. Their results indicate the existence of correlation among social innovation and a) systematic learning (individual or organizational), b) the mobilization of existing local resources of disadvantaged groups, c) the relational and structural networking skills of the social entrepreneurs in building and managing networks of relationships, d) the scaling up strategy, and e) social transformation impact (being economic, political or cultural). They found no correlation among social innovation and operational organizational context (like size, management systems, staff development, evaluation and reporting systems) and among social innovation and individual or groups personality profile (like background, age, gender, profession).

Seelos and Mair (2005) identify three elements of innovative sustainable social entrepreneurship ventures being: a) satisfying basic human needs (providing health services, farming solutions, accommodation), b) establish communities that enhance the creation of norms, rights and collaborative action (enhance the role and participation of women, mutual support, solidarity), c) promoting the needs of the future into activities that take place now (not to hinder with our actions today the opportunities of future generations to make their own choices, protecting the environment).

According to Mair, Battilana and Cardens (2012) social entrepreneurial models are based on three elements of strategic decision, being: a) define the problem or need (redefine an issue outside conventional categorization and boundaries thus approaching an issue from a different stand point) they identified 11 categories, b) identify the target constituents (social entrepreneurs engage other change actors in their activities these being formal institutions, other organizations, beneficiaries, clients), they identified 16 categories etc, c) select the activity (how do they organize the change agents, the different constituents in the social change process to address the issues identified), they identified 12 categories. Battilana, Leca and Boxenbaum (2009) identify three stages of social innovation: a) to create a vision for divergent change, this means defining an issue, conceptualizing it and justifying it b) the mobilization of people of allies and c) the act of motivating those people to actually engage in actions to achieve the vision. According to Zahra et al (2009) the elements are: a) the process to discovering a problem, b) the impact they want to make, c) the mobilization of resources.

Mair, Battilana and Cardens (2012) and Battilana, Leca and Boxenbaum (2009) identified four social innovation models: political capital, human capital, economic capital and social capital. They also clustered the four social entrepreneurship models based on the justifying rationale of social entrepreneurs on ‘orders of worth’. The political capital is mostly associated with fame, the human capital with fame and domestic principles, the economic model with market principle and the social model with the civic principle. Therefore there is a correlation among the psychological profile of social entrepreneurs and social innovation; they found no correlation among geography and the emergent social entrepreneurial models.
Social innovation models to scale are: branches, affiliation (from loose coalitions to social franchises) and dissemination (Dees et al, 2004; Lyon and Fernandez, 2012; Mair and Sezgi, 2011). Types of social innovation growth identified in Lyon and Fernandez (2012) (Dees et al, 2004; Mair and Sezgi, 2011) are: from organic growth: maximising social impact of existing provision, diversification (additional services and products), increase penetration though in-house growth of services, setting up new branches in other locations, taking over existing businesses and converting them to their model, winning contract from local authorities or employers to run their model. From affiliations and relationships with other organizations: spin out organizations (like the social franchisor can spin out the development unit to control the franchise system), social franchising, kite marks and quality standards. Through dissemination: training and accredited courses, networks established to share good practice, provision of open source material and encouraging learning.

Meyskens et al (2010b:668) in investigating innovation through social venture networks they operationalised it through the use of dichotomous variables on secondary data that included the following items: new technology, new way of doing things (processes), changing attitudes or mindsets, offering new products or services, creating new relationships. Replicability was operationalised through a scale of 0-5: 0 being not replicable or transferable, 1 being centre or location, 2 being replicable centre, 3 being programme or model, 4 being programme or model and replication support, 5 being network.

Results from Meyskens et al (2010b) indicate positive relation of social innovation and social networks; this argument has been supported by other research (Alvord et al, 2004; Mulgan et al, 2007; Murray, Caulier-Grice and Mulgan, 2009; Obstfeld, 2005). Also, social innovation is positively related to governmental interventions, especially funding (Mulgan et al, 2007). Social innovation is positively related with elements from the social entrepreneurship profile (Doherty, 2009; Holberg and Morgan, 2003; Sivakumar and Schoormans, 2011a; 20011b).

RQ2: What is the role the system of social innovation in the formation governance and performance of social franchising?

3.5. The Conceptualisation of the Institutional Context

3.5.1. The Conceptualisation of the System of Formal/Central Institutions

The dynamics of the system of central or formal institutions in understanding the phenomena of social enterprises and social franchising is divided into two subsystems: of supranational institutions, in this study we investigate the EU case; and of national institutions, in this study we draw data from the UK and the Greek case. The formal systems nature is political and its elements are law, regulation and incentives, like monetary and non monetary (e.g. capacity-building) (Griffiths, Gundry and Kickul, 2013; Mair, Marti, and Ventresca, 2012; Meet et al, 2010)

Existence of pro social entrepreneurship formal institutions interventions are positively related to social entrepreneurship formation (Dees 1994, 1998; Dorado and Ventresca, 2013; Emerson and Bonini, 2003; Griffiths, Gundry and Kickul, 2013; Higgins et al, 2008; Korosec and Berman,
The majority of research identified as elements: legal formats (Nicholls, 2010a), the latter used secondary data from the legal framework and the reporting information provided by community interest companies in the UK. Other elements that are identified as important parameter are: taxation (Ingram and Silverman, 2002; Meek et al, 2010; Sullivan, 2007; Van Putten and Green, 2010), regulation (Meek et al, 2010), activities to raise public awareness, educational programmes, direct or indirect access to financial capital, activities for the creation of networks (Korosec and Berman, 2006), access to the provision of public services and direct or indirect access to business support services (Higgins et al, 2008). Stanworth and Curran (1999) identified governmental interventions to pro entrepreneurship leading to franchising formation.

Korosec and Berman (2006) operationalised governmental institutions through studying the perception of types of support, perception of policy makers of adequacy of support, the roles adopted by public officials, and strategies employed drawing from data in the US. They didn’t provide hard data on the actual policies employed.

According to Battilana, Leca and Boxenbaum (2009) the existence of field characteristics, like regulatory changes, scarcity of resources, economic and political crises, coexistence of contradicting institutions and low degrees of institutionalisation trigger social entrepreneurship formation. Welfare mix based on economic systems has been studied as a motive for social entrepreneurship formation (Evers and Laville, 2004; Griffiths, Gundry and Kickul, 2013; Defourny and Nyssens, 2010b)

Nicholls (2010a) studied reporting and disclosure elements of regulation and their relationship to legitimacy of social enterprises through: the regulatory boundaries, the key actors that negotiate within this system, and conflicting ideas and debates that emerge though discourse based on secondary data from UK.

In operationalising governmental effectiveness Griffiths, Gundry and Kickul (2013) used the level of corruption, the index created by Transparency International (see www.transparency.org/). The 2009 Corruption Perception Index ranks 178 countries from a high of 9.4 (best) to a low of 1.1 (worst) by their perceived levels of corruption, as determined by expert assessments and opinion surveys. Zahra et al (2009) also identify corruption as an important element in social entrepreneurship formation. So this findings indicate that corruption is inversely related to social networks formation and is also inversely related to governmental interventions effectiveness.

RQ3: What is the role of formal institutions on the formation governance and performance of social franchising?
RQ31: What is the role of the system of national formal institutions in the formation governance and performance of social franchising?
RQ32: What is the role of the system of supranational formal institutions in the formation governance and performance of social franchising?
3.5.2. The Conceptualisation of the System of Informal/Decentralised Institutions of Network Embeddedness

The dynamics of the system of informal or decentralised institutions in understanding the phenomena of social entrepreneurship and social franchising is studied through relational and structural embeddedness of actors in networks and social norms. The system of social norms is of social and cultural nature and contains elements like norms, sentiments, values, beliefs, behaviour, informal rules and guidelines.

Social norms are socially shaped (Mair, Marti, and Ventresca, 2012; Meek et al, 2010) and emerge through the relational embeddedness of actors in networks (Granovetter, 1985). Relational embeddedness and social network theory explain the role of networks of social relations in producing social norms that define social action and shape organizational behaviour and economic activity. Embeddedness of actors in networks leads to the emergence of social norms; these elements influence the formation of entrepreneurial activity; they also influence decision making with regards to the formation growth and success of alliances (Granovetter, 1973, 1985, 1992; Gullati, 1995b, 1998; Kogut, 1988; Somersen et al, 2013; Uzzi, 1997).

Existence of social norms is positively related to social entrepreneurship formation and success (Meek et al, 2010; Pache and Santos, 2010) and to social alliances formation and governance (Arrighetti et al, 1997).

According to Battilana, Leca and Boxenbaum (2009) the social position of actors is correlated to social entrepreneurship formation; also positioning in networks influences social entrepreneurial networks formation (Sorensen et al, 2013). Mair and Roboa (2006) identify support of social groups (ability to mobilize resources from networks) leads to social entrepreneurship formation. Social franchisee selection criteria were identified as being linkages with the local networks (Sivakumarand Schoormans, 2011a; 20011b). Mair, Battilana and Cardens (2012) and Battilana, Leca and Boxenbaum (2009) found a correlation among the support organizations that actors become members of and the social entrepreneurial innovation model (Ashoka is associated with the political and social models while Schwab Foundation with economic models).

Social innovation model of growth in most cases is correlated with establishment of social networks and social alliances (Dees et al, 2004; Lyon and Fernandez, 2012; Mair and Sezgi, 2011). Meyskens et al (2010b) results found positive relation among social innovation and social networks formation (operationalisation through dichotomous variables on secondary data presented at previous section on social innovation).

Mair and Sengi (2011) identify governance (control system) being based on the social norms of commitment and trust that have direct impact to the success of the growth strategies adopted. These norms are cultivated through: training, communication and mobility of human resources among partners. Pache and Santos identify decision making of social enterprises being influenced by the institutional logics that prevail in the social systems that they are part of. The power of these logics increases through: the centrality of actors in networks; the resources that actors have;
the social norms that are cultivated through normative processes by external and internal organizational social networks and finally the power of support networks to impose their logics on their members (like training, mentoring and socialization activities) (Pache and Santos, 2010).

Nichols (2010b) identified that the social norm of solidarity and the power of social networks lead to social entrepreneurship formation. Ghauri, Lutz, and Tesfom (2003) identified that willingness to respond together, development of solidarity, coherence and commitment lead to social networks formation.

Meek et al (2010) results indicate that the existence of contradiction among social norms and governmental interventions leads to conflict offsetting the benefits of the latter interventions (Mair and Marti, 2009; Mair, Marti, and Ventresca, 2012; Nicholls, 2010a; Pache and Santos, 2010). Therefore, social norms (which promote social network formation) are positively related to pro entrepreneurship governmental interventions. Social norms are also found to be positively related to social innovation (Meyskens et al, 2010b).

The research questions of our explorative qualitative study are:
RQ4: What is the role of the system of relational network embeddedness and social norms in the formation governance and performance of social franchising?
RQ41: Does the system of relational network embeddedness and social norms influence the formation and partner selection of franchising networks?
RQ42: Does the system of relational network embeddedness and social norms influence the governance of franchising networks?
RQ43: Does the system of relational network embeddedness and social norms influence the performance of franchising networks?

3.5.2.1. The Franchise Network Model – The FNM

The influence of network embeddedness to the issues of franchise formation, partner selection, choice of governance structure and to the performance of (social) franchising has been initially investigated through our exploratory qualitative study. The findings of the exploratory study indicated the prevailing importance of social networks and embeddedness in shaping the activity of actors in (social) alliances and social entrepreneurship. So we attempted to explain the relationships among the system of informal institutions and social norms with our main constructs through a deductive approach based on our conceptual framework named ‘Franchise Network Model- The FNM’ (See Figures 5, 6, 7 and Table 4). The independent variables of our research are the social norms of trust, commitment, solidarity, mutuality, flexibility, role integrity, harmonisation of conflict, and restraint of power. The dependent variables are formation, partner selection, governance and performance. The objective is to produce an analytical model that can be used in future research in social enterprise networks and social franchises.

3.5.2.2. Why investigate these elements?

Social norms consist of eight variables, these being: trust, commitment, solidarity, mutuality, role
integrity, flexibility, harmonization of conflict and restraint of power. These elements influence the formation of entrepreneurial activity; they also influence decision making with regards to the formation of alliances, to partner selection, to the governance modes and to the impact of these ventures (Granovetter, 1973, 1985, 1992; Gullati, 1995b, 1998; Kogut, 1988; Somersen et al, 2013; Uzzi, 1997).

One could ask why trust, commitment, flexibility, mutuality, role integrity, solidarity, restraint of power, and harmonization of conflict? Why these elements and not others? Why not belongingness, reciprocity, parity of power? It is true that wording is a limitation of meaning. We have been based on the works of other scholars on network theory and relational management/marketing and these elements have appeared in the majority of researches as being the core variables of the relational paradigm (See Table 3 in Chapter 2). These elements are interrelated and the area that they altogether capture encompasses and describes all the facets of the relational aspect including issues like reciprocity and belongingness. It is important to emphasize at this point that we do not analyse the exact wording of each item, we analyse the concepts, the values and norms. Nor are we debating that etymologically these are the best words to describe these concepts. The latter would probably be the subject of a whole other thesis. What we are claiming though is that the way we have defined, described and operationalised these eight elements represents and measures the relational and partly structural elements of network embeddedness. In researching international networks of organizational relationships we should take into account the differences of cross-cultural contextual factors, rather than directly replicating Western constructs (Mavondo and Rodrigo, 2001). The latter researchers argue that this approach should be rejected because the constructs that are being analysed should capture the differences in business behaviours and practices that derive from the differences between more collectivistic or more individualistic cultures (Hofstede, 1983). According to Punnett and Shenkar (2003) and Boyacigiller et al (2003) the inability to capture the differences of contracts in intercountry comparisons could create serious methodological issues; therefore control variables have been used in our study.

The network governance form of the ‘FNM’ model is not merely defined by the existence of direct or indirect ties between its members, as in that case every franchise would then be a network. The network governance form refers to a network where the existence of the relational ties and the communication mechanisms among its members create the dynamics that shape endlessly the nature and form of the network. These dynamics may also offer control benefits to members but this is one of the outcomes of the network and not the ‘raison d’être’ of the network. This is the reason why in our conceptual modelling we do not deal with the nodes or the actors but we deal with the essence of the network. Therefore the network governance form differs from hierarchy and bilateral governance and also from Macneil’s relational exchange, though it draws from the latter conceptualisation.
Figure 3 The Social Context of SoFraM: The Franchise Network Model-FNM

Original work of the author of this study; depicted by Chartered Architect Mr Theodoros Gazotzis; ‘ΟΛΙΣΜΟΣ’ stands for the Greek word ‘Holism’ (Zafeiropoulou and Woods, 2012:188; Zafeiropoulou and Koufopoulos, 2013a).
FRANCHISE FORMATION AND PARTNER SELECTION

New Franchisee

Franchisee

Franchisor

New Master Franchisee

Direct ties

Indirect ties

Prospective Franchisee

Direct or Indirect Ties

New Franchise Concept

GOVERNANCE STRUCTURE

Prior repeated ties

Trust

Commitment

Mutuality

Solidarity

Flexibility

Role Integrity

Harmonization of conflict,

Restraint of Power,

Network Governance

Form

Higher flow of

Information, and

More transparent

Communication

The Franchise Network Model- The FNT
**Figure 4** The Social Context of SoFraM: The Franchise Network Model – FNM

**H1.1:** Trust from prior direct ties between firms is positively related to franchise formation and partner selection

**H1.2:** In the absence of prior direct ties, the larger the number of the common third-party ties of two firms, the more likely they are to lead to franchise formation and partner selection

**H2.1:** Trust is inversely related to hierarchical controls
**H2.2:** Prior ties between firms are inversely related to hierarchical controls
**H2.3:** Commitment is inversely related to hierarchical controls
**H2.4:** Solidarity is inversely related to hierarchical controls
**H2.5:** Mutuality is inversely related to hierarchical controls
**H2.6:** Flexibility is inversely related to hierarchical controls
**H2.7:** Role Integrity is inversely related to hierarchical controls
**H2.8:** Harmonization of Conflict is inversely related to hierarchical controls
**H2.9:** Restraint of Power is inversely related to hierarchical controls

**H3.1:** Trust is positively related to performance
**H3.2:** Commitment is positively related to performance
**H3.3:** Solidarity is positively related to performance
**H3.4:** Mutuality is positively related to performance
**H3.5:** Flexibility is positively related to performance
**H3.6:** Role Integrity is positively related to performance
**H3.7:** Harmonization of Conflict is positively related to performance
**H3.8:** Restraint of Power is positively related to performance

**Figure 5** Hypothesis of Franchise Network Model- FNM
Table 5 The inputs and outputs of the Franchise Network Model- FNM

<table>
<thead>
<tr>
<th>The FNM- The Franchise Network Model</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Embeddedness influences Franchise Formation and Partner Selection</strong></td>
</tr>
<tr>
<td>Direct or Repeated ties between franchisor and prospective franchisee lead to franchise formation and partner selection</td>
</tr>
<tr>
<td>Indirect or Common ties between franchisor and prospective franchisee lead to franchise formation and partner selection</td>
</tr>
<tr>
<td>The existence of the network leads to the formation of more alliances between already allied partners (Multi Unit Franchisee) and to new franchise networks, so to its accumulation</td>
</tr>
<tr>
<td><strong>The Embedded network is governed by the Network Governance Mode</strong></td>
</tr>
<tr>
<td>Repeated ties between franchisor and franchisees lead to fewer hierarchical controls</td>
</tr>
<tr>
<td>Trust leads to fewer hierarchical controls</td>
</tr>
<tr>
<td>The existence of the social norms of commitment, flexibility, mutuality, role Integrity, solidarity, harmonization of conflict, and restraint of power lead to fewer hierarchical controls</td>
</tr>
<tr>
<td><strong>The Embedded Network achieves higher Performance</strong></td>
</tr>
<tr>
<td>The embedded franchise network whose inter-organizational relations are characterized by trust, commitment, flexibility, mutuality, role integrity, solidarity, harmonization of conflict, and restraint of power leads to higher levels of performance</td>
</tr>
</tbody>
</table>

In the following subchapters we offer a conceptualization of each of our constructs independently in order to set the foundations for their operationalisation which follows at Chapter 4.

3.5.2.3. Trust

In conceptualising trust we deal with it as a multi-dimensional construct of eight items including reliability, integrity, competence, honesty, fairness, responsibility, helpfulness and confidence (Meyer and Allen, 1984; Morgan and Hunt, 1994; Moorman et al, 1993; Mowday et al, 1979). Mavondo and Rodrigo (2001) argue that trust is a combination of feelings, it has an affective component deriving from rational thinking and a cognitive component; both have to be present in order for trust to exist. Mavondo and Rodrigo (2001) used the aforementioned conceptualisation to measure trust based on a four item operationalisation. Larzelere and Huston (1980) operationalised dyadic trust through a nine items scale similar to the aforementioned approach.
Trust based on past ties is the belief that a potential partner is trustworthy and therefore would adhere to norms of equity in future ties and avoid acts of self-interest that would damage the ties (Jensen, 2003; Ring and Van de Ven, 1992; Uzzi, 1997).

Trust emerges in two ways; through equity norms and through its utilitarian roots (Ring and Van de Ven, 1994). Trust can be promoted firstly because of mutual awareness and equity norms, which is called ‘knowledge-based trust’; by being part of a prior network firms know each other and by having interacted they may have also developed trust, which we can see between individuals in firms when their personal relationship exerts pressures for conformity to expectations (Gulati, 1998). Informal, personal connections across organizations determine the governance structure used to organize transactions (Ring and Van de Ven, 1994). Secondly, as we find in Gulati’s research (1998) the reputational concerns in a network promote ‘enforceable trust’; this is because the expected gains from a given partner and from the shared partners of the network motivates good behaviour of the firms, and also because the fact that each firm knows that if the other would act opportunistically they would have much to lose promotes confidence to each other. If a firm would act opportunistically within a network then it could jeopardize losing its reputation in the network and doing business with the given partner (Gulati, 1998; Ring and Van de Ven, 1994).

Trust is measured through prior alliances (Gulati, 1995a; Gulati and Gargiulo, 1999; Ring and Van de Ven, 1992). Direct ties measure the relational element of social networks, or else called relational embeddedness and promote knowledge-based trust because firms have learned about each other and have developed trust around norms of equity. Repeated ties between actors that have proven to comply with norms of equity lead to the emergence of trust (Ring and Van de Ven, 1992). According to a researched conducted by McGinn and Keros (2002) embeddedness was operationalised by the existence of prior social ties among the actors. As we find in the research of Uzzi (1999) on the banking sector transactions between those that were socially tied entailed mutual trust, detailed information exchange, and joint problem-solving, which was not the case in their relationships with distant others.

Prior indirect ties measure the structural element of embeddedness and promote enforceable-trust, since actors are concerned about their loss of reputation and the possible dissolution of other alliances if they behave untrustworthy (Gulati and Singh, 1998). Therefore, repeated interaction between two firms can be an indicator of trust among them (Barker, 1990; Balakrishnan and Koza, 1993; Gulati, 1995; Gulati and Singh, 1998; Uzzi, 1997). Structural relations can exist even in the absence of dyadic relations if the actors are tied indirectly through mutual ties with others. In that case negotiations taking place between organizations involve socially embedded ties which drive many aspects from partner selection to the setting of prices in exchanges (McGinn and Keros, 2002).

Prior interaction from social ties-like friendship ties- or economic relationships lead to the creation of trust and thus to the formation of inter-organizational relationships more
quickly and efficiently as it lowers transaction costs and increases managerial flexibility (Ring and Van de Ven, 1994). Knowledge based trust and enforceable trust can substitute contractual safeguards and therefore trust influences the governance structure of an alliance (Gulati, 1998). Also trust has been argued as being an important source of value creation in inter-firm ties and thus a motive for the renewal of inter-firm ties (Baker, 1990; Gulati, 1995, 1998; Uzzi, 1997). Mutual trust is the precondition for the rationale of a network (Marsden, 1983). Thus trust, from prior ties, is a significant factor for alliance formation and partner selection (Gulati, 1995a, 1995b, 1998, 1999; Gulati and Singh, 1998).

When exchange partners trust each other they are more willing to share information and resources (McGinn and Keros, 2002; Uzzi 1999).

In studying inter-organizational trust Mollering (2003) concluded that trust and trustworthiness have a very strong correlation at his research at the printing industry in the UK. Barney and Hansen (1994) also used trustworthiness to measure trust, trustworthiness is the belief that the partner is worth of the trust of others. They argue that trust is an attribute of a relationship between partners, while trustworthiness is an attribute of an individual partner. Ring and Van de Ven (1992) also used trustworthiness, its behavioural element to measure trust. Rotter (1967) argues that people who trust each other are also most trustworthy, indicating the direct relationship between the two concepts.

Therefore from the analysis provided above we conclude that the most efficient way to measure trust is in three ways: firstly as actual trust, secondly as perceived trustworthiness and thirdly as the existence of direct and indirect ties.

3.5.2.4. Commitment

Lamsa and Savolainen (2000) in studying commitment they differentiated between reward-based and trust-based commitment. The first comes from economic advantages, status and social benefits and is material, social or psychological. The trust-based refers to the perspective of other than one self in commitment formation through emotional and value-added bonds.

According to Leonidou (2003: 135) commitment can be seen through three perspectives: the first is managerial commitment, which is the interest and determination by the company’s management to promote the inter-organizational relationship. The second is resource commitment, which is the gradual release of organizational resources (financial, personnel, material, etc) to support the inter-organizational exchange. Finally, the third is relationship commitment which is the willingness by one party in a working relationship to exert a great deal of effort and accept short-term sacrifices, costs or restrictions required by the relationship in order to obtain common results with the other party and long-term benefits.

In the writings of Achrol (1997) we find that inter-organizational commitment has two
constructs: the attitudinal and the instrumental element. The attitudinal element is in terms of affectual commitment, psychological attachment, identification, affiliation and value congruence. Inter-organizational commitment according to Achrol (1996) is associated with motivation, involvement, and performance and obedience to organizational policies. Inter-organizational attitudinal commitment can be cultivated by two ways: the one is through the reputational power of networks and the other is through interlocking management and interdependency, but not as control mechanisms (Achrol, 1997).

According to Gundlach et al (1995) the approach that a lot of researchers follow in conceptualising inter-organizational commitment is the multi-component approach, the three components are: instrumental, attitudinal and temporal. The first exists in relations based on economic needs and parties provide input so as to create self-interest stake in the relation. The second exists in relations where actors have some normative or affective attachment and opt for the maintenance of a long-term relation. And finally, the temporal represents the essence of long-term relational commitment where actors become deeply involved in the relationship (Gundlach, Achrol and Mentzer, 1995; Mavondo and Rodrigo, 2001).

Based on a research conducted by Bennett and Gabriel (2001:425) commitment can be measured both as an intention to continue the relationship in the future (Nielson 1998) and as a willingness to make relationship-specific investments, the latter creates long-term bilateral interdependence.

According to the writings of Achrol (1996) interdependence is a vital element that holds the network into a stable, cohesive and mutually oriented economic system and leads to attitudinal commitment which provides the foundation for the development of social norms of governance (Macneil, 1981).

Interdependence between partners can vary at one extreme an alliance may have a simple division of labour with minimal ongoing adjustments or at the other extreme there may be anticipation of a complex and overlapping division of labour that demands mutual adjustments between partners and require each partner to link specific activities with other partners regularly (Gulati and Singh, 1998). Gulati and Singh (1998) conceptualization was also applied in the study of (Sloane and O’Reilly, 2013) on social network analysis; identified three types of interdependence: pooled; or generalised, defines situations when each partner provides contribution to the whole and each is supported by the whole, they entail low coordination requirements, communication, and effort and is coordinated by standardization, sequential; defines situations when the activities of each partner are separate from the others but serially arrayed, they entail a high degree of coordination beyond the pooling of resources, and reciprocal; defines situations when units come together to exchange outputs with each other simultaneously, they entail ongoing mutual adjustments, and are more interactive.

In operationalising commitment we used the level of interdependence. The higher was reciprocal, then sequential and then pooled. In order to classify actors in each one
category we used Gulati and Singh’s method (1998) and Zajac and Olsen’s (1993), which are based on the rationale for value creation that the alliance was formed in the first place: sharing costs/risks, access to financial resources, sharing complementary technology, reducing time span of innovation, joint development of new technology, access to new markets, access to new products, sharing production facilities. Reciprocally interdependent are if the strategic rationales of the partners included sharing complementary technology, jointly reducing the time needed for innovation, or joint development of new technology, marketing or distribution skills. Sequentially interdependent alliances are when the output of the one is handed to the other, for whom it is an input, expand market access, access to new products. Pooled are when the rationale was to share risk and costs, to share financial resources, or to build joint production facilities.

We also used a multidiimensional approach to measure two dimensions of commitment the instrumental and attitudinal commitment based on the researches of Mavondo and Rodrigo (2001), Morgan and Hunt (1994) and Gundlach, Achrol and Mentzer (1995).

3.5.2.5. Restraint of power

According to Thorelli (1990) power is the central concept in network theory because its mere existence can condition the existence of the other constructs.

According to the writings of Emerson (1962) and Blau (1964) it has been proven than in order to analyse power we have to see it as a relationship between actors rather than an attribute of an actor. The relational conception of power is therefore being applied in all level of analysis (Marsden, 1983). On this concept have been based the works of Hickson et al (1971), Pfeffer and Salancik (1974), Boje and Wheten (1981) and Marsden (1983). The research of the latter three researchers has proven that power is related to the different positions of actors within a network of relationships, what is known as the structural element of network theory or structural embeddedness.

Based on the writings of Tannenbaum (1968) power can be measured using the control graph, which maps the means of the perceived power of each level in the formal hierarchy of an organization by averaging the sum of the perceptions of people in the organization of the amount of power vested at various levels within it. According to the writings of Hickson et al (1971) power can be measured by the use of a formal level. They have divided the organization in four functional subunits which are seen as interdependent and which are levels of hierarchy. The level of power of each unit is drawn by the level of uncertainty that they manage with. Although this approach sees an organization on a horizontal rather than vertical axes, which is the case when management has exercised power and when hierarchies of order are reinforced by every-day organizational life. They re-approached the same theoretical problem at a later stage correcting the aforementioned problem and produced another measurement of control (Hinings et al, 1974).
Pfeffer and Salancik (1974) approached power from a resource perspective. They also divided an organization in subunits, which were different departments that offered critical resources to the organization for which in return they gained power. According to Burt (1977) equating power with control over resources is a limited approach to measuring power. Kauser and Shaw 2004, Geringer and Hebert 1989 measured control on a 5point scale using 22 items considering the scope of control as well as its extent and mechanisms based on scales developed by Killing (1983, 1988) and Beamish (1987).

As Achrol (1996) argues decentralized networks as opposed to centralized hierarchical control are more responsive to their environment, make more effective use of information, and are more innovative. So power is based on the culture of belongingness and solidarity and on a solid web of inter-organizational commitment, where committees are expected to act in the interest of the common good of the network. Concertive control, is based on consensual normative ideology (Barker, 1993), control is linked with the notions of teamwork, quality, flexibility, commitment and learning organizations (Clegg et al, 2005).

The types of power that are compatible with the evolution of networks and which replace the traditional coercive and legitimate power are: the expert, reputational, and referee types of power (Achrol, 1996; Boje and Whetten, 1981). In this research we operationalised the restraint of power using a multi-item typology based on the research of Boje and Whetten (1981): reputational (stability, security, solidarity, belongingness), expertise (competitive gains, market positioning, effects of innovations, and customer satisfaction are constantly monitored and communicated to the franchisees) and referent power.

Based on Cook and Emerson (1978) research findings we expect proved to be inversely related to commitment.

3.5.2.6. Harmonization of conflict

As we find in Achrol’s work (1996) in the traditional paradigm conflict is resolved by hierarchical controls or by litigation, while in networks mutual sentiments must exist to harmonize conflicts. It is based on the presence of solidarity and mutuality and through informal means and social interaction that conflicts are expected to be resolved rather than through formal institutions and procedures. A way to cultivate harmonization of conflict is to offer sales or financial help to members that are facing difficulties which could lead to the creation of conflict (Achrol, 1997). A franchise organization could create a strong social culture and spirit of accommodation by acknowledging and rewarding significant social contributions of its members.

Brown, Chekitan, and Dong-Jin (2000) argued that when there is harmonisation of conflict then firms will try to resolve their disagreements in mutually satisfying ways. Their research indicates that harmonisation of conflict is negatively related to opportunism. Ring and Van de Ven (1994) argue that alliances that are based on trust will resolve dispute internally and therefore it is essential to have an endogenous safe-guard
In measuring harmonization of conflict we used two approaches the first one is based on the research of Anderson and Narus (1990), Kauser and Shaw (2004), Kogut (1988), and Mohr and Spekman (1994) who measured conflict on a 5 point scale using 12 items. The second one is based on the approach of Boyle et al (1991), Gundlach and Achrol (1993), Gundlach, Achrol and Mentzer (1995), Heide and John (1992), Kaufmann and Dant (1992), Kaufmannn and Stern (1988, 1992), Macneil (1980), and Noordewier, John and Nevin (1990) who measured solidarity, role integrity and harmonization of conflict through a six-item approach. According to the latter approach harmonization of conflict exists when disagreements arise in a relationship and all facts are reassessed to try to reach a mutually satisfactory compromise.

3.5.2.7. Solidarity

There are two types of solidarity, the first is the individual preservation, it refers to the safeguarding of memberships in the relationship, and the second is the collective preservation, which refers to the safeguarding of the larger relationship. When the social norm of solidarity is present in a social network of inter-organizational relations, then it means that the contracting parties expect that this relationship will continue for an indefinite period (Macneil, 1980).

The same mechanisms that create interdependence and commitment also create solidarity. Apart from its internal element of self-preservation, commitment is also an externally driven norm that is fortified by being directed against external groups, like competitors (Achrol, 1997). The internal element of solidarity is cultivated by offering finances, management, technology, sales orders, and deferred payments when it is needed to support the franchisee in crisis. It is also cultivated by cross investment, joint projects, and participation in joint committees (Achrol, 1996).

We measured solidarity based on the approach of Boyle et al (1991), Gundlach and Achrol (1993), Gundlach, Achrol and Mentzer (1995), Heide and John (1992), Kaufmann and Dant (1992), Kaufmannn and Stern (1988, 1992), Macneil (1980), and Noordewier, John and Nevin (1990) who measured solidarity, role integrity and harmonization of conflict through a six-item approach. According to the latter solidarity exists when in the face of adversity/challenge in an alliance staying together is very important to both firms.

3.5.2.8. Role Integrity

Role Integrity refers to channel members’ expectations for needed future roles (Macneil, 1980) and suggests that roles expand to cover a multitude of issues not directly related to any particular transaction (Kaufmann and Dant, 1992). Brown, Chekitan, and Dong-Jin (2000) researched the extent to which role integrity includes mutual expectations about the proactive sharing of information, about multilevel interactions between firms, about mutual coordination and finally about conscientious and honest dealing with each other. They concluded in that role integrity has a negative correlation with opportunism when
they applied their model on franchise networks.

An important aspect of role integrity is to protect the domain of members from internal competition or acquisition. When referring to domain we include issues like identity, market, customer, technology, functions and any other responsibilities that define members’ roles (Achrol, 1997).


### 3.5.2.9. Mutuality

Mutuality has two meanings the first is acting for the mutual good and the other one is the equitable sharing of future benefits (Achrol, 1997).

The presence of norms of mutuality in networks can make sure that members act in the best interest of the network without direct supervision and control (Achrol, 1996; Kaufmann and Dant, 1992). The other part of mutuality is that when members can see the long term potential, stability, and regularity of benefits they can sacrifice short term gains in favour of the network goals (Achrol, 1996; Kaufmann and Dant, 1992).


### 3.5.2.10. Flexibility

The social norm of flexibility has a dual significance: the first is seeing modification as good faith adaptation and the second is seen as understanding the importance of environmental changes as motivators for adaptations (Achrol, 1997). Flexibility refers to the notion that the terms of the exchange can adapt and be modified by environmental changes (Heide and John, 1992).

As we find in the writings of Leonidou (2003) adaptation is a very important aspect of the healthy development of a business relationship under the relational approach. They refer to substantial adjustments in strategies, structures, processes and procedures necessary to fit the needs, capabilities and objectives of the other parties. Adaptation has been identified as crucial for the relational governance mode by Heide (1994) and Kaufmann and Stern (1988). Larson (1992) and Uzzi (1997) also stretch the importance of mutual adaptations to relationships among embedded ties that bring flexibility to the system and joint problem-solving.
Franchisors can facilitate the creation of the norm of flexibility by sharing research and analysis of the environment with its members, and by guaranteeing that franchisees have the chance to take part and share in the benefits of changes or adaptations proposed (Achrol, 1996).

Mollering (2003) measured flexibility in inter-organizational networks and the extent to which trust is related to flexibility in the governance of these relationships. His findings indicated that trust is positively related to flexibility.

We used two approaches to measure flexibility the one is based on Mollering’s (2003) research who operationalised flexibility in term of attitude towards exceptions made in the governance of inter-organizational relationships, through a four-item component. We also used the FLEX scale based on the research of Heide (1994) and Kaufmann and Stern (1988).

3.5.2.11. Research Hypothesis for Formation and Partner Selection

According to Gulati (1998) social networks and the channel of information explain the formation of alliances. Based on Gulati and Gargiulo (1997) the formation of alliances is due to exogenous resource dependencies and to an endogenous embeddedness dynamic, in which the emerging network gradually orients the choice of partners.

“Recent research has shown the importance of embeddedness for alliance formation, its results indicated that motives were not only financial and technological, but also how firms are embedded in social networks between firms” (Gulati, 1998:307).

A study conducted by Gulati (1995b) on alliance formation patterns proposes that the social context emerging from prior alliances and considerations of strategic interdependence influence the decision of an actor to form an alliance and choose a partner. The social context is the accumulation of prior direct and indirect ties which creates a social network in which most firms are embedded. There are three issues in treating alliance (Gulati, 1995b) the first is the type of alliance, the second is the multiple ties between firms and the third is the length of time during which past alliances are likely to influence current alliances.

The social network becomes a source of information about new opportunities and at the same time it facilitates trust in their existing and potential partners (Gulati, 1999; Ring and Van de Ven, 1992). It also plays the role of motivator for the accumulation of alliances (Gulati, 1998). In the franchising industry we can see that when a franchisor forms further alliance ties and extends the network, when a franchisee becomes a multi-unit franchisee, and when a franchisor/franchisee creates a new franchise network.

The informational advantages to firms from a network can enable the creation of new
alliances by three means: firstly access, which refers to information about current or potential partners on their capabilities and trustworthiness, secondly timing, which refers to having informational benefits about potential partners at the right moment, and thirdly referrals, which is the fact that existing partners of a firm may refer it to other firms for alliances (Gulati, 1998).

Network theorists as we already mentioned claim that interdependence can explain the formation of ties between some firms, but is not adequate to explain the alliance formation and thus partner selection (Gulati, 1998). Strategic interdependence between organizations describes a situation in which one organization has resources or capabilities beneficial to but not possessed by the other, like money, skills, access to markets (Gulati, 1995b).

According to network theory familiarity with potential partners is likely to lead to joint venture formation (Gulati, 1995; Glaister, 2004). Organizations that decide to form alliances face moral hazard concerns (Gulati, 1998), which are due to opportunistic (Kogut, 1988) and unpredictable behaviour of partners, and thus alliances are considered risky. Also changes to the environment may change a firm’s needs and orientation thus making the relationship even more unpredictable. Therefore organizations in order to enter into alliances that would help them satisfy their needs and at the same time minimize the risks should have information about potential partners, their needs and requirements, and their reliability. The decision of an organization to form an alliance is closely linked to its decision for an appropriate partner and may even be determined by that partner’s availability, it is the network that allows to firms to learn about new alliance opportunities and to overcome the fears associated with such partnerships (Gulati, 1998; Stuart 1998). So information about partners is instrumental in the formation of the new alliance (Zajac and Olsen, 1993). Therefore, embeddedness as Gulati (1998) argues influences also partner selection that is why we deal with alliance formation and partner selection as one construct.

Apart from the influence of the relational element of embeddedness in alliance formation and partner selection there is also the role of its structural element. The position of a firm in a network influences its reputation and status making it an attractive partner (Gulati, 1998). Status reduces uncertainty, making it an important source of social identity. The difference between reputation and status is that the former relies on past performance while the latter on past ties. Relationships of past ties give actors status which works as a signal of quality to attract new partners (Jensen, 2003). It is difficult to distinguish between them because reputation affects formation of new ties and status affects future performance (Gulati, 1995). From this emerges the ‘homophile principle’ when organisations form partnerships with others of equal status (Gulati and Gargiulo, 1997). Reputation plays an important role in the network for partner selection because prior ties enhance reputational concern since one party’s bad behaviour would be reported to the common partners (Gulati, 1995a).

Close dyadic ties increase the value of exchanges by facilitating the development of trust between exchange partners (Uzzi, 1997) and as we find in the works of Burt (1992) and
Gulati (1998) the position of an organization in a network reduces uncertainty by providing access to information and by defining status hierarchies. The results of a study conducted by Jensen (2003) show that inter-firm market ties and network status facilitate market entry.

Trust from prior ties can be an indicator of alliance formation and partner selection. Prior ties can also be a negative experience and resulting in firms not forming further alliances between them or when it is a positive experience it can help control adverse selection problems since firms can have firsthand reliable information about each other and promote repeated ties (Balakrishnan and Koza, 1993).

From the above we identify two elements of the social structure which are relevant to alliance formation and partner selection: the relational element which consists of the direct relationships with in which an actor is embedded and the structural element which consists of the overall social network within which firms exist (Granovetter, 1992). Both elements act as a channel of information about partners and are influential in alliance formation. The relational connection between firms is cultivated by prior direct ties and creates a strong social connection where knowledge-based trust emerges and increases the possibility of a new alliance (Gulati, 1995b). The structural element between firms is cultivated by common third party ties which lead to informational advantages through a referral network, they create enforceable trust and reputational concerns and all these increase the possibility of the creation of an alliance (Gulati, 1995b).

Most of the literature on franchise formation has dealt with motives that are linked to recourses and capabilities (Aydin and Kacker, 1990; Baucus et al, 1993; Eroglu, 1992; Hall and Dixon, 1991; Huszagh et al, 1992; Lafontaine, 1992; Martin, 1988; Mendelsohn, 1993; Paswan, Loustau, and Young, 2001; Sanghavi, 2002; Shane, 1996; Stanworth, 1995a, 1999; Stanworth and Curran,1999; Stanworth and Kaufmann, 1996; Walker, 1989). Therefore we used these as control variables against the influence of relational and structural embeddedness in alliance formation and partner selection.

We hypothesise that a firm’s embeddedness in social networks is positively related to the formation of new franchises and the selection of appropriate partners -franchisors/ees

H1: The informal institution of network embeddedness is positively related to the formation and partner selection decision of franchising networks
H1₁: Trust from prior direct ties between firms is positively related to franchise formation and partner selection
H1₂: In the absence of prior direct ties, the larger the number of the common third-party ties of two firms the more likely they are to lead to franchise formation and partner selection
H1₃: The existence of the network is positively related to the creation of new alliances and networks, so to its accumulation
3.5.2.12. Research Hypothesis of Governance Structures

We will present hereunder some typologies of governance modes that have been identified in the literature.

Research has usually classified governance structure and hierarchy based on the presence of equity by assuming that the more the equity the higher the hierarchical controls (Hennart, 1988; Teece, 1992). Most recent studies have used binary classification for governance modes: equity, non-equity (O’Dwyer and O’Flynn, 2005). In their research Gulati and Singh (1998) argue that shared equity provides only a partial assessment for classifying governance structure. So in their writings they suggest tree types of alliance governance structures: joint ventures, minority investment, and contractual alliances and specific types of hierarchical controls that are normally present in each of them. While O’Dwyer and O’Flynn (2005) and Contractor and Ra (2002) suggest that the non equity domain can take many modes and types, they differentiated between: the one time contract, discrete repeated contracting, licensing, strategic supply chain partnership, equity joint venture, and wholly own subsidiary. Williams (1997) in studying inter-organizational cooperation in networks identified four different types of governance: the hierarchical, solar, centreless, and swingle. Brown, Chekitan, and Dong-Jin (2000) in researching the determinants of opportunism in franchise networks identified between four types of governance modes based on ownership: company ownership, franchisee minority ownership, company minority ownership, franchised; in the end though they had to eliminate the two middle categories because they were very insignificant. Their research was conducted only on the hotel industry. Weaven, Grace and Manning (2009) measure governance in terms of ownership types of single-unit and multi-unit partnerships.

Macneil (1978; 1980; 1981) identifies between two different contractual forms the discrete and relational. Heide (1994) identifies between three governance modes: market governance, unilateral/hierarchical governance and bilateral governance, the latter type being based on the relational exchange of Macneil. Heide operationalised a set of generic governance processes which in his research differed systematically among the three types of governance modes: market, unilateral/hierarchical and bilateral/relational. Relationship Maintenance: role specification, nature of planning, nature of adjustments, monitoring procedures, incentive system, means of enforcement; and Relationship termination. The operationalisation of flexible adjustment processes was measured by a set of item’s describing the parties expected flexibility in response to changing circumstances, The FLEX scale was developed by Kaufmann and Stern (1988). Ring and Van de Ven (1992) created a different typology of governance modes identifying four alternative modes based on the levels of trust and risk: firstly the discrete market transactions, which is characterised by low risk, low trust, secondly the hierarchical managerial transactions characterised by high risk, low trust, thirdly the recurrent contracting transactions characterised by low risk, high trust, and finally, the relational contracting transactions by high risk, high trust. In the latter the status of the exchange parties is extensive, unique and socially embedded on relations between legally equal and free parties. The mechanisms for dispute resolution are endogenous designed by the parties and based on
trust and in these inter-organizational relationships, bilateral governance is employed by relational contracts.

In a research that Gulati (1995a) conducted he concluded that firms chose contractual forms for their alliance on the basis of the activities they include, of the related appropriation concerns and of the existence of a prior network in which the partners may be embedded. According to Macneil (1981) the more relational an exchange becomes the less likely the parties will exercise legitimate or coercive power. According to Achrol (1996) network organizations are not organized on centralized hierarchical controls but on decentralized authority and initiative at the level of market place, which are based on the culture of mutuality and solidarity and on a solid web of inter-organizational commitment, where committees are expected to act in the interest of the common good of the network. Expert, reputational and referent types of power, which are consistent with the evolution of the network organization, replace the traditional legitimate (i.e. contractual) and coercive powers.

Knowledge based trust and enforceable trust can substitute contractual safeguards and therefore trust influences the governance structure of an alliance (Gulati, 1998). The appropriation concerns of firms when forming alliances can be minimized either by a detailed contract or by trust (Gulati, 1998). The embeddedness of alliances in trusting relationships has as a result that the partners are likely to have greater confidence in the predictability of each other’s actions and thus appropriation concerns will be lower when forming the alliance. Gulati and Singh (1998) argue that inter-firm trust can control coordination costs since partners are more likely to be aware, or to have the willingness to become aware, of rules, routines, and procedures without the need of formal hierarchical control. Although Mollering (2003) in researching trust and formality of governance found no strong correlation.

The presence of trust in alliances can reduce adverse selection problems (Balakrishnan and Koza, 1993). Therefore Gulati and Singh (1998) argue that network embeddedness can promote trust, which can control both coordination costs and appropriation concerns and thus partners are likely to promote fewer hierarchical controls. Powell (1990) and Ring and Van de Ven (1992) have also argued that trust replaces hierarchical controls, the latter mention that contracts based on trustworthiness are less constrained by ex-post contract implications. Granovetter (1985) has argued that embeddedness in a social network of trusting relationships results in that the exchange actors anticipate lower appropriation concerns.

Gulati (1998) argues that when two firms have decided to form an alliance, their proximity in the network can influence the governance structure that will be formed. Social networks of prior alliances affect alliances structure. Repeated ties diminish the use of hierarchical controls, regardless the type of their prior alliances (Gulati and Singh, 1998). Their study has considered the implication of relational embeddedness resulting from the direct ties in which firms are placed, they also recommend the investigation of structural embeddedness resulting from the positions firms occupy in the overall network.
Gulati and Singh’s (1998) research resulted in that there are higher levels of trust between partners from the same region than cross-regional partners and thus affecting the governance structure, but that there are no significant differences in levels of trust and thus hierarchical controls between multilateral and bilateral alliances. Although it was suggested that increasing the number of partners in an alliance can limit the level of trust (Parkhe, 1993b), since it can be more difficult to identify common interests, so it will be less likely that all partners trust each other, it is harder when there is a large number of partners to monitor free-riding and assess each partner’s contributions and to introduce incentive structures that promote trust (Gulati and Singh, 1998).

In operationalising governance modes we used five different approaches. Firstly, based on Lafontaine’s (1992) writings who claimed that it is more valid to focus on studying the proportion of franchise stores to company owned rather than the terms of the franchise contract when studying governance structure, we used this method to measure governance structure. Secondly, based on the research of Contractor and Ra (2002), Hennart (1988), O’Dwyer and O’Flynn (2005) and Teece (1992) we used the typology of Brown, Chekitan, and Dong-Jin (2000) based on equity ownership. Thirdly based on the research of Lafontaine (2005), Mendelsohn (1999), Koningsberg (1998) we used a typology based on the contractual terms of entry modes commonly used in franchising as these have been identified by the European Franchise Federation’ surveys (1997, 1998, 2004). Fourthly, we used a typology for hierarchical controls based on the research of Gulati and Singh (1988) and Mollering (2003): Hierarchical elements can be embedded in alliances structure and are: an administrative hierarchy of managers; a command structure and authority systems with clearly defined rules and responsibilities; incentive systems that facilitate performance measurement and link rewards to performance; standard operating procedures that allow quick decisions to be made by anticipating those decisions in advance; dispute resolution procedures that bypass courts and markets, a major evolution in the organizational mechanism of the network is the creation of a quasi-judicial process to resolve disputes internally (Achrol, 1996); non-market pricing systems like cost-plus systems for greater precision in remuneration when changes in specification are made (Gulati and Singh, 1998). Finally, we used a typology based on Kauser and Shaw (2004).

We hypothesise that a firm’s embeddedness in social networks influences the governance structure of franchise systems

H2: The informal institution of the system of relational embeddedness determines the governance system of the franchising networks, therefore it is inversely related to hierarchical controls in franchising networks
H21: Trust is inversely related to hierarchical controls
H22: Prior ties between firms are inversely related to hierarchical controls
H23: Commitment is inversely related to hierarchical controls
H24: Solidarity is inversely related to hierarchical controls
H25: Mutuality is inversely related to hierarchical controls
H26: Flexibility is inversely related to hierarchical controls
H27: Role Integrity is inversely related to hierarchical controls
H28: Harmonization of Conflict is inversely related to hierarchical controls
H29: Restraint of Power is inversely related to hierarchical controls

3.5.2.13. Research Hypothesis of Performance

Social networks of prior alliances influence the evolution and successful performance of alliances (Gulati, 1998).

The level to which alliances are embedded can influence their behaviour and their future success (Gulati, 1998). The values and norms of an organization affect organizational actions and behaviour and thus are closely linked to its performance (Jones and George, 2003).

According to Gulati (1998) it is important to research the issue of whether alliances that are embedded to a greater or lesser degree in various networks perform better or worse than others and why; he also argues that the extent to which an alliance is embedded is likely to influence its performance. This is because by being in an alliance the partnering firms are most likely to share high levels of confidence and trust, both because they have greater information and because the network creates a safeguard for bad behaviour that would damage reputation. Therefore there are higher prospects for success of the alliance. Research has also indicated that alliances with embedded ties may perform better and for longer (Gulati, 1998; Kogurt, 1989). Mollering’s (2003) research resulted in that inter-organizational trust and performance have a very strong positive correlation.

“Trust has been shown to be a determinant of critical factors related to performance, like more open exchanges of relevant ideas and feelings, greater clarification of goals and problems, more extensive search for alternative courses of action, greater satisfaction with efforts and greater motivation to implement decisions” (Zand, 1972:229).

Leonidou (2003) argues that firm’s commitment to the inter-organizational relationship is positively related to the performance of the relationship.

The findings of Mavondo and Rodrigo’s (2001) research suggest that trust has a significant positive effect on performance in inter-organizational relationships.

There are two approaches in measuring performance: the objective, an appraisal that is based on facts and is likely to be numerical, and the subjective, an appraisal that is based on perceptions of traits, behaviours or results (Jones and George, 2003). Donckels and Lambrecht (1997) defined a growing company one that had an increase in sales revenue the last three years and expected a similar trend the next three years. They argue that by using a period of six years they show the continuous notion of growth so that accidental variations do not misrepresent a firm and they also quantify growth as a fact (last three years) and a perception (future growth).

Shane (1996) studied franchisor performance in terms of the growth in the number of
franchise and company-owned outlets and argued that pricing, age, industry, and company-owned outlets variables do not explain the performance of new franchise systems.

Objective measures, like financial indicators, market share, survival, and alliance duration have been criticized as being too narrow, so researchers have began to use indirect criteria for assessing alliance outcomes like fulfilment of major strategic needs (Parkhe, 1993b). According to DeCotiis (1977) there are three most popular and effective subjective measures of performance: the graphic rating scale—performance is assessed along one or more continua with specified intervals—, the behavioural anchored rating scale (BARS)—performance is assessed along a scale with clearly defined scale points containing examples of specific behaviours—, and the behavioural observation scale (BOS)—performance is assessed in terms of the frequency with which specific behaviours are performed. It is suggested to use both objective and subjective measures for a more accurate measurement (Jones and George, 2003).

Dong-Jin (1997) and Raven et al (1994) used the four-item measure of performance. The scale represented growth, contribution, market shares and margins.

Drawing from research on the assessment of the performance of social enterprises we see that there are two tools that are commonly uses the balanced scorecard and social auditing. The balanced scorecard (Kaplan and Norton, 1996) has four perspectives: (1) Financial: to succeed financially how should we appear to our shareholders? (2) Internal business process: to satisfy our shareholders and customers, what business processes must we excel at? (3) Customer: To achieve our vision, how should we appear to our customers? (4) Learning and Growth: To achieve our vision, how will we sustain our ability to change and improve? Based on these perspectives the company can create its vision and by balancing its strategic and financial goals it allows the firm to link its strategic and financial goals it allows the firm to link its strategy with shareholder value creation whilst providing a set of measurable targets to guide this process. The adapted balanced scorecard (Jeffery, 2005) suggests that social enterprises should target five parameters: (1) Financial, (2) Employee, (3) Social return, (4) Customer and Community, (5) Business development. Also there is the concept of Social Auditing that targets funders, owners/board, community, potential employees and evaluates parameters such as health gains, personal development (self esteem, confidence), cost benefit, community benefits, employment policies, practices and empowerment actions (Schwarz, 2003). Various tools and methods such as survey’s, questionnaires and observation measure these indicators.

In evaluating performance of social entrepreneurship ventures Sharir and Lerner (2006:8) measured three criteria: the level at which social enterprises can meet their objectives, the capability of the social enterprise to raise resources so as to maintain stability and sustainability of the offering (service/product/programme), and the resources available to achieve growth and development. The variables and items of their operationalisation were: a) for the individual context: socio-demographic background (support of background through contribution of family and friends), motives (commitment through time and financial investment in the venture and willingness to work without being paid
for a long time) and former managerial know-how (binary variable of former management position, project initiation, expertise in the specific sector); b) for the environmental context: social network (support by intermediaries in raising resources and establishment), receptiveness by public discourse (public awareness of issue and place of issue in public agenda, lobbying and media activities of entrepreneurs), whether there was or not support and infrastructure (support received from public sector, from foundations at least three for three or more years and from other nonprofit organizations as incubation, funds received or through integration in their operations); c) for the organizational context: activity sector, composition and structure of founders (number of staff at establishment and employment relationship part-time or full time, also board members their contribution in activities and the resources invested by them), resource base at various stages (how much money did they raise and was it used to hire personnel); and d) for measuring process: identify the need, network creation (actions taken for planning the development and expansion of the venture through social network creation), planning (business plan creation), establishing alliances (was collaboration established with other organization for more than three years), raising resources, market testability (receiving revenue for offering product or service or through public contracts).

Their results indicate that the only variables that are necessary conditions to the success of ventures were: entrepreneurs’ commitment/dedication and social network, and six variables were sufficient conditions: capital base at establishment, acceptance of idea by public discourse, entrepreneurial team, alliances, market testability, and previous management experience (Sharir and Lerner, 2006).

Based on existing research we identified the major strategic needs and motives of franchisees and franchisors for entering into a franchise agreement and we used them to measure performance (Aydin and Kacker, 1990; Baucus et al, 1993; Eroglu, 1992; Hall and Dixon, 1991; Huszagh et al, 1992; Lafontaine, 1992; Martin, 1988; Mendelsohn, 1993; Paswan, Loustau, and Young, 2001; Sanghavi, 2002; Shane, 1996; Stanworth, 1995a, 1999; Stanworth and Curran, 1999; Stanworth and Kaufmann, 1996; Walker, 1989). We combined these motives with the typology and classification of motives that have been identified by the literature on network formation by Whipple and Gentry (2000) and Ellram (1991). Also Gulati and Singh (1998) identified the following motives for alliance formation: sharing costs/risks, access to financial resources, sharing complementary technology, reducing time span of innovation, joint development of new technology, access to new markets, access to new products, sharing production facilities. The latter typology of motives has been used and by Contractor and Lorange (1988).

Network embeddedness is positively related to the performance of franchise systems

H3: The informal institution of the system of relational embeddedness is positively related to the performance of franchising networks

H31: Trust is positively related to performance

H32: Commitment is positively related to performance

H33: Solidarity is positively related to performance

H34: Mutuality is positively related to performance
H3₅: Flexibility is positively related to performance
H3₆: Role Integrity is positively related to performance
H3₇: Harmonization of Conflict is positively related to performance
H3₈: Restraint of Power is positively related to performance

3.6. Concluding Remarks

In this chapter we presented the conceptualisation of the factors that from our qualitative research have been identified as being associated with social entrepreneurship and social franchising formation growth and success. We also presented the conceptualisation of the factors of informal institutions of network embeddedness that are hypothesised to be associated with the formation governance and performance of social franchising. The conceptual models that have been induced in Figures 6.1, 6.2, 6.3, 6.4 and 6.5 describe these relationships. The empirical study attempts to explore if any significant relationships exist between these constructs.

From an extensive literature review and from the indications of our data analysis the hypothesised relationships are:

Research Questions for the qualitative empirical study:

RQ1: What is the role of the system of the individual/psychological social entrepreneurship profile in the formation governance and performance of social franchising?
RQ2: What is the role the system of social innovation in the formation governance and performance of social franchising?
RQ3: What is the role of formal institutions on the formation governance and performance of social franchising?
RQ3₁: What is the role of the system of national formal institutions in the formation governance and performance of social franchising?
RQ3₂: What is the role of the system of supranational formal institutions in the formation governance and performance of social franchising?
RQ4: What is the role of the system of relational network embeddedness and social norms in the formation governance and performance of social franchising?
RQ4₁: Does the system of relational network embeddedness and social norms influence the formation and partner selection of franchising networks?
RQ4₂: Does the system of relational network embeddedness and social norms influence the governance of franchising networks?
RQ4₃: Does the system of relational network embeddedness and social norms influence the performance of franchising networks?

Hypothesis for the quantitative empirical study are:

A Firm’s embeddedness in social networks is positively related to the formation of new alliances-franchises and the selection of appropriate partners -franchisors/ees
H1: The informal institution of network embeddedness is positively related to the formation and partner selection decision of franchising networks
H1_1: Trust from prior direct ties between firms is positively related to franchise formation and partner selection
H1_2: In the absence of prior direct ties, the larger the number of the common third-party ties of two firms the more likely they are to lead to franchise formation and partner selection
H1_3: The existence of the network is positively related to the creation of new alliances and networks, so to its accumulation

Network embeddedness influences the governance structure of franchise systems
H2: The informal institution of the system of relational embeddedness determines the governance system of the franchising networks; therefore it is inversely related to hierarchical controls in franchising networks
H2_1: Trust is inversely related to hierarchical controls
H2_2: Prior ties between firms are inversely related to hierarchical controls
H2_3: Commitment is inversely related to hierarchical controls
H2_4: Solidarity is inversely related to hierarchical controls
H2_5: Mutuality is inversely related to hierarchical controls
H2_6: Flexibility is inversely related to hierarchical controls
H2_7: Role Integrity is inversely related to hierarchical controls
H2_8: Harmonization of Conflict is inversely related to hierarchical controls
H2_9: Restraint of Power is inversely related to hierarchical controls

Network embeddedness is positively related to performance of franchise systems
H3: The informal institution of the system of relational embeddedness is positively related to the performance of franchising networks
H3_1: Trust is positively related to performance
H3_2: Commitment is positively related to performance
H3_3: Solidarity is positively related to performance
H3_4: Mutuality is positively related to performance
H3_5: Flexibility is positively related to performance
H3_6: Role Integrity is positively related to performance
H3_7: Harmonization of Conflict is positively related to performance
H3_8: Restraint of Power is positively related to performance
4. The Empirical Approach

4.1. Introduction

The theory of this study pertains to grounded theories and is induced through analytic induction from the qualitative data that have been collected. It is primarily an explorative research in understanding social franchising. It is secondarily explanatory through a pilot study with regards only to the dynamics of the system of informal institutions and social networks in shaping the behaviour of actors and organization in social and mainstream franchising.

This chapter focuses upon the empirical approach adopted in this research project and explains the overall design used. The principal themes that are documented in this chapter are: ontological and epistemological stance, empirical research objectives, research design, data generation sources and communication methods, operationalisation and measurement of variables, sampling methodology and finally, the methodology for data analysis.

4.2. Ontological and Epistemological Approaches

Being a qualitative study we should consider that researchers are nowadays not only seen as objective scientists but also as good storytellers who narrate persuasive tales of cause and effect; high-quality theory involves using many of the same methods as high-quality literature. Valid theory nowadays could be a process theory that is not expressed in terms of independent and dependent variables. Even if there is no objective means of measuring the values of a theory, never-the-less this piece of theory could be received as given truth (Elsbach, Sutton, and Whetten, 1999).

Ontology coming from the synthesis of two Greek words "on", genitive: "ontos", which means being and the word "logia" meaning study, account, explanation, science. So it is the study of being or existence that seeks to describe the basic categories and relationships of being or existence to define entities and types of entities within its framework. Epistemology comes from the synthesis of two Greek words "episteme", meaning knowledge and "logia". It is the theory of knowledge that studies the nature and scope of knowledge. In Plato’s Theaetetus (399 BC., translated by Conford, 1960) Socrates gives a definition of knowledge he says that it is ‘justified true belief’.

The researcher of this study takes an ontological position described as social constructionism and an epistemological position described as interpretivist. Constructionism- as opposed to positivism- it asserts that social phenomena and their meanings are continually being gathered by social actors. It asserts that social phenomena and categories are produced through social interaction and are in a constant state of revision. Researchers’ own accounts of the social world are constructions; in this sense knowledge is viewed as indeterminate. It requires the social scientist to grasp the subjective meaning of social action. Science should be focused on meanings, should try to understand what is happening, should follow an inductive approach and can use
multiple methods to establish different views (Gubrium and Holstein, 2003). For
coloradoanism there is no true or valid interpretation; there are useful interpretations and
these stand over against interpretations that appear to serve no useful purpose (Crotty,
1998). The word qualitative implies an emphasis on the qualities of entities and on
processes and meanings that are not experimentally examined or measured in terms of
quantity, amount, intensity, or frequency. The constructivist paradigm has been argued
about whether it is really trustworthy (Denzin and Lincoln, 2000; Murphey et al., 1998).
The epistemological approaches that are in accordance to objectivism in ontology are
natural science models like positivism and realism. While the epistemological approaches
that are in line with constructionism in ontology are interpretivism like phenomenology
and hermeneutics (Crotty 1998; Gubrium and Holstein 2003). Objectivism is an
ontological position that asserts that social phenomena and their meanings have an
existence that is independent of social actors. The research philosophy that reflects the
principles of positivism will provide quantifiable observations that lend to statistical
analysis, law-like generalizations, highly structured methodology that can be replicated
and the researcher’s role will be that of an objective analyst, independent of the subject of
the research, which he does not affect (Saunders et al, 2009). Realism in epistemology
asserts that natural and social sciences can and should apply the same approach to
collecting data and to explanation. According to realism there is an external reality to
which scientists direct their attention. Realism shares some aspects with positivism, such
as the objective nature of some macro aspects of society, and with interpretivism, since it
recognises the importance of socially constructed interpretations and meanings, the
subjective reality (Saunders et al, 2009; Gubrium and Holstein 2003).

Our research adopts the principles of ontological holism or universalism. We try to
understand how the behaviour of actors and organizations is shaped through a wider
system that contains subsystems and elements coming from the external political and
social context as well as from the organizational and individual context. We see the
values and norms that govern the behaviour of actors which in turn are viewed through a
social collectivist approach that is through systems theory, social network theory and
the argument of embeddedness. Institutionalism is also a closely linked approach that we
draw from in this research. Methodological holism as opposed to methodological
reductionism refers to the thinking that understanding of a certain kind of complex
system is best sought at the level of principles governing the behaviour of the whole
system, and not at the level of the structure and behaviour of its component parts
(Schombert, 2006; Schombert and Bothun, 1987; Seevick, 2004). The research paradigm
of a study is a cluster of beliefs and dictates. These beliefs influence what should be
studied, how research should be done and how results should be interpreted. Social
science consists of competing paradigms and is itself pre-paradigmatic (Burrell and

In line with our research approach is ontological relativism in the sense that the elements
that we are researching have no absolute value. Social constructionism is relativist
(Crotty, 1998: 3).
The researcher is not seen as an impersonal power figure standing outside the phenomena, but simply a person whose thoughts and feelings are involved in the process of discovery (Crotty, 1998). ‘Introducing the ‘subjective’ element into the analysis in fact increases the objectivity of the research’ (Harding 1987b: 9).

The increase of the importance of qualitative approaches in small business research is a real addition to expanding the understanding of how the small business functions as an economic and social phenomenon (Curran and Blackburn, 2001). Smaller enterprises are actually more difficult to study than larger ones (Dillman, 2007); issues of difficulty raising sampling frames; accessibility issues; and low regard to the necessity of research by small business owners (Easterby-Smith et al (1991) Generalization is difficult; tailored research solutions are needed (Dillman, 2007).

4.3. Empirical Research

“In a general sense research means finding out…research results in the creation of knowledge to solve a problem, answer a question, and better describe or understand something….There is little point in carrying out a research project if there is no ultimate aim to achieve something as a result” (Clough and Nutbrown, 2012:1).

4.3.1. Research Design

The initial goal of this research was to investigate the new inter-organizational format of social franchising which is a scaling strategy employed by social enterprises. The first stage of our explorative qualitative research indicated a number of relationships among various systems and institutions of the wider environment within which social franchises operate. Elements from these spheres of the political, social, organizational and individual context shape the decisions and behaviour of social entrepreneurs and social franchises with reference to the latter formation, growth and success. These relationships were conceptualised, a number of research questions were posed and research propositions were induced from our analysis which are all depicted in our theoretical framework of the ‘SoFraM’ (see Figures 6.1 and 6.2 Chapter 6).

At a parallel level an attempt was made by conducting a pilot explanatory quantitative study to assess the influence of the social settings of relationships on actors’ decision making through the argument of network embeddedness; a number of causal hypothesis were formulated reflected in our theoretical framework of the ‘FNM’ (see Figures 6.3 to 6.5 Chapter 6). The first objective was to identify the importance of network embeddedness as a motive for franchise formation and partner selection. The second was to investigate the influence of embeddedness on the governance structure of franchise systems. Finally, the third was to assess whether relationally embedded franchise networks better perform. The goal of this part was mostly to create a model that would be applied in future research to social enterprise networks and social franchises rather than conducting a significant large scale quantitative research that would derive strong generalisable results; in the latter case a big sample would be needed. One could argue that SoFraM is a critical theory while FNM is an analytical one.
An attempt to bridge both streams of academic and practitioners research has been made as the researcher is interested in dissemination (Gibbons et al, 1994). We are interested in seeing the specific incentives that exist in the EC, UK and Greece which could benefit the social entrepreneurs and social investors; we are also interested in identifying the specific mechanisms that trigger social entrepreneurship formation growth and success in order for policy makers and support organisations to design appropriate schemes. For these reason our primary data builds on firstly, hard data of policies and regulations; secondly, we identify best practices, thirdly, we approach the phenomena holistically investigating a broad spectrum of contextual factors; fourthly we identify challenges faced by social entrepreneurs and social franchisors as well as emerging needs; finally, dissemination is adopted early on as we engage in action research projects with practitioners and stakeholders.

Research can be classified as exploratory, descriptive or explanatory, as analytical or critical, as predictive or confirmatory, and as action or applied. Exploratory is the case of research that tries to find out what is happening, to seek new insights, to ask questions, to assess phenomena in a new light and adopts usually a qualitative approach. Explanatory is the research that seeks an explanation of a situation or a problem, usually in the form of causal relationships and may also follow a quantitative or qualitative approach (Yin 1994).

We adopt primarily an inductive qualitative approach and secondarily employ deductive based means. Quantitative research is often used to validate findings discovered in qualitative research (Kaden, 2006). The deductive approach is when the literature is used to help identify theories and ideas that will then be tested using data, while the inductive approach is when the theory is the result of the data analysis (Saunders et al, 2009).

‘SoFraM’ falls under the area of grounded theories being a middle range theory; the method employed has been that of analytic induction of the qualitative primary data collected. Analytic induction processes have been applied by the majority of empirical studies in social entrepreneurship (Alvord et al, 2004; Battilana and Dorado, 2010; Mair, Battilana and Cardens 2012; Mair, Marti, and Ventresca, 2012; Meyskens et al 2010a; Meyskens et al, 2010b; Sharir and Lerner, 2006; Sloane and O’Reilly, 2013; Sorenson et al, 2013).

In reviewing the relationship between theory and social research we find two types of theory the so-called grand theories and the theories of the middle range. Grand theories attempt to construct a ‘systemic theory of the nature of men and society’ including many abstract and normative approaches (Skinner, 1985:4). Theories of the middle range operate in limited domains, vary in purpose or application, fall somewhere between grand theories and empirical findings and represent attempts to understand and explain limited aspects of social life. Grounded theory, which is the case of this research, is induced from data and is often built on cases; an appropriate data analysis method is analytic induction (Borgatti, 2006). Grounded theory is mostly focused on case analysis and case comparison rather than focusing on variables which helps identify where causal
differences may lie. The approach is similar to experimentation in natural sciences like action theory and research. Grounded theory is based on the works of Glaser and Strauss (1967) who argue that a good theory has to be based on a specific steps and a careful execution; it refers to theories that are built from qualitative analysis of data (Borgatti, 2006).

The steps we have followed in our study are: data collection through observation, conversation, interview and action research; textual representation of data through ‘note-taking’ and recording; then follows coding from which theoretical propositions emerge; then is the grouping of codes in conceptual categories, spheres from which the theory is built. This process moving from data to theory was done in many rounds throughout the data collection period which lasted about 2.5 years. These theoretical categories were compared to other settings through further data collection to support or modify our categorization and its properties. We saw theory as a process rather than as an end product. We used analytic induction approach which is appropriate for developing ground theories; it entails the systematic assembling assessment and analysis of data to draw specific proof for the propositions of the study and the design of categories and their properties, of hypothesis and interrelated hypothesis which help redesign theory. The result is the generation of an integrated, limited, precise, universally applicable theory of causes accounting for specific behaviour (Glaser and Strauss, 1967).

We began our research with no prior theoretical framework just some broad research questions, as analytic induction commences with a less defined explanation of the phenomena to be explored, which does not derive from existing theory. We then performed a series of exploratory case studies which resulted to a definition which was tested through more interviewing and cases (Yin’s, 1994).

“Grounded theory procedures are designed to build an explanation or to generate a theory around the core or central theme that emerges from our data…it is structured and systematic…the disaggregation of data into units is called open coding, the process of recognizing relationships between categories is referred to as axial coding and the integration of categories to produce a theory is labelled selective coding” (Saunders et al, 2009: 12).

4.3.1.1. Qualitative Research

There are four main characteristics in qualitative research that we have addressed through our research design: control, replication, operational definition and hypothesis testing. Control in figuring out what the causes of our explanations are through our observations. We try to figure out the reason for the cause of the social franchise formation and the behaviour of actors within this context. We began our exploration by posing a number of research questions of ‘how, what, why’ and through our first case studies and interviewing with participants, theses questions became eliminated and narrowed down to specific topics. Secondly, we have addressed the issue of replicability. Though various researchers consider replicating studies to be either important or unimportant; another
replication of a study is another partial truth added to research (Horseborough, 2003). Thirdly, operational definition can be defined as elements that require a set of processes to measure these elements. We considered the following elements and described them clearly in our narration: what the purpose of the study is through narrative data; the inductive approach; the formation of research propositions; limited literature review prior to findings; naturalistic setting; our sampling has been purposive targeted for in-depth understanding; measurement has been through narration; our research design has been flexible and minimal disturbance; data collection through informal interviews and document collection; data analysis through analytic induction of what was said in the interviews; finally, data interpretation is speculative and examined on a continuous basis (Morgan, 2007).

Finally, in terms of hypothesis testing, our analysis involves stating many research questions and sub questions deriving from our central question as opposed on building on hypothesis; our aim was to examine numerous factors that may contribute to social franchising formation before narrowing it down to specific hypothesis (Miles and Huberman, 1994; Ulichny, 1991). We are not focusing on verifying causal relationships (Bryman and Bell, 2011; Levine, 1999).

4.3.1.2. Primary and Secondary Data

Both primary and secondary data have been the sources of our empirical study: primary data was collected from interviews, observation, conversation and self administered questionnaires. While secondary data came from many sources and in many forms mostly from the EU, UK and Greek central and local authorities in the form of reports, research, legislation, evaluation reports, strategy reports, specific programmes, public procurement bids, organizational reports from our case companies, websites and other.

The pros and cons of secondary data are: fewer resource requirements, unobtrusive, longitudinal studies, can provide comparative and contextual data, can result in unforeseen discoveries, permanence of data, but on the other hand: may be collected for a purpose that does not match our need, aggregations and definitions may be unsuitable, no real control over data quality, initial purpose may affect how data are presented (Saunders et al, 2009). To control the aforementioned problems we have checked measurement validity, methodology used, and try to eliminate the measurement bias, through crosscheck verification and triangulation. The absence in many cases of sources to provide the data needed to satisfy the requirements of this study lead us to primary sources as the most appropriate alternative available for data generation.

4.3.1.3. Inter-country Research

This piece of work is an inter-country research as it examines the issue of social franchising and social entrepreneurship formation both in the UK and Greece. The goal of this research work is not to compare the two countries but to learn from both environments in order to shed more light on the understanding of the phenomena.
The choice of Greece as a country for collecting our data is due to a number of reasons:
a) firstly, Greece is a case where the law on social enterprises was introduced in 2011 so
we can see the development of social cooperative enterprises and social franchises from
almost its birth; b) secondly, there is a big research interest in analysing countries based
on maximum difference (Proven and Milward, 1995; Punnett and Shenkar, 2003). Social
franchising and social entrepreneurship in the UK and Greece represent two maximum
diverse environments as the UK is in early maturity (being one of the most mature in
Europe today) and in Greece the first social enterprises have now emerged and only one
social franchise has been formed a couple of months ago; the HUB Athens which is a
master franchisee of The HUB. They also represent two diverse economic environments
the UK- representing the Anglo Saxon welfare state type of liberal countries (Esping-
Anderson typology, 1999)- and Greece- representing the Southern-European countries
welfare state type (Evers and Laville, 2004); c) thirdly, the recent European and
international elevated interest in raising understanding of the Greek situation. If Greece
would default it would spread the crises to other southern European countries creating a
risk of the EMU break-up which could trigger ‘the mother of all financial crises’
(Fahrholz and Wojcik, 2010:5) also (Eichengreen, 2010; Padoa-Schioppa, 2010).
Argyrou and Kontonikas (2011) research argues that most of EMU countries have
experienced contagion from Greece and that there is a need for structural and institutional
reforms at the EMU level that would increase intra-EMU monitoring and coordination d)
finally, purposive and convenience sampling issues, as the researcher originates from this
country and their collaboration with ministries and municipalities brought access to
significant data.

The possible limitations to the implications of this research from focusing in the Greek
case can be offset by the investigation of the social entrepreneurship sector in the UK
who represents the richest policy and organizational context globally because of the fact
that: a) the UK government has adopted the most substantive portfolio of public measures
to support the formation and growth of the social entrepreneurship sector globally
(Nicholls, 2010a); b) The UK is the world centre for social investment and the global
leader in the socially responsible investments market (Eurosif, 2012); c) it has more than
double the number of social franchise networks than all other European countries
aggregated (Richardson and Berelowitz, 2012).

The research is devised, evolved, executed, and managed by one person in one country
and then replicated in other countries by the same person being a ‘safari’ or replication
research. The advantage of this research is the central control of the project (Boyacigiller
et al 2003; Punnett and Shenkar, 2003). We considered the issue of collecting data in a
way to ensure comparability and suitability for international comparison (Mavondo and
Rodrigo, 2001). Translation has not been an issue as the researcher is considered
bilingual.

4.3.1.4. Research Method

The explorative qualitative research was based on case studies from both the UK and
Greece on the social entrepreneurship and social franchising sector; on action research
projects conducted in Greece with the local authority of the Borough of Athens, with social entrepreneurs, and with European best practice social entrepreneurship centres including industry experts and policy makers; and on archival analysis of policies, regulation and incentives from the EC, UK and Greece. Primary data were all raised through face-to-face interviewing and observation. The explanatory pilot quantitative research was executed through a survey in the UK and Greece at the franchising sector based on an online self-administered questionnaire. So a mixed method was employed.

The case study referred to the development of detailed and intensive knowledge about a small number of social franchises from the UK, while the survey referred to the collection of information in standardised form from mainstream franchise systems in the UK and Greece (Jankowicz, 2000). Case research methodologies are the most appropriate when investigating new research areas concrete context dependent knowledge is needed to understand the phenomena (Alvord et al, 2004; Sivakumar and Schoormans, 2011a; 20011b; Yin, 2009). As Yin (2009) argues case studies support qualitative approaches as they allow for rigorous case investigation and multiple cases allow for theory building. Comparative analysis of cases allows for new understanding of complex phenomena like social entrepreneurship formation though the cost is the complexity in making systematic comparisons and inducing unambiguous results (Alvord et al, 2004). In-depth interviewing and observation are appropriate research techniques in the case that detailed information is needed (Sivakumar and Schoormans 2011a). Interviewing techniques allowed us to clarify questions and encourage participation and involvement.

While the survey allowed us to collect more structured and standardised data that were easily compared and correlated. (Saunders et al, 2009:4). The disadvantages according of the survey techniques that we have addressed are that data may be affected by the characteristics of the respondents and by the interactions of interviewer/respondent and that respondent’s may not report their beliefs and attitudes accurately, also fearing that their responses are not anonymous (Robson, 2002). On the other hand they provide a relatively simple and straightforward approach to the study of beliefs and attitudes, they may be adapted to collect generalizable information, there are high amounts of data standardization.

4.3.2. Conducting Our Empirical Research

4.3.2.1. Mixed Mode Strategy

Mixed methods approaches were used by the majority of researchers in social entrepreneurship and social alliances studies; their methodology indicates that data were collected in multiple rounds of data collection and from a variation of sources: participant observation, retrieval of archival data, in-depth interviews and case studies (Alvord et al, 2004; Battilana and Dorado, 2010; Mair, Battilana and Cardens 2012; Mair, Marti, and Ventresca, 2012; Meyskens et al 2010a; Meyskens et al, 2010b; Sharir and Lerner, 2006; Sloane and O’Reilly, 2013; Sorenson et al, 2013). We collected data through a mixed methods approach at several stages that lasted two years covering the period from
January 2011 to March 2013; our sampling units derived from an activity we performed and called ‘Mapping of the Social Economy Sector’, these were:

1) initially we started collecting primary data in January 2011 through in depth interviews with social entrepreneurs in Greece and in the UK; we totally interviewed 123 social entrepreneurs and social franchisors

2) parallel to that we got the green light to meet with the first social franchisor in March 2011 at Green Works premises; we performed altogether six case studies of social franchises in the UK. Secondary data from more cases of social franchises through governmental evaluation reports in the UK and Scotland were collected, analysed and incorporated;

3) at the same time we conducted in depth interviews with altogether 20 policy makers and social economy sectoral experts that played the role of investigators in the triangulation of our findings;

4) parallel to that and up to date we conduct archival analysis of secondary data from various sources including Europa, UK and Greek governments, organizations, and local authorities;

5) the next decisive stage in our study which happened a year after we started our empirical study in September 2012 was to enter in an action research project with the local authorities of the City of Athens. The researcher assumed the role of the Project Manager of ‘Athens Social Economy Initiative’ and in line with action research protocol they engaged in solving the identified issue; the identified need of the client was to trigger the creation of the social enterprises sector in Athens. The action research project opened up many opportunities in collecting more data so more in depth interviews were conducted and more secondary data were available supplying more data to the previous ongoing stages. It also provided the means to perform the following action research projects:

6) a 30 hours’ workshop with 30 prospective social entrepreneurs and social franchisors in Greece in addressing the issue of helping them set up their own social enterprises and social franchises;

7) a three days workshop with 7 CEOs of best European practices of social entrepreneurship centers and hubs (some of them participate in the GECES experts group of the EC), 2 policy advisors experts from the EC, 2 experts members of the Social Business Initiative of the EC, and 14 representative from Greek formal institutions;

8) Finally we conducted a pilot online survey through a quantitative approach following Dillman (2007) ‘tailored design’ protocol in franchise systems in the UK and Greece to provide a quantifiable tool for future research in evaluating and explaining the influence of the system of informal institutions of relational and structural embeddedness on franchise formation, partner selection, governance and performance.

The mixed method design allows for each methodology to target different perspectives on the objective of the study thus dealing with different enquiries.

Our research design of social network analysis differs from other research in five areas: firstly, sampling units refer to the social system within which the network operates and to the entities that are selected as nodes; secondly, the relational content encloses the
properties of the relationships among entities, every relational context is viewed as a
distinct network or different types coexisting in the same network and many types of
relations can exist in forming multiplex networks; thirdly, relational forms emerge from
the direct or indirect, strong or weak ties that link actors; fourthly, the level of data
analysis is seen as ‘complete’ as opposed to egocentric, dyadic or triadic approaches; and
finally, the networks boundaries are defined by the actors who are chosen through
snowball sampling allowing for the network to emerge through their own connections
representing the realities of its social settings, this is called a ‘realist’ approach (Sloane
and O’Reilly, 2013). As we saw in earlier chapters when discussing about systems
theory, the boundary of each system is of paramount importance as by setting its
boundary the system is differentiated from the environment; therefore we are in fact
defining it and operationalising it (Bailey, 2008). Each system of our research has been
clearly defined and boundaries have been set at the previous chapter.

As it can be argued one of the differences between realism and pragmatism is that the
former seeks reasoning of why things are the way they are, while the latter accepts things
as they are and examines them. The use of a mix of methods helps by ensuring that the
weaknesses and blind spots of one approach are compensated by the strengths of one or
more other approaches (Saunders et al, 2009). Confidence in the conclusions is higher
when different approaches have produced similar results. The use of our mixed research
design is a more pragmatic approach depending on the problem we are researching, our
skills, preferences and resources available (Curran and Blackburn, 2001). Epistemological and methodological pluralism is a solution to the debate between the two
research paradigms for many small business researchers. We are not simply crude mixing
of two, on the contrary constructing interpretations and explanations which combine the
results of the two paradigms is more difficult than when employing a single paradigm.
We suggest the use of qualitative methods to explore meaning and then confirm or
validate the findings by a quantitative study (Crotty, 1998; Curran and Blackburn, 2001;
Saunders et al, 2009).

Triangulation has been extensively applied by using multiple methods of investigation,
sources of data, multiple observers and theoretical perspectives in researching these
social phenomena. We are cross-checking findings that result from both quantitative and
qualitative research (Denzin and Lincoln, 2003). The advantages of mixing modes can be
very significant (Bryman, 2006; Dillman, 2007). The use of mixed method approach is
becoming more popular the last years. ‘There is much to be gained from a research
design that ad initio incorporates complementary methods and that is framed within the
typology and practice of mixed methods’ (Sloane and O’Reilly, 2013:626).

In the following sections we will build our methodology for both our qualitative study
and our qualitative study; so we will differentiate among these two and offer the steps
and decisions made for each one.

4.3.2.2. Action Research

The case of the City of Athens that was one of the sources of primary data collection was
through action research. The researcher was invited by the CEO, Mr Alexis Galinos, of the only development agency that is owned by the local authority of the municipality of the city of Athens- ADDMA to design, organise and implement policies in order to trigger the formation of the social enterprise sector. The researcher assumed the role of the Project Manager of ‘Athens Social Economy Initiative’; participants to the project were drawn from purposive and snowball sampling through referencing. The project is presented and described at the data analysis section in Chapter 8.

A second action research was through a capacity building 30 hours training programme and mentoring services to prospective social entrepreneurs and franchisors which took place at the Vocational training centre owned by the local authority of the city of Athens. We all co-signed a psychological contract with the participants at the first meeting which addressed issues of confidentiality and the goal of the project. The need for such a contract was raised by some of the participants. The selection of participants was from our ongoing interviewing and mapping activities and it was based on their need to start up- or being at an early start up phase of- a social enterprise. There need was to access pro-bono support on how to establish a social enterprise. A second objective was to create a pipeline of the first social enterprises for the city of Athens.

Another action research project was a three days seminar with 7 CEOs from the best practices centres of social entrepreneurship (these centres included research, incubation, service provision, consulting, resource provision and ongoing support to social enterprises in their regions); participants were identified by the EC task force committee’s expert on social entrepreneurship Mr Gerhard Braunling. Other participants from local stakeholder groups were identified by the CEO of Athens Development Agency (ADDMA). The objective of the project was to raise knowledge on the practices of these centres in designing a business support centre for the municipality of Athens and also to establish strategic partnership with one of these centres.

Action research is a grounded theory method using many of the processes used in analytic induction (Gill and Johnson, 2010). This allowed us to test our research framework. We followed a data-theory-implementation process by gathering systematically data about the specific issues and going back and forward to theory and data collection by changing variables and then bringing those changes to our theoretical systems. So it was a continuous process among diagnosis-planning action and intervention- implementation- evaluation of effects of implementation and so on. We assumed a dual role of that of a consultant and a ‘scientist’. Action research provides a bridge among consultants and scientists into repositioning the latter in organizational practitioners’ settings. Action research fills the gap among theory building and research on practical problems that practitioners’ implement in their organizations; the latter as argued by Arigiris (1985) has driven organization away from deductively based research. It is a ‘participatory, democratic process concerned with developing practical knowing in the pursuit of worthwhile human purposes... it has become increasingly popular’ (Gill and Johnson, 2010:96)

There are no set methodological protocols or rules; it encompasses a very diverse range
of approaches according to the research paradigm of each study. Action research was conducted in everyday social settings, like the city of Athens everyday activities and the capacity building training programme; findings emerged out of these contexts and at the same time we tried to resolve the social issues identified. We selected participants from different stakeholder groups with different levels of power who are affected by this social issue; we were involved and not detached from the process. The action research with the city of Athens was targeting community transformation through empowering people and other activities while the capacity building programme was targeting organizational reforms of participants. In the beginning in all action research projects we established either a psychological or a written contract among ourselves and the clients; including the issues identified and described, the participants involved and the action plan to address those issues.

We took a holistic methodological approach by understanding the social system first, then addressing the parts and then moving back to the whole; when there are divergences among the parts and the whole a reconceptualisation takes place (Gill and Johnson, 2010). By collecting data from different stakeholders we understand the whole system and not the single perspective of each part. For the implementation to be effective the client has to be committed therefore to agree with the diagnosis and the actions taken. The actions required a reinterpretation of how stakeholders view specific social issues through the application of specific theoretical schemes; the biggest challenge was to persuade those in power to change as their motives proved to be different than initially stated. Our theory was empirically tested through practical intervention experimentation of the research propositions identified by our previous research. It has been suggested that action research resembles to experiments therefore demanding for the use of control groups to test the internal validity and rule out extraneous variables. The availability of a control group has been problematic within the organizational context as it would have to intervene with the social setting and maybe offsetting interventions benefits by appointing control groups. Therefore, as Argyris and Schon (1989) put it the action researchers are encountered with a ‘dilemma’ having to make a choice between ‘rigour or relevance’, thus science or action research.

4.3.2.3. Research Techniques

Our empirical study includes observation, face-to-face and phone interviewing, documents, and online self-administered questionnaire; interviewing being semi-structured and open-ended technique, while the questionnaire constructed being a fully structured technique (Dillman, 2007; Jankowicz, 2000). The postal survey technique was used by the majority of researchers in franchising literature that dealt with similar issues (Alon, 2000; Boje and Whetten, 1981; Dahlstrom and Nygaard, 1999; Douglas and Craig, 1983; Jensen, 2003; Mavondo and Rodrigo, 2001; Proven and Milward, 1995; Taylor et al, 2000; Whipple and Gentry, 2000) which is now replaced by online techniques. The internet is especially useful mean in international management research as it saves a lot of time and money (Dillman, 2007; Punnett and Shenkar, 2003). We will present hereunder a set of surveying problems that we anticipated in advance and addressed through our research design.
4.3.2.4. Addressing Errors and Constraints

Reliability is associated with consistency and replicability of findings and data. There are three threats for reliability: participant error; participant bias; and observer error. Validity is concerned with whether the research findings are really about what they appear to be about. Threats of validity are history; testing; instrumentation; mortality; maturation; ambiguity and causal direction. Finally there is the issue of generalisability which is also referred to as external validity whether research findings may be equally applicable to other research settings (Saunders et al, 2009). Generalisability was not our primary focus as our purpose was to try to explain what is going on in social franchising. The following sources of error that could diminish the quality of our empirical research have been addressed:

We adopted various techniques to achieve validity. These are unobtrusive measures, respondent validation, and triangulation. It is argued that the validity of qualitative research is not much of a concern for researchers because the goal of qualitative research is to understand the other person and their perceptions when interacting with their environment. Walcott (1994) called qualitative research ‘rigorous subjectivity’, as it searches for plausible explanations, opinions and interpretations rather than obsessing over the correct answer to something (Richardson, 1994).

Unobtrusive measures refer to the natural setting. We gave much attention to building the natural setting of each interview and establishing rapport with the interviewees (Seymour, 2006); quietness, comfort, seating were considered; empathising and building trust (Bryman and Bell, 2011; Denzin and Lincoln, 2000; Dundon and Ryan, 2010). The physical place was either their offices or quite rooms in the premises of the city hall, of university rooms or NGOs premises.

We also addressed the issue of respondent validation, also known as member validation, by demonstrating to the interviewees the goal of the interview and the explanation of our findings. The goal of this account is for the participant to confirm or invalidate the conclusions of the researcher (Atkinson, 1997; Barbour, 2001; Mays and Pope, 2000; Torrance, 2012) guaranteeing that there is an association between our findings and the experiences and perspectives of the participants.

Triangulation is amongst the most popular measurements used in qualitative research (Torrance, 2012). The most known types of triangulation are method, investigator, and time. We used methodological triangulation by using mixed-methods (Barbour, 2001); this increased our accuracy and depth (Anderson, 1997; Thurmond, 2001). The disadvantages are in terms of time, cost and human resources; in lack of human resources other than the writer of this thesis it took us about less than two years and a half to raise all data and the cost was leveraged by the fees raised through the action research projects. The span of time allowed us to see how events occur naturally (Thurmond, 2001) to see if findings are similar in different time intervals increasing the validity of our findings. Time triangulation was also applied in single cases; the participants that were part of our
action research workshop had been the focus of interviewing throughout these 2.5 years period of time so we managed to see their needs in different times in setting up their social ventures, how these needs changed (Denzin and Lincoln, 1995), what were their challenges, how they addressed them, how they interacted with their networks, how their behaviour was shaped and changed through these interactions from the political and social sphere.

We also used investigator triangulation by including interviewers from different stakeholder groups. So we interviewed industry experts, policy makers, and other researchers from other countries with whom we discussed our findings and who had no prior discussion or collaboration among them. When they proposed different categories, definitions or meanings to properties, we incorporated their suggestions and redefined our model which was then re-tested through further empirical study. This produced greater validity for our study (Denzin and Lincoln, 1995); the findings can become more credible (Thurmond, 2001); investigator triangulation brings minimal biases when collecting, reporting, and analysing the data and internal validity (Thurmond, 2001).

Interviewer distortion and subversion may occur (Novick, 2008). Inter-interviewer bias can occur both in face-to-face and telephone interviews in arranging and explaining the concept of the study, even when the unstructured component is limited (Curran & Blackburn, 2001). Secondly, bias can occur during the data collection, as the researcher has to be present during the data collection process of the interview. Initially to control this source of bias we recorded the interviews in the process we understood that recording changed interviewees behaviour made them more reluctant and reserved so we kept a written record on our portable device. Individual skills can impact the study negatively depending on biases, experience and reactions. Individual skills of the researcher are useful for carrying out qualitative research. The quality of the qualitative research is dependent on the researcher’s biases and idiosyncrasies too (Novick, 2008). The researcher’s reaction to the data they receive from the interviews can lead to some form of bias depending on how it is interpreted. To ensure rigour we provided scrutinization of the topic in a plausible and coherent manner, through adequate descriptions in our data analysis of their assumptions and techniques to overcome researcher bias (Mays and Pope, 2000). Subjects’ responses can be affected, as the researcher is present during the data collection. Biases can emerge and this is unavoidable.

Ethical issues of anonymity and confidentiality can lead to problems. There is a chance that certain respondents may have trust issues with disclosing information, if they suspect violation of trust and who views the information provided. Ethical issues have been considered and anonymity has been granted in all studies; informed consent has been obtained by all participants.

Qualitative sampling methods are more focused on reflecting the diversity within the groups that are studied, instead of accomplishing representativeness (Delmar, 2010; Mays and Pope, 2000). However, qualitative procedures have been criticised because of their lack of transparency. This is because researchers saw qualitative research as having opaque systemic procedures carried out, opaque analytic structures used, opaque guiding
principles and opaque consistencies to methodological frameworks (Mays and Pope, 2000). There are no specific rules for the size of the sample, and so it is common for qualitative research to recruit a small sample size through purposive sampling. And from this small sample, detailed and in-depth information can be obtained and analyzed. Dillman (1978: 41) argues ‘a representative sample can be drawn regardless of the data collection method’.

We have addressed sampling issues by targeting a rather large sample size for a qualitative research from various sources and by following a snowball purposive sampling technique. In line with our approach on the definition of social networks we allowed for the respondents to reference us to other actors and organizations they were aware of or collaborating with or trusting or considering role models and best practices; so we allowed for our sample networks to construct themselves which reflects the influence of the social settings. We did that with various social entrepreneurs. Through our data analysis we saw that two different systems of social enterprises in Greece emerged with diverse characteristics from one another which were very useful research wise.

With regards to our quantitative study: Firstly, there is sampling error which derives from the fact that the accuracy of sample survey predictions is limited by the quantity of units in the survey population that are being surveyed (Dillman, 2007). Secondly, there is coverage error which occurs when a sample does not represent equally all elements of the population (Dillman, 2007). In order to draw a representative sample of the population all members of it must have a known chance of being included. Both have been addressed by building two representative sampling frames of our population of franchise systems from the members to national franchise associations of the UK and Greece and from the international franchise fair participants in Greece in two consecutive years. All units from these sampling frames were invited to participate in our research.

There is measurement error which occurs when the respondents’ replies to survey questions are not accurate, precise, and not comparable to other respondents’ replies (Dillman, 2007). Data are affected by the characteristics of the respondents and those respondents will not necessarily report their beliefs and attitudes accurately (Robson, 2002). This was addressed by following the protocol of Dillman (1978, 2007) ‘tailored design method’ (Dillman, 2007, 1978) in constructing the self- administered questionnaire of the survey and by operationalizing the items of the study based on existing scales from literature. Ambiguities and misunderstandings of the questions cannot be detected in self-administered questionnaires, and that respondents may not treat the exercise seriously which we will not be able to detect (Robson, 2002: 233). These issues have been addressed by constructing an easy to use self-administered questionnaire, also by triangulation and mixed methods. Misrepresentation of true beliefs is also an issue in qualitative research which was addressed through investigator triangulation, a larger sample size from various sources and mixed methods.

With reference to response issues mail surveys often achieve very low response rates (Dillman, 1978) than face-to-face that have the highest response rates and telephone
surveys who are a close second. Mail surveys have a higher problem with response selectivity that have telephone and face to face surveys (Dillman, 1978). Nonresponse error occurs when a considerable amount of units in a sample do not respond to the questionnaire and have different characteristics than those that have responded to the questionnaire (Dillman, 2007). To avoid unknown bias from refusals is to know that those who did not respond do not differ greatly from those that did respond. The potential of non response bias can be checked by comparing early respondents with late respondents (Armstrong and Overton, 1977) so a chi square test was performed. Also through our pilot-testing using an email questionnaire the participants suggested the use of online survey. So we constructed an online questionnaire using survey monkey platform. This helped us achieve faster responses, lower item nonresponse, and more complete replies to open-ended questions (Schaefer and Dillman, 1998). The issue of low response rates was compensated through the mixed method.

With reference to methodological issues of error socially desirability bias can be avoided (Dillman, 1978) through online questionnaire that ensures greater success in anonymity and confidentiality and avoids bias due to social desirability of answers (Jankowicz, 2000). Also multiple informants that have been used in this research facilitate isolation of informant bias (Kumar, Stern and Anderson, 1993). Interviewer distortion and subversion; inter-interviewer bias is avoided since the lack of investigator bias ensures adequate objectivity in data generation (Dillman, 1978, 2007). This risk of contamination by others is higher with online questionnaires because the respondent can ask from someone else to complete it or to ask for advice from others while completing it. Through the settings of our online survey we secured answers from the specific email addresses that we send the invitations to. Consultation that is dependent on motivation and interest is another issue with online questionnaires (Dillman, 1978). Both of the above biases were controlled through our face-to-face interviewing.

The issue of questionnaire construction is critical to web surveys (Dillman, 1978); as ‘it may take only one glaring flaw in the construction and design of a mail questionnaire to stimulate rejection’ (Dillman, 1978:61). The ‘tailored design’ protocol being a structured standardized method can provide greater feeling of anonymity, may require less skill and sensitivity to administer and allows the respondent more time to think for their responses. Bearing in mind that the constructs of this research are relational in nature and encompass feelings and behaviours, it is considered to be an even stronger advantage (Dillman, 2007; Sellitz et al, 1981). Web surveys provided us with visual and interactive capabilities. Length is an issue and our questionnaire being a pilot study had many items, though Dillman (1978:54) argues that when the ‘total design method is followed response rates have shown no significant variation for questionnaires up to 12 pages and up to 125 items; while exceeding those limits can have serious effect on response rates. The online questionnaire has a disadvantage on the use of open-ended questions (Dillman 1978: 58) which was addressed from the open ended questions posed through face-to-cafe methods.

The lack of resources are mainly financial, skilled personnel and time (Dillman, 1978). The use of electronic e-mail for self-administered questionnaires eliminates the cost of paper, postage, mail-out, and data entry costs; it offers the possibility of passing over national frontiers; it diminishes the time demands of survey implementation (Dillman,
4.3.3. Conducting Qualitative Research

Interviews are more effective when drawing relational data as it helps establish trust (Sloane and O’Reilly, 2013). The interviews increased in focus and depth over the period because of the interactive and cumulative nature of the fieldwork. Our first interviews were more of a conversation; we had as few questions as possible and engaged in identifying what is this sector, how does it work, who are the constituents, what are the motives of each stakeholder group, etc. We took biographical accounts from all respondents addressing background and motivational issues. In biographical account research three dimensions can be found important to investigate the ethnic culture of the entrepreneur, their background, motives, traits, their biographical narration and personal evolution, alongside the story of the development and growth of their sustainable business venture. This is how we collected data on the individual/psychological profile and on the social innovation model. As the process of data-theory analysis proceeded we started focusing our questions around specific themes that had been already identified. In the beginning we had a very limited knowledge of existing research and theories and it was only after many stages that we resorted to literature. The full length of literature was only examined prior to the final stage of data analysis of selective coding to produce and build the final theory. So categories, properties, relationships and spheres had already emerged; it was after open and axial coding processes.

Our initial questions were: what is social franchising? How does it work? How does it differ from mainstream franchising? Why did it emerge? How do social franchises emerge? What are the determinants to their formation? What are the specific mechanisms that have been adopted? Who are its constituents? How do networks select members? How is it organised? What are its results? What do they do and where? How can it be more successful? What is its value? Who else can you reference to us? Who are the people you partner with? Once we got replies we kept asking: who, how, what? Similar questions were addressed to social entrepreneurs who hadn’t scaled up their model yet. To policy makers we asked: What are your goals? Why do you implement reforms? Also we asked questions to identify knowledge of the sector, biographical narration, reasons for being appointed to this agenda, opinion on specific social enterprises, etc.

Each interview lasted between one and a half hour and three hours following a standard protocol for capturing emerging themes in field research, when the interviewee consented it was recorded and always transcribed verbatim. We took an extra 20 in depth interviews with external informants of major stakeholder groups like policy makers the same period. The inclusion of various sources of data collection and social enterprises from different sectors helps to identify through comparison the variables that are present or absent from all cases, and those that are salient in explaining formation. Respondents were asked if they had partnered with other organizations and then their partners were also asked to verify that. They were asked about reputation and trust of others which was also cross-checked. They were asked about the reasons that drove them to partner with others and they governed these relationships. They were asked about the contribution of formal and
central institutions to their ventures. They were asked the type of resources they had to provide and what were in need of in growing their ventures.

Throughout the interview phase we used a comparison strategy to compare among informants and identify essential points of synergy or contrast. Throughout the process we refined emerging themes and asked respondents to comment on these new themes. So the questions that we asked were developing through time following a protocol that was being in parallel developed with the research project. The use of external participants who were asked to state what they knew about specific enterprises and network practices and effectiveness and to reference us to other entrepreneurs alleviated the potential bias of respondents and allowed us to draw more meaning from the data. Also to avoid bias we ensured anonymity and that the use of this data was strictly for academic use and would not be distributed to the Greek authorities. Parallel to that we were collecting various types of secondary data, like online reports, authority’s strategic plans, research reports and evaluation studies, historical reports, legal and political documents. This provided us with hard copy material of the institutional context interventions and policies. So triangulation was accomplished to attribute reliability to our data and validate our findings (Yin, 2008). The process that we followed in conducting our empirical study which is known as analytic induction is also reported in similar research studies (Battilana and Dorado, 2010; Mair, Battilana and Cardens 2012; Sharir and Lerner, 2006).

We conducted semi-structured interviews during the interview we added-on questions or changed the questions according to the flow of the conversation and the respondent’s responses. We used descriptive, structural and contrasting questions. We appeared with no predefined theoretical framework; there were no hypothesis formed. In many cases we had to explain what social entrepreneurship is and how are social enterprises defined as the majority of the participants didn’t know that they are social entrepreneurs or hadn’t heard of the term. It was highlighted to them the significance of the area of the research as well as the importance of their contribution to the study; this seemed to increase their participation and their willingness to reveal more information. Because we were keeping a written record of the interview many interviewees after sharing sensible information were preoccupied with anonymity, confidentiality, sharing their business secrets or revealing issues to the local authorities that would jeopardise their relationship with them. So we would relax them by emphasising issues of ethical research within the university regulation. The fact that the university was a UK institution seemed to provide greater assurances.

4.3.3.1. Qualitative Sampling Design

In qualitative research we used a purposive sampling technique. We are therefore seeking to have richness in our data, and so the sample is recruited purposefully (purposeful sampling) instead of randomly, which was the aim of this qualitative research (Teddlie and Tashakkori, 2006). The reason was so that the entrepreneurs could be interviewed specifically. The initial sample of five social franchises in the UK is a small sample this is because: a) firstly, according to social network analysis’ principles the focus is on the
specific social system elements and this helps to ensure some generalisability to the population of this system and addresses issues of external variation b) secondly, at this stage we evaded the inclusion of many interviewees so as not to create saturation by considering data that wouldn’t add value to our theory c) thirdly, at this stage too much data gathered from more social franchise cases would make our data more complex and thus more difficult to interpret (Eisenhardt, 1989; Glaser and Strauss, 1967; Meyskens et al, 2010a). At the next stage were some understanding had been already raised and first categories had been already formed we raised a much larger sample.

We identified informants by sampling from various types of social enterprises from a variety of economic sectors and from various stakeholders. We performed an activity which we called ‘Mapping of the Social Economy Sector’ in this list we raised units from four different groups: social entrepreneurs, social investors, opinion leaders and the wider public (see Figure 1).

![Figure 6 Sampling Frame: Mapping of the Social Economy Sector](image)

Through the key informant sampling technique we targeted these units. Social entrepreneurs included existing social enterprises, social franchises and various types of social enterprise partnerships and networks, prospective social entrepreneurs and early stage start-ups. Existing social enterprises included third sector organizations that meet the requirements of the definition proposed in Chapter 1.5. Social investors included organizations with active social responsibility profile that support third sector organizations, it included community and cooperative banks that have expressed
willingness to support social enterprises, foundations and philanthropists and formal central or local institutions that manage social economy funds. The third category of opinion leaders included academics in the field, support organizations and social economy experts, journalists, celebrities, artists and journalists that support the social economy sector and can influence public opinion, politicians with an expressed agenda on social economy and EC and national officials that manage social economy agendas. The wider public includes social consumers, communities, individuals, informal groups, social networks and others.

We asked from the interviewees to recommend us to other similar like social entrepreneurs through a snowball sampling. Given the exploratory nature of this study the participants selected had to represent the primary actors embedded in social franchises so that findings could be extended to other populations of social franchises and social venture networks. This allowed us to include actors that are not part of formal networks and that were unknown to experts, so we have a complete view of the network. This is line with our theoretical conception that a network is a socially constructed entity. Also the goal in network analysis is to investigate the existence and nature of ties among enterprises. Our sampling design decisions are in line with previous research studies in our filed (Battilana and Dorado, 2010; Meyskens et al 2010a; Sharir and Lerner, 2006; Sloane and O’Reilly, 2013; Sorenson et al, 2013).

In selecting respondents within sample units in both quantitative and qualitative studies we targeted through the key informants purposive technique the owners or CEOs of all the organizations we investigated; because these people have the deepest knowledge of the issues that we are investigating. ‘Opening the door’ to enterprises was a very difficult task. A pre-notification letter was send to the social franchises of our case study (see Appendix B) and then follow up calls were needed until we managed to reach the owners and book face-to-face interviews with them.

In the case studies of the social franchises in the UK we had to insist many times through several phone calls and emails in order to manage to book an appointment with the owners of the social franchises. In the case where the franchise systems where not located in London we raised the data through phone interviews. Still it was very difficult to execute the study in the UK.

On the other hand in Greece there was no need for pre-notification letters because we were referenced through our social networks to our targeted population. After the initial phase participants were very easy to contact and book a face-to-face interview. We also found that the communication of our capacity building programmes through the pubic media sources (newspapers, radio and online media) and the action research with the City of Athens (which was in turns generated through our pubic media exposure and word of mouth) gave us very easy access to securing face-to-face interviews with social entrepreneurs. These actions gave us credibility and trustworthiness. In many cases we were approached by the social entrepreneurs themselves asking to meet with us and support them, so this gave us the opportunity to interview them for the needs of our research. This was due to the fact that social entrepreneurship in Greece was a very novel
concept in 2011 (and still is) and we realized that we were among the first people to raise this topic in pubic media. The word of mouth was also very strong as people we met would talk to their networks about us and members of the latter would contact us. These reflect our theoretical assumptions of the dynamics of social networks and of relational and structural embeddedness that we are investigating. We also used a number of opportunities to create our sampling frame and raise respondents, like responding to the invitation to attend as guests the annual TEDX event in Athens that is considered a very popular event worldwide and the Corporate Social Responsibility Annual BRAVO Awards. Other events were the ‘Fair of Nature’ that took place in one of the most popular private colleges in Athens; and various local events like the ‘Sustainability Summit’ conference in the island of Crete, the first inaugural forum of the Ministry of Labour on social cooperative enterprises and local forums by communities and municipalities in rural areas.

4.3.3.2. Qualitative Data Analysis Techniques

Data analysis was conducted in stages which helped us to go back and forth and avoid premature analytical bias. Firstly, in stage one we presented a narrative account of our findings by ordering raw material per social unit, it included quotes. To substantiate our understanding we checked the accounts with investigators from the opinion leaders group. We used data from these groups and from an archival analysis to support and balance those findings. In the beginning we tried to identify patterns by counting the frequency of words and phrases in data sets to see any repeated ideas and themes. Secondly in stage two we identified themes and coded them. Using content analysis we produced categories (variables) of our constructs, we didn’t use any existing categorization from other research thus allowing for categories to emerge from our data; this inductive open coding approach is appropriate for theory building; these codes are called first-order codes (Battilana and Dorado, 2010; Mair, Battilana and Cardens, 2012; Sharir and Lerner, 2006). These codes deal with storing, labeling and retrieving the data. We used data displays to facilitate us through graphs, diagrams, and drawings. The categories that we displayed consist of the data, coded data, and revised codes. Our coding scheme built out a map. Our scheme included a categorization of various spheres that emerged which were formal institutions, social institutions, organizational context and individual context. It included descriptions, labels using interviewees own words, relationships. In constructing codes we asked the questions that we have mentioned above. The first stage resulted in creating codes for individual profile categories, social innovation model categories, formal institutions interventions categories and network embeddedness categories. We were interested in seeing where these categories intercept and the linkages that are created between the various spheres within which actors interact. Then in stage three we kept on collecting data and comparing with existing codes and categories to identify similarities and contrasts, relationships and patterns. Any new codes that emerged were grouped around the spheres we had identified. Codes were grouped together in broader codes or reformed. We reviewed codes and categorized them into broader codes (using words from the interviewees) and when codes seemed similar we grouped them under one coding name. This process is called axial coding (Mair, Marti, and Ventresca, 2012; Pratt, Rockmann and Kaufmann, 2006). The use of tables
and matrices to compare patterns across cases is a common method used in qualitative data analysis (Alvord et al., 2004). At a later stage we went to existing theory to compare the emerging themes of our findings with other research findings. The final stage was a confirmation of these refined themes and relationships with the broader set of data that we had gathered through all our research methods. The results from this process are presented in the formulation of propositions; the fact that these propositions are common across all cases strengthens their plausibility (Alvord et al., 2004).

Content analysis was performed on the secondary data and reports we gathered through the archival research method comparisons were made with the primary data and other studies (Sharir and Lerner, 2006). Content analysis is used to classify the sampling units and quantify the data gathered from textual sources through a systematic process that helps identify specific characteristics through a process that ensures the validity, reliability and replicability of the study results (Stone et al., 1966). Content analysis is widely used in mixed method approaches as an appropriate method to perform quantitative analysis in qualitative research studies of new areas of interrogation (Meyskens et al., 2010b) and is often based on qualitative data analysis that has been performed initially for other purposes (Krippendorff, 1980). Binary variables are often used in content analysis (Krippendorff, 1980). General Inquirer is the software usually used in the execution of computerized content analysis. We used no software and performed a qualitative analysis of secondary data. Existing theories also suggest the application of Social Network Analysis (SNA) which is becoming popular in analysing networks and alliances and provide rich data to extent the understanding of networks (Sloane and O’Reilly, 2013; Somersen, 2013). Software packages through computational and visualisation techniques, such as Ucinet and Pajek allow for the quantitative analysis of network data and the visualisation of network structures (Sloane and O’Reilly, 2013).

4.4. Conducting Quantitative Research

Following the ‘tailored design’ protocol (Dillman, 1978, 2007) we developed the self administered questionnaire (see Appendix A) (Tomaskovic-Devey et al., 1994). In forming the questions we addressed issues of information sought, question structure and question wording (Jankowicz, 2000). We included mainly close ended questions with ordered choices allowing for open-ended choices and in the final section we added some open-ended questions which were replied only by a few respondents (see Appendix for full questionnaire). We always offered a similar choice to ‘other, don’t know’. According to existing research on social norms and alliances we used 5 point Likert-scales (Brown et al., 2000; Dong-Jin, 1997; Kaufmann and Dant, 1992; Mavondo and Rodrigo, 2001; Mollering, 2003; Morgan and Hunt, 1994; Rotter, 1967; Whipple and Gentry, 2000). We used both the behavioural anchored rating scale (BARS)- the variable is assessed along a scale with clearly defined scale points containing examples of specific behaviours-, and the behavioural observation scale (BOS)-the variable is assessed in terms of the frequency with which specific behaviours are performed (DeCotiis, 1977).

To obtain validity we formed our operationalisation based on prior research studies (Dubin, 1978) through adaptation of scales or direct application; this has also been the
practice of prior research (Mavondo and Rodrigo, 2001). Since our study was a pilot study we used different multi-item scales for the same variables to test their significance. To test the extent to which a conceptual model is empirically valid survey investigations have to be executed in a way to determine its accuracy. Control variables were also included (Gulati, 1995b).

Hereunder we present the operationalisation of our variables (for Questionnaire see Appendix A).

4.4.1. Operationalisation of Variables

Franchise Formation and Partner Selection

Use of ordinal and nominal variables Question 1, 2 and 11: As we have argued trust can be measured through prior direct or indirect ties. Direct and indirect ties are measured by an independent binary variable which indicates the presence of ties by coded one or absence by coded zero, 0= first time, no prior ties, 1= prior ties (Jensen, 2003; Gulati, 1995). Direct ties were named repeated ties and indirect ties were called common ties. Repeated ties or Common ties were direct social ties and direct work ties (Boje and Whetten, 1981).

Ordinal variable Question 5 and 6: We also measured tie strength (Granovetter, 1973)

Use of ordinal and interval variables Question 3 and 4: We operationalised motives for franchise formation that are linked to acquiring resources and capabilities for our control variable, which we used as control variables against the influence of relational and structural embeddedness in alliance formation and partner selection. Based on existing research we identified the motives of franchisees and franchisors for entering into a franchise agreement (Aydin and Kacker, 1990; Baucus et al, 1993; Eroglu, 1992; Hall and Dixon, 1991; Huszagh et al, 1992; Lafontaine, 1992; Martin, 1988; Mendelsohn, 1993; Paswan, Loustau, and Young, 2001; Sanghavi, 2002; Shane, 1996; Stanworth, 1995a, 1999; Stanworth and Curran, 1999; Stanworth and Kaufmann, 1996; Walker, 1989). We combined these motives with the typology and classification of motives that have been identified by the literature on network formation by Whipple and Gentry (2000) and Ellram (1991): financial, technological, managerial, and strategic. Used typology of Gulati and Singh (1998), Contractor and Lorange (1988) and Whipple and Gentry (2000) through 5points Likert-type scale

Nominal and ordinal variables Question 2, 5 and 9: We also measured accumulation effect of networks in alliances.

Operationalisation of Governance structure

Ordinal and interval variables Question 7: A typology for hierarchical controls based on the research of Gulati and Singh (1988): Hierarchical elements can be embedded in alliances structure and are.
Extracted from Question 18 and 19: According to Lafontaine (1992) it is more valid to focus on studying the proportion of franchise stores to company owned rather than the terms of the franchise contract when studying governance structure. So we used this method also to measure governance structure.

Ordinal variable Questions 8 and 10: We also used the typology based on equity ownership and on entry modes.

Operationalisation of Trust

Ordinal multi item variables Question 20: Trust can be measured by the existence of prior direct and indirect ties as it has been use in testing Hypothesis 1 at the first questions. Brockner et al (1997) operationalised and measured interpersonal trust by 4 points likert type scale, a=.75 and had three items that we have included: actual trust, fairness and confidence. Study 2 of Brockner et al (1997) based on Rousseau (1988) measured trust by 5 point likert type scale, a=.74, the items measured trustful/distrustful and family-like/uncaring. Havila et al (2004) based on Moorman et al (1993) operationalised trust on 5 point scale with two items: actual trust and confidence. Operationalisation of trust, commitment and values by Zabkar and Brencic (2004) based on scales developed by Morgan and Hunt (1994) which were also used in the researches of Joshi and Stump (1999) Jap (1999) and Heide and John (1992) on a 7point scale. Kauser and Shaw 2004 measured trust on a 5 point likert-type scale using 13 items of which 11 were good, a=.94. Mollering (2003) measured trust in two ways by perceived trustworthiness and actual trust and found them to have a strong correlation.

Operationalisation of Commitment

Using Question 3 and 4: In the case that in a network the one partner’s interdependence classified as sequential and the other’s as reciprocal, it was coded with the higher cost as reciprocal (Gulati and Singh, 1998). Two dummy variables were used to measure interdependence, reciprocal and sequential, the default category included instances of pooled interdependence. (Sloane and O’Reilly, 2013)

Ordinal variable to test validity Questions 21 and 22: a test was incorporated to test the nomological validity of commitment 7 point likert type scale for validation variables (Gundlach, Acrol and Mentzer, 1995)

Operationalisation of Mutuality


Operationalisation of Flexibility

Ordinal variable Question 24: Mollering (2003) operationalised flexibility in term of attitude towards exceptions made in the governance of inter-organizational relationships. Also used FLEX a=.73 (Heide, 1994; Kaufmann and Stern, 1988):

Operationalisation of Solidarity, Role Integrity, and Harmonization of Conflict

Ordinal variable Question 24: We used a six-item measure for these relational norms (Boyle et al, 1991; Dong-Jin, 1997; Kaufmann and Dant, 1992). Operationalisation of social norms (Boyle et al, 1991; Gundlach and Achrol, 1993; Gundlach, Achrol abd Mentzer, 1995; Heide and John, 1992; Kaufmann and Dant 1992; Kaufmannn and Stern, 1988, 1992; Macneil, 1980; Noordewier, John and Nevin, 1990)

Ordinal variable Question 24: Conflict was measured (Kauser and Shaw 2004 Anderson and Narus 1990, Kogut 1988, Mohr and Spekman, 1994) on a 5 point scale using 12 items a=.72. At Dong-Jin’s study all factor loadings were significant (p<0.01) with a mean completely standardized factor loading of 0.82.

Operationalisation of Power

Ordinal variables Questions 25 and 26: Restraint of power: reputational (stability, security, solidarity, belongingness), expertise (competitive gains, market positioning, effects of innovations, and customer satisfaction are constantly monitored and communicated to the franchisees) and referent power. Reputational power enhances referent power according to a research conducted by (Boje and Whetten, 1981). Reputational power was measured by joint program networks, joint advisory councils, formal and informal communications (Boje and Whetten, 1981). Referral power was measured in terms of referral sent and referral received (Boje and Whetten, 1981). Brockner et al (1997) and Brockner et al (1995) 5 point likert type scale  a=.87:

Operationalisation of Performance

Ordinal variables Question 12: We used the same motive as in the formation
measurement to measure performance; in terms of meeting expected goals of partners.

Ratios Questions 14-19: For objective measurement we took 6 years period and checked the following: (Moorman and Miner, 1997 and Hewett and Bearden, 2001, Kauser and Shaw, 2004, 5 likert-type scale 1= to a very little extent 5= to a very great extent, a=.90), sales, return on assets, profit margin, return on investment, market share.

Ordinal variable Question 13: We also assessed overall relationship satisfaction: (1=my firm has not achieved this objective, 5=my firm has definitely achieved this objective, Whipple and Gentry, 2000) For satisfaction used (5 point scale Mollering, 2003), also (5 point scale, Dong-Jin, 1997, Kauser and Shaw, 2004)

Categorical/nominal and ordinal variables Question 27-Questions 36 raising demographic data: Control variables have been used which are known to affect the alliance activity of firms, but are not included in the discussion of the hypothesis. These include organizational characteristics and personality profile. (Gulati, 1995b). There are some questions that are important to be made in order to analyse the sample into subgroups and eliminate the impact of sectors to the findings. Like the position that one holds in a company, how many years they have in business (Dong-Jin, 1997), sex, age, the sector in which the company is active, the country of origin of the network and the country in which it operates. We used dummy variables like organizational rank (see Appendix A)

4.4.2. Constructing the Questionnaire

The next issues according to the ‘tailored method’ (1978, 2007) that we considered in constructing our questionnaire were:

The question wording; we phrased our questions so as to be uniformly understood; not vague; to avoid bias; to avoid hypothetical questions; double questions or too demanding questions (Rotter, 1967). We used Instructions and labels in different colours. With reference to translation we produced the same questionnaire in Greek. As Dillman (1978) points out the overall effect of the questionnaire is very important because it boosts the motivation of the respondents. Using the survey monkey platform helped us create a respondent-friendly questionnaires (Dillman, 2007; Robson, 2002), easy to fill out, with simplicity of design and structured in a way to maximise cooperation. It is also suggested to use coloured pages, different colour for instructions. Front page had only the letters of support from high accredited organizations and ministries and a graphic illustration of our conceptual model. First questions were easy to answer; we also put the most important and useful first. We put the more difficult questions in the middle. We also group questions that are similar in content together. Then we group them according to answer formats, we also create a sense of logical flow and continuity to the questionnaire. Demographic questions were placed at the end. We included transitions to next sections.

The issue of providing ‘Social Exchange’ through rewards, to avoid costs for respondents and building trust were also considered. We provided intangible rewards by expressing to them their significance to the research being part of a carefully selected sample; by using
personalization techniques allowed through the online platform; we expressed verbatim appreciation and asked for their opinion; stressed studies social usefulness; finally tangible rewards were offered by offering them the opportunity to chose to receive results and individual consultation. In building trust we provided letters of appeal to participate to the study from the British Franchise Association and the Greek Franchise Association, and the Greek Ministry of Labour.

Pre-testing

We conducted a pre-testing to seven academics from different fields including psychology, politics, economics, engineering and organizational science. Some very important points were made which were all incorporated, like the introduction of several control variables and the use of two critical incident open-ended questions that would allow the sharing of former experiences and challenges encountered by participants. As already said open ended questions were rarely answered but this limitation was addressed through our face-to-face qualitative research.

We also performed one cognitive interviewing to a unit drawn from our sample in Greece and one pilot testing through e-mail to a Social Franchise in the UK; the latter drawn from our case study sampling frame. The cognitive interviewing was performed face-to-face, we asked from the participant to read out loud the questions and share with us any thoughts and feelings he had. It was a very value adding process; it allowed us to test the phrasing of questions, understanding of meaning, clarity of instructions. Several issues were identified and changes were made.

Important elements that affect respondent bias emerged:

“the ‘strongly agree’ response choices makes me wonder whether to reply based on what is actually happening or on what I actually believe should happen; ‘strongly agree’ relies to my beliefs” (Owner of Loumidis Franchise System)

He also argued that if it was anonymous it would be easier to him to reply truthfully. He also stated that when his truthful choice is ‘no’ he selects ‘indifferent’; when something hasn’t happened he chooses ‘don’t know’. A second important contribution in terms of administrative plan came from a UK system that prompted us use an online platform like survey monkey as the use of excels through emails made it very hard to perform the task of completing the questionnaire.

Finally our administrative plan was based on the steps of the tailored method, like the pre-notice email one week before the first invitation to the study, three weeks after the first invitation the second one is sent and seven weeks after the third follow up. Before sending the pre-notice letter we has the chance to meet most of our Greek sample units face-to-face at their associations board meeting and at the international franchise fair. Follow up calls as suggested by research would have increased significantly our return rate. Unfortunately due to the time consuming process of the qualitative study’s interviewing and its focus as being the primary research method we didn’t have time to
do follow up calls; bearing in mind that this was also a pilot study.

4.4.3. Quantitative Sampling Design

In selecting a representative sample for our pilot quantitative study the actions employed were to define our target population which were the franchise systems active in the UK and Greece. Our sampling frame was drawn from the members of the national franchise associations both in the UK and Greece; in Greece we also included the franchise systems that participated in two consecutively years at the international franchise; similar directories were used by prior research in the franchising field (Dong-Jin, 1997; Hackett, 1976; Huszagh et al, 1992; Martin, 1988; Walker and Cross, 1989; Walker and Etzel, 1973).

On the 29th of February 2011 the list of participants at the international franchise fair in Athens included 142 companies of which 27 were not yet developed at the Greek market; so 115 fully operational franchise networks at the Greek market and 18 fully operational franchise networks at the UK market. The list of members to the Greek Franchise Association included 51 fully operational franchise networks at the Greek market. Among these 51 networks 22 took part in the international franchise exhibition. So in aggregation we had a sampling frame of 144 Greek franchise systems. From the list of members at the British Franchise Association we had another 97 full members.

We targeted all units of our sampling frames. From each organization we targeted through the purposive/judgmental technique of the key informant the owners of the companies or if this was not possible the CEOs. We made a list with their personal data and emailed them directly. The online platform allowed us to restrict replies from other email addresses so we decreased respondent bias by having others in ranking answering our questionnaire.

Another issue in business surveys is going through gatekeepers, the existence of survey policies, and reaching the right respondent (Dillman, 2007). We faced this challenge in all studies. In the case of the online survey we secured Letters of Reference and Support from the British Franchise Association, the Greek Franchise Association and the Greek Ministry of Labour which urged their members to participate in the study (see Appendix A). We also followed the ‘tailored design’ by first addressing an invitation to participate to the study (see Appendix B), when this was not successful we established connection through the phone. In the Greek sample we joined the board meetings of the Greek Franchise Association and visited the international franchise fairs to establish face-to-face connections with the owners of the franchise companies and described to them the purpose of the research.

Issues with non-probability sampling are that: findings can only be generalized to the population from which the sample was taken, findings may be specific to the characteristics of the population, findings may be locality specific, and findings may be temporally specific. The sources of errors in survey techniques are: sampling error, sampling-related error, data collection error, and data processing error. There is also the
sampling frame error, the random sampling error and the non-response error. All these have been addressed at the previous section on errors and constraints.

4.4.4. Quantitative Data Analysis Techniques

Our study includes binary variables, categorical or else called nominal and multi-item ordinal variables of five point Likert scales which we analysed through SPSS.

We tested our scales to see which were significant and could be used in future research. Having too many variables we eliminated non significant items from scales. In line with previous research we had to eliminate the least significant ones (Boje and Whetten, 1981). We then performed factor analysis. And the regression analysis was used to test our hypothesised correlations among variables. Dealing with ordinal variables correlation based on Pearsons r is not appropriate since it treats them as interval variables and can end up in wrong correlation findings. So chi square is the appropriate method to deal with ordinal variables.

We performed univariate descriptive statistical analysis on data; represented through frequency tables, diagrams, measures of central tendency, arithmetic mean to show the average distribution, median and the mode, which is the value that occurs most frequently. The bivariate factor analysis can be done by the use of many techniques and it depends on the nature of the two variables being analysed, e.g. two ordinal measures can be analysed Pearsons r; in the case of binary with interval variables we used t-student (Robson, 2002). We performed factor analysis to further investigate variables and scales significance before using them in regression analysis. In line with previous research: According to Stimpert and Duhaime (1997) theory-trimming techniques can be applied on the theoretical model allowing it to be re-tested after removal of non-significant hypothesised relationships from the original model. Mavondo and Rodrigo (2001) used initially exploratory factor analysis to establish the principal constructs and then used confirmatory factor analysis to establish convergent and discriminant validity. Dong-Jin (1997) in analysing relational norms in international strategic alliance formation used confirmatory factor analysis.

There are two methods to apply multivariate techniques, the first expresses a set of variables as being related to other variables, the first are the dependent and the second are the independent variables, like multiple linear regression, multivariate analysis of variance and covariance, multiple discriminant analysis, automatic interaction detection and conjoint analysis. The second method is to analyse them all as equal without the existence of dependent variables, like principal component analysis, cluster analysis, multidimensional scaling and correspondence analysis. Since our variables were interval variables we applied regression analysis. In the case were the independent variables were binary and the dependent interval we applied t-student to investigate causal linkages and the significance of such causal linkages.

Mavondo and Rodrigo’s (2001) findings support the use of path analysis as opposed to
multiple regressions, because of conclusions that could not have been picked up in multiple regression technique. Path analysis allows for the examination of dynamic relationships among dimensions and their complex impact on the issues that are being analysed. The limitations of the use of path analysis are that it assumes that variables are measured with perfect accuracy, even if the reliability of constructs based on Cronbach alphas are bigger than 0.7 suggesting equivalence of samples it does not mean that subsamples are identical as there are differences in means and regression weights (Mavondo and Rodrigo, 2001).

4.4.4.1. Scale Reliability and Validation

Another important issue is whether we can trust the quality of the data we have collected. There may be deficiencies of the existing or collected data that we must anticipate. Otherwise we may conclude wrong results or generalize interpretations that are of a specific range.

As cited in Saunders et al (2009) this means that attention has to be made to two particular emphases on research design: reliability and validity. Reliability is about whether the results would be the same in another occasion, whether the observations would be the same by other observers and whether there is transparency in how sense was made from the raw data. There are four threats to reliability: subject or participant error, subject or participant bias, observer error, and observer bias.

While validity is concerned with whether the findings are really about what they appear to be about; whether an instrument measures what it is supposed to measure. The threats to validity are: history, testing, instrumentation, mortality, maturation, and ambiguity about causal direction. How to offer validity to qualitative research using a seven-criteria model found in Curran and Blackburn (2001): statement of the problem, key problems and assumptions, methodological adequacy, analytical adequacy, interpretation clearly situated, the claims are universal or of a specific range, implications for policy and practice, finally respondent validation.

Other issues that would harm the credibility of our findings are the issue of generalisability and the assumptions made. Generalisability has to do with the probability that patterns observed is a sample will also be present in the wider population from which the sample is drawn; in qualitative research it has to do with the likelihood that ideas and theories generated in one setting will also apply in other settings.

4.4.4.2. Control Variables

We used a number of control variables that are related to the organization years, region and sector, as well as a number of control variables that are related to the respondents demographical and background information (Boje and Whetten, 1981) on an intercountry comparison on networks in Australia and Japan they conducted two tests to determine whether country characteristics contaminate their analysis. First they used dummy variables for each country, which were added to the regression equations. In their
study betas were not significant and the addition of the dummy variables added only 2% to the $R^2$. They also controlled various indicators such as poverty, economic activity and network size and they were all found to be insignificant.

Also control variables have been used which are known to affect the alliance activity of firms, but are not included in the discussion of the hypothesis. These include sector, industry trends, and firm-level attributes (Gulati 1995b).

4.5. Concluding Remarks

In this chapter we have presented our empirical approach by referring to our epistemological approach and attempting a debate between the different schools of thought, we have provided an extended argumentation on the choice of our specific research design and have attempted to control any errors and problems that could arise. We have explained our mixed method approach, our research techniques, sampling design, the way we conducted our research and our data analysis techniques of both our qualitative and quantitative studies. We have presented the construction of our questionnaire through the operationalisation of our constructs, which has been done in most cases via multi-items 5 point Likert-type scales. The operationalisation has been based on existing items from the literature, some have been directly applied and others have been slightly adapted to match our samples characteristics. We have also presented the administration of our questionnaire, our sampling design and finally our data analysis methodology.
5. Qualitative Data Analysis

5.1. Introduction

At this section we present the analysis and discussion of the primary and secondary data of our qualitative research. We collected data through a mixed methods approach at several stages that lasted thirty months covering the period from January 2011 to March 2013, these were: initially we started collecting primary data in January 2011 through in depth interviews with social entrepreneurs in Greece and in the UK; we totally interviewed 123 social entrepreneurs and social franchisors. Parallel to that we got the green light to meet with the first social franchisor in March 2011 at Green Works premises; we performed altogether six case studies of social franchises in the UK. Secondary data through governmental evaluation reports in the UK and Scotland were collected, analysed and incorporated; at the same time we conducted in depth interviews with altogether 20 policy makers and social economy sectoral experts that played the role of investigators in the triangulation of our findings; parallel to that and up to date we conduct archival analysis of secondary data from various sources including Europa, UK and Greek governments, organizations, and local authorities; the next decisive stage in our study which happened a year after we started our empirical study in September 2012 was to enter in an action research project with the local authorities of the City of Athens. The researcher assumed the role of the Project Manager of ‘Athens Social Economy Initiative’ and in line with action research protocol they engaged in solving the identified issue; the identified need of the client was to trigger the creation of the social enterprises sector in Athens. The action research project opened up many opportunities in collecting more data so more in depth interviews were conducted and more secondary data were available supplying more data to the previous ongoing stages. It also provided the means to perform the following action research projects: a 30 hours’ workshop with 30 prospective social entrepreneurs and social franchisors in Greece in addressing the issue of helping them set up their own social enterprises and social franchises; a three days workshop with 7 CEOs of best European practices of social entrepreneurship centers and hubs (some of them participate in the GECES experts group of the EC), 2 policy advisors experts from the EC, 2 experts members of the Social Business Initiative of the EC, and 14 representative from Greek formal institutions;

In analysing formation, partner selection, governance and performance of social franchises and social enterprises our data were grouped around four systems: the individual context, the organizational context, the political and the social context. In those spheres subcategories emerged through various coding stages as explained in the preceding chapter. We hereunder present the results of these coding techniques and the themes that arose. From this analytic induction process the propositions of our research emerged which are also depicted in our conceptual framework SoFraM.

5.2. Definition and characteristics of Social Franchising

One of the results of our empirical research is the definition and the characteristics of Social Franchising.
“Social franchising is an inter-organizational format essentially consisting of a business, often a social enterprise, (the franchisor) with a standardised model with primarily social objectives that are delivered through the offering of a product or service, or through the organization or production processes that serve the community’s social, societal or environmental interests whose surpluses are primarily reinvested for these purposes, that is entering in a continuing contractual relationship with the franchisees, independently owned and managed often already established third sector organizations or enterprises formed by disadvantaged groups, operating under the franchisor’s trade-name to offer the social concept by producing and/or marketing goods or services according to a format specified by the franchisor and to provide specific social outcomes. The ‘social concept’ must demonstrate some sort of socialite innovation and a market orientation irrespectively of the partners’ legal forms (private company or charity) and resource strategies (being not for profit or for profit)” (This definition is the original work of the writer of this thesis).

Hereunder we offer a typology of types of social franchising:

a) **Conventional Social Franchising.** In UK and Europe social franchising is used to describe the replication of a social enterprise, charity or project through some form of franchise agreement including those that do not make a profit. A successful social purpose organisation that enables at least one independent franchisee to deliver their proven model under license.

“… Which is (social franchising) a franchising system that uses commercial franchising principles to attain social goals” (Sivakoumar and Schoormans, 2011a:214)

“A successful social purpose organisation that enables at least one independent franchisee to deliver their proven model under license” (Richardson and Berelowitz, 2012:6)

“Social franchising: Social enterprise enters into a contractual relationship with other entities operating under or using the social enterprise’s trade name and model” (Richie et al, 2011:5)

“Franchising creates an obligation to perform on both sides – the franchisee has an obligation to deliver the defined social enterprise model to agreed-upon standards of quality, and the franchisor has an obligation to provide support and maintain quality across the network of franchises” (UnLtd in Richie et al, 2011)

According to the European Social Franchise Network:

“To be considered a social franchise it must meet the following six criteria: 1) an independent organization that replicates a social enterprise business model, the social franchisor; 2) at least one independent social franchisee that has been replicated by the social franchisor; 3) a common brand under which the social franchisees operate; 4) an interchange of knowledge between members; 5) an agreement that regulates rights and obligations and secure the sustainability of the franchise as a system; 6) both the social franchisor and the social franchisee must be social enterprises sharing the same values” (ESFN, 2011:5)
b) **Income Generation Social Franchising**: the franchisees can either be social enterprises and non for profits that are looking for a revenue stream and so they become members of a mainstream franchise to generate an income-based strategy. In the US it is often seen where charities take on a mainstream franchise as a fund raising strategy with preferential contracts. (Higgins et al, 2008; Richardson and Berelowitz, 2012; Richie et al, 2011; Sivakoumar and Schoormans, 2011a). In 2006 in the US there were more than 100 such cases, the most popular example is Ben and Jerry’s through its PartnerShop programme it sets up social enterprises and has a policy for employing disadvantaged youth (aged 16-26) (Higgins et al, 2008).

c) **Socialised Conversion Franchising**: the franchisor could be a mainstream business format franchise that converts to deliver social objectives or establishes a second brand

d) **Corporate Socially Responsible Franchising**: mainstream companies that want to integrate a socially responsible and sustainable business agenda and so they become members of a social franchise to meet social objectives or create their own social franchising model

e) **Microfranchising** mostly in developing countries where disadvantaged groups, are supported in starting up a franchised business to generate living/survival income. In the UK such a scheme is currently run by Franchise Works which provides support to unemployed people to start-up a franchised business (programme funded by Big Society Capital)

f) **Microfranchising Public Private Partnerships**: the franchisors are state owned companies and the wider public sector who provide (or spin out) social franchises to local actors in order to reduce public deficits, to reach the whole country, to increase innovation, to provide income to disadvantaged groups. Seen often in developing countries to help for the provision of public services to the whole country, like in the education sector, postal services and health care (Bishai et al, 2008; Leite and Carvalho, 1998; Prata, Montagu and Jefferys, 2005; Sivakumar and Schoormans, 2011a).

**g) Community Franchising** especially among church communities but is not a sustainable financially model and the franchisees need to provide ongoing funding.

h) **Open Source Franchising** or **Dissemination Franchising**: the franchisors are social enterprises, voluntary organizations, community organizations and companies who create an open network with their franchisees (being individuals or organizations or communities) especially through technology and social media and share their business model and know-how without a fee. Training, standardization of a package and communication are part of such a system. Also a written contract may exist between the franchisor and the franchisees. Within
such a platform the whole network could be seen to exchange freely its resources
with the rest of the network with the goal of accomplishing a common social
mission.

In the UK it is mostly an alliance among non for profit organizations and social
enterprises, where the franchisor is a social enterprise and the franchisees are usually
already established non for profit organizations. Social franchises generate surpluses
though the focus is on achieving social aims (Sivakoumar and Schoormans, 2011a). The
social franchisor specifies the social outcomes and by incorporating small social or
private providers into its network it provides them with the capacity to attract physical
capital and supply chains, with networking opportunities, training, quality supervision,
marketing and promotion (Bishai et al, 2008). Such social outcomes could be: work
integration for vulnerable groups, to encourage local development, recycling and
environmental activities, provision of social and personal services, health care, care for
elderly and children, ethical finance, fair trade, consumer rights, cultural creation,
education, training and research, and international development (Defourny and Nyssens,
2010a; Papaoioanou et al, 2009).

There are also other approaches to what social franchising maybe which evade from the
standardised business concept of franchising. To quote from Philip Radley-Smith the
Trustee of Tasha a UK social enterprise, he said that “Social franchising are the channels
that allow people who feel that they want to give something back free to the society,
through the use on new technologies and social media, where there is collective
ownership of what you offer, where people share information/services/products... people
feel part of something it becomes part of their identity”. We called this dissemination or
open source franchising; dissemination as we saw above is a common scaling strategy for
social enterprises.

Social franchises are characterised by a duality of objectives pursuing at the same time
both commercial and social objectives which are both situated at the core of their
business activities (Bishai et al, 2008; Tracey and Jarvis, 2007). The social franchisor can
use donations, subsidies or grants to meet the social objectives that often are passed on to
its franchisees (Bishai et al, 2008); while revenue can also be raised from customers.
Social franchises could span from not for profits to for profits, as is the case for social
enterprises (Defourny and Nyssens, 2006b).

Microfranchising model of social franchising has been successfully used in the
developing countries as a growth strategy of state-owned companies through a creative
format of public private partnerships. Social franchising in health care is an effective
strategy to increase health provision to developing countries, it has been a practice for the
last 15 years, evidence from research suggests that it is viable and beneficial to those
living under poverty, it provides employment, it helps standardize services offered from a
diverse group of providers, it increases quality, it lowers the cost and increases access, it
resolves market failures that have lead to health inequalities and overcome public budget
constraints (Prata, Montagu and Jefferys, 2005). Some research indicates that it achieves
higher quality of services and increased access to the public; successful examples have
been the educational sector and the postal services in Brazil (Leite and Carvalho, 1998), as well as health care services in Pakistan, India and Nepal (Bishai et al, 2008). Other research suggests that there are limitations to these advantages (Shah, Wang, and Bishai, 2011; Stephenson et al, 2004).

**Table 6 Definitions and Characteristics of Social Franchising**


<table>
<thead>
<tr>
<th><strong>Social franchising</strong></th>
<th>is an inter-organizational format essentially consisting of a business, often a social enterprise, (the social franchisor) with a standardised model with primarily social objectives delivered through the offering of a product or service or through the organization or production method that serve the community’s social, societal or environmental interests whose surpluses are primarily reinvested for these purposes, that is entering in a continuing contractual relationship with the social franchisees, independently owned and managed often already established third sector organizations or enterprises formed by disadvantaged groups, operating under the franchisor’s trade-name to offer the ‘social concept’ by producing and/or marketing goods or services according to a format specified by the franchisor and to provide specific social outcomes. The ‘social concept’ must demonstrate some sort of socialite innovation and a market orientation irrespectively of the partners legal forms (private company or charity) and resource strategies (being not for profit or for profit) (This definition is the original work of the writer of this thesis)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A successful social purpose organisation that enables at least one independent franchisee to deliver their proven model under license (Richardson and Berelowitz, 2012:6)</td>
<td></td>
</tr>
<tr>
<td><strong>Income Generation Social Franchising:</strong> the franchisees can either be social enterprises and non for profits that are looking for a revenue stream and so they become members of a mainstream franchise to generate an income-based strategy. Usually offered a preferential contract</td>
<td></td>
</tr>
<tr>
<td><strong>Socialised Conversion Franchising:</strong> the franchisor could be a mainstream business format franchise that converts to deliver social objectives or establishes a second brand</td>
<td></td>
</tr>
<tr>
<td><strong>Corporate Socially Responsible Franchising:</strong> mainstream businesses (even big organizations and multinationals) that want to integrate a socially responsible and sustainable business agenda and so they become members of a social franchise to meet social objectives or create a social franchising model</td>
<td></td>
</tr>
<tr>
<td><strong>Microfranchising:</strong> the franchisees are people from disadvantaged or socially excluded groups that join franchise networks to generate a living/survival income, usually in developing countries</td>
<td></td>
</tr>
<tr>
<td><strong>Microfranchising Public Private Partnerships:</strong> the franchisors are state owned companies and the wider public sector who provide social franchises to local actors in order to reduce public deficits, to reach the whole country, to increase innovation, to provide income to disadvantaged groups.</td>
<td></td>
</tr>
<tr>
<td><strong>Community Franchising</strong> especially among church communities but is not a sustainable financially model and the franchisee need to provide ongoing funding.</td>
<td></td>
</tr>
<tr>
<td><strong>Open Source Franchising</strong> or <strong>Dissemination Franchising</strong> the franchisors are social enterprises, voluntary organizations, community organizations and companies who</td>
<td></td>
</tr>
</tbody>
</table>
create an open network with their franchisees (being individuals or organizations or communities) especially through technology and social media and share their business model and know-how without a fee. Training, standardization of a package and communication are part of such a system. Also a written contract may exist between the franchisor and the franchisees. Within such a platform the whole network could be seen to exchange freely its resources with the rest of the network with the goal of accomplishing a common social mission.

A duality of objectives pursuing at the same time both commercial and social objectives which are both situated at the core of their business activities (Bishai et al, 2008; Tracey and Jarvis, 2007). The social franchisor can use donations, subsidies or grants to meet the social objectives that often are passed on to its franchisees (Bishai et al, 2008).

A high degree of autonomy, although they may depend on public subsidies they should not be managed by public authorities; A significant level of economic risk which is assumed by social franchisors and franchisees; A minimum amount of paid work; The social purpose of the franchised concept should meet the following four criteria: a) an explicit aim to benefit the community; b) a decision-making power not based on capital ownership, although the owners of capital are important when social franchises have equity capital, the decision-making rights are generally shared with the other stakeholders; c) a participatory nature, which involves various parties affected by the activity; d) a limited profit distribution, so social enterprises not only include organizations that are characterized by a total nondistribution constraint, but also organizations which, like co-operatives, may distribute profits, but only to a limited extent, thus allowing to avoid a profit-maximizing behaviour (Defourny, 2001: 16-18; Defourny and Nyssens, 2006b:5)

It is important to distinguish among business format franchising and social franchising (see Table 11). Although there are some distinct differences to the two formats there are also some similarities, like the need for: a standardized business model with a social concept which must be described on an operational manual, a legal-binding franchise agreement, a franchisors brand name, training and support to the franchisee, a market tested concept that has a demand to be replicated elsewhere, a quality monitoring system, a franchisee fee structure where possible, an open communication system, exchange of information and a mutually shared culture.
<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Actors: Frchisor/ Frchseees</th>
<th>Business Format Franchising</th>
<th>Social Franchising</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneur</td>
<td>Both</td>
<td>Mainstream entrepreneurship, self-fulfillment, occupational independence, opportunities for creativity, survival motives, innovation and opportunity grasping</td>
<td>Social entrepreneurship, institutional entrepreneurship; actors with distinctive profiles in having more altruistic motives, community oriented motivation, social responsibility, collaborative leadership, networking skills, managing diverse constituents, fund raising skills, desire to bring transformational social change, desire to do something that matters</td>
</tr>
<tr>
<td>Business Model</td>
<td>Franchisor</td>
<td>Raise and combine resources to meet organizational objectives primarily profit maximization</td>
<td>Social innovation; raise and combine resources to achieve social impact through meeting societal, social and environmental objectives through a sustainable business model; employing or satisfying needs of excluded/disadvantaged groups; capacity building of excluded groups, dissemination of packages, local movements; meeting unmet social needs; mobilization of resources through non financial means; highly dependent on voluntary resources especially during start-up; mobilizing alliances and networks; leveraging financial resources through alternative means; evaluating performance of social impact</td>
</tr>
<tr>
<td>Inter-linkages with political and social environment</td>
<td>Both</td>
<td>Inter-related with their political and social environment; Influenced by formal institutions and social norms; mostly influenced by the economic environment and market conditions</td>
<td>Highly dependent on their political and social environment; address market failures; operate under market failure conditions so should leverage costs incurred in achieving social impact through income generated from central authorities or other sources; highly dependent on institutions and at the same time targeting change of institutions; strongly influenced by formal institutions interventions; collaborating with central and local authorities; highly dependent on social settings of relationships mobilizing and forming networks and alliances; highly dependent on social norms and informal</td>
</tr>
</tbody>
</table>
institutions; mobilizing resources (financial, physical, human, social capital) from various sources, like communities, churches, foundations, philanthropists, local authorities, governments, corporations, social investment market

<table>
<thead>
<tr>
<th>Characteristics</th>
<th>Actors: Franchisor/ Franchisees</th>
<th>Business Format Franchising</th>
<th>Social Franchising</th>
</tr>
</thead>
<tbody>
<tr>
<td>Start-up cost of franchise network</td>
<td>Franchisor</td>
<td>Cost of standardization and manual creation, obtain staff for supporting the network, training of franchisees, logistics and quality controls</td>
<td>All these plus more time and resources to support franchisees lack of organizational and social competences and lack of financial resources. May need to support financially franchisees</td>
</tr>
<tr>
<td>Raise capital</td>
<td>Franchisor</td>
<td>Own capital, attract investors, use of loans, start up subsidies</td>
<td>Own capital, donations, and subsidies. Very high difficulties to attract investors or bank loans due to various distortions and different countries legislation for non for profits; raising resources from social investment market (like micro-financing, community banks and social investment intermediaries), from supranational, central and local authorities, from foundations, philanthropists, international organizations, corporations, communities and individuals (like crowd funding platforms)</td>
</tr>
<tr>
<td>Investment Risk</td>
<td>Both</td>
<td>Both actors assume risk</td>
<td>Social franchisees usually do not share investment risk (Sivakoumar and Schoormans, 2011a)</td>
</tr>
<tr>
<td>Resource strategy</td>
<td>Both</td>
<td>Sales of goods and services</td>
<td>Sales of goods and services to customers. When goods/services offered to beneficiaries need for donations, subsidies, grants and other social investment products</td>
</tr>
<tr>
<td>Legal structure</td>
<td>Both</td>
<td>Private Corporations, Public Corporations, Sole Proprietorships, Partnerships,</td>
<td>For Profit Businesses, Community Interest Companies, Social Enterprises, Cooperatives, Non for Profits: Associations, Mutual Societies, Voluntary Organizations, Foundations</td>
</tr>
<tr>
<td>Threshold corporate goals</td>
<td>Both</td>
<td>Produce a product/offer a service</td>
<td>Social aims and objectives through production/operational models and through product/service offering</td>
</tr>
<tr>
<td>Main functional goal</td>
<td>Both</td>
<td>Maximizations of profits</td>
<td>Maximization of social impact while often pursuing an earned income approach</td>
</tr>
<tr>
<td>Operations</td>
<td>Both</td>
<td>Rule based</td>
<td>Value based</td>
</tr>
<tr>
<td>Target Group</td>
<td>Both</td>
<td>Customers</td>
<td>Beneficiaries, customers, and</td>
</tr>
<tr>
<td>Characteristics</td>
<td>Actors: Frchior/ Frchsees</td>
<td>Business Format Franchising</td>
<td>Social Franchising</td>
</tr>
<tr>
<td>-----------------</td>
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<td>-----------------------------</td>
<td>-------------------</td>
</tr>
<tr>
<td>Demand/ Competition</td>
<td>Franchisor</td>
<td>Price Mechanism/ Strength of brand name/ increased quality</td>
<td>Inflexible higher prices due to lack of efficiency from achieving the social objective and sometimes- as stated by interviewees- worse quality due to employing disadvantaged unskilled personnel. So to compete conventional commercial businesses has to raise social awareness of customers. Strong fund raising capabilities to compete on donors and social investors.</td>
</tr>
<tr>
<td>Financial obligations between parties</td>
<td>Both</td>
<td>Franchisees pay royalties, entry fees, purchase products</td>
<td>Franchisees may not be able to pay any fees on the contrary the franchisor may use subsidies and donations to financially support franchisees in meeting social mission.</td>
</tr>
<tr>
<td>Motives for Formation</td>
<td>Franchisor</td>
<td>Financial, Technological, Managerial, Strategic,</td>
<td>Primarily: Social, like increase number of beneficiaries. Increase social results. Increase quality of product/service. Secondarily: Strategic, Technological, Managerial, Financial.</td>
</tr>
<tr>
<td>Criteria for Partner Selection</td>
<td>Franchisor</td>
<td>Find appropriate individuals that can replicate the business model and meet the financial objectives</td>
<td>Franchisees often are established third sector organizations or people from disadvantaged groups. Difficulty in finding appropriate franchisees committed to the cause to offer social value. Difficulty in training non for profits franchisees to meet commercial objectives. Difficulty to train for profits franchisees the function of fundraising and delivering social objectives. Difficulty with third sector organizations to manage established culture and practices.</td>
</tr>
<tr>
<td>Incentive structure and alignment of objectives</td>
<td>Both</td>
<td>Alignment around financial incentives and objectives</td>
<td>A double or triple bottom line. Need of relational and structural embeddedness that keeps the network together.</td>
</tr>
<tr>
<td>Governance Structure</td>
<td>Franchisor</td>
<td>Hierarchies, legal agreement, contract mix and contract terms, mix of company owned</td>
<td>Social contract (Sivakoumar and Schoormans, 2011a). Lack of financial incentives for</td>
</tr>
</tbody>
</table>
and franchised outlets, franchisees and alignment of objectives with franchisees
Reduced investment risk for franchisees
Higher risk of moral hazards and less compliance, high opportunism risk from franchisees
Need of social norms, of relational and structural embeddedness to govern the social franchise network: trust, commitment, restraint of power, harmonization of conflict, role integrity, flexibility, mutuality, and solidarity

<table>
<thead>
<tr>
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<th>Business Format Franchising</th>
<th>Social Franchising</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Evaluation</td>
<td>Franchisor</td>
<td>Direct and indirect performance indicators measuring mostly financial performance</td>
<td>Measure both financial performance and social impact Difficulty in measuring social achievement of franchisees Difficulty in measuring end-user experience Ongoing improvement of the offered social results Difficulty in evaluating relationships of contracting actors</td>
</tr>
</tbody>
</table>

The table is the original work of the authors of this research it is based on their knowledge that derived from the interviews and the secondary data gathered from the case companies, from the works of Bishai et al, 2008 and Tracey and Jarvis, 2007, as well as from their professional experience in dealing with social and business format franchises.

Replication of social ventures should be differentiated from social franchising so the important elements are that: there is a binding legal contract, there is exchange of knowledge among franchisor and franchisees, a brand proposition delivered by at least one franchisee, and the franchisee is an independently managed enterprise from the franchisor. Social franchises are hybrid governance structures that incorporate elements of both markets and hierarchies (Williamson, 1991); they are characterized by bilateral dependency of the partners (Glaister, 2004) and are mostly relationally embedded network organizations (Achrol, 1997; Granovetter, 1985; 2005; Hakansson and Ford, 2002; Paswan, Loustau and Young, 2001; Stanworth and Curran, 1999; Thorelli, 1986; Uzzi, 1997). Social franchising ownership structures can vary from independent separate organizational forms to joint ventures and to quasi equity structures where the social franchisor takes an equity investment on the social franchisee, like the case of CASA in the UK which takes a 26% minority equity stake on each social franchisee. Also governance structures can vary from charity-centred, like Foodbank, to network structures (or else called federal structures), like the Hub and Emmaus, and to hierarchical relationships.
There are already some examples of social franchises that have grown internationally like Emmaus from France in the UK and School for Social Entrepreneurs that has grown in Ireland and Australia. Barriers to international expansion are the way social enterprises are constituted and managed, and legal barriers (Richardson and Berelowitz, 2012). Also barriers to social franchise formation are firstly, cultural barriers influencing motivation, the drivers of social entrepreneurs are often to run their own ventures, secondly the suspicion of social entrepreneurs of anything that is commercial (Richie et al, 2011),

“.... many players in the so called third sector see themselves as ‘social change agents’... they prefer to focus their energies on the development of new approaches. Imitating those of others is considered ‘not sexy’” (industry expert in Richie et al, 2011: 7)

“.... as if our legitimacy can only come from that which is brand new, as if each and every approach must be without precedent...that social enterprise can only succeed as a manifestation of a single heroic individual, able to discard and surmount all failure, all the discredited past” (social entrepreneur in Richie et al, 2011:7)

Thirdly, barriers are resource constraints, fourthly ‘ignorance and ineptitude’ the ability to apply knowledge consistently and correctly (Berelowitz, 2012:42)

According to European Social Franchise Network research on 20 social franchises in Europe (ESFN, 2011) the social franchise development process has three stages: stage one is ‘Forming’ this entails the set up of the social enterprise until it reaches viability which could take up to three years. The costs are on average €130,000; stage two is ‘Development’ this stage includes the preparation of all the information that is needed like codifying all learning, preparing operational manuals, branding, legal documents, business plans, quality systems. Also the social franchisor is set up as a distinct entity from the social enterprise; the first social franchisee is recruited until it reaches viability. The second stage could take from 1-3 years and on average €150,000, the main source of funding was ESF through EQUAL which doesn’t exist. 43% of social franchisors offer loans to their social franchisees which is a low proportion compared to mainstream franchises And stage three is ‘Expansion’ all learning from the pilot has been internalised and codified, the model has now reached its final form and the social franchisor can have a rapid expansion. Dees et al (2004:30) identify the 5 Rs elements in deciding which scale strategy to select, these are: readiness (is the innovation ready to be spread, what are the core elements and key success factors of the innovation), receptivity (what strategy is needed for the innovation to be received by other communities depending on its complexity, the challenges it poses to existing norms, the existence of local demand), resources (the investment in resources needed by partners, resources availability of social entrepreneur, resource sources, affiliation fee structure), risks (to society and organization), and returns (evaluation measurement parameters of reaching more people, quality issues, financial sustainability)

Evidence from Berelowitz (2012) report highlight that the four key elements in social franchising success are: firstly, start-up resource strategy charitable vs commercial:
whether the replicability of a model will be more viable if it is based on a grant-funded approach or on an enterprise approach or maybe a mixture of these; secondly, partner selection individual vs group: whether the replicability of the model is more sustainable if the social franchisees are individuals or groups; thirdly, business model funds inwards vs funds outwards: whether the business model should rely on cash inflows from social franchisees towards the franchisor in the form of entrance fees and royalties or the other way around with the franchisor supporting financially the franchisees to deliver the business model; fourthly, governance flexible vs control: whether the model can be sustainable and maintain high quality levels based on a tightly systematized processes or by allowing more freedom and building on social norms of governance and network structures. A key strength is the community engagement which could benefit mainstream franchises as well.

Legal structure variety private ltd companies, societies, companies ltd by guarantee, registered charities, CICs

Governance of the whole network: federation of mutually supportive franchisees, a central charity supporting a network of franchisees, arms length. The federation is when all franchisees are part of the wider franchise network and contribute cooperatively to the development of the network this is the case for Emmaus and The Hub. Central charity supports the network of social franchisees. The Food bank franchises are spin outs from the Trussell Trust the charity is in control of the network.

Intellectual property issues due to ‘open source’ in the social sector. Due to informal learning and new projects will have different branding and adapt business model significantly so hard to establish ownership as a result of ‘open source replication’. Suggestion to operate open source way to members in the case when profit making is not the purpose of the franchise network. Another suggestion was for intellectual property intermediaries that could buy the IP of an enterprise and then use it to build a network (Richardson and Berelowitz, 2012).

Examples of social franchises in the UK and Europe are: SSE founded in 2002 has 12 franchised units; Citizens Advice Bureau founded in 1939 has 394 franchised units Free, independent, confidential and impartial advice to everyone on their rights and responsibilities; Daily Bread coop founded in 1980 has two franchised units it employees people with learning disabilities; Emmaus founded in 1949 in France that has grown in the UK has 22 franchised units, communities running recycled units and providing home and occupation for homeless people; FoodBank founded in 2004 has 200 franchised units it tackles food poverty through distribution of food to charities and those in need. It grew from 55 to 200 over 18months; Care and Share Associates CASA found in 2004 delivers health and social care services; Pack-IT founded in 1988 has three franchised units, offers direct mail and third party logistics services employing people with disabilities. ‘Fruit to Suit’ founded in 2007 offering healthy snacks to primary school ‘tuck shops’ and management training to pupils so that they can run the tuck shops themselves; it charges £2.500 entry fees and 4% royalties and now also charges school enterprise training thus being able to have a grant-free growth.
In Europe Le Mat in Italy founded in 1995 has ten franchised units, hotels employing people with learning disabilities and mental health issues; Villa Wagen Ut! in the Netherlands founded in 2003 has 15 franchised units, a variety of social enterprises employing excluded groups; GDW SUD – Cap Supermarkets in Germany founded in 1999 and has 82 franchised units, employing people with learning disabilities; KOMOSIE in Belgium founded in 1994 from a federation of second hand shops who didn’t know at that time that they were setting up a social franchise, it has two franchise systems: De Kringwinkel, maybe the largest social franchise in Europe and the world, is a federations of 108 shops selling used goods and Energiesnoeiers(‘Energy cutters’) install energy saving equipment in home by employing disadvantaged groups has 33 franchises. JobAct founded in 2005 has 28 franchised units, offers training programmes to the long-term unemployed; Barka in Poland founded in 1989 has entered the UK, the Netherlands and Ireland provides educational, training to excluded and disadvantaged groups especially housing for homeless people and Eastern European migrants, vocational schools for unemployed and development of social enterprises (Berelowitz, 2012; ESFN, 2011; Richardson and Berelowitz, 2012).

Examples of successful social enterprises that have now created a scalable model that needs to be franchised ready and then can be scaled up: The Farm Shop which is a farm inside an empty building transformed into a farm that promotes local food growing, it produces vegetables, fruits, chicken and fish. The ‘Pie in the Sky’ vegetarian restaurant run by Food Cycle volunteers using food that would be thrown away to provide cheap nutritious meal in the community. In South Africa a fish farm in a shipping container that has the potential to create livelihoods as well as protein for protein deficient communities. (Norton in Berelowitz, 2012)

Examples of mainstream franchises in the UK that have strong social elements that could be part of Socialised Conversion Franchising or be Income Generating Franchising for charities are: Banana Moon Day Nursery, Computer Xplorers (ICT training to children aged 3-13), Dig It (outdoor ‘play and learning’), Energy and Carbon management (energy broking and consulting business), Green Assess (providing energy performance certificates and renewable energy supplies), Green Care Solar franchise (distributing solar panels), Little Kickers Football Classes (ages 18 months to 7 years old), Playtime Nursery, Tumble Tots (physical play programme for children 6months-7 years old), and Witty Day Nursery. This could apply to many other franchises which provide employment like maintenance, cleaning repairing services that could easily be transformed into social franchises only by offering employment to people from disadvantaged groups. These could be potentially Microfranchising systems. (Richardson and Berelowitz, 2012)

5.3. The Case Companies Background

A description of the case companies that were included in our qualitative analysis is:


<table>
<thead>
<tr>
<th>Social Enterprise Name, Interviewee, Business Model &amp; Description</th>
<th>Resource Model</th>
</tr>
</thead>
<tbody>
<tr>
<td>Action Aid NGO CEO Gerasimos Kouvaras, institutional change and poverty alleviation</td>
<td>Dissemination free to beneficiaries revenue raised from international organization</td>
</tr>
<tr>
<td>Aeiphoria NGO co-founded by Petros Kokkalis is a partnership among Organization Earth - ElCulture founded by Nikos Ververidis and K2 Foundation under establishment by Konstantinos Korletis; incubator on green entrepreneurship; supported by sister organizations: Kokkalis Foundation, Organization Earth and Athens Institute for Technology; established in Organization Earth; prototyping &amp; experimentation of green start-ups</td>
<td>service package to green start-ups capacity-building, space, organizational development support, accelerator free to beneficiaries; PWC, Apostolou Law Office, Hellas On Line Telecommunications</td>
</tr>
<tr>
<td>Alumni of Moraitis School Association founded by alumni society of Moraitis Private High School; raise funding through collaborative activities for charities, charitable activities, environmental protection, dissemination of arts and science, personal developments services through capacity-building programmes</td>
<td>dissemination, service package customers pay, fund raising for charity donations</td>
</tr>
<tr>
<td>Arkouros NGO co-founded by Boutaris, CEO Tina Dritsa animal protection of bears and grey wolves; environmental, research and educational objectives; supports local communities economic development</td>
<td>environmental and animal protection no state grants funds raised from selling own label merchandise, entrance to the animal shelters, memberships, donations</td>
</tr>
<tr>
<td>ARSIS NGO founded by Katerina Mpoutou; support youth and children mainly 15-21 years old against their social exclusion and to protect their rights; runs 4 accommodation centers; capacity building for youth, for prisoners, for immigrants; collects and distributes food and clothing; dissemination and raising awareness; institutional political and cultural change; branches in Greece</td>
<td>service packages; capacity building; accommodation; food and clothing; dissemination; revenues from state grants and programmes</td>
</tr>
<tr>
<td>Atenistas informal community organization organizing activities to promote everyday life in Athens, raise awareness of historical sites, ameliorate parks and squares</td>
<td>dissemination free activities based on volunteering work</td>
</tr>
<tr>
<td>Athens Psychological Support/ OPANAD NGO</td>
<td>service package free to beneficiaries grants and donations</td>
</tr>
<tr>
<td>Avalon Sole Proprietorship founders Kermitzoglou and son; ecommerce, eculture; organise festival on movies; do a documentary; cultural entrepreneurship</td>
<td>service package customers pay (local authorities or end user)</td>
</tr>
<tr>
<td>Bank of Memories co-founder Marina Sarlis, you put all your memories in a platform intrageneration communication</td>
<td>dissemination open source no revenue stream</td>
</tr>
<tr>
<td>BIC NGO member of the European Business Innovation Network affiliated to EC; is a regional institution</td>
<td>service package and dissemination</td>
</tr>
<tr>
<td>Social Enterprise Name, Interviewee, Business Model &amp; Description</td>
<td>Resource Model</td>
</tr>
<tr>
<td>---------------------------------------------------------------</td>
<td>----------------</td>
</tr>
<tr>
<td>Bike Kitchen voluntary organisation co-founder Dimitris Kokkinakis, Sophie Labrou Bozo, incubated within the hub; Part of The Hub BikeKitchen; recycling &amp; reuse of cycling part, repairing bikes, collective craftsmanship of creative reuse to produce furniture; enhancing movement of cycling, campaigns</td>
<td>product package customers pay; dissemination of cyclist movement</td>
</tr>
<tr>
<td>Biolea social enterprise for profit legal status family business successor Chloe Dimitriadis, founder father George Dimitriadis in Crete island; agriculture production &amp; distribution of biological olive oil</td>
<td>agriculture; production, collection, processing &amp; distribution of biological olive oil</td>
</tr>
<tr>
<td>BIOS NGO &amp; Company founder Vasilis Charalampidis; group of companies NGO and for profits bars and graphic design services</td>
<td>service package; incubator in the sector of creative industry; dissemination</td>
</tr>
<tr>
<td>Boroume NGO co-founded by Alexandros Theodoridis, Xenia Papastavrou &amp; Alexia; bridge the gap between surpluses of food and deficits in charities and communities; regular meals to charities; poverty alleviation; food</td>
<td>service package based on voluntary work and donations from corporations, Greeks from abroad, Niarxos Foundation, a Ship-owner; possible income stream from designing CSR strategies for big corporations</td>
</tr>
<tr>
<td>Brace Social Coop co-founder Maria Stamataki offering training to carers through Marte Meo international programme and financial training to children through Aflatoun</td>
<td>Service package customers pay; for Aflatoun sponsorship needed</td>
</tr>
<tr>
<td>Centre of Life NGO supporting the lives of HIV patients</td>
<td>service package free paid by grants and programmes and donations</td>
</tr>
<tr>
<td>Child it Sole Proprietorship founder Natali Sampas internet portal for parents on children activities, interactive element of parents exchanging things; information; directory; eco and bio products for children and babies</td>
<td>dissemination open source portal</td>
</tr>
<tr>
<td>Close the Loop Sole Proprietorship founder Panagiots Panagiotakopoulos offers eco labeling accreditation</td>
<td>service package customers pay</td>
</tr>
<tr>
<td>Co-Lab partnership co-founded by Spyros Kapetanakis, co-working space mainly for technology professionals</td>
<td>service package, space, customers pay</td>
</tr>
<tr>
<td>Desmos NGO providing food to charities and organizations in need; bridging the gap between surpluses in organizations and deficits; food; poverty alleviation youth entrepreneurship</td>
<td>service package free supported by members and corporation donations based on volunteering work</td>
</tr>
<tr>
<td>Diapulous Social Cooperative Enterprise supporting people with mental health</td>
<td>service package state grants and public procurements ministry of Health</td>
</tr>
<tr>
<td>DIOTIMA NGO founded by 9 feminists, co-founded by Maria Liapi, equality of women; two branches one on dissemination of research on gender resource centre targets political and cultural transformation and one on capacity building and service provision for providing access of women to employment</td>
<td>service package and dissemination, free to beneficiaries through state grants and programmes and donations</td>
</tr>
<tr>
<td>Social Enterprise Name, Interviewee, Business Model &amp; Description</td>
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<tr>
<td>Edra NGO founded by Oikonomou, in Mental Health and Learning Disabilities; 2 rehabilitation houses, 2 sheltered apartments, centre for alternative; occupation, 11 children psycho pedagogical centers. Created Drasi Social Supermarkets now running city-farming and capacity building on farming, building processing infrastructure of agricultural products</td>
<td>service package free to beneficiaries income raised through state grants and programmes, national insurance scheme</td>
</tr>
<tr>
<td>Efzin Social Cooperative Enterprise supporting people with mental illness; mental health centers and catering services</td>
<td>service package and product package; state grants and public procurement from Ministry of health minimum income raised through catering facilities</td>
</tr>
<tr>
<td>Ekati Social Cooperative Enterprise co-founder Aris Stratakos &amp; Giannis Sarros, agriculture, city-farming, green roofs, recycling of biomass, green management. In search of revenue streams and project implementation</td>
<td>service package in search of revenue streams</td>
</tr>
<tr>
<td>Elea Med Sole Proprietorship Anna Merti informal Social enterprise; production of biological soaps</td>
<td>craftsmanship- production of eco soaps</td>
</tr>
<tr>
<td>Equal Society NGO co-founder Spyros Frementitis; offer legal advice employment, insurance, education sponsorships; many branches already; possible revenue stream consulting</td>
<td>service package free sponsors pay, leverage through state grants; dissemination</td>
</tr>
<tr>
<td>Erumanthos NGO founder Vasilis Taktikos, social activism press, has create the P.E.S.K.O. NGO that it is a federation of Social Enterprise Partnerships (aka development partnerships or cooperatives),</td>
<td>dissemination free press revenue from state grants</td>
</tr>
<tr>
<td>ESA (European Sustainability Academy) in Crete founder Sharon Jackson CSR trainer in big schools and big organizations; ecological management training centre; dissemination of sustainable business management</td>
<td>capacity-building programme; dissemination</td>
</tr>
<tr>
<td>Every Saturday in Athens voluntary organization to ameliorate every day life, enhance good neighbouring, provide recreational and learning activities to local community</td>
<td>dissemination and activities based on volunteering work</td>
</tr>
<tr>
<td>Eurocharity Sole Proprietorship founder Peter Heilmann, directory of sustainable businesses and NGOs, donates grants to NGOs</td>
<td>service package free directory raises revenues from memberships</td>
</tr>
<tr>
<td>Fair Trade Hellas founder Marina Sarlis has two shops and an e-shop; Marina is in the BD of Concorde</td>
<td>product package customers pay; supply chain for responsible producing</td>
</tr>
<tr>
<td>Fair Solidary Greek Products early start up, co-founder Marina Sarlis; enhance craftsmanship of disadvantaged groups; forward supply chain; intermediaries fee</td>
<td>capacity-building package in craftsmanship</td>
</tr>
<tr>
<td>Fisika social enterprise for profit legal status women entrepreneurship co-founder Filio Sika in Crete island; producing soap n toiletries from biological olive oil through natural production processes</td>
<td>Product; production unit of soap n toiletries from natural biological ingredients through natural processes</td>
</tr>
<tr>
<td>Social Enterprise Name, Interviewee, Business Model &amp; Description</td>
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<tr>
<td>Future Leaders NGO co-founders big companies; provides free consulting n support services to NGOs while offering placement n training to student graduates building professional n soft skills</td>
<td>Service package offered for free; ownfunded by equity members n membership fees big companies CSR</td>
</tr>
<tr>
<td>Friday Tone Social Cooperative Enterprise early start up child company of Conte Media Group Ltd founded by Maria Kalafati; free members press and online news platform on social economy and economy and trade</td>
<td>dissemination online platform and free press</td>
</tr>
<tr>
<td>Generation Generous UK social enterprise founder Natasha Athanasiadou produces fashion bags from ecosustainable material (recycled plastic bottles) and provides support to NGOs</td>
<td>Product; fashion garments</td>
</tr>
<tr>
<td>Giardino Gardens Partnership founder Panagiotis Gkounidis offers gardening services protecting the environment through longetivity and naturalistic approaches</td>
<td>product package customers pay</td>
</tr>
<tr>
<td>Goulandri Museum NGO entering in partnerships with social cooperative enterprises to support their activities</td>
<td>social alliances and partnerships</td>
</tr>
<tr>
<td>Green-Project co-founders Giannis Tzortzis &amp; Thodoris Anagnostopoulos spread renewable energy good practices through art; eco travelling, photography, documentary; affiliations with local small villages living under poverty</td>
<td>dissemination renewable energy open source best world practices platform no fees-donations</td>
</tr>
<tr>
<td>Hellenic Hope UK Charity co-founder Tina Mavraki, Giannos Livanos, Ino Vei; a UK based charity of Greek bankers helping children through donating to charities in Greece n fund raising from London; targeting change of charities practices; micro isntitutional change</td>
<td>dissemination; reshaping OB of Greek charities and offering donations through funds raised in Europe</td>
</tr>
<tr>
<td>Homeplay Sole Proprietorship founder Natali Sampas play therapy for children overcoming traumatic experiences and capacity-building ages 2-9 at home</td>
<td>service package customers pay</td>
</tr>
<tr>
<td>Human Grid child project of TEDX co-founders Stathis Haikalidis Dimitris Kalavros open source mapping of all non-profits and voluntary organizations in Greece that have a web presence to ensure transparency</td>
<td>dissemination open source platform no fees</td>
</tr>
<tr>
<td>I for U: Greek Mentoring Network founder Danai Bezantakou, enhance female entrepreneurship, mentoring and networking services</td>
<td>mentoring and networking services</td>
</tr>
<tr>
<td>Includability Social Enterprise Network start-up founded by Vasilis Kalyvas and Sakis Kostaris; providing access to employment of people with disabilities; making companies and spaces accessible to people with disabilities, dissemination of access of disabled people issue</td>
<td>service package customer company pay</td>
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<thead>
<tr>
<th>Social Enterprise Name, Interviewee, Business Model &amp; Description</th>
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<tbody>
<tr>
<td>Organization</td>
<td>Description</td>
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<tr>
<td>INE/GSEE NGO</td>
<td>Child company of GESEE that is the National Confederation of Greek Employees (third level members are federations of employees and unions); conducts research, capacity building and lifelong learning to employees and unemployed; state and European grants and programmes</td>
</tr>
<tr>
<td>IME/GSEVEE NGO</td>
<td>Child company of GSEEVEE that is the National Confederation of Professional Craftsmen and Merchant of Greece; Ilias Georgopoulos Direct on Entrepreneurship, Petros Protopapadakis Official; conducts research, capacity building and lifelong learning to organizations and employers; state and European grants and programmes</td>
</tr>
<tr>
<td>KETHEA NGO</td>
<td>Supporting people with drug addiction; accommodation; employment; food</td>
</tr>
<tr>
<td>Klimaka NGO</td>
<td>Founder Kuriakos Katsadoros, Director Olga Theodorakopoulou; mental health centers, mobile mental health units, homeless centers, accommodation, catering, support, access to employment, open line against suicide; branches in Greece</td>
</tr>
<tr>
<td>Klimaka Plus</td>
<td>Social Cooperative Enterprise the first founder Kuriakos Katsadoros; Director Akis Dimopoulos; processing and service activities for homeless and mental health patients; recycling unit, social restaurants, catering, furniture production</td>
</tr>
<tr>
<td>KMOP NGO</td>
<td>Founded by Papadimitriou mental health centers; other services to unemployed</td>
</tr>
<tr>
<td>Little Giants Social Cooperative Enterprise</td>
<td>Founder Natali Sampas; art to children in disadvantaged groups providing employment to artists</td>
</tr>
<tr>
<td>Living Wholeness Institute</td>
<td>Early start-up founder Maria Skordalios. Prior start-up Siz failed an in a year moved to Volos and established a second start-up. Offering training in support to cooperative</td>
</tr>
<tr>
<td>Loft to Work Limited by Guarantee</td>
<td>Founder Sofia Desiri, failed in 2013, was the first co-working space; active in Greece, Coordinator Konstantina Zoerer; co-working space, research dissemination, bring community development and entrepreneurship cultural change</td>
</tr>
<tr>
<td>Logoupaignion informal organization</td>
<td>Co-founded by Elena Lambrou, youth entrepreneurship, organise activities in schools for creative learning</td>
</tr>
<tr>
<td>Mainalon Social Cooperative Enterprise</td>
<td>Founder Ioannis Lagos, renewable energy, pellet production Collects biomass for the production of pellet by cleaning and preserving the forest</td>
</tr>
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<tr>
<td>Medecins Sans Frontieres Association BD President Chrisots Christou, branch of international MSF, medical humanitarian organization offering international aid acting on crisis situations</td>
<td>service package of free medical aid funded by sponsors and grants; recently started income based strategies from co-selling of consumer products</td>
</tr>
<tr>
<td>Medecins du Monde Non Profit Association BD President Anna Maili; independent structure from international MDM but affiliated; offers medical services and welfare services; 5 medical centers, accommodation to homeless and excluded and food catering to disadvantaged</td>
<td>service package free to beneficiaries revenue stream mainly from donations of corporations and communities; no state grants</td>
</tr>
<tr>
<td>Metavallon NGO founder Alexandra Choli, incubator, capacity-building, co-working space</td>
<td>service package customer pay on incubation stage, donation form foundations and corporations</td>
</tr>
<tr>
<td>Mikros Planitis Social Coop co-founder Galatia Papacharalambous offering experiential excursions to children n parents</td>
<td>Service package customers pay</td>
</tr>
<tr>
<td>Migdonia Social Coop co-founder Stella Goudinoglou Lagadas Thessaloniki; production of soaps n herbal oils women entrepreneuruship offering labour to unemployed n single mother women</td>
<td>Production unit customers pay</td>
</tr>
<tr>
<td>One child one world NGO co-founder Rozaliza Lycourezou, Helps children through supporting the families of immigrants and people living in poverty</td>
<td>service package free donation from a German Foundation</td>
</tr>
<tr>
<td>Organization Earth NGO co-founded by Petros Kokkalis, Christos Zouras &amp; Sergios Fotiadis; Supported by Kokkalis Foundation; dissemination of environmental consciousness and sustainable development; a big prototyping park 'Centre Earth' with eco-farming, animals and experimentation practices where school visits and children interact; collective cooking and open dining; Develop a Green University on Technology &amp; Agriculture; target cultural transformation and green economy</td>
<td>dissemination entrance fee to the park, selling of own label merchandise; various social partnerships</td>
</tr>
<tr>
<td>Panel Group founder former MP Elena Panariti on property rights in Peru n Latin America, now through Thought for action targeting structural and institutional change in Europe n Greece</td>
<td>dissemination free (sponsorship)</td>
</tr>
<tr>
<td>Plant-a-tree sole proprietorship founded by Giorgos Atsalakis; reforestation environmental protection</td>
<td>service package addressed to corporations customers pay</td>
</tr>
<tr>
<td>Praksis NGO spin off from Medesins Sans Frontiers in 2004 co-founded by Tzanettos Antypas; offering humanitarian and medical support; welfare services; enters in Social Enterprise Networks; medical centers, accommodation to ex-prisoners, offers legal services; children services; youth actions; branches in Greece</td>
<td>service package free to beneficiaries revenue stream from state and European grants and donations</td>
</tr>
<tr>
<td>Prodrasi Social Enterprise Partnership-TOPEKO, members Local Authority City of Athens-ADDMA, KEK Diastasi,</td>
<td>service package, capacity-building programme for the creation of social enterprises, state grant</td>
</tr>
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<tr>
<td>Prosvasis Social Enterprise Partnership- TOPEKO; members 2 NGOs (ELEPAP- POSGAMEA), Athens Chamber of Commerce, 1 private consulting company (Mentoring Ltd); managing a public grant/programme for creating social enterprises</td>
<td>service package, capacity-building programme for the creation of social enterprises, state grant</td>
</tr>
<tr>
<td>Quality Net NGO founder Chrysoula Exarchou, MD Ioanna Fratzeskaki; child company of for-profit consulting firm goal to become social mediator: identify needs, evaluating SE programmes, verifications, promote; Organize annual CSR awards, measure CSR, want to develop sustainability index</td>
<td>dissemination free sponsorships from corporations; Bravo CSR Annual Awards</td>
</tr>
<tr>
<td>Romanzo Bios social enterprise NGO is na incubator for Creative industry start-ups founder Vasilis Charalabidis owner of BIOS.</td>
<td>Service package, space, incubator; fees of participants n public procurement calls n sponsorship from foundations n big companies</td>
</tr>
<tr>
<td>Systemic Innovation Zone Siz-Hellas co-founded by Maria Skordaliou, Mary Tsimioula, Nikos Roubakis &amp; Maria Bakakou; disseminate a new alternative economy system, incubator and capacity-building, networking activities through 'systemic innovation zone' tools; vision to set up a SE incubator community in Pilio</td>
<td>service package of networking activities and capacity-building no income raised yet,</td>
</tr>
<tr>
<td>SciCo NGO founder Thodoris Anagnostopoulos disseminate science through art and innovative funny schemes, theater, books, interactive learning, documentaries</td>
<td>dissemination of science usually no fees from customers grants from foundations and corporations</td>
</tr>
<tr>
<td>TEDX Athens NGO co-founder Stathis Haikalas, Dimitris Kalavros &amp; Avraam Tsouvalidis; affiliated to international TEDX; targeting cultural change of entrepreneurship and behaviour of institutions</td>
<td>dissemination; conference and activities promoting innovation through social media sources and live events</td>
</tr>
<tr>
<td>Together for Children NGO child welfare, President Christos Bartsokas; is a partnership among 10 NGOs; voluntary based work</td>
<td>charity donations and dissemination; 43% raised from charity events, 55% from donations of corporations and civil society, 2% from memberships</td>
</tr>
<tr>
<td>Traid Now Ltd incorporated in Cyprus co-founder Marianthi Stavridou; barter economy using trade system from online platform; affiliation International Reciprocal Trade Association; institutional economic change</td>
<td>service package online free trading platform of barter economy raises revenue from membership fees of big corporations</td>
</tr>
<tr>
<td>Under Poverty is a Social Enterprise Network, co-founders Maria Liapi from Diotima, Katerina Mpoutou from Arsis and Tzanettos Antypas from Praksis; a federation of NGOs on tackling poverty</td>
<td>social enterprise network; dissemination of best practices</td>
</tr>
<tr>
<td>Up Greek Tourism co-founder Stathis Haikalis Yorgos Kleivokiotis and Onic Palandjian founding team in NYU; voluntary organisation of Greeks around the world to promote Greek tourist sector and to change Greek reputation damage from crisis</td>
<td>dissemination; advertising campaigns through crowd funding and social media platforms</td>
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<tr>
<td>Volunteers for Greece NGO co-founder Mirto Papathananou; a bridge between charities and volunteers through online platform; provides human capital</td>
<td>dissemination free open source platform, voluntary activity</td>
</tr>
<tr>
<td>Vytina Tomorrow Mutual Society co-founder Takis Kapsalis, Sustainable Development of Vytina; follows community development approach; institutional change, community transformation and economic development</td>
<td>dissemination open source no revenue stream, voluntary activity</td>
</tr>
<tr>
<td>Women on Top Social Coop co-founder Stella Kasdagli; women entrepreneurship offering mentoring services to women</td>
<td>Service package mentoring to women; customers pay</td>
</tr>
<tr>
<td>Eloise Touni and Benzamin Gill start-up of environmental friendly construction, sustainable buildings, green buildings</td>
<td>pre-start up stage</td>
</tr>
<tr>
<td>Eva Patapatiou open source platform for branding creation and new product development</td>
<td>prototyping stage customer pay</td>
</tr>
<tr>
<td>Dimitris Mpouroutzoglou cooperative of management consultants to enhance greek entrepreneurship free to organisations; teamed up with Andreas Galatis from the capacity building programme</td>
<td>pre-start up stage</td>
</tr>
<tr>
<td>Porifera Partnership co-founders Nomikos and Zoi Zervou supply chain for Greek products and local products of Limnos to international channels</td>
<td>service package exporting of Greek products raising commission as intermediaries</td>
</tr>
<tr>
<td>City Unity College Social Cooperative; support services to students; social youth tourism, educational grants, psychological support; career opportunities; accommodation; immigrants; research and dissemination; 'do something that matters' movement</td>
<td>service package and dissemination free to beneficiaries offered through City Unity College</td>
</tr>
<tr>
<td>Alkisti Bourantinou recycling of glass; failure attempt to collaborate with Klimax Plus and Giardino Gardens</td>
<td>pre-start up stage</td>
</tr>
<tr>
<td>Big Issue in the North; parent company Big Life Group founded by Fay Salivan. Big Life Group is a holding company that owns five social enterprises: Big Life Company, Big Issue in the North, Aisha Childcare, Big Life Employment, Open Door and three charities: Self Help Service, Big Life Centers and Big Issue North Trust.</td>
<td>product package customers pay</td>
</tr>
<tr>
<td>FareShare, charity supporting communities to relieve food poverty by tackling both food poverty and food waste; Founded in 2004 has 17 franchisees.</td>
<td>product package for free; donations from communities and voluntary work</td>
</tr>
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<tr>
<td>Green Works, award winning charity with the aim of turning redundant office furniture into an asset and a resource; it aims in reducing, reusing, remanufacturing, and recycling furniture to divert it away from landfill. Founded in 2002 by Colin Crooks; In Sept 2011 it merged with London Reuse Network; it now has 21 franchises</td>
<td>product package customers pay</td>
</tr>
<tr>
<td>The School for Social Entrepreneurs (SSE), founded in 1997 by Michael Young in London, first franchised in 2002, has 10 social franchisees in the UK and 2 in Australia, it provides a yearlong Action Learning programme to social entrepreneurs who are working on a live social project</td>
<td>capacity building programme customers pay n sponsors</td>
</tr>
<tr>
<td>FoodBank founded in 2004 by Trussel Trust has 400 franchised units it tackles food poverty through distribution of food to charities and those in need.</td>
<td>product package for free; donations from communities and voluntary work</td>
</tr>
<tr>
<td>The Hub was first set up in the UK and then the governance and ownership was given to the whole community of the Hub franchisees, there are 54 social franchise Hubs in the whole world in all continents; it offers capacity-building programmes to sustainable entrepreneurship</td>
<td>service package customers pay</td>
</tr>
<tr>
<td>The Hub, Athens Ltd co-founders Dimitri Kokkinakis &amp; Sophie Labrou; Franchisee of The Hub, a start-up laboratory (incubator) for sustainable entrepreneurship provides space, programming, global networking &amp; investment; creative consultancy art of hosting and design thinking methodologies; entrepreneurship cultural change</td>
<td>service package customers pay, capacity-building programmes to sustainable entrepreneurship</td>
</tr>
<tr>
<td>In school canteens Sole Proprietorship founded by Maria Seitopoulou wants to grow through Social franchising; on healthy food for children; already first unit established 2009 wants to grow SFr to achieve bigger scales n overcome barriers by legislation, local authorities</td>
<td>product package customers pay</td>
</tr>
<tr>
<td>coffee women craftsmanship shop founded by Maria Karadimitriou wants to grow through Social Franchising with women craftsmanship lab pre start-up very financially viable driven from the beginning</td>
<td>product package customers pay n craftsmanship lab customers pay; pre-start up</td>
</tr>
<tr>
<td>Drasi Social Cooperative Enterprise founded Oikonomou want to growth through Social Franchising child company of Edra NGO; 2 Social Supermarkets</td>
<td>product package customers pay</td>
</tr>
<tr>
<td>Social Supermarket cooperative of farmers founded by Ekati co-founder Giannis Sarros want to grow through Social Franchising ; From the Farmer to the Consumer basket; in search of revenue streams</td>
<td>product package customers pay, pre start-up stage</td>
</tr>
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<tr>
<td>Best Practice Social Entrepreneurship Centre, Companion, Sweden, Ingrid Bexell PR &amp; Communication Manager</td>
<td>service package European and national grants; funds raised from customers</td>
</tr>
<tr>
<td>Best Practice Social Entrepreneurship Centre CAN-online London CEO Andrew Croft</td>
<td>service package European and national grants; funds raised from customers</td>
</tr>
<tr>
<td>Best Practice Social Entrepreneurship Centre Denok.Inn, Baskan Country, Spain Director Carlos Fernandez</td>
<td>service package European and national grants; funds raised from customers</td>
</tr>
<tr>
<td>Best Practice Social Entrepreneurship Centre i-propeller Brussels Co-founders Marieke Huysentruyt (she is a member of the Social Business Initiative GECES experts group of the EC) &amp; Johan Moyersoen</td>
<td>service package European and national grants; funds raised from customers</td>
</tr>
<tr>
<td>Best Practice Social Entrepreneurship Centre IQ-Consult Berlin CEO Norbert Kunz</td>
<td>service package European and national grants; funds raised from customers</td>
</tr>
<tr>
<td>Best Practice Social Entrepreneurship Centre EURISCE Trento Italy CEO Gianluca Salvatori</td>
<td>service package European and national grants; funds raised from customers</td>
</tr>
<tr>
<td>Tasha UK Philip Radley Trustee mental health offers psychological support</td>
<td>service package free NHS pays the fee</td>
</tr>
<tr>
<td>Best practice Micro-finance inner city Planet Finance NGO France</td>
<td>Financial Package; Investment Fund to support creation of social enterprises in communities in France</td>
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<tr>
<th>Opinion Leaders &amp; Support Organizations</th>
<th>Institutions &amp; Activities</th>
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<tbody>
<tr>
<td>European Commission Social Entrepreneurship Policy Advisor Gerhard Braunling</td>
<td>Policy Advisor European Commission</td>
</tr>
<tr>
<td>Public Official Cheretakis creator of legal framework of SE advisor to the Minister of Labour</td>
<td>Public Official Ministry of Labour and Social Security</td>
</tr>
<tr>
<td>EY-KIKO Director Rania Oikonomou Director of Equal and Managing Social Economy Agenda</td>
<td>Social Economy Department, Ministry of Labour and Social Security</td>
</tr>
<tr>
<td>Director Kostantinos Geormas, sociologist PhD in Social Economy</td>
<td>Directory of Social Enterprises, Ministry of Labour</td>
</tr>
<tr>
<td>We interviewed members: Gerhard Braunling from EC-TROIKA, Kostantinos Geormas from Ministry of Labour, Dimitris Chatzantonis from SEV, Stamatis Vardaros from IME-GSEVEE</td>
<td>Technical Steering Committee 2012-2013 on Social Entrepreneurship Strategy Ministry of Labour</td>
</tr>
<tr>
<td>MP Greece Elena Panaritis Social Entrepreneur</td>
<td>Member of the Greek Parliament</td>
</tr>
<tr>
<td>EU MP Chrysogelos Eco-Green Party, Social Entrepreneurship Agenda, dissemination of practices, raising awareness activities</td>
<td>Member of the European Parliament</td>
</tr>
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<tr>
<td>Giannis Nasioulas founder of Social Economy Institute Ltd in Thessaloniki region, dissemination and networking activities</td>
<td>European Commission, Social Business Initiative, GECES Experts Group</td>
</tr>
<tr>
<td>Candidate Mayor for City of Athens Tasos Kromydas Eco-Green Political Party; Prospective social entrepreneur in renewable energy</td>
<td>Candidate for City of Athens Mayorie Eco-Green Party</td>
</tr>
<tr>
<td>Mayor City of Athens George Kaminis</td>
<td>Mayor of City of Athens</td>
</tr>
<tr>
<td>ADDMA Ltd, Development Agency of the City of Athens- CEO Alexis Galinos, Operations Director Aggeliki Vasiliou; activities for the economic and touristic development of Athens; creating revenue stream for the Local Authority of the City of Athens; designing and managing bids and public procurement projects</td>
<td>Development Company of Local Authority of the City of Athens; enters in social enterprise partnerships TOPEKO with NGOs raising revenue from state grants and programmes; manages Local Authorities Fund from EC grants</td>
</tr>
<tr>
<td>Deputy Mayor City of Athens &amp; Director of the Vocational Training Centre of Athens Tzini Gennimata (attended our action research capacity building programme)</td>
<td>Vocational training Centre of Local Authority; capacity building programmes free to students through state and EU grants</td>
</tr>
<tr>
<td>Local Authority of Acharnai in Attiki, General Secretary to the Mayor Nikolaos Krimnaniotis, PM Pantazopoulos IT</td>
<td>social enterprise partnerships with NGOs TOPEKO, TOPSA; state and EU grants and programmes</td>
</tr>
<tr>
<td>Local Authority of Alexandroupoli Thraki Region North of Greece, Leonidas Skerletoopolos research student in City Unity College, co-founder of the Social Entrepreneurship Centre in Alexandroupoli</td>
<td>Social entrepreneurship centre within the local authority premises</td>
</tr>
<tr>
<td>Hellenic Federation Of Enterprises- SEV; Director of Entrepreneurship Dimitris Chatzantonis &amp; Director for Social Innovation Giannos Mitsos</td>
<td>capacity building programmes and dissemination; enters in social enterprise partnerships with NGOs TOPEKO, state and EU grants, income raised from membership</td>
</tr>
<tr>
<td>Academic on Social Economy Gabriel Amitsis Assistant Professor of Social Security Law, Technical Educational Institute of Athens</td>
<td>Academic on Social Economy, contractor for ADDMA</td>
</tr>
<tr>
<td>Petros Petridis owner of the Axon educational centers was president of the Greek Franchise Association in 2012 and was indicated interest in developing a social franchise</td>
<td>President of the Greek Franchise Association</td>
</tr>
</tbody>
</table>

In more detail a description of the social franchise case companies:

Green Works (now merged with London Reuse Network) is an award winning charity with the aim of turning redundant office furniture into an asset and a resource; it aims in reducing, reusing, remanufacturing, and recycling furniture to divert it away from landfill. It was founded in 2002 by Colin Crooks in 2011 it had four franchises around the UK. In September 2011 it was merged with London Reuse Network and Colin assumed the role of the CEO. It now has 21 franchises in the UK. Green Works business model provides a quality furniture removal service to blue chip organisations. They then
reinvest these funds into their retail operation where they provide high quality furniture at the lowest cost to those who need it most; helping people, businesses and the environment. They are also donating their second hand furniture to developing countries. Green Works provides paid employment and volunteer training posts to disadvantaged groups.

The School for Social Entrepreneurs (SSE) was founded in 1997 by Michael Young in London and was first franchised in 2002 it now has 10 Associate Schools (franchises) around the UK, it has been internationalized in Australia (master franchisee) where it has two Associate Schools one in Sydney and one in Melbourne. It is now starting up another five schools in the UK. SSE provides a yearlong Action Learning programme to social entrepreneurs who are working on a live social project; the programme includes action learning on an entrepreneurial project, study sessions, tutorials, mentoring, etc. The Associate Schools are the franchisees of the system who replicate the business model under the guidance of SSE who provides them with project development services on programme outline, recruitment of staff and students, marketing, training and support, brokering resources, and strategic planning. Students are usually funded by grants, or bursaries, or are supported to generate income.

The Big Life group is a collection of charities and social businesses. It’s CEO Fay Selvan was nominated in 2011 ‘Social Enterprise Leader of the year for England’. Fay motivated by the severe problems of her community and being in a social network of people who wanted to find a solution. She was inspired to start up in 1991 a charity with two other members of staff and with some money from the council, in 1996 they became a registered charity, and in 1998 they set up a trading company which was rebranded in 2002 to Big Life Group. Big Life Group is a holding company that owns five social enterprises: Big Life Company, Big Issue in the North, Aisha Childcare, Big Life Employment, Open Door and three charities: Self Help Service, Big Life Centers and Big Issue North Trust. The main concept of the group is self-help in battling social issues, their purpose is to bring about social justice and their mission is to change the world. Big Issue in the North magazine is a social franchise that gets distributed through vendors who are themselves homeless people or in life crises situations. Aisha Childcare was another social business that the group tried to franchise but failed.

FareShare is a national charity supporting communities to relieve food poverty by tackling both food poverty and food waste. It has been operating since 2004 as an independent charity and has 17 franchisees around the UK. Its business purposes are: to redistribute surplus from food and drink industry to networks working with disadvantaged people; to provide training and education through an ‘eat well programme’; and to promote the message: ‘no good food should be wasted’. Fare Share National based in London is the social franchisor who collects, stores food centrally and redistributes it; Fare Share Central are franchisees in large territories who collect, store and redistribute food regionally for Fare Share, they engage themselves in other activities apart from operating FareShare’s model; Van Franchisees operate under the FareShare Central, but licensed by the FareShare National, in each region to collect and distribute the food; Customers are Community Members who receive, store, prepare, and serve the
food and offer it to the End Consumers who are disadvantage people suffering from food poverty.

The Hub was first set up in the UK and then the governance and ownership was given to the whole community of the Hub franchisees, there are 54 social franchised Hubs in the whole world in all continents; it offers capacity-building programmes to sustainable entrepreneurship. Impact Hub, Athens Ltd co-founders Dimitri Kokkinakis & Sophie Labrou; Franchisee of The Hub, a start-up laboratory (incubator) for sustainable n social entrepreneurship provides space, programming, global networking & investment; creative consultancy art of hosting and design thinking methodologies; it targets entrepreneurship and cultural change.

FoodBank founded in 2004 by Trussel Trust has 400 franchised units it tackles food poverty through distribution of food to charities and those in need. It grew from 55 to 200 over 18months. It’s run by communities charities built on their existing work run by volunteers and a part-time paid coordinator. They collect food from the community (people, supermarkets, schools, churches) and distribute it through voucher systems.

Care and Share Associates CASA found in 2004 it has six franchises in the UK; it delivers domiciliary health and care services. Social franchisees are existing organizations who hire a management team to manage the franchise. Beneficiaries either pay on their own or through contracts with local authorities and care trusts.

5.4. Individual Context: System of Individual/Psychological Social Entrepreneur Profile

RQ1: What is the role of the system of the individual/psychological social entrepreneurship profile in the formation governance and performance of social franchising?
<table>
<thead>
<tr>
<th>Individual/Psychological Social Entrepreneurship Profile categories</th>
<th>definition</th>
<th>codes</th>
<th>examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>background</td>
<td>the influence of elements from the background environment were social entrepreneurs grew up</td>
<td>family</td>
<td>‘I was brought up in a farming place in Pilio where everything was done through cooperatives’ Siz ‘I was brought up not to throw things, not wasting. I get frustrated to see all these things get wasted and all this talent in people get lost because they have no skills no opportunities’ GW ‘I’m a doctor from a family of doctors I’ve been brought up with the problems of the NHS, I knew the problems with the complaint processes’ Patient Opinion UK.</td>
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<tr>
<td>environment brought up</td>
<td></td>
<td></td>
<td>‘she was brought up in deprived area so she came back to alleviate poverty’ SSE ‘I was brought up in a place with drugs, violence, families in crises I wanted to solve this’ BLG</td>
</tr>
<tr>
<td>professional experience</td>
<td></td>
<td>same industry</td>
<td></td>
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<tr>
<td>public services</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>international experience</td>
<td></td>
<td></td>
<td>‘I went to the US to see how can we be sustainable for two years I worked there. Then came back and made it happen’ BLG. ‘We went to the UK to see how other hubs work. We studied it and then came back to Athens to build our own’ BIOS</td>
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<tr>
<td>prior community work</td>
<td></td>
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<tr>
<td>categories</td>
<td>definition</td>
<td>codes</td>
<td>examples</td>
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<tr>
<td>demographics</td>
<td></td>
<td></td>
<td>Age makes no difference</td>
</tr>
<tr>
<td></td>
<td></td>
<td>age</td>
<td>Gender makes no difference but we noticed that there are as many women as men while in our quantitative research in conventional franchises it was mostly men owners and CEOs</td>
</tr>
<tr>
<td></td>
<td></td>
<td>gender</td>
<td>The vast majority of social entrepreneurs were highly educated, they had PhDs and MSc</td>
</tr>
<tr>
<td>prior experiences</td>
<td>a success model that social entrepreneurs were exposed to through their former employment or internships</td>
<td>fascinated</td>
<td>'I learnt them through AISEC at university, I was excited by what they did, I went for an internship to work with them in Berlin and my girlfriend in Madrid, I stayed two years and we came back to do it in Greece' The Hub Athens. 'I worked with them and I was fascinated with the Coop, their model, the challenge that you give back. I saw it; it worked. It was easy. It made me reflect' SSE.</td>
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<tr>
<td></td>
<td></td>
<td>frustrated, disappointed</td>
<td>'I worked for the public but I was disappointed but learnt a lot' Action Aid.</td>
</tr>
<tr>
<td>motives</td>
<td></td>
<td>rewarding</td>
<td>'I wanted to do something that has values, meaning' Trade Now. 'It's what turns her on' Quality Net.</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td>‘My aim is to help others that cannot help themselves' Tasha.</td>
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<td></td>
<td></td>
<td>survival, unemployment</td>
<td></td>
</tr>
<tr>
<td>traits</td>
<td></td>
<td>empathy</td>
<td>'Inspire people by what they would like to do to find supporters'</td>
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<tr>
<td></td>
<td></td>
<td>committed</td>
<td>'Committed in a narrow way to something in particular'SSE</td>
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<tr>
<td></td>
<td></td>
<td>risks</td>
<td>'Take risks with own resources and own reputation'SSE</td>
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<tr>
<td>categories</td>
<td>definition</td>
<td>codes</td>
<td>examples</td>
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<tr>
<td>resilient</td>
<td>They are knocked down and bounce up again’ SSE. ‘You have to be prepared to have a disaster and move on again’ BLG.</td>
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<td>‘They are knocked down and bounce up again’ SSE. ‘You have to be prepared to have a disaster and move on again’ BLG.</td>
</tr>
<tr>
<td>not reflective, intuitive</td>
<td>‘Intuitive thinkers not logical thinkers’ SSE. ‘In a competitive environment you have to do and then allow the thinking’</td>
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<td>‘Intuitive thinkers not logical thinkers’ SSE. ‘In a competitive environment you have to do and then allow the thinking’</td>
</tr>
<tr>
<td>persistent</td>
<td>‘You have to learn to live with resource constraints’ BLG ‘we are working hard, testing doing and then testing again and doing’ In the beginning it was a second job, I paid myself from other work’ GW ‘Doers are passionate about what they do. Have a continuing spirit. Do not hear others when they tell them off’ TEDX Social Entrepreneur</td>
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</tr>
<tr>
<td>active oriented, doers</td>
<td>‘You cannot teach someone to become a social entrepreneur. You either do it or not. Its a specific DNA. He is holistic he knows all risks. He just wakes up one day and do it’ Panel Group. ‘take this idea from in you and put it in space’</td>
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<td>‘You cannot teach someone to become a social entrepreneur. You either do it or not. Its a specific DNA. He is holistic he knows all risks. He just wakes up one day and do it’ Panel Group. ‘take this idea from in you and put it in space’</td>
</tr>
<tr>
<td>assertive</td>
<td>‘I don't like when we don't do it!’</td>
<td>assertive</td>
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<tr>
<td>social skills</td>
<td></td>
<td>social skills</td>
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</tr>
<tr>
<td>ingenuity</td>
<td>‘Create a story. Take a step back and view the story holistically. See yourself in the context’ TEDX Social Entrepreneur</td>
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</tr>
<tr>
<td>vision</td>
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<td>categories</td>
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<tr>
<td>confidence</td>
<td>self-efficacy and self-feasibility</td>
<td>'She didn't believe she could address the issue she wanted to solve, she didn't believe she was a social entrepreneur. So she kept control of the whole venture. She had to live. When she left the venture grew' SSE</td>
<td></td>
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<tr>
<td>credible, trustworthy</td>
<td></td>
<td>the need to show they are capable, they need to have legitimacy</td>
<td></td>
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<tr>
<td>practical realists</td>
<td></td>
<td>'I have to see that it leads to actions and results. No talking and theory. It is the process you are after. Small steps that bring you to the next. What can you do in the next 24h?' 'You need a group of like-minded people, you need a business plan and you need revenue streams to make it worth your effort' Giardino</td>
<td></td>
</tr>
<tr>
<td>consciousness and maturity</td>
<td></td>
<td>'A social entrepreneur comes from maturity and consciousness of the exact elements of the problem' Panel Group 'We will not change the world we need to be conscious' Human Grid</td>
<td></td>
</tr>
<tr>
<td>altruistic</td>
<td></td>
<td>'As a Social Cooperative I can’t attract capital from foundations. They want me to convert to a NGO. I will not do that. We maybe the first but we will fight this change' Little Giants</td>
<td></td>
</tr>
<tr>
<td>consistent to ethics</td>
<td></td>
<td>'As a Social Cooperative I can’t attract capital from foundations. They want me to convert to a NGO. I will not do that. We maybe the first but we will fight this change' Little Giants</td>
<td></td>
</tr>
<tr>
<td>individuals vs groups</td>
<td></td>
<td>Sometimes it was groups and other times it was one person that drove the whole thing but relied and recruited supporters</td>
<td></td>
</tr>
<tr>
<td>Serial Social Entrepreneurs</td>
<td>we identified the existence of serial social entrepreneurs with specific features</td>
<td>set up and then live</td>
<td>'He would set something and then sell it or live it drift off. He had loads of ideas. Ideas to solve problems in society' (about Michael Young) SSE</td>
</tr>
</tbody>
</table>

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### Background

brought up in a family of cultural justice' BLG 'got married to an activist CEO in multinational NGOS' Fair Trade 'mother psychologist father entrepreneurs, she is a serial entrepreneur that combines psychology with enterprises' Little Giants, Childit, Home Play ' I'm a son of professors i want to be a social entrepreneur not a cold hearted entrepreneur, to offer valuable ethical services. But we miss the entrepreneurial spirit the market knowledge' close the loop .' This is inline with entrepreneurial supply (Cochran, 1964) which argues that entrepreneurship urges are associated with the environment where the person was brought up.

### Professional experience and Prior Experiences

'i was in the army i wanted to give but it wasnt rewarding now i can meet my ambitions' GW. 'i was in the public sector but i felt that it didn't have impact now i feel it has' BLG. 'I was teaching in the MBAs for years but I didn't feel they learnt' SSE. In accordance with the arguments of human capital theory that education and experience are positively related to the emergence of entrepreneurial activity (Becker, 1975; David and Honing, 2003; Korunka, Frank, Lueger, and Mugler, 2003).

### Motives

Rewarding. Many social entrepreneurs characterize their ventures are being: fun, a hobby, a passion'if you want it you will do it, it burns you, i felt nothing could stop me' GW. 'It's the freedom of soul. Get to an older age that nothing burdens you and leave with a free soul' Giardino.

Want to give. 'We are in our 40s all successful executives we want to do something 'good' otherwise we stay in our corporations and be 'yes men'' Trade Now. 'We are in our 30s why wait others to do it, we have the ability and the time to deliver something valuable' Volunteers 4 Greece. 'I have retired it's time for me to give something back and use all the knowledge i have, to help my palce of origin that i never used to go all these years' Vytina Tomorrow. 'We are in our 20s we are frastrated from everyone telling us that we are the future. We dont feel like that we are in the present. We have values. Its trendy to have your own project and collaborate. We feel duty and responsibility. We need to survive. We want to do it now.' BikeKitchen and The HUB Athens.
Maximisation of profits is not a motive. 'we need money but not tons of money. They take salaries they aren't ashamed to publicise. A social entreprenerus should take the professional salary he would take as an emplyee in doing this job' SSE 'A social entrepreneur should be happy with a 2-3% of profit' BLG.

According to Social School for Entrepreneurs an entrepreneur is someone with the imagination to identify new opportunities and the determination to bring them to fruition (SSE, 2010). A social entrepreneur is someone who does this for public good rather than private profit. Tracey and Jarvis (2007) describe social entrepreneurs as social value creators who exploit market opportunities though non-profit organizations and generate profit to meet their social missions, they reinvest their surpluses to fulfil these missions.

This is in line with motivational theories that there is a relationship between entrepreneurship and achievement (Johnson, 1990; McClelland, 1961; Shaver and Scott, 1991). Sharir and Lerner (2006) search for solutions to individual distress, obligation or affiliation to one’s community.

Mair and Roboa (2006) and the perception of whether a social entrepreneurial activity is feasible which is influenced by social support and the trait of self-efficacy. Empathy, creativity, collaborative leadership skills, team-work capability, socio-moral motivation, long-term community oriented motivation, unique ethics (Bornstein, 2004; Drayton, 2002; Korosec and Berman, 2006; Mair and Roboa, 2006); their capacity to innovatively exploit opportunities suddenly identified; their skills in building networks (Nicholls and Opal, 2005). motivated by a strong desire to change society, by discomfort of the status quo, by altruistic feelings, and by a need to be socially responsible, ability to appear trustworthy (Mair and Roboa, 2006)

Traits

Persistent. Many social entrepreneurs have another job to raise income, while the social enterprise venture is a parallel job. 'Be focus it doesn’t matter if it takes time'

Doers. 'Your dream doesn’t exist you must create it. You must build in trust' TedX.

Supporting trait theories argumentation that that entrepreneurs have innate qualities that naturally make them an entrepreneur (Hornaday and Aboud, 1971; Low and MacMillan, 1988; McClelland, 1987; Shaver and Scott, 1991; Solomon and Winslow, 1988).


Opportunism

There SE that were founded only because they heard that there would be grants. So many NGOs created a Social Cooperative enterprise without any activity just waiting to absorb capital when the grants would be given. This was also documented by the Director of the Registry Dr Geormas. There were also other SE that couldn't find an activity. They heard ideas from here and there and then they claimed that they did them or they tried to close
deals with the local authorities to offer them, but in reality they had no activity and no attempt was made to show any activity. It was mere networking. They were looking to attract collaborations and free ride.

Hereunder we will present some figures on entrepreneurship comparing the average EU-27, the results from Greece (hereafter EL) and from the United Kingdom (hereafter UK). According to the Eurobarometer Survey in Entrepreneurship (2012b, 2012c, 2012d) only 37% (50% EL and 33% UK) would rather be self-employed and among the non self-employed only 30% find it feasible to become self-employed in the next five years (30%EL, 26% UK); motives for not being self-employed in EU-27 indicate that 21% capital restraints, 12% negative environmental (economic) climate, 8% lack of skills, 7% lack of innovative/business idea, 6% family constraints (not be able to cope with family commitments), 5% fear of failure, 4% red tape barriers and 55% other reasons. The risk of failure has dropped by 6% from 2009 but is still in 46% of cases. Only 24% have taken part in an educational course on entrepreneurship, the rates are lower for both Greece (17%) and the UK (15%). To Greek respondent financial constraints are higher than average EU being 26% (13% in the UK) and the economic climate much more significant barrier 33% (9% in the UK), on the other hand very few believe they lack innovation/business idea 3% while this is 7% for the UK. On the other hand in the UK most of the respondents stated other reasons 64%, while in Greece only 34% stated other reasons. To the UK population the economic climate, red tape, skills and access to financial resources were not that important. Risk of failure is greater 10% higher in Greece than in the UK (52%-43%).

25% of EU-27 respondent have started a business or are in the pre-start up process (4%); in Greece this is 32% and in the UK 24% respectively. The reasons for starting their business was 87% having a business idea (innovation), 84% having access to financial resources, 68% having found a partner (network embeddedness), 62% having a role model (network embeddedness), 61% addressing an unmet social or ecological need and 55% were dissatisfied with their previous work. The desirability of independence as a motive for self-employment was chosen among 62% of respondents, while to contribute to society only 2% (the figures are equal for EL in the UK contribution to society is 1%). The majority of entrepreneurs say now that they did it because they grasp an opportunity, 65% created it from scratch and 74% live out of it. (Europa, 2012b, 2012c, 2012d)

Colin’s (CEO of Green Works social franchise) upbringing highlighted the importance of recycling and social values. He always felt he wanted to do something to help society, so in the beginning of his career he served in the Territorial Army, then in the police and in the wider public sector. But he didn’t find those jobs to be rewarding; ‘they were too formal and lacked creativity’. He wanted to find other more productive ways to offer good to his community. He then worked for ten years in the paper recycling industry and as a waste consultant. That is how his business idea emerged. He knew the players of the industry, he knew the challenges, and he knew the people. So when starting up he knew which companies to call and ask them if they wanted to pay to have their furniture waste removed. The big challenge in the beginning was the restraint of financial capital, so for quite some time he had to keep two jobs: his former job as a waste consultant that paid for his wage and his job for the creation and development of Green Works. It was not until much later that Green Works was able to finance his own salary.
When asked about the importance of financial capital Colin didn’t hesitate when he said that nothing could stop him from doing what he really wanted to do.

“When you really want something, when it is your passion you will find a way to do it... because it burns. It was an electric feeling nothing could stop me” Colin Crooks.

Colin Crooks the CEO of Green Works was been brought up with the value of not wasting stuff. He cannot stand the idea of people and things being wasted. He gets frustrated to see all this talent in people getting wasted because they lack of formal certificates, qualifications, and proper education.

‘The labour market as it functions today creates very big inequalities. Poor people have no confidence in themselves they do not know what they can d’ Colin Crooks

The most important resource for Green Works is relational capital; as Colin mentioned there is a hundred percent positive relation between the existence of trust, loyalty, and strong ties among all constituents of Green Works and the success of its sustainable model. Institutional capital was also important as there have been many attempts to copy Green Works model and the trademark has been proven very significant. The ethical values of Green Works have never been undermined even if that has meant that sometime customers cannot be fully satisfied. Profit margins could grow if more skilled personnel would be employed, but this is against the principles of the company and so it is something that Colin is not interested in doing. Through many conversations that Colin has had with clients he has learnt that in many cases they are choosing Green Works because of the high levels of trust they have to Green Works as opposed to other companies. The underlining culture of Green Works that reflects Colin Crooks values is transparency, straightness and honesty:

“Everyone knows where they are, there are no differentials, no one is offered special arrangements, and there are no privileges. The model is very consistent” Colin Crooks

As Colin mentions some customers have left because they don’t like this model but the ones that have stayed are coming back, they are loyal to Green Works and happy to reference it to others. The model of Green Works that Colin started hasn’t changed at all, it is pretty straight forward:

“We will 100% recycle, we will employ low skilled people, train them and respect them, and we will treat customers evenly” Colin Crooks

There are many stories of customers that after they had bought from Green Works they found out about its sustainable model and they were pleasantly surprised and this made them come back. When Colin first started there was zero awareness about sustainable enterprising, this is gradually changing. The change is very slow and there is no pattern yet of society preferring sustainable enterprises as opposed to the rest. According to Colin the recession made things even harder and showed that sustainability is less viable to
customers as they were not willing to pay higher prices. Colin believes that big global organizations could actually make an impact if they decide to add value to their global supply chains by purchasing products from socially sustainable enterprises but this has to be a top down decision. There are a lot of intrapreneurs in the big companies that could take such decisions but they lack authority and legitimacy, so the decision has to come from the top of the hierarchical pyramid. Colin’s experience shows that when a big company decides to change its culture and adopts such principles then its executives are very willing to implement them.

“But big companies do not make changes in their supply chain, they don’t like complexity and new things, they kind of keep a routine in their purchases and show a type of inertia” Colin Crooks

5.4.1. Proposition 1

**Proposition 1: The influence of the dynamics of the system of the individual social entrepreneur in the formation, governance and performance of social franchising**

5.4.2. Summary of Results for Proposition 1

Demographics didn’t reveal any significance apart from the fact that women participated almost in equal numbers as men. Evidence from Griffiths, Gundry and Kickul (2013) research indicate that gender is a significant parameter in social entrepreneurship formation; their research indicates that the enhancement of female entrepreneurship leads to an increase of social entrepreneurship as women tend to be more motivated to address social objectives rather than financial ones in contrast to men. There seems to be a relationship among the background of social entrepreneurs and the social impact identified. In line with human capital theory education and experience are positively related to the emergence of entrepreneurial activity (Korunka, Frank, Lueger, and Mugler, 2003).

Evidence form Alvord et al (2004: 272) research identified the existence of leadership patterns of individual or groups abilities to ‘work with and build bridges among very diverse stakeholders’. Individual or groups abilities to relate with people from different backgrounds, occupations or personalities provided social enterprises with the skills and resources to be able to communicate and manage very diverse constituents, to build relationships and linkages with them and among them. So a very important element is their relationship management skills and their networking skills (Alvord et al, 2004). Social entrepreneurs that had weak relationship building skills (like problems with local groups, government actors and donors or problems with external groups of interest) had difficulties in scaling up the impact of their venture (Alvord et al, 2004; Sharir and Lerner, 2006).

Other skill identified by team-work capability, socio-moral motivation, long-term community oriented motivation, unique ethics (Bornstein, 2004; Drayton, 2002; Korosec and Berman, 2006; Mair and Roboa, 2006); their capacity to innovatively exploit
opportunities suddenly identified; a strong desire to change society, by discomfort of the status quo, by altruistic feelings, and by a need to be socially responsible (Mair and Roboa, 2006). In terms of behaviour attributes include: accept social criticism, ability to appear trustworthy and receptivity to other’s feelings (Mair and Roboa, 2006); search for solutions to individual distress, obligation or affiliation to one’s community (Sharir and Lerner, 2006). Quoting from our interviewees: ‘I was in the army I wanted to give but it wasn’t rewarding now I can meet my ambitions’; 'I was in the public sector but I felt that it didn't have impact now I feel it has'; 'I was teaching in the MBAs for years but I didn’t feel they learnt' SSE. Many social entrepreneurs characterize their ventures as being: fun, a hobby, a passion; 'if you want it you will do it, it burns you, i felt nothing could stop me'. Evidence for Sharir and Lerner (2006) research indicate that the dedication and commitment of the social entrepreneurs to the venture, as well as their ability to formulate networks of support are the only two variables that were necessary conditions for success. These results were also supported from our analysis.

What is important to see is that social entrepreneurs from four different age groups had exactly the same motivation which they thought was related to their age: 'I have retired it's time for me to give something back and use all the knowledge i have, to help my palce of origin that i never used to go all these years' Vytina Tomorrow. 'We are in our 40s all succesful executives we want to do something 'good' otherwise we stay in our corporations and be 'yes men'' Trade Now. 'We are in our 30s why wait others to do it, we have the ability and the time to deliver something valuable' Volunteers 4 Greece. 'We are in our 20s we get frustrated from everyone telling us that we are the future. We don’t feel like that we are in the present. We have values. It’s trendy to have your own project and collaborate. We feel duty and responsibility. We need to survive. We want to do it now.' BikeKitchen and The HUB Athens.

A considerable risk that we identified was those that were free riders and opportunistic in their behaviour. They didn’t care about giving something back or creating impact. They have realized that social entrepreneurship is a novel concept and they are waiting for the grants that will be given.

5.5. Organizational Context: System of Social Innovation

RQ2: What is the role the system of social innovation in the formation governance and performance of social franchising?
<table>
<thead>
<tr>
<th>categories</th>
<th>definition</th>
<th>codes</th>
<th>examples</th>
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</thead>
<tbody>
<tr>
<td>opportunity</td>
<td>identify an issue</td>
<td></td>
<td>We saw that NGOs deal with many issues but no one with labour and insurance politics, no one provides legal and employment orientation advice' Equal Society. 'Furniture was being dumbed no one cared. I couldn't stand this idea' GW</td>
</tr>
<tr>
<td>novelty</td>
<td></td>
<td></td>
<td>They usually identify a niche or a gap in the market or they create bridges among existing market structures. 'We created a new model' Close the loop 'We created bridges which didn’t exist' Boroume, Desmos 'we forced a new market' GW. There are hundreds of school canteens than nobody deals with and they are left close' School Canteens.</td>
</tr>
<tr>
<td>experimentation</td>
<td></td>
<td>testing, testing, testing</td>
<td>BIOS SSE School Canteens</td>
</tr>
<tr>
<td>resources</td>
<td>financial resources</td>
<td></td>
<td>if i had resources I would be committed from the beginning' GW 'I started with no money, just me some volunteers, but with commercial principles from the beginning' GW</td>
</tr>
<tr>
<td>internet technology</td>
<td></td>
<td>use the internet to create a network model from home' Little Giants. 'Patient Opinion used its webbased software for other social solutions and gave it away to other countries in the developing world' SSE student 'How can I create a virtual SE were collaboration happens through the Net? Where unemployed mothers work from their homes' Childit 'SE need a good IT structure to be able to manage their netowrks and share their values' SSE</td>
<td></td>
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<tr>
<td>volunteering</td>
<td></td>
<td></td>
<td>Volunteering cannot be performed by unemployed people, survival has to be paid for’ Trade Now. 'I do everything through volunteers and friends of my entworks all around the world' Elea Med</td>
</tr>
<tr>
<td>know-how</td>
<td></td>
<td></td>
<td>We built on research, community, impact and then action' BIOS. 'Research, collaboration, community, action' Loft2Work. 'We apply the earth guide tool in community development and follow the steps of the model' Vytina Tomorrow. 'I use specific econometric model to target institutional change in real estate in Latin America' Panel Group.</td>
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<td>categories</td>
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<tr>
<td>partnerships and networks</td>
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<td>You seed customers from any networks. Our first customers were people I knew from my previous work’ GW ’I want partners from the developing world to be able to build long term relationships. They bring local knowledge which decreases time and cost, this brings scales and cut costs and brings higher impact’ GW, learning curve through partners decreases costs</td>
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<tr>
<td>community</td>
<td></td>
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<tr>
<td>legal types</td>
<td>mostly NGOs in Greece</td>
<td>Foundations do not support you if you do not have a non for profit legal entity, so it’s very hard for social cooperatives to attract capital’ Little Giants</td>
<td></td>
</tr>
<tr>
<td>formal vs informal legal types</td>
<td></td>
<td>I don’t like informal movements. They have to assume responsibility and incorporate a legal entity’ Equal Society</td>
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</tbody>
</table>
| characteristics of the model | clarity precision simplicity                                                                 | You need a clear view to do something in specific’. ’The model was to complex requiring too many resources, space, products, staff. We had to start from something simpler’ Little Giants initially wanting to establish a Toy Library ’We keep the model straight forward and we haven’t changed it as we grow and scale’ GW

| sustainability | self help approach | Money gets spent you need to help them find jobs not give them food and blankets’ Equal Society. ’Independent element not parental to marginalised people. Give them responsibility, make them learn. This empower them and has knock on effects on direct ties’ SSE Klimaka BLG GW Metavallon, Loft2Work, BIOS, Medicins Sans Frontiers ’Poverty alleviation is an indirect effect by changing peoples position’ Tasha

<p>| equal responsibility | treat everyone as if everyone has equal contribution, evenly manage everyone’ SSE BLG |
| transparency          | The model is transparent. No differentials no favours’ GW SSE |</p>
<table>
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<tr>
<th>categories</th>
<th>definition</th>
<th>codes</th>
<th>examples</th>
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</thead>
<tbody>
<tr>
<td>reputation, trust</td>
<td></td>
<td></td>
<td>our model is based on reputation, no logistics, strong networking, media coverage, synergies, securitisng product offering, keeping third category accounting books, transparency and all these have created trust to our donors and more and more organisations and people are calling us to contribute to our cause' Boroume</td>
</tr>
<tr>
<td>nature of impact</td>
<td>labour intensive (people oriented)</td>
<td></td>
<td>provide jobs and train people 'give opportunity to people to learn new skills, they come to do something that they know they can do, like warehousing and they end up realising that they like photographing or sales' GW</td>
</tr>
<tr>
<td>nature of impact</td>
<td>social goal oriented (goal driven)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>profit margins (solveney)</td>
<td></td>
<td></td>
<td>we want healthy profit but we will never achieve it cause of employing marginalised people and selling at lower prices' GW. 'We need sustainability' BLG. 'We need to be solvent but we don’t measure profit margins' SSE. 'we need economies of scale' Women Craftmanship Caffe. 'We need scales' Volunteers 4 Greece</td>
</tr>
<tr>
<td>investors (sustainability n growth)</td>
<td></td>
<td></td>
<td>'We need margins to be able to attract investors' SSE. 'Social investors have conditions. They want something tangible out of it, it may be a marekt entrance, it may be meeting their CSR goals, or to interact their personnel with social entrepreneurs and get emaning out of their lives, not being narrow and increase their innovation; especially companies like WPC were the employees have a very narrow job' SSE</td>
</tr>
<tr>
<td>income based strategies vs grant dependent</td>
<td>commercial vs non commercial principles (financial logics)</td>
<td></td>
<td>If we want to become commercial we have to change our structure' Boroume 'We were grant reliant on the local council we had no commercial objectives. This was a barrier. I went to the US to learn how we can become sustainable, came back and did it, now we are 50% based on grants and 50% from trading' BLG</td>
</tr>
</tbody>
</table>

| service package           | capacity-building programme       | product package                                                                                   | dissemination of packages or programmes                                                                                                                                                             |
| type of impact            | social movements                  |                                                                                                |                                                                                                                                                                                                          |

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<tr>
<th>categories</th>
<th>definition</th>
<th>codes</th>
<th>examples</th>
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<tbody>
<tr>
<td>institutional change</td>
<td></td>
<td></td>
<td>We want to built Vytina in 20 years from now to be economically viable and growing. So we do a community development approach to build the vision, design the strategy and then take actions. Vytina Tomorrow</td>
</tr>
<tr>
<td>economic development</td>
<td></td>
<td></td>
<td>We want to built Vytina in 20 years from now to be economically viable and growing. So we do a community development approach to build the vision, design the strategy and then take actions. Vytina Tomorrow</td>
</tr>
<tr>
<td>cultural change</td>
<td></td>
<td></td>
<td>We put meaning into life a social entrepreneur from SSE school</td>
</tr>
<tr>
<td>scale of impact</td>
<td>scales small vs big</td>
<td></td>
<td>The model cannot be based on ad hoc activities we will achieve nothing in this way. It needs to be structured and scalable. School Canteens. They want to address small issues, there is no innovative component, there is inertia. They attach to the past. Tasha</td>
</tr>
<tr>
<td>time</td>
<td></td>
<td></td>
<td>Wait for the right moment to build your social venture. GSEVEE Panel Group School Canteens TEDX 'You need time to implement a change. Michael (Young) was disappointed because they didn’t grow as he wanted to make big impact. But now they have grown.' SSE</td>
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<tr>
<td>pricing</td>
<td>free to beneficiaries vs beneficiaries/customers pay</td>
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<tr>
<td>funding</td>
<td>donations from corporations vs state grants</td>
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<tr>
<td>affiliations</td>
<td>internationally linked vs locally linked</td>
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<tr>
<td>scaling models</td>
<td>organic growth</td>
<td></td>
<td>new service/new product development or new market development of existing serves/products to other disadvantaged groups or related/unrelated diversification through new concepts. 'We started as through mental health centres for children, now we have moved to many other sectors. I want to offer holistic services to children, from employment to their parents to health at home to their grandparents, through to food from our social supermarket, even to process and produce this food.' Edra-Drasi 'For every employment position we offer, they are responsible to create 5 more. This is how we have grown and has created a ripple effect.' Klimaka-Klimax Plus</td>
</tr>
</tbody>
</table>
In 1999 Colin Crooks CEO of Green Works saw an opportunity to create a business that could give jobs to disadvantaged people and save the country from all the furniture waste. The idea was simple he would be paid by blue chip companies to remove the furniture they didn’t need which then he would direct from landfill to places that were in need of furniture. The business venture was labour intensive which gave him the opportunity to alleviate poverty by locating his businesses in underdeveloped areas. He started off with a capital of £300 and a rented van. The consulting advice he got in the beginning was completely disappointing, he was told that his business would be a failure, that it would be a disaster story, and that what he thought as being a gap in the market was actually not an opportunity and there was a reason why capital had not been directed to this activity. Despite all that Colin believed strongly in his idea and founded Green Works; by doing so he created a new market and a successful business model that has helped him give value to the public and run many projects in the developing world by donating furniture and education in places like Sierra Leone, Ghana, and Sudan. The franchisees that have joined the network are charities with an experience in offering training opportunities and employment experiences to disadvantaged people; Green Works offers them an income based strategy to raise money that will then be used for their other social activities. Green Works offers the successful and profitable business model, the brand name, marketing support and training. The Franchisees pay a fixed rate per truck delivered in their
premises. All franchisees are social enterprises themselves so they know how to operate as businesses, the challenge was to train them and change their culture to be able to manage operationally and commercially bigger volumes. They had to train them to be more assertive and to work under conditions of lower control over suppliers and customers.

5.5.1. Proposition 2

Proposition 2: The influence of the dynamics of the system of social innovation in the formation, governance and performance of social franchising

5.5.2. Summary of Results for Proposition 2

The unmet needs identified by social enterprises are any type of needs that have not been successfully tackled by governments, society, organizations or corporations. Social ventures create both social value (like work, personal or community development, environmental protection, and institutional transformation to solve failures within a political, cultural, or social context) and economic value (to provide income, wealth and capital accumulation to individuals, organizations, and communities). This social and economic value is spread to actors of the entire network in which social enterprises are embedded (Meyksens et al, 2010a). The core element that defines social entrepreneurship activity is its social mission and the entrepreneurs’ creativity in building an innovative operational process that can meet this mission (Nicholls, 2008) and bring societal transformation (Alvord et al, 2004). The social mission can be viewed in two levels, as the operational context and as the outcome and impact of a social enterprise; it is either seen as an opportunity to satisfy an unmet social need or to create a new social value (Dees, 1998). Social entrepreneurs innovate through established systems in the short-term and create new social arrangements in the long-term to achieve sustainable solutions to social issues (Alvord et al, 2004). This is strongly supported by most of the cases of our research.

This is in line with the argumentation of institutional entrepreneurial theory (Battilana, Leca and Boxenbaum, 2009; DiMaggio, 1988) that agents bring about institutional transformation. With reference to the ‘enabling conditions’ of Battilana, Leca and Boxenbaum (2009) our research indicates that a necessary condition for the institutional transformational activity of social entrepreneurs overcoming the paradox of embedded agency of actors in institutions is actually their structural and relational embeddedness in networks, while x conditions are field characteristics no demographics but psychological factors, like commitment, resilience. Supporting innovation theorists arguments on the capabilities of creating new products and processes to respond to market opportunities (Davidson and Hoining, 2003; Fairlie and Krashinsky, 2012). As well as economic theory argumentation that views entrepreneurship as being driven by the opportunities detected in the market which trigger entrepreneurial activity to create changes in the market (Drucker, 1985; Stevenson and Jarillo, 1990)
At a first glance the innovations of each venture seem quite diverse what they have in common is that they try to resolve different issues, focus on different target groups of disadvantaged people and apply different interventions. There are five patterns that emerge: firstly, the innovation can take one or all of these three forms ‘building local capacity to solve a problem’ (identify and utilize local resources of disadvantaged groups for self-help), ‘disseminating a package to solve common problems’ (create an offering to help resolve a social issue) and ‘building local movements to deal with other powerful actors’ (build networks of support). Secondly, the innovation mobilises existing resources of disadvantaged groups. Thirdly, the initiative is build on systematic learning of the individuals or of the entire social enterprise indicating that an innovative element needs for training of its constituents and that the interest is to invest on organizational learning of local social groups to embrace the innovation. Fourthly the social enterprise is build on the relationship and networking skills of the entrepreneurs indicating a pattern among relational and structural embeddedness and social norms with innovation. Fifthly the scale up strategy is related to the innovation systems indicating a relationship among innovation and franchise formation. (Alvord et al, 2004: 267). Also Meyskens et al (2010b) results support the correlation among innovation and replicability; the more innovative a social venture is the higher the knowledge transferability element is (that is associated with the systems that a venture has in place to be able to transform tacit knowledge to explicit knowledge that can then be transferred) and thus social ventures increase their potential to replicate their model.

Social innovation is positively related to the existence of research and development resources and to the investments in human capital leading to the increase of innovative ventures (Griffiths, Gundry and Kickul, 2013). This is a great weakness in the Greek case study and a great strength in the UK case. Technology is positive related to entry in social entrepreneurial activity (Van Putten and Green, 2010); technology and technological parks need a high upfront investment that needs the support of formal institutions. Even if this money is not directly invested through public grants, governments can succeed the mobilization of venture capital resources to invest in research and development through public private partnerships (Griffiths, Gundry and Kickul, 2013). Financial resources, social innovation and networks have been found to be significantly related (Meyskens et al 2010b); being part of social venture networks social enterprises increase their social innovation elements (Meyskens et al, 2010a) on the other hand the more innovative they are the more attractive they become as potential partners for social venture networks and as investment choices for social investors (Meyskens et al, 2010b). This is in line with resource based approaches that underline the role of resources in the appearance and growth of entrepreneurial activity (Alvarez and Busenitz, 2001; Clausen, 2006)

Types of social innovation growth identified in Lyon and Fernandez (2012) (Dees et al, 2004; Mair and Sezgi, 2011) are: from organic growth: maximising social impact of existing provision, diversification (additional services and products), increase penetration though in-house growth of services, setting up new branches in other locations, taking over existing businesses and converting them to their model, winning contract from local authorities or employers to run their model. From affiliations and relationships with other
organizations: spin out organizations (like the social franchisor can spin out the development unit to control the franchise system), social franchising, kite marks and quality standards. Through dissemination: training and accredited courses, networks established to share good practice, provision of open source material and encouraging learning.

Failure cases of social enterprises are associated to poor planning (Sharir and Lerner, 2006), low levels of commitment and lack of skills in raising resources.

5.6. Political Context: System of Formal Institutions

RQ3: What is the role of formal institutions on the formation governance and performance of social franchising?
RQ31: What is the role of the system of national formal institutions in the formation governance and performance of social franchising?
RQ32: What is the role of the system of supranational formal institutions in the formation governance and performance of social franchising?

Table 11 Data Analysis of the Sphere of Formal Institutions

<table>
<thead>
<tr>
<th>Formal Institutions</th>
<th>categories</th>
<th>definition</th>
<th>codes</th>
<th>examples</th>
</tr>
</thead>
<tbody>
<tr>
<td>legislation</td>
<td>legal framework on Soc Coops</td>
<td>'The third sector in Greece, the first generation social cooperatives were all interlinked with the state and local authorities. The EC asked us to give the money back, they put a lot of pressure. We don't have the money. So we had to make the law to legitimate those cooperatives and make them part of the new legislaton. That is why we created this law. We allow pubic authorities to enter in SE with 20% ownership, but no to loacal authorities' Public Official Creator of Legislation Mnsry of Labour. 'the legal framework in Greece is problematic, you cannot do your social enterpise model' Gree MP, School Canteens 'the legalistic framework in greece is bad and the reasoning behind is that we cannot give you directly money, so we name you SE and go get the money' Greek MP</td>
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</tr>
<tr>
<td>regulations and programmes</td>
<td>taxation</td>
<td>The governemtn needs to introduce tax incentives for SE to give back to the society and also to change the social insurance systems. I cannot use local people in Crete because they donot have the proper documentation. It would be illegal to pay thems.</td>
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<tr>
<td>policies</td>
<td>Social intrapreneurs need policies and need space to be able to implement changes. It has to come top down' GW</td>
<td></td>
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<tr>
<td>categories</td>
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<tr>
<td>provision of space</td>
<td>The local authority has to provide space' Edra-Drasi</td>
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<tr>
<td>education</td>
<td>Awareness. 'The role of the state is to educate' ESA Close the loop, Quality Net, Loft 2 Work. 'You cannot teach social norms only by experience and practice' MP 'You cannot teach ecosustainability from 5* hotels (so she built an ecbuilding in Crete)ESA. There is no environmental sustainability. People don't care. People need to be educated. the government needs to put it in its agenda' Close the loop. 'You need to attract talent non conventional people, the government needs to raise awareness' Human Grid 'Awareness and understanding has been raising very very slowly in communities' GW 'The government must make entry into the SE sector. The government needs to understand what SE so that people gain trust and built legitimacy' ESA. The Eco-Green political party is active in raising awareness of the public through the organizatio of a series of activities and fora.</td>
<td></td>
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</tr>
<tr>
<td>financial capital</td>
<td>If I had money in the beginning I'd commit from start all my time' GW. 'We are trying to push for a microfinancing tool of 0-2% interest but no bank agrees' Creator of Legal framework Minstry of Labour. 'I don’t belive in grants. It's like Faust. You end up losing more' Human grid Up greek tourism TEDX. 'grants have now dropped considerably in the UK' SSE 'it's very important for grants to be very small pots of money' SSE</td>
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<tr>
<td>business support</td>
<td>We couldn't afford consultants for the franchise model, but we needed them' GW</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>logics</td>
<td>necessity of interventions SE is dependent 60% on the state, 20% on corporations, 20% on civil society' Human Grid Up Greek Tourism TEDX 'Top-down initiatives are wasteful' SSE 'We need to create a friendly environment for SE. You cannot impose their formation. There is an evolution that leads you there' Greek MP. 'Top-down initiatives are wasteful' SSE. The need of bottom-up apporaches are highlighted as the most efficient.</td>
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<tr>
<td></td>
<td>self-help logic Governments should address issues and at the same time use this issue to give marginalised people confidence, skills 'a can-do attitude' SSE</td>
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<tr>
<td></td>
<td>income based logic of non profits 'They don't understand our logic of income based strategies or the fact that it is a groups with affiliated for profit activities. We have received tangible support from the British Council and the Institut Franchais' BIOS</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>categories</td>
<td>definition</td>
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<tr>
<td>negotiation</td>
<td>The government to take you seriously you have to be seen as a national venture. Social Franchise gives you that. It gives you aggregated numbers’ SSE</td>
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</tr>
<tr>
<td>economy</td>
<td>recession</td>
<td></td>
<td>during the recession we saw a drop in our sales, cause we are not considered efficient’ GW</td>
<td></td>
</tr>
<tr>
<td>institutional voids and failures</td>
<td>low entrepreneurship</td>
<td></td>
<td>Entrepreneurship in greece is not a dynamic environment’ Trade Now. ’innovation happens between chaos and order. In Greece we have chaos and control’ SIZ ‘Greeks don't understand what entrepreneurship is. They don’t know how to plan, how to communicate, how to commit to dates and prices. Tehre are high uncertainty levels. Deals and the owrk is done last moment. There is low education on project planning and skills.’ ESA ‘The main issues that entrepreneurship faces in Greece are: know how, communication, collaboration and transparency' Human Grid TEDX Up Greek Tourism</td>
<td></td>
</tr>
<tr>
<td>inertia</td>
<td></td>
<td></td>
<td>there is inertia in people and organizations to accept the new model' School Canteens GW 'It's hard to bring change in institutions'</td>
<td></td>
</tr>
<tr>
<td>individualism</td>
<td></td>
<td></td>
<td>the problem in Greece is that everyone works for themselves only' Panel Group. 'Greek is an individualistic society. It is a hospitable society with myriad bads: selfish processes, bad entrepreneurhsip. People don’t allow their fellows to become visible. People are afraid that others will steal their ideas and glory. It is a society that lives in fears and individualism’ limaka-Klimax Plus. 'You need to be afraid it pushes you ahead' TEDX Social Entrepreneur.</td>
<td></td>
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<tr>
<td>distrust</td>
<td></td>
<td></td>
<td>We came (responded to the loacal authorities invitation to participate in 'Athens Social Economy Initiative')out of curiosity and the hope that maybe something could happen’ BIOS. 'I don't want to see the same faces' TEDX. 'Distrust in greece is an issue, they view me as visionary-crazy- so they don't support me' School Canteens 'We have serious trust issues' Siz 'People overcharge you systematically. You agree and then they change their prices. This is how they do business. How did they survive up to now? Was it by luck? The solution we found was to do the project planning ourselves through the use of contracts. In the beginning people hated it, but now it empowers them' ESA. 'In small communitites in Greece there is higher success in SE because people trust each other and collaborate with each other' Equal Society.</td>
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<tr>
<td>categories</td>
<td>definition</td>
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<tr>
<td>corruption</td>
<td>We cannot protect Soc Coops from opportunism' Creator of Legal Framework Minstry of Labour. ' NGOs in Greece are associated with corruption right to the top of the governmental hierarchy. How will the government protect SE from these people?' ESA, Equal Society, Close the loop, Edra-Drasi.</td>
<td></td>
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<tr>
<td>inefficiency of formal authorities</td>
<td>Don't go to the ministries with your project. It will never be realised, it will be buried under the drawyer by the next administration. There is no contituity in Ministries. Go to trade associations and foundations.' Creator of the legislation Minstry of Labour. 'Central and Local Authorities have bad public management. We made the mistake to enter in a social enterprise partnership with the City of Athens and assume the coordination role. Nothing is moving. We cannot communicate with them. We are in many partnerships together and they are not delivering anything. We are waiting a year now to provide us with a space for the accomodation to homeless people. They say they cannot find a space!' Klimaka-Klimax Plus 'We are fed up with them. I dont know if they do it on purpose or out of incompetency. We have entered a partnership with them, they were supposed to provide us the space for the accomodation to people living under poverty. Nothing!' Medecins Du Monde 'We entered in partnership for the creation of the technological park (incubator) in Lavrio. It was a complete failure because the state never implemented the infrastructure projects they had programmed; neither the port that was supposed to be moved from Pireaus to Lavrio nor the train that was supposed to link Lavrio with the tube in Athens.' BIC 'The government started to talk about SE through the TOPEKO which is on the wrong foot. You need intermediary institutions first which are more organised. You need impact measurements and evaluation. You need a Memorandum of Agreement among the civil society actors. We have entered in state grants and TOPEKO to survive. they will not create social enterprises' DIOTIMA.</td>
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Low entrepreneurship. The failure in Greece is because there is no collaboration and no networks, there is a fragmentation of activities. There is high bureaucracy, low know-how and grants gophotographed to specific NGOs that are purposely created to absorb the grants. In these NGOs there are ministers and MPs. There is nepotism and corruption. These partnerships that are created to absorb the grants include private companies as well and they divert the money to their private operations.' Erymanthos.
Individualism. 'You have a society that lacks of respect, punishment is not the solution. People care about who will prevail, who will dominate; the winner takes it all. SE brings you to a trusting society where you try to make impact for the others way from the above thinking. You have a hyperbureaucratic state where everyone talks with acronyms' Greek MP

Corruption. 'The bids in Greece are given to friends' School Canteens. There are high levels of nepotism, favouritism, lack of transparency in public procurement procedures, lack of auditing procedures. 'We have to know which of the incubators have succeeded and why they are funded. The state and the local community need to set realistic goals, adopt an action framework, design a strategy and use evaluation metrics' BIOS. 'Screening and annual auditing of how you have contributed in the local communities need to be allplied' ESA. 'There have to be auditing procedures mesasuring the systems and criteria screening' DIotima.

Moritz Waldstein and Martin Elwert were puzzled that the coffee farmers produce one of the best coffees in the world, but have to live on approximately two dollars a day. Felix Weth, the initiator of Fairnopoly, came across the social problem of corruption during his internship at Transparency International. The internship motivated him to become personally active in the combat against corruption. He states: “Corruption is the main reason why there are many social problems worldwide. Often it is an obstacle for the success of good initiatives.”

When formal/central institutions are absent or weak then local institutions like social norms, culture and religion are the important determinants of the entrepreneurs’ activity; in the case where there are market failures and formal institutions are weak or contradict local social institutions then we have the phenomenon of institutional voids, in that case social inequalities will continue to exist (Mair, Marti, and Ventresca, 2012).

The Development Agency of the Local Authorities that manages all the funds has a very obscur behaviour and agenda indicating the existence of corrupted behaviour. The CEO has created their own group of consultants and administrators. This was not allowed through the local authority budget and procedures. Therefore the CEO is remunerating these people through wages that come from NGOs that are in partnerships with ADDMA. These people work from the premises of the local authority. This executive team responds to different agendas, of different interest groups which alters on an almost daily basis. The latter are the interest groups that backed up their current political positions. There is a lack of management skills, specialised skills, understanding and knowledge on the items of the agenda that they are managing. There logic is mostly accommodating for various conflicting interest groups. The Mayor themselves stated ‘I want you to close down your fractions’. But the Mayor has low support from the employees of the local authority, has low political support from the big political parties. The Mayor is stressed over time (time that passes and he is not able to present a series of actions and measures) that would help him be re-elected. The Mayor also wants to avoid conflict creation and wants to avoid coming in confrontation which is needed to make changes. Especially in the SE sector where the local authorities are reacting fiercely afraid of losing their jobs and public services being replaced by SE
5.6.1. Legislation and Regulations

The UK government has incorporated the most inclusive programme of public policies to support the growth of the social entrepreneurship sector (Nicholls, 2010a) reflected in the ‘Big Society’ act. Including new organizational legal forms, initiatives and new institutions in social finance, public sector innovation, consultancy, capacity building and research. Unlike other countries formal institutions interventions whose goal is to develop new methods for the resolution of welfare issues, the UK government targets the growth of the social enterprise sector per se (Nicholls, 2010a). These policies have had direct spreading effects in the influence of other formal institutions, like in the USA the Obama Agenda, in Ukraine, and in Asia (Nicholls, 2010a). Italy was the first country to introduce a legal framework for social enterprises the ‘Social Solidarity Co-operative’ in 1991; the UK government introduced the ‘Community Interest Company’ (hereafter CIC) in 2005, then followed Spain and France. The Greek government introduced the ‘Social Co-operative Company’ in 2011.

5.6.1.1. EU

According to the Social Business Initiative of the European Commission Social businesses are companies that have a positive social impact and address social objectives as their corporate aim rather than only maximising profit. A social business is managed by social entrepreneurs in an accountable, transparent, and innovative way by involving workers, customers and stakeholders affected by its business activity. Its main objective is to achieve significant impact on the individual, on society, on the environment and the local community. Social enterprises are innovative because they satisfy needs that have not been met yet by responding with smart solutions; these ventures target smart sustainable growth (Social Business Initiative, 2011).

“(Social enterprises) seek to serve the community’s interest (social, societal, environmental objectives) rather than profit maximisation. They often have an innovative nature, through the goods or services they offer, and through the organisation or production methods they resort to. They often employ society’s most fragile members (socially excluded persons). They thus contribute to social cohesion, employment and the reduction of inequalities” (European Commission, The EU Single Market, 2012).

“Europe is undergoing a deep unemployment and social crisis at present, but social economy and social enterprise represent an important source of inspiration and energy for a recovery” (European Commissioners in Borzaga et al, 2013:4).

The European Commission has adopted a number of mechanisms, legislative actions and other tools to support the growth of social entrepreneurship and its eco-system. In 2011 it launched the Social Business Initiative and its consultative multi-stakeholder expert group named GECES to support its goal of designing a strategy on the growth and regulation of social enterprises in Europe; there are also discussions about an Act on the
The Social Business Initiative of the European Commission contains a number of actions to support its further development, it’s goal is to contribute to the creation of a favourable environment for the development of social business in Europe, and of the social economy at large (European Commission, 2012). The Social Business Initiative has proposed three major measures: firstly, to improve the access to funding for social businesses through a common regulation, microcredit, the creation of a financial instrument of 100mil euro which are financial intermediaries with equity, debt, and risk-sharing instruments, the European Regional Development Fund and the European Social Fund. Secondly, to improve the visibility of social businesses through mapping enterprises of the civil society, public database of labels and certification, learning and capacity-building, information and exchange platform. Thirdly, to improve the legal environment of social businesses through the creation of a European Foundation Statute (Social Business Initiative, 2012). These packages of proposals for more responsible businesses builds on the Single Market Act, in which the European Commission has formulated 12 mechanisms to re-launch the Single Market for 2012 for sustainable, smart and inclusive growth. Part of these proposals were the creation and development of small and micro enterprises, by introducing smart regulation and cutting red tape, and the creation of an eco-system conducive to the development of social entrepreneurship (Europa, 2011). The Communication on Social Entrepreneurship forms the beginning for a series of legislative and non-legislative initiatives that will be launched the following two years (Europa, 2011).

5.6.1.2. UK

“social enterprise is a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and other owners” UK Government (Cabinet Office, 2011, p.18)

“We want a bigger, stronger society. One where communities and citizens have more power to shape their lives and determine their destinies. Pushing power away from the centre to local government, and beyond local government into the hands of neighbourhoods and citizens, will help to catalyse local social action. We want social ventures to take full advantage of these opportunities and create positive change in our society... the lifeblood of our economy... will be with social enterprises” (Rt. Hon Franchis Mod Minister of the UK Cabinet in Cabinet Office, 2013c:5)

In 2000 the Social Investment Task Force is established (Cohen, Chairman of the UK Social Investment Task Force and Big Society Capital, 2010). In 2005 the Community Interest Company (hereafter CIC) act is introduced, establishing a specific legal format of incorporation to facilitate the set-up and growth of social enterprises. It is of limited liability: either a company limited by guarantee- which is the majority 75% of CICs- or a company limited by shares, it cannot take the form of charity or cooperative or IPS, but a
charity can have as subsidiary a CIC (Nicholls, 2010a). Their initial growth was only 200 companies per year and from 2008 onwards almost 1,000 annual growth in numbers reaching in 2012 4,500 CICs population. Each CIC must go through a community interest test ‘An organisation satisfies the community interest test if a reasonable person might consider that it carries on its activities for the benefit of the community or a section of the community’ (CIC Regulator, 2013:4); there is an asset lock which restricts the transfer of assets out of the CIC so that assets remain for the benefit of the community; there are no tax reliefs like in the case of charities since it is allowed to make profits; there is a dividend cap that was raised to 20% in 2010 and 35% today and an interest cap (Cabinet Office, 2013c)

“The CIC structure provides a clear signal to investors that the enterprise operates for the benefit of the community, and that this social purpose is protected by law” (Cabinet Office, 2013c)

The Labour government in 2006 established a Social Enterprise Unit within the Department of Trade and Industry and an Office for Civil Society (OCS) within the Cabinet Office with a dedicated Minister (Nicholls, 2008). In 2006 Capacitybuilders was established as a non-departmental government body to run the governments Changeup Programme targeting the reform of the voluntary sector infrastructure; during its existence it allocated around £150mil, it was closed down in 2011; this fund was originally allocated in 2004 through the Home Office targeting among other actions the creation of 6 ‘hubs for expertise’ to boost charities technical skills. Capacitybuilders replaced the plan of six hubs with nine National Support Services to which £16mil were allocated from 2008-2011 (Civil Society, 2012). Legislation, Regulations and Policies on social entrepreneurship:

a) the Social Enterprise Business Support Improvement Programme run in 2011 by the Office for Civil Society;
b) Capacitybuilders run the Social Enterprise Programme from 2008-2011

c) The Mondernizing Commissioning Green Paper published December 2010 and the White Paper on open public services, which include the rules for social enterprises bidding for public contracts; the tool (https://online.contractsfinder.businesslink.gov.uk/) is a easy to use central finder of all public contracts of more than £10,000 value

d) Cutting red Tape task force to facilitate the establishment and management of social enterprises;

e) the Giving Green Paper in 2010 to facilitate social enterprises access to people, time and money;
f) introduction of LEPs and Enterprise Zones

g) Social Enterprise UK (SEUK) the national body for social enterprise (socialenterprise.org.uk) renamed in 2011 from social enterprise coalition.

(Cabinet Office, 2011; 2013c; Rocket Science, 2011)

The Conservative government’s (elected May 2010) vision is a locally-driven ‘Big Society’, which lies in: the design of a new infrastructure where charities, co-operatives,
social enterprises and mutuals are a strong vehicle in running public services; in empowering individuals and strengthening community involvement; in private sector-led growth; in boosting charitable giving; in transferring central power to local authorities; in cutting government budgets. All publicly-funded support that was prior administered through Business Link will be replaced from the new government with Business Coaching for Growth, at the moment Big Business, Business Accelerator and Mentorsme have been launched and are all referenced through GOV.UK. Restructuring also aims in the set up of a National Call Centre, in the setup of a central network of 40,000 mentors and in the creation of a New Enterprise Allowance Scheme aimed at new business start-ups from unemployed people. Social enterprises are part of this agenda.

A new format has been introduced ‘business-led Local Enterprise Partnerships’ (LEPs) which aim in replacing Regional Development Offices with the goal to strategically drive local economic development through private sector-led growth, job creation in their areas and business support through existing local networks. Social enterprises should be part of LEPs and growth hubs. There are 24 LEPs formed among local authorities and local business leaders.

As part of the ‘Big Society’ vision the government has launched its strategy on the growth of the social investment market to fund social ventures (Cabinet Office, 2013c) which includes the review of tax incentives and regulation for social investment as well as the establishment of an independent ‘Big Society Bank’. Social enterprises to be able to attract capital from the new scheme need to become investment ready, for this reason there is a need for an effective business support environment that is easily accessible to them (Cabinet Office, 2011). As part of the UK’s G8 presidency in 2013 Prime Minister David Cameron initiated the organization of the first Social Impact Investment Conference which took place on the 6th of June, 2013. Social impact investment market recognizes the value of social entrepreneurs’ activities and supports them through the supply of private capital to social enterprises on the basis of both their social and financial returns (Cabinet Office, 2013b):

“I want to use our G8 Presidency to push this agenda (social impact investment) forward. We will work with other G8 nations to grow the social investment market and increase investment, allowing the best social innovations to spread and help tackle our shared social and economic challenges” (UK Prime Minister David Cameron in Cabinet Office, 2013b, p.1)

The social enterprise national picture in the UK includes: The Office for Civil Society, 9 Regional Social Enterprise Networks whose coalition is SEKE (social enterprise knowledge exchange), Social Enterprise UK (former known as Social Enterprise Coalition) which is the national body for social enterprises, Co-ops UK, Development Trusts Association, Social Firms UK, National Housing Federation, Association of British Credit Unions, CIC Association which represents all community interest companies (Social Enterprise North West, 2011), Regional Development Agencies (replaced gradually by LEPs), Business Link support providers through GOV.UK, the recently established Big Society Trust, and the institutions of the social investment
market including the Big Society Capital, community development financial institutions (CDFIs), community development funds, social impact bonds, and other explained below.

Social franchise.

“How to make social franchising happen in the UK... Policy makers and social investors alike now need to think how to implement some of the other recommendations, including developing a ‘pipeline’ of social franchises, and establishing a dedicated social franchise investment fund.” (Nick O’Donohoe, Chief Executive Big Society Capital in Richardson and Berelowitz, 2012:5)

European Social Franchising Network was founded in the UK in 2010 sponsored by the EU’s Equal Programme. It organised the first European Social Franchise Conference held in London in 2011 with the participation of social franchises. The International Centre for Social Franchising was founded in London in 2010 by Dan Berelowitz and Michael Norton; the latter is a known serial social entrepreneur who is co-founder of UnLtd that has been replicated in India and currently in South Africa (Richardson and Berelowitz, 2012). In 2007 the Social Franchise Summit took place in Berlin identifying as issues: lack of understanding, lack of experience, lack of role models, history of failure, and lack of investment, managerial expertise and other resources (Richie et al, 2011). As early as 1994 Michael Norton organised a Charity Franchising Conference with the Directory of Social Change influenced by the example of Crossroads Care and Home Start which were among the first social enterprises to ever grow through a franchise model (Berelowitz, 2012). According to the International Centre for Social Franchising in the UK there are reported 95 social franchises today, in Europe there are 45 (Richardson and Berelowitz, 2012). Based on a tighter definition of the European Social Franchising Network there are 63 franchise systems totally in Europe employing about 22,000 people and generating €600m (ESFN, 2011).

The CIC legal structure provides many benefits for social franchises as it allows for a director salary, so the owners of CIC can be members on the board be paid and retain the control; asset locks prevent the assets to be distributed to the shareholders or members; both physical and legal entities can be owners of a CIC; it can be financed by loans or bonds and by stakeholders taking shares, like The Hub Westminster is 50:50 between the Hub World and the City of Westminster; investors can receive returns but there is an interest cap and a dividend cap, latter 35%. So barriers to venture finance, also they have fewer fund raising opportunities from trusts than charities; they do not have the tax reliefs that apply to charities, like Gift Aid on donations and rate relief on premises. Companies Ltd by Guarantee LCG that have a charitable purpose can take a charitable status which offers them higher fund raising potential but limits there trading activities and loan financing. They cannot raise finance through shares but solution to this is long-term loan arrangements. Industrial and Provident Societies IPSs is appropriate for community cooperatives especially for raising share capital. Cooperatives are also another legal structure that do not have to be IPS
Limited Liability Company and Limited Liability Partnership are for profit formats that allow for limited liability of shareholders (Richardson and Berelowitz, 2012)

5.6.1.3. Greece

Based on the Greek government:

“(Social Cooperative Enterprises are) partnerships with a social purpose that are allowed by law to operate as businesses” (Law No 4019/2011, Greek Government).

5.6.2. Funding

All evidence from research highlights that the biggest constrained of social enterprise formation and growth is access to capital (Cabinet Office, 2013c). To meet the objective of building bigger and stronger societies there is a need for societies to support social entrepreneurs’ ventures in combining social return with financial sustainability. Therefore governments need to leverage this cost that social enterprises incur. On the other hand the fall in charitable revenues and the pressure of public services towards ‘value to the taxpayer’ leads to the necessary externalization of social enterprises from parenting bodies (Jeffery, 2005; Tracey and Jarvis, 2007). The role of governmental funding to the formation and growth of social enterprises through grants and vouchers is being significantly constrained due to serious cost-cuttings (Cabinet Office, 2011). Funding from trusts and foundations is also constrained as their own investment income falls; in 2009 in the UK it fell by 13.6% and their contribution to charities fell by 7% (Big Society Capital, 2012a). The solution is through the growth of the social investment market, through the channelling of private money to social ventures (Cabinet Office, 2013b; 2013c). Social enterprises are considered risky investments due to the failures of the voluntary sector (Cabinet Office, 2011); therefore there is a need for the existence of guarantee funds. This is the reason for the need of the creation of Social funds around the world to play this role.

“Big Society Capital could be a game changer if its resources could be used to encourage investors to back what is considered to be more risky ventures. Nobody wants to be the first person to put money in” (Faisel Rahman, founder of Fair Finance, a social enterprise providing microfinance loans to poor, in Neville and Moules, 2012)

Existing funding to social enterprises comes from state budgets through grants and vouchers, from donations, from social venture capitals, from asset finance, from peer to peer lending, from business angels, from mezzanine finance, from micro financing, from crowd funding platforms, and from social investment funds (Cohen, 2010). In 2009 The Rockefeller Foundation established the Global Impact Investing Network (GIIN) with commitment of $38.5m to raise the effectiveness worldwide of social investment. The micro-finance market in 2008 was estimated overall of $39bill value with over 76m borrowers (Cohen, 2010). Socially Responsible Investment (SRI) Funds have emerged globally, in Europe according to the study SRI 2010 of the European Sustainability
Forum (Eurosif) on 14 European countries in 2011 SRI were €6.7tril of these the size of social investment (in the study called impact investment) is €8.75b (Eurosif, 2012); of these 55% is microfinance, 19% social business entrepreneurs funds, 18% community investments, and 8% other alternative investments.

The SRI funds in Europe are 6% of all retail investments which are 31% of all invested assets; the composition of the SRI funds is 33% equity, 51% bonds, 9% alternative assets, like hedge funds and venture capitals which decreased from 12% over the increase of liquid monetary assets which are 7%. The UK is considered a global leader in the SRI market, its value was €1,235b in 2011 and a world centre for social investment (Eurosif, 2012). According to the UKSIF (Sustainable Investment and Finance Association) up to 2008 £754b have been invested in these funds in the UK (Cohen, 2010).

In 2011 Boston Consulting Group alone recorded to have invested £165m in social investments (Neville and Moules, 2012). JPMorgan made a global commitment to invest in the social investment market. Its research in 2010 drawing from data from the GIIN of the Rockefeller Foundation estimates that in the next decade the market could reach from $400m to 1 trillion with potential profits of $183m to $667m for just the five segments of affordable urban housing, rural access to clean water, maternal health, primary education, and microfinance (JPMorgan, 2010). According to the same study it was identified that in the US 99 impact/social investors had committed $8bil in 2012 in the market with the objective to commit $9bil in 2013, estimates revealed that in the next decade impact/social investments would constitute 5-10% of portfolios (JPMorgan, 2013).

“In 2007, J.P. Morgan launched its Social Finance business to provide capital, financial services, and research to the growing market for investments and businesses creating positive social impact. Since that time, we've seen the impact investment market gain significant momentum with the entry of greater numbers of mainstream investors. The development of uniquely skilled professionals and intermediaries, specialized industry associations and networks, and standardized metrics points to the emergence of impact investments as a burgeoning asset class in its own right” Nick O’Donohoe, Global Head of Research for J.P. Morgan in JPMorgan (2010:1)

"There is an increasing number of emerging business models where the pursuit of social or environmental impact is a mutually reinforcing goal alongside financial return. These are the types of business models that impact investors actively target" Amy Bell, head of principal investments for J.P. Morgan Social Finance in JPMorgan (2013:1)

According to the study social investors comprise: foundations, commercial banks, development finance institutions, private wealth managers, boutique investment funds, high net worth individuals, and pension fund managers. The invested sectors consist of: energy, health and education, accommodation, agriculture, water, education, and financial services. Among them the two thirds expect market rates of return, whereas one third believes they are concessionary, or that they are willing to sacrifice a slight rate of their financial return. A 60% considers that a trade-off among impact and financial returns is not required (JPMorgan, 2013). Social Investment Finance Intermediaries
(SIFIs) are the organisations that create the channel between social investors and frontline social enterprises and social ventures. SIFIs are mostly social enterprises themselves, they comprise of social banks, social investors and support providers. They have difficulty generating fee income from social enterprises and there operating gap is a median 35% which is covered by donations, grants and endowment income. SIFIs source of capital in the UK in 2011 was 63% from the government, 12% from trusts and foundations, 7% from wealthy individuals and 7% from commercial finance. Social banks balance sheet funding came 45% from individual investors. (Big Society Capital, 2012a).

5.6.2.1. EU

The European Commission has adopted a number of financial instruments like in 2013 the European Social Entrepreneurship Fund (EuSEF), earlier than that the European Social fund and the European Regional Development Fund and other tools to support the growth of social entrepreneurship and its eco-system (Europa, 2011; European Commission, 2012; Social Business Initiative, 2012).

The European Union’s financial contribution to social enterprises coming from the European Social Fund, was characterized as weak (Nyssens, 2006) what strengthened it was the EU regulation for public contracts which privileges social enterprises and allows the consideration of social dimensions in the procedures for the award of public contracts (Nyssens, 2006).

The European Commission announced on 7th December 2011 its proposal on the launch of a EU-wide fund “European Social Entrepreneurship Fund” (EuSEF) which is the brainchild of the Social Business Initiative.

5.6.2.2. UK

Social entrepreneurs in the UK in 2012 had limited awareness of the existence of alternative means of finance and even lower on how to find these sources: 57% were aware of venture capitalists but only 33% knew how to find them, 44% were aware of asset finance, round 30% of business angels, peer to peer lending, and 20% of mezzanine finance (Cabinet Office, 2013a). 45% of start-up and new frontline social enterprises cited lack of capital as their primary barrier to setting up and 44% of established front line social enterprises cited it as primary barrier to sustainability and growth; in 2011 the finance gap of the sector was £0.9bn-£1.7bn (Big Society capital, 2012a).

In 2000 the Social Investment Task Force was established to “to set out how entrepreneurial practices could be applied to obtain higher social and financial returns from social investment, to harness new talents and skills, to address economic regeneration and to unleash new sources of private and institutional investment” (Cohen, 2010, p.2). The works of the task force resulted in the following outcomes. The Charity Bank is established in 2001. The same year the Community Development Finance Association (CDFA) and the Community Investment Tax Relief (CITR) are established.
to provide support for the establishment of Community Development Finance Institutions (CDFIs), which are social enterprises offering support advice and finance to disadvantaged businesses, individuals, social ventures, and homeowners covering the gaps of market failures; the first 11 CDFIs are launched in 2003 certified by CITR, today there are 60 CDFIs (CDFA, 2013); in 2005 they are all transferred to the responsibility of the Regional Development Agencies. By 2009 CDFIs have invested £472m and the CITR has raised £58m. (Cohen, 2010)

“Hull Business Development Fund promotes and supports enterprise in every shape and form. One of the enterprises it helped with a loan was Atlas Leisure Homes, a Hull-based caravan manufacturer, which went on to create an additional 60 jobs as well as boost the local supply chain. The lending is made possible by a number of investors, including Unity Trust Bank” (CDFA, 2013)

“Big Issue Invest finances social enterprises that are helping to tackle poverty and inequality. It supported Highlands Home Carers, an employee-owned business which provides high quality care in remote areas where others aren’t willing to go, and enabled it to grow. Big Issue Invest successfully raised investment from corporates, individuals and foundations – including the Esmée Fairbairn Foundation” (CDFA, 2013)

“Scotcash works to address financial exclusion in Glasgow, by providing affordable loans, access to bank and savings accounts and debt advice. It works in partnership with a local housing association, NG Homes, to reach more people – such as Marie Nicol, who took, and repaid an affordable loan instead of using a payday lender” (CDFA, 2013)

“Wessex Resolutions improves the health and well-being of people by enabling them to carry out essential repairs to their home. It provides home improvement finance, in partnership with local authorities such as Teignbridge District Council. The finance enabled the Smethursts, a young couple in Devon, to install central heating and insulation, transforming how they live” (CDFA, 2013)

Another objective of the task force was the creation of Community Development Venture funds (CDVs) through the model of venture capitals, of long-term equity management (Cohen, 2010). In 2002 Bridges Ventures create the first CDV with £20m raised through venture capitalists, entrepreneurs, banks and local authorities pension funds and got £20m government matching; Bridges II of £75m is launched in 2007 with no government funding. In 2008 Bridges Social Entrepreneur Fund is launched providing equity capital to social entrepreneurs. Until 2013 the £20m of government spending has led to £300m private sector investment through Bridges Venture Funds whose portfolio consists of sustainable growth funds, sustainable property funds, social sector funds, social impact bonds, and social enterprises funds. (Bridges Ventures, 2013; Cohen, 2010)

Between 2001-2010 a number of CDVs and CDFIs are launched with government matched funding, like UnLtd with £100m from the Millenium fund; the Prince’s Trust; the Financial Inclusion Fund £120m from government; the Breakthrough social
investment programme by CAN and Permira; in 2007 the Department of Health launches the DH Social Enterprise Investment Fund of £100m; in 2008 Triodos Bank launches the Triodos Social Enterprise Fund; the Esme Fairbairn foundation Social Investment Fund of £15m (originally piloted with CAF Venturesome); Impetus; Private Equity Foundation; CAF Venturesome; Investing for Good; ClearlySo; Big Issue Invest; WHEB Ventures; Communitybuilders of £70m; Catalyst (with £5m cornerstone commitment from Barclays).

“Since it was established over 40 years ago by teacher John Mulcahy to provide holidays for disabled children, KIDS has become a leading provider of respite services and inclusive nurseries. The charity now helps thousands of disabled children and their families each year. In October 2007, KIDS received a £250,000 unsecured loan from CAF Venturesome to rescue it from a serious cash flow problem: the charity had run into financial difficulties because it had made operating losses over a number of years which had decimated its cash reserves. By October 2009, KIDS had transformed itself by eliminating loss-making contracts with local authorities; refinancing property assets; maintaining efficient management of costs; and exceeding fundraising targets. By January 2010, KIDS was making healthy surpluses, with an increase of income year on year of 18%, and was able to repay its entire CAF Venturesome loan three years early” (Cabinet Office, 2013c:22)

“We were told social enterprises need patient capital to grow, scale up and replicate. We felt investing in an intermediary would give us a specialist team of people who could support enterprises better than we could. It could also attract other funding spreading the risk with a group of investors. That led us to invest £750,000 in Big Issue Invest… We look to invest in social enterprises that embody the ethos of Big Issue – a hand up not a hand out. We liked the business model of HHC, the passion of staff and their commitment to delivering really good quality care. They are able to help people in very remote areas and so people are receiving home caring where no one else is willing to provide it” (Danyal Sattar Social investment Manager at Esmee Fairbairn Foundation in CDFA, 2013)

“Alt Valley Community Trust (AVCT) is based in an economically deprived area of north-east Liverpool and focuses on creating training and employment opportunities for local people. Working with two sister organisations, AVCT runs a community-based training facility, the Communiversity, which is housed in a former old people’s home and offers a broad curriculum, including subjects such as IT, construction, digital design and mechanics. AVCT received initial social investment in 2003 of £200,000 (£100,000 loan and £100,000 grant) to develop and expand the community site by building a recording studio, conference centre, café, crèche and study support rooms. In 2006, AVCT received an investment of £1 million to develop a vocational training centre for 14 to 19-year-olds. It has subsequently increased its training and learning contracts and turnover has grown from £0.7 million in 2003/04 to £1.8 million in 2009/10. AVCT has used this income to make loan repayments and to invest in providing additional services to the local community” (Cabinet Office, 2013c, p.23)
A third objective of the task force was the launch of social impact bonds which result in the decrease of money spent on crisis interventions by investing money on early intervention and preventative actions which also increase social cohesion and wider benefits to society. Specifically, a social impact bond identifies issues that create a considerable cost to the taxpayer, like re-offending, hospital admissions of elderly people, at-risk children admitted into care. The bond enters in a long-term contract with the government which agrees to pay money saved from the positive outcome of the social organizations activities funded by the bond. The bond raises investment from the private sector based on the contribution that will get from the government. The activities that are funded by the bond are long-term preventative actions from the funded social organizations addressing the roots of the cause of the social problems identified. The investment return is linked with the successful outcome of these actions thus increasing social innovation. The investment is directed to social organizations thus increasing the revenue of social sector organizations. In 2010 Social Finance ltd launched the first Social Impact Bond with the Department of Justice to target the decrease of re-offending. (Cohen, 2010)

“There is a growing social investment market which is prepared to blend financial return with social impact. However, it is embryonic and needs support… With added support from the largest UK banks, we are on the brink of realising the vision for the Big Society Bank. We believe that it will be an important catalyst for growing the amount of private capital available to support our social entrepreneurs… In the same way that finance flowing to business start-ups is the lifeblood of our economy, so it will be with social enterprises” (in 2011 Rt. Hon Franchis Mod Minister of the UK Cabinet in Cabinet Office, 2013c:5)

“Our vision calls for the creation of a new ‘asset class’ of social investment to connect social ventures with mainstream capital” (Cabinet Office, 2013c:17)

“This new class of investments cannot be ignored by institutional investors seeking to diversify their investment strategies and satisfy a broader range of investor demands. For a pool of capital with defined financial and impact objectives, there are interesting ways to test the market and gain experience as products in this asset class increasingly become available” Amy Bell, head of principal investments for J.P. Morgan Social Finance in JPMorgan (2013:1)

The task force’s further objective was the creation of a social investment bank, in 2008 Social Finance ltd establishes an embryonic social investment bank (Cohen, 2010) and in April 2012 the UK government launched the Big Society Capital (BSC, also known as big society bank) with £600m to invest on social enterprises ventures that prove their ability to generate income (Easton, 2012); £400m come from dormant accounts and £200m from Barclays, HSBC, Lloyds and RBS. This is the first such investment institution established in the world which invests via intermediaries in social enterprises, social impact bonds and other similar businesses (Neville and Moules, 2012). The Big Society Capital group consists of three organizations: The Big Society Capital ltd, the Big Society Trust ltd by guarantee, and the Big Society Foundation ltd by guarantee charity.
The Big Society Capital shares are 60% owned by the Big Society Trust whose sole objective is to safeguard the realization of the BSC’s mission it holds an 80% voting rights needs 75% consensus and, its board comprises of executives from social, business and government roles, and 40% owned by Barclays, HSBC, Lloyds Banking Group and the Royal Bank of Scotland; the collective voting rights of the latter are capped at 20% (Easton, 2012). The chairman of the fund is venture capitalist Sir Ronald Cohen former Chairman of the Social Investment task force. (Big Society Capital, 2012a)

“(Our vision is) A strong, diverse, well-capitalised and sustainable social investment market in the UK, through which social sector organisations can access appropriate and affordable finance and support to grow their impact on society” (Big Society Capital, 2012a:3)

It is independent from the government but has a ‘locked in’ mission, it is a wholesale bank, transparent, self-sufficient in the long-run from the yield on its investments though in the beginning it takes higher risk more patient investments of lower yield; it invests through providing loans, co-investing (to match-funding, first-in, last-in), underwriting (like with social bonds to be the first to buy in and hold before distributing it in the market) and guaranteeing (to secure investments if they underperform). BSC assumes the role of champion in the social investment market through a gateway portal, supporting creation of networks of social investment institutions, consultative role to boost governmental reforms to design social investment policies and models, commission and disseminate research, share expertise, promote embeddedness of social impact assessment, propagate best practices, encourage geographical growth of the social investment market in the UK and abroad. (Cabinet Office, 2013c; Big Society Capital, 2012a). Critics highlight that the size of the fund is much smaller than government budget-cuts, when the voluntary sector is losing £1.2bn per year and that charities with no revenue stream are excluded from this market (Easton, 2012)

BSCs customers are the SIFIs (social investment finance intermediaries). The beneficiaries of the activities of the BSC through the SIFIs and front line social enterprises are: children and families, community regeneration, disability, education, employment, financial exclusion, health and social care, housing and shelter, infrastructure, mental health, young people and children. When the social ventures that receive investment prove an impact on resolving social needs then the government will pay the fund some of the money it would spend on tackling these issues; e.g. when a social enterprise that deals with unemployed released prisoners delivers its goal by improving their lives and finding them jobs, then the government saves money by reduced benefits, decrease in offenders returning to jail, community gains by the social inclusion of this groups and by less criminal actions. In that case the government will give back some of this money to the fund (Easton, 2012). Types of investment products include: ‘angel’ financing for start-ups; venture and equity-like financing for growth; from semi-equity to full-equity investments; property investment; loans; grants; patient capital; structured investment products; retail banking for large-scale working; and investment capital finance (Cabinet Office, 2013c; Cohen, 2010). Crowd funding (also called crowd financing or crowd source capital) it is based on the collective collaboration
of people to support a venture through the internet, this provides the venture with a support group for its development and reduces the risk of invested fund; is the most unsecured type of financing (Richardson and Berelowitz, 2012).

It is expected that the Big Society strategy will encourage the reform of the financial management of the £95bn assets of charities and foundations, which up to now have been conservatively managed, by channeling them towards social enterprises (Nick Hurd, Minister of Civil Society in Neville and Moules, 2012). Another important investor could be individual citizens’ investment on social enterprises, e.g. by acquiring shares from their local pub, shop or post office (Cabinet Office, 2013c)

“Our vision could eventually see individuals and families choose some social investments as part of their ISAs (Individual Saving Accounts) or pension fund” (Cabinet Office, 2013c, p.7)

Reforms for the funding of social enterprises and the growth of the social investment market include:

- tax incentives to social investment: CITR (Community Interest Tax Relief) provides yearly 5% tax offset over 5 years for money going to CDFIs; Enterprise Investment Scheme for social enterprises that issue shares set 20% cost of shares against individual income liability; Venture Capital Trust to set 30% of the cost of shares against individual income liability and relieving the income tax burden on dividend liability; Decrease of small profits tax rate (up to £300,000) to 20% (marginal relief upper limit £1.5m), main corporate tax to 23% in 2013 reaching 20% in 2015, and unit trusts and special open-ended investment companies 20%; Decreasing national Insurance contributions the threshold at which employers begin to pay NI rises from £110 to £137; Doubling the amount of tax rate relief for small firms for one year
- regulation and legal framework for social investment, White Paper on open public services; the Local Growth white Paper in 2010 encourages social enterprises to seek funding from the Regional Growth Fund of £1.4bil to enter in markets that are dependent on the public sector; commitment that 25% of new government contracts will go to SMEs; Localism Bill includes ‘Community Right to Buy’ to bid for acquisition of community assets, ‘Community Right to Challenge’ to show interest for a public service that will lead to the design of a procurement; ‘Rights to Provide’ so that public service employees can spin out public services and create their own social/mainstream enterprises through innovative ownership and investment models such as joint ventures and partnerships that the Government is encouraging; the Mutual Support Programme of £10m to support mutuals attracting social investment; Merlin programme by Department for Work and


Pensions is a new supply chain management tool to encourage prime contractors investing in capacity building of their sub-contractors who are often social ventures; expand Payment by Results (like in social bonds) in other public services thus providing early working capital to providers; exploit social investment in various areas through Early Intervention approach (pilot run Graham Allen MP on breaking inner-generational underachievement through scaling up programmes on babies, children and the young); rules on financial promotion for investment to be approved by Financial Services Authority

- Legal structure for social enterprises: The Community Interest Companies introduced in 2005 there are now 4,500 CICs,
- Expansion of the community shares market to attract equity investment for local projects within the communities
- introduction of a Community Reinvestment Act to enhance the flow of capital to disadvantaged groups and areas though the disclosure of information on lending by banks and other financial institutions, like the US practice; the act will enhance transparency, social fairness and partnerships
- reform regulation on charity investments to seek a combination of financial and social returns
- increase application of social returns measurements and investment readiness of social enterprises through business support
- the support for the creation of a trade association for venture intermediaries
- the establishment of a ‘Social finance city’ the clustering of all these intermediaries could create a social investment hub
- the support for the creation of Community Development Financial Institution (CDFIs), Community Development Venture funds (CDVs), Social Impact Bonds, Community Banks, Community Loan funds, and Micro-loan funds; Partnerships between local authorities and local business owners through introduction of LEPs;
- support of Social Investment Finance Intermediaries (SIFIs) who are funded by the BSC
- the establishment of the Big Society Capital to leverage social investment, to provide access to social investment for social entrepreneurs, and to facilitate the entry of financial intermediaries, wealth and pension managers, charities and philanthropic foundations, high street banks, and ‘high net worth’ individuals to the social investment market
- ‘Merlin’ banks agreement with the government to improve their positive contribution to society and economic recovery established in 2011. The Merlin banks are Barclays, HSBC, Lloyds Banking Group and RBS they are investing permanent equity in the Big Society Capital
- individual citizens to acquire shares on social enterprises, like their community’s shops
- the creation of a social investment trading platform; a social stock exchange market (Cabinet Office, 2013a; 2013b;2013c; Cohen, 2010)

As previously said in 2011 the finance gap of the sector was £0.9bn-£1.7bn; SIFIs provided £0.2bn to the sector so they can partially offset this gap (Big Society Capital, 2012a)
The major challenges that the social investment market faces are:

a. major challenges of Social Investment Financial Intermediaries are: capitalization and balance sheet growth, risk and working capital, sustainability and operational growth, market mechanisms and infrastructure, advice skills and information

b. lack of viable products/options

c. lack of investment readiness of social enterprises

d. fragmented deal flow as investments are mostly targeted towards scaling up rather than start-up and early growth

e. lack of standardised deal types, they take 9-18 months from first contact as opposed to 3-6months for mainstream SMEs

f. high transaction costs, estimated to be £5000 which is relatively high and is the same regardless of investment value (Battilana and Dorado, 2010) as the investment value is usually low

g. the size of the funds is small raising performance concerns and they lack a developed track record of performance

“More data exists on investments in renewable energy, micro-finance, and support for small and medium enterprises in frontier countries... Impact investors and business owners are continuing to identify new models of intervention that can generate return and positive impact and deepen the track record with time... Theory of Change is a methodology for planning and evaluating social intervention” Amy Bell, head of principal investments for J.P. Morgan Social Finance in JPMorgan (2013:1)

h. there is still ambiguity over terminology and market definition

i. there is a lack of generally accepted measurements of social returns and performance benchmarks of social enterprises

“The impact mandate, or "theory of change" as it is sometimes called, is a key concept in establishing benchmarks, as it helps establish specific objectives and targets for the desired impact. A framework to evaluate investments against objectives may include, among other factors: how an investor defines its targeted population or issue, the approach or intervention model for improvement, and evidence of ongoing commitment to achieving the impact mandate” Amy Bell, head of principal investments for J.P. Morgan Social Finance in JPMorgan (2013:1)

j. externalities as value is accumulated in third parties rather than the investor or investee

k. the market requires a clear structure and existence of diversity of organizations like in the case of the mainstream financial market; there is a need for qualified advisory/corporate finance functions, specialize investment banking, and secondary markets

“With a lack of indices and exchanges and few intermediaries in the impact investment market, large investors are turning to banking partners or boutique advisors
for help in navigating this space” Amy Bell, head of principal investments for J.P. Morgan Social Finance in JPMorgan (2013:1)

1. Mistrust and concern about green washing
2. Risk concerns; cultural and behavioural barriers, like towards risk perceptions and risk aversion to social investments
3. Imperfect information,
4. Imperfect competition, barriers to entry and exit
   (Cohen, 2010; Cabinet Office, 2013c; Eurosif, 2012; JPMorgan, 2013)

Social franchising Funding: The first schemes that received funding from the Big Society Capital of £3.6m were: ‘Think forward social impact’ that helps young people into work and education; ‘Franchising Works’ that supports unemployed people on how to run franchise businesses; and the ‘Community Generation Fund’ which supports renewable energy plants for local communities (Easton, 2012). The BSC commissioned a research on social franchising sector, part of its objectives is to fund the replication of successful social ventures and to support the creation of platforms for social franchise formation and the creation of a social franchising fund that would fund the scaling-up (Richardson and Berelowitz, 2012). According to the report funding should be directed towards the centers that have run the programmes on social franchise creation introducing here an element of bias and excluding consulting firms with vast expertise on franchising; also that need right balance of grants, patient capital and loan finance based on the high social costs of the venture. Break even could vary from 2-5 years or more and capital start-up from nothing to £1.5m; grant funding is preferred than loans. (Higgins et al, 2008; Richardson and Berelowitz, 2012).

The Social Franchise Investment Fund could leverage default and risk if funding 5 different options:
1) 25% of existing social franchisors need capital to expand capacity. Big Issue Invest invested £200,000 on MyTime CIC and CASA seeks £500,000
2) Fund recruitment of new franchisees, so fund franchisees, set up cost for a new social franchisee from £5,000 to £1.5m. Start up cost according to EASN 11 Social franchises was £103,000
3) Fund the first franchisee, which is the highest risk investment. But high social return investment. Recommend a feasibility study on 10-50 social enterprises that could become franchises, 20% would develop fully, ‘pipeline’ of franchisable social enterprise needs long terms. The cost is average £134,000 to make them franchise ready but this varies BlueSky 10,000 CASA 500,000. For mainstream businesses 30-50,000 excluding costs running the pilot.
4) Invest in charities running a mainstream franchise for earned income strategy (income generation model) and joint branding high sales, low property of charities high values for franchising, as long as it doesn’t conflict with its social aims
5) Investing in mainstream franchisees running social aims; socialized version of commercial franchises. Possibility of 10% running a socialized version. But this could raise costs to 21.3% when employing disadvantaged groups like homeless people based on a study on social enterprises if running on purely commercial basis the variation
though was 10% increase by 40% of respondents and 70% increase for 14% of respondents (Higgins et al, 2008; Richardson and Berelowitz, 2012).

Need to create a Social Franchise Investment Intermediary consisting of a specialized social franchise support body (that would also account for management consultancy on the field) and a specialized social investment support fund. These two need to be separate for avoiding potential conflict of interest but working closely to avoid as possible the default rates of funds. Develop a challenge to raise awareness and a pipeline of scalable sustainable social enterprises (Richardson and Berelowitz, 2012; Richie et al, 2011)

5.6.2.3. Greece

5.6.3. Business Support Centres

Evidence shows that the social enterprises that seek advice from business support centers do better than those that don’t (Cabinet Office, 2011; 2006). Business Support Programmes contribute to an increase to the social enterprise model and to a positive change to the environment of business support services offered to social entrepreneurs (Cabinet Office, 2011). There is a great need for pre start-up and start-up support.

5.6.3.1. EU

Bergek and Norrman (2008) define a business incubator as a ‘protected space’ for start ups and fledgling companies made up of four main components: (1) shared office space, which is rented under more or less favourable conditions to the users of the incubator; (2) a pool of shared support services to reduce overhead costs; (3) professional business support or advice (‘coaching’) and (4) network provision, internal and/or external. The concepts of ‘protected space’ and ‘shared office space’ can also be extended to a ‘virtual space’, considering the progress in new technologies and the opportunity to have a virtual office space. So business incubators provide tenant companies with several facilities, allowing the start-up to concentrate on its business plan. From the side of the university there is usually a Technology Transfer Office or Knowledge Transfer Office that oversees the cooperation between the university and the business incubators In spite of the diffusion of business incubators in Europe, it is still unclear whether the business incubator model has been successful in fostering the establishment and growth of research-based spin-offs. Some authors are very critical about the effectiveness of business incubators. Tamasy (2007)64 for example claims that technology-oriented business incubators tend to fail in supporting entrepreneurship, innovation, and regional development and, therefore, do not fulfill their expected role as policy instrument. The evaluation results she reports upon show that incubators can be a costly policy instrument. First, they have a low motivating effect and it seems likely that business incubators have only provided minor stimulus for individuals starting a business. Second, the empirical results suggest that business incubators do not increase the likelihood of firm survival, innovativeness, and growth. Third, the costs of incubators seem to be
positively correlated with the level of funding without a hard budget constraint. Finally, the business incubator idea in practice is actually a very modest contributor to regional economic development. She concludes that these findings do not legitimise the use of public funds to support the incubation industry. Italy suggest a more positive view of science parks and business incubators. Italian parks managed to attract entrepreneurs with better human capital, as measured by educational attainments and prior working experience. In addition, on-incubator firms show higher growth rates than their off-incubator counterparts. (Europa, 2012a). Their performance relies on their type and objectives.

5.6.3.2. UK

In 2010 in the UK 54% of social enterprises asked for business support and 16% used a business mentor, which dropped to 50% and 9% respectively in 2012. The survey indicated that social entrepreneurs were more likely not to know where to seek for financial advice and were more than average likely to ask colleagues for business advice. On the other hand they would less than likely ask advice from accountants and financial experts and would turn to a bank, though in lower rates than conventional entrepreneurs (Cabinet Office, 2013a). Many social enterprises have particular weaknesses in “business planning and marketing and sales skills” (Cabinet Office, 2011).

Weaknesses of the business support environment for social enterprises
The weaknesses that have been identified for the development of social enterprises in terms of business support are: difficulties for social enterprises accessing publicly/private funded business support; inability or unwillingness to pay for business support services; a lack of understanding and expertise in supporting social enterprises amongst publicly-funded and mainstream business support staff; the inability of social enterprises to purchase high quality business support; need to increase trust among social entrepreneurs and publicly-funded business support; and a lack of advisor and organisational capacity/standards among the social enterprise support agencies (Cabinet Office, 2011; 2013c). Also there is a need for more available research and analysis on the market; a web-based portal (could be the task of the Big Society Capital); development of better measures of social returns

The environment for business support to social enterprises is provided in the UK through:

a. Mainstream business support centres and services that were traditionally offered through the Business Link
b. Local business support not-for-profit local enterprise agencies delivering services funded by public and private sector companies
c. Mainstream professional services (lawyers, accountants, etc)
d. Public and private pro bono corporate support through various programmes
e. Support bodies specifically for social enterprises: consulting agencies, like Eastside Consulting; trading platforms like Social Enterprise Mark Company; training centres, like Social Enterprise Training and Support; hubs, like ‘Enterprise Burn’ of Bromley by Bow
f. Financial advisory and support intermediaries

Programmes run for business support provision that include social enterprises to address the issue that social entrepreneurs are facing are:

a. **On social franchising** the programmes that have run with co-funding from the European Social Fund EQUAL programme have been:
   1. The Banstalk programme delivered through CAN (Community Action Network) which helped the set up of five franchise systems: Law for All, Big Issue, Timebank, CAN Mezzanine, TACT (living services for handicap people)
   2. The Flagship programme delivered through Social Firms UK they supported the creation of 11 social franchises, 2 have failed. Supported the set up of six social franchises: Aquamaeas (rental and maintenance of aquariums), Soap-Co (handmade soaps), Wholefood Planet, Pack-IT, Cafe Ciao, Wood recycling
   3. The Plunkett Foundation which is the leading foundation on agriculture also supported the development of five social franchise models: Farmers’ Market Operation, Wood for Heat and Power, Charcoal Products, Local Food for Food Service, Local Fruit and Vegetables
   4. Inspire run between 2005-2008 was co-funded by the ESF’s EQUAL programme it supported the creation of three social franchises: Care and Share Associates- CASA, Community Renewable Energy, Option C car club now renamed Commonwheels. It also supported the creation of the ESFN
   5. In 1994 the Directory of Social Change organised a Charity Franchising conference
   6. UnLtd and Social Enterprise UK have published reports and manuals on social franchising
   7. Now the centres offering support for social franchise creation are: international centre for social franchising ICSF, European social franchise network ESFN, social enterprise coalition SEUK, Ashoka UK, CAN, Centre for Innovation in Voluntary Action CIVA, and Plunkett foundation (Higgins et al, 2008; Richardson and Berelowitz, 2012)

b. Mainstream business support centres and services are offered though the new initiatives of Business in You joined with Great Business, GrowthAccelerator, Mentrorme (which is targeting 40,000 mentors referenced through its web portal), Business Link Helpline, the Manufacturing Advisory Service, and the Growth Voucher Programme all providers are referenced through the GOV.UK website.

c. Within ‘Inspiring the future Initiative’ enterprise champions being young entrepreneurs going to schools and talking about their example; ‘Enterprise Village’ support teachers to set-up a school business; ‘Premier League Enterprise Academy’ enabling football clubs to enhance entrepreneurship in young people; ‘Tenner’ provides school children £10 to fund a business idea and earn money; support of student-led enterprise societies in all universities and colleges; Start-up loans to aged 18-30; Social entrepreneurs have also access to all available funding that is available for mainstream businesses.
d. New Enterprise Allowance for unemployed people to start-up their businesses provides access to mentoring and £2000

e. Establishment of 24 Enterprise Zones administered by Local Enterprise Partnerships (LEPs) establishing a business there provides: financial benefits up to 100% business tax rate relief up to £275,000 over 5 years, capital allowance for investment in plant and machinery, lease payment holidays, low-rent incubators, development funding; on site customer base there are clusters formed and some are focusing in specific sectors; straight-forward planning process like automatic planning permission; business ready infrastructure; ‘soft-landing packages of low cost business support;

f. The National Endowment for Science, Technology and the Arts (NESTA) Social Venture Intermediary Fund, provide grants to a portfolio of intermediaries to support them to become sustainable and scalable businesses

g. Every Business Commits launched in 2010 is named ‘Trading for Good’ helps SMEs businesses go beyond social responsibility to obtain a robust community and pro social entrepreneurship agenda specifically goals of actions are: improve skills and create jobs; decrease carbon and protect the environment; to help the community; improve quality of life and wellbeing of employees; and support SMEs to grow

h. the Social Enterprise Business Support Improvement Programme run in 2011 by the Office for Civil Society which distributed £5.9mil equally to all English regions through Regional Development Offices, Regional Social Enterprise Networks (RSEN) and Business Link regional providers; The programmes outcomes were: to Identify needs through research and mapping; to Improve supply; to Stimulate demand; the National Evaluation of the programme. (Cabinet Office, 2011)

i. The Capacitybuilders Social Enterprise Programme of £6mil from 2008-2011 (source Rocket Science, 2011). The programme targeted the infrastructure of the business support providers for frontline social enterprises through the funding of 35 projects delivered by the 9 Regional Social Enterprise Networks, the Social Enterprise UK and 26 support organizations, among which was the social franchise School for Social Entrepreneurs. The programme targeted two outcomes: Organizational effectiveness (72% of funding) “Support services are better able to provide social enterprises and entrepreneurs with the resources, knowledge and support they need to increase their effectiveness in delivering a triple bottom line (people, planet, profit)” and Voice and Influence (28% of funding) “Support services are able to enhance market opportunities for social enterprise and influence the development and delivery of policies and programmes.” The programmes that were funded were:

1. a knowledge management programme at a national level through SEUK to encourage and facilitate knowledge exchange for the social enterprise support sector, through the creation of SEKE (Social Enterprise Knowledge Exchange) which was a network of the RSEN

2. development of regional networks through the funding of the nine RSEN to identify needs in their region, select and fund a project, assist the entire programme in its implementation, participate in the SEKE, invest on their sustainability
3. 35 specific projects in each region around an identified issue in the provision of business support services to social enterprises, such as mentors, networks, specialist advisors, producing and promoting learning resource, producing service directories, facilitating events. The project that the social franchise School for Social Entrepreneurs got funding to run was ‘Social Enterprise Peer Support’. The project ‘Selling Added Value Franchise’ was run by Social Enterprise Support Centre in Yorkshire for £105,000. More than the majority of the projects were themed around formation of networks.

Specific Actions that are applied to resolve social enterprises and support service providers’ challenges are:

a. **Identify Needs**

The identification of needs in the social enterprise sector is achieved through two actions: research on the issues identified by stakeholders and mapping of the social economy ecosystem

b. **Improve Supply:**

   a. Improve capacity and provision of advisor support.
   Social enterprise support can be delivered through mainstream business support centres as long as there is sufficient specialism in technical aspects of social enterprises, ability to demonstrate empathy with social and environmental aims, ability to communicate in an easily understood language, ability to inspire, motivate and enthuse, participation of social enterprise champions/ambassadors and specialists of the relevant sector. Problems with business support have been documented as being: lack of empathy, lack of follow-up, lack of understanding the business model. Activities included; training for business support staff; social enterprise visits; employment of specialist business advisors to act as social enterprise champions; accreditation for specialist providers

   “Xxxx is really good as he has personal experience of running a social enterprise, so he really knows what it is like” Social Enterprise, East of England (Cabinet Office, 2011, p.27)

   “I am much more inclined to spend the remaining training budget on developing an internal team of social enterprise advisers, which could operate as a team within the company or, if things change, operate as independent specialists” Business Link Representative (Cabinet Office, 2011,p. 28)

Improve market opportunities or demonstration of value through: improve understanding of successful public sector contract winning, improve understanding/research of market opportunities (like, social enterprise business model or growing market such a health commissioning or prison management), improve awareness among public sector procurers/commissioners of the value of social enterprises, improve awareness/understanding of social value assessment tools and impact measurements to improve their ability to demonstrate value, improve ability for consortia formation,
improve regional distribution or access to market opportunities

b. Increase quality

Activities include: provision of learning opportunities for advisors, increase the number of trained advisors, improve regional distribution or access to support, improve mechanisms for referrals to advisors. Choosing the right supplier; there is an Information, Diagnostic and Brokerage (IDB) service which refers customers to business support providers based on the needs identified. Important tool is also the Customer Satisfaction Survey rating of the Business Link. The existence of compulsory accreditation of business support suppliers is difficult, but a feedback mechanism like customer rating database to increase quality and standards. UK provided bursaries to suppliers to obtain accreditation through Small Firm Enterprise Initiative and Institute of Leadership and Management.

c. Direct funding to social enterprise networks and business support centres

The funding from Capacitybuilders was used for were sector network development, resource development, and production of marketing and promotional material. The networks used this funding to: expand their capacity, invest in their activities, improve their business model, and target financial sustainability knowing that from 2011 there would be serious cost cuts on intermediaries. The programme increased organisations’ “visibility” and, more importantly, their “credibility”. Half of the support organizations documented that they would continue 40-30% of the funded activity after the funding has ended. There were also synergies created among support organizations which will add value by reducing duplication, encouraging complementary work, and facilitate collaboration and cross-promotion. They documented that they improved their fund raising skills on creating projects and winning EU funding thus developing sustainable income sources.

“We have been able to use the Capacitybuilders money to really support our sustainability going forward” (Rocket science, 2011, p.26)

“SEEE has been using its development money for visits with their members. These visits are conversations between SEEE and SEEE members and can be beneficial to SEEE by building up the Regional Network’s knowledge of its member organisations and putting together a clearer picture of the region so they are better able to target new work” (Rocket science, 2011:26)

“SEL have been trying to increase their membership base. Since 2008 they have moved from 1000 members to approximately 2300 members. This allows SEL to engage with more social enterprise, offer more social enterprises their services and better understand the movement in London. SEL have also improved and expanded their support offer through developing and trying out new services” (Rocket science, 2011:26)
“[BRAP’s capacity] It definitely is [increased]: it has increased skills internally – not least because some staff within BRAP have undertaken the training to be mentoring themselves…. Our reach across the West Midlands – much more reach into rural areas - has been improved. 80% of people that benefited from this project were outside our existing networks.” (Rocket science, 2011, p.28)

“The DTA is used to working with quite large, multipurpose organisations through this programme we have been able to work closely with smaller rural community organisations.” (Rocket science, 2011, p.28)

“It has really helped us reach out to a large number of organisation who we didn’t know about and who would not have known about us” (Rocket science, 2011, p.28)

“It has given us peer support [between regions]: ‘how are people dealing with their job’ (Rocket science, 2011, p.30)

“We were able to cross fertilise examples of good practice to support weaker social enterprise links or relationships”. (Rocket science, 2011, p.30)

d. Stimulate demand through funding

Grant and voucher schemes should be targeted to high growth social enterprises to make transformational changes that will have all economic, social and environmental impacts. Start-ups should get a loan thus overcoming access to finance and at the same time encouraging their commercialisation. Until 2011 they were given vouchers and grants of £1000 to £4000 for business support: legal, business plans, marketing and website creation; on a ‘claim back’ approach and they were very popular. It is highlighted that there should be a distinction between grants that are targeted for consulting services, which develop business skills and grants that are targeted for support services and tangible products like website creation, marketing leaflets, etc. Evidence suggests that grants and vouchers has a significant value for social entrepreneurs, it helps them face challenges and develop their businesses. Evidence also suggests that social enterprises need funding to compensate for their social and environmental contributions and to overcome market failures; bearing in mind the risk of creating a grant dependency culture. It should be viewed as investment and be linked with transformational change of social enterprises.

“The consultants did a good job, but £1,500 doesn’t really buy a lot of consultancy time, so they just had to “parachute in” and do what they could in the time that they had” Social Enterprise, East (Cabinet Office, 2011, p.38)

c. Ongoing adult learning schemes.

To improve learning activities that were adopted include: increase volume or access to learning resources (incl. databases, online information, information packs, examples of best practices), increase sharing of information and understanding (knowledge
management) among social enterprises, support provides, and third sector organizations, improve regional distribution and access, increase training.

There is an increase in demand for prestart-up and start-up support provided locally (Rocket Science, 2011) apart for complex social enterprise business models. Workshops have much lower success than master classes. “One-off training events have only limited impact” (Cabinet Office, 2011, p.28) In rural areas difficult to attract attendees; success heavily reliant on facilitator, success rises if they have personal experience in managing social enterprises-what is called ‘Experts by Experience’ when on social enterprises premises, where workbooks available, and when they move from generic to specialist knowledge. It is also recommended to add a fee so that to increase their perceived value.

“This is very different from the “sheep dip” approach, which did not really work. There are more people who are engaged with social enterprise “behind the scenes”, but having a limited number of champions helps to maintain their quality” Social Enterprise Network Representative (Cabinet Office, 2011, p.28)

“The „First Steps” workshops that were organised by Social Enterprise East Midlands (SEEM) were aimed at helping people to understand the social enterprise business model, find out about governance and legal structures and developing a business plan. The workshops introduced the support that was available via mainstream Business Link services and included a “guest speaker” from an established social enterprise. These workshops proved popular within the region and resulted in a waiting list of people wishing to attend them. First Steps In Social Enterprise in the East Midlands (Cabinet Office, 2011, p.40)

Masterclasses are considered much more successful, they are more specialists, building ongoing relationship and mutual support of social entrepreneurs. Masterclasses should be structured around a workshops programme that leads to action learning sets and deals with specific issues, especially on impact measurements, asset management, procurement assistance and financial diversification. There is a strong need for business support on training social entrepreneurs to develop social and environmental impact measurements. Social entrepreneurs need impact measurements and investment readiness protocols to be able to attract money from the social investment market, from the Big Society Bank, to be able to win public bids, and to get pro bono support from public and private sector. They should be delivered by social enterprise champions on social enterprise premises and be based on a peer to peer learning approach.

“A programme of masterclasses was developed in the North West region, following a consultation exercise with the sector on its specific support needs. The masterclasses covered topics, such as Strategic Business Planning, Human Capital Management, Workplace Learning, Impact Measurement and Skills Auditing. By the end of 2009/10, 40 masterclasses had been held with 280 participants. All participants are provided with learning materials and the option to join an Action Learning Set after the workshop so that they can continue their learning and maintain contacts that they made during the masterclass” Masterclasses in the North West (Cabinet Office, 2011, p.40)
“The Brampton and Beyond Development Trust is an umbrella organisation for Sustainable Brampton and its action groups. It wants its action groups to become sustainable businesses. Tim Coombe, Director at the Development Trust, attended a Masterclass on Strategic Planning. This involved being taken through an approach called “appreciative inquiry”, which takes a positive approach to business planning. Since attending the Masterclass, the organisation has changed its approach to business planning and this has resulted in initiating a series of projects that have begun to bring in new revenue” Case Study: Strategic Planning Masterclass for Brampton and Beyond (Cabinet Office, 2011, p.41)

“Attending the marketing masterclass had a big impact on our organisation. It was very relevant to our needs and pitched at the right level. It changed the focus of marketing our enterprise” Social Enterprise, North West (Cabinet Office, 2011, p.41)

“I attended two masterclasses, one on Strategic Business Planning and another on Training Needs Analysis. Both were excellent. They enabled me to bring a lot of new ideas back into the organisation and to network with a lot of people with different issues and concerns” Social Enterprise, North West (Cabinet Office, 2011, p.41)

Evidence suggests that masterclasses: improve business planning; they help social entrepreneurs to incorporate new practices to face challenges; they are inspiring and motivational; they lead to the formation of inter-organizational relationships among social enterprises; and they are much more effective than one off interventions

d. Mentoring

Both peer to peer networks and mentoring are highly valued by social entrepreneurs. Social network of mentors includes existing social entrepreneurs, the mentoring relationship has to be established and monitored. The way it structured is that an experienced social entrepreneur is matched with a start-up for a specific period of time for which they will receive a fee. Personalised mentoring support is costly so should be co-sponsored by private funds and self-funding.

“Mentors are paid £2,000 to provide six half days of mentoring time to the mentee, in addition to an initial introductory session. In many cases the relationship between the mentor and the mentee has continued after the end of the six-month period. There is significant value attached to having an “external sounding board” that helps to improve motivation and self-confidence amongst mentees.” Mentoring in Yorkshire and Humberside. (Cabinet Office, 2011, p.35)

“Don Derrett, the Chief Executive of Self Direct Ltd took part in the mentoring scheme in Yorkshire and Humberside because he wanted to “scale up” his social enterprise. He had a number of mentoring sessions with an experienced social entrepreneur that gave him the opportunity to “reflect with someone else”. Since taking part in the mentoring scheme, Self Direct has taken on two new employees and practically doubled its turnover” (Cabinet Office, 2011)
The method of peer to peer learning has been identified as one of the most favourite methods of social entrepreneurs. Peer to peer networks provide opportunities to get acquainted with, be taught by and collaborate with other social entrepreneurs that speak the same language and face similar problems. Usually these networks offer the context for the development of long-term relationships. Networks need to have continuous investment, to be dynamic, actively managed, sufficiently open not to isolate members. When social enterprise networks are valued by their members then they become self-sufficient and self-funded (Cabinet Office, 2011). To improve peer support and networking opportunities activities that were adopted are: improving formal and informal networking, improve number of trained peer mentors, improve training of peer mentors, improve regional distribution and access to peer mentors, improve mechanisms for referrals to peer support mentors.

“The London Development Agency (LDA) provided funds were used to increase the membership of the Social Enterprise London (SEL) network to 2,000 and OCS funds were used to broaden the range of support activities that were provided to members. Members include both social enterprises and other interested organisations and the network provides members with a fortnightly newsletter and access to a range of events and activities. There are different levels of membership that entitle members that enable members to access the range of services that they need, including one-to-one advice and support, advertising space in the Social Enterprise Directory and access to SEL’s legal service, professional training and mentoring partnership. The more challenging economic climate has meant that members are increasingly expected to make a contribution towards SEL activities, which enables them to take a more business-focused approach to engagement” Peer to Peer Networks in London (Cabinet Office, 2011, p. 36)

e. On-line specialist business support material

This is useful but is insufficient on its own even by active users; there is need for personal face to face contact.

“At best, on-line resources enable social entrepreneurs to access support at a time that suits them. There may be significant advantages of using virtual approaches to overcome challenges faced in attracting people to workshops, which mean they spend valuable time away from their enterprises. This could include developing discussion forums, posting workshops on Youtube; developing interactive diagnostic tools; making better use of social media to improve networking opportunities and providing some form of personalised on-line content” (Cabinet Office, 2011, p.53)

“A considerable amount of OCS funding was used by London to develop on-line materials in 2009/10. The aim was to create a legacy from the programme that could be used once the funding had finished. The toolkit includes more than 50 practical social enterprise guides and an interactive business planning tool. It has been developed by a wide range of partners, including Red Ochre, UnLtd, Social Enterprise London, London Rebuilding Society; the School for Social Entrepreneurs; the London Development
Agency and Business Link in London. It was launched in Spring 2010 and its impact on social enterprises in the capital will be evaluated in 2010/11” Developing On-Line Materials in London (Cabinet Office, 2011, p.42)

“Jeyanthi Kalairajah has plans to set up a fashion design social enterprise that involves trading with India. She accessed the Business Link in London business planning tool to help her to clarify her business objectives. Working through the interactive tool made her think more clearly about why she wanted to set up her social enterprise, Anjali, and gave her the confidence to speak to people about her plans more confidently. Jeyanthi particularly liked the fact that she was able to go back to the tool to review her progress at a time that suited her. She now has a clear business plan that sets out the steps that she intends to take to set up her enterprise” Case Study: Using an On-line Business Planning Tool (Cabinet Office, 2011, p.42)

Evidence suggests that online tools are not so successful and people do not participate on social media sources, they follow them but they do not interact or actively engage though them:

“We have a Face book page and a Twitter site. Although we have plenty of members/followers, they don’t really tend to be used. People seem to like to read what has been written, but are less keen to contribute, so they don’t really work that well” Social Enterprise Network Representative (Cabinet Office, 2011, p.42)

**Important parameters of programmes:**

a. **Regionality**

Regional approach of programmes rather than national one has greater value to social enterprises and support organizations as it helps them respond to specific regional needs and strengthen inter-regional activity

“[Co-ordination] could not have been done nationally…it is the nature of the beast” (Rocket science, 2011, p.34)

“This has allowed better regionally relevant advice.” (Rocket science, 2011, p.34)

“There is a closeness between all the contracted bodies in the region” (Rocket science, 2011, p.34)

b. **Flexibility**

Programmes that are outcome-based and not output-based provide the flexibility to move resources to different objectives as circumstances change and thus increase the effectiveness of the funding

“SEEE identified in the last 12 months that “right now what we need to do is influence LEPs and that is what social enterprises need”. After confirming they were able to
transfer some resources to this they have been able to provide a much needed service” (Rocket science, 2011, p.35)

“RISE has found that the flexibility has allowed much more in the way of innovation and collaboration not least because the various delivery partners are “much less precious about which outputs ‘belong’ to them” (Rocket Science, 2011, p.35)

Flexibility of funding was a great strength of the programme which allowed for the incorporation of EU funding from the European Regional Development Fund, of other OCS funding, of funding for mainstream businesses and funding of regional providers from their Single Programme funding. (Cabinet Office, 2011)

c. Power Distribution: Accountability and Coordination

The coordination role and accountability when being at the national level created imbalances especially to experienced regional partners.

“At the end of the day we are very small players in Capacitybuilders’ world – only £6m. In this region the VCS Capacity programmes are taking up a lot of their time. They can think social enterprise can get on with it themselves.” (Rocket science, 2011, p.36)

“Capacitybuilders come out when there are problems. If I was having a problem I would know where to go.” (Rocket science, 2011, p.36)

“The regional networks have no coordination role and it is clearly the role of Capacitybuilders to micromanage the projects...while not having this role takes the hassle out of this. But it would have been better for the regional networks to have that coordinating role.” (Rocket science, 2011, p.36)

“We are finding it really hard because we don’t have any teeth [ie contractual accountability of the projects to the Regional Networks]” (Rocket science, 2011, p.36)

The issue of trust because of prior direct ties was identified as being an important determinant of governance of social inter-firm partnerships:

“It is clear that the balance is difficult, and more complex than it seems at first. On the one hand the Regional Networks wish for more control, for which they perceive that they can return added benefits to themselves and the programme. On the other, Capacitybuilders do not have a history of working with the Regional Networks which would provide evidence of their abilities to be held accountable in this way, and are experienced funders. The conclusion may be that in future to those regions which are better placed to take on this role be fully empowered to do so, including contractual accountabilities and a portfolio of projects fully commissioned by the Regional Network.” (Rocket science, 2011, p.37)
d. Conflict resolution

“We would advise all organisations in any way involved with grant funding to: 1. always endeavour to identify and resolve potential issues about contracts, contractual conditions or IPR before they arise and 2. have in place a mutually agreed policy defining the mechanism by which such matters will be resolved (e.g. mediation, mutually binding arbitration or other options)” (Rocket science, 2011, p.36)

5.6.4. Proposition 3

**Proposition 3: The influence of the dynamics of the system of formal institutions in the formation, governance and performance of social franchising**

Our research into social franchising coincided with the strategic political interest of the EC to actively support the growth of social enterprises in Europe and especially in Greece, because of the financial crises in the latter and its significance to the European Union (hereafter EU) (Argyrou and Kontonikas, 2011; Fahrholz and Wojcik, 2010; Eichengreen, 2010; Padoa-Schioppa, 2010).

“…what is the role of social enterprises in Greece to help exit its horrible situation and to empower the financial and social structure of the country…I encourage you to participate in solidarity actions for the growth of social enterprises in Greece” European Commissioner Lazlo Andor (5th June, 2012:2) at the first meeting of the GECES experts group, which is the specialized consultative body of the EC on the design of policies on social entrepreneurship in the EU.

Most of the social franchises that we studied were part of funded governmental and EU programmes either through direct grant funding and through publicly funded support centers that consulted them and supported them in building their networks. SSE, CASA, Big Issue, Pack-IT. Fareshare gots charity funding. Not grant funded only one: Green Works?

In 2012 in the UK social entrepreneurs identified as obstacles to the success of their business issues form the external environment: 81% the economy, 56% regulations, 53% taxation and contributions, 49.3% competition, 48% obtaining finance which was much higher than in average SMEs, and 15% pensions. While from their internal environment organizational issues were found less important as obstacles to success, them being: 28% shortage of skills, 25% recruiting staff, 25% availability/cost of premises, and 15% shortage of managerial skills/expertise. With reference to the economy the specific issues that were mostly identified were: 74% increased energy cost, 69% drop in demand, 69% pressure to reduce prices, 61% increased cost of raw material; while less important factors were: around 35% overseas economy and low levels of inward investment, around 20% cheap imports and exchange rates, and 17% lower labour costs overseas (Cabinet Office, 2013a).

The innovative sustainable solutions to social problems through social entrepreneurs’
ventures are substantial to governments and societies today (Cabinet Office, 2013c). A government’s role is not to generate itself private growth or social enterprise growth, but what it can do is to establish the conditions for this to take place (Cabinet Office, 2011). It does that through a number of interventions: legislation, regulations, policies and infrastructure, funding, and business support services. Specifically:

a. regulation and legal framework for social enterprises
b. open up and decentralise public services;

c. increase opportunities to social enterprises to deliver public contracts;
d. facilitate the creation of the environment for the boost of social procurement of private organizations through the provision of services and products from social enterprises

e. facilitate purchase of community assets by social entrepreneurs
f. facilitate access to capital through the growth of the social investment market
   1. tax incentives to social investment
   2. regulation and legal framework for social investment
   3. reform regulation on charity investments to seek a social return
   4. increase application of social returns measurements and investment readiness of social enterprises through business support
   5. establishment of Social funds to leverage social investment, to enhances the creation of a structured social finance environment, and to provide access to social investment of social entrepreneurs
   6. facilitate the entry of financial intermediaries, wealth and pension managers, charities and philanthropic foundations, high street banks, and ‘high net worth’ individuals to the social investment market
   7. the creation of social trading platforms through social stock exchange markets

g. enhance the design of an efficient business support environment for social enterprises
   1. publicly funded business support
   2. grants and vouchers for business support
   3. improve capacity, quality and access to business support centers
   4. improve learning, mentoring and peer learning of social entrepreneurs and service providers
   5. facilitate networking; facilitate social enterprise networks, consortia social inter-firm alliances and social franchises creation
   6. enhance the financial sustainability of business support centers
   7. enhance the entry of mainstream financial institutions and mainstream consulting houses to the market

(Ferri and Urbano, 2010) research supports that government interventions foster the development of social entrepreneurial activity. Tax incentives enhance social entrepreneurship activity (Van Putten and Green, 2010). Corruption hinders social enterprises formation and performance (Griffiths, Gundry and Kickul, 2013; Tonoyan et al, 2010) which lowers through economic development (there is a negative relationship
between GDP levels and corruption levels), reinforcement of democratic practices and openness of trade.

Sharir and Lerner (2006) results indicate that the supportive environment for social enterprises to succeed is incremental, such as provision of technical advice, investment readiness, incubators, training, access to networks; their research indicated poor planning and poor governing of unsuccessful social enterprises. Their results also indicate the problem of social enterprises to raise capital especially at the establishment phase were it is mostly needed to achieve success.

5.6.4.1. Formation

The formation of networks has been a strategic goal of the Office of the Civil Society (Cabinet Office, 2011). Networking was both at the heart of and an additional outcome of many OCS projects; even projects that their primary objective were other outcomes they engaged in boosting networking opportunities and actually were rated by social entrepreneurs as delivering them high impact from that (Rocket Science, 2011). All programmes in business support for social enterprises include activities for the creation of networks, mostly: activities on developing consortia, networking events, peer to peer mentoring. Evidence shows that mentoring schemes have the potential to create social inter-firm alliances and networks (Cabinet Office, 2011).

“The UK doesn’t suffer from a surfeit of large but mediocre social organisations. It suffers from a surfeit of small but great social organisations. We need more of these organisations to grow and ‘reach scale’. Social Franchising could be part of the answer - helping the social sector scale, whilst remaining response and adaptable at a local level.” (Nick O’Donohoe, Chief Executive Big Society Capital in Richardson and Berelowitz, 2012:5)

“Nearly every problem has been solved by someone, somewhere. The frustration is that we can’t seem to replicate (those solutions) anywhere else.” (Bill Clinton in Bradach, 2003:1)

In 2012 within the Big Society Capital’s first five funded schemes was the social enterprise ‘Franchising Works’ which is a support organization supporting and accelerating through its License fund the creation of franchise businesses by unemployed people (Easton, 2012; Franchising Works, 2013). They got £1m from the Big Society Capital; they provide: free seminars, free individual mentoring (incl. business plan creation, identification of franchising networks) and funding up to £7,500 for start-ups and up to £30,000 for growth from their Licence Fund. Their vision is to expand nationally through the method of social franchising (Franchising Works, 2013).

Big Society Capital’s goal is to support scaling up social enterprises by replicating their successful models in other regions (Neville and Mules, 2012), thus to support the formation of social franchises and various formats of social inter-firm alliances. The BSC commissioned a research on social franchising sector-executed by the International
Centre on Social Franchising (ICSF), part of its objectives is to fund the replication of successful social ventures and to support the creation of platforms for social franchise formation and the creation of a social franchising fund that would fund the scaling-up (Richardson and Berelowitz, 2012).

In 2008-2011 Social franchising was one of the 35 funded projects of Capacitybuilders (national body to reform the voluntary sector) Social Enterprise Programme in the UK (Rocket Science, 2011).

There are already some examples of social franchises that have grown internationally like Emmaus from France in the UK and School for Social Entrepreneurs that has grown in Australia but barriers to that are the way social enterprises are constituted and managed as well as legal barriers (Richardson and Berelowitz, 2012).

The value of networks for social entrepreneurs can also be highlighted by the following contradiction which was identified at the same region:

“The service that I received was excellent, but overall support that is available for social enterprises is quite poor” Social Enterprise, South West (Cabinet Office, 2011, p.32)

“There is support out there especially if you network and link with the right people” Social Enterprise South West (Cabinet Office, 2011, p.32)

Capacitybuilders Social Enterprise Programme funded the creation of a national network the Social Enterprise Knowledge Exchange (SEKE) consisting of the nine Regional Social Enterprise Networks with the participation of representatives from the Social Enterprise UK. The programme invested in supporting the nine RSEN by 30,000 per annum per network. It invested in the Social Enterprise UK (former social enterprise coalition). It invested in Social Franchising project. The direct impact of the programme to social enterprises was positive by increasing learning, networking, training and resource provision.

Value can be gained by the participation of mainstream businesses as well which can exchange technical expertise with social enterprises of the same sector (Rocket Science, 2011). Overembeddedness of networks can limit their learning and trading opportunities (Cabinet Office, 2011).

The mechanisms that are funded to accelerate formation of social enterprise networks:

a) Facilitate both formal and informal networking activities of social enterprises, social entrepreneurs and potential social entrepreneurs, such as: peer to peer learning, attendance to events and visits of social entrepreneurs, improve access to peer support provision, improve regional distribution of peer support mentors, improve mechanisms for referrals to peer support, improve number of trained peer mentors, improve training of peer mentors, improve training of advisors, increase
sharing and exchange of knowledge (knowledge management), directly funding existing social networks to expand and increase sustainability, improve ability for consortia formation (Rocket Science, 2011).

b) Business support on developing social return measurements, investment readiness, better manage cash flows, funding to access business support

c) Access to capital through the social investment market; capital to start-up, funding for growth, invest in equipment and facilities; the Big Society Capital; financial products are: ‘angel’ financing for start-ups; venture and equity-like financing for growth; structured investment products; retail banking for large-scale working; and investment capital finance

d) Institutional, regulatory and legislative reforms to open up provision of public services, to simplify set-up and management of social enterprises, to facilitate acquisition of public assets,

e) Social procurement of private companies through the provision of services and products from social enterprises

**Identified motives for the formation of social enterprise networks**

From the data analysis we identified these:

a) Sharing of technical knowledge. Evidence suggests that social enterprises as opposed to mainstream businesses need the sharing of technical knowledge among them which suggests the value of the development and facilitation of social enterprise networks and inter-firm relations. (Cabinet Office, 2011)

b) To inspire, motivate and enthuse social entrepreneurs (Cabinet Office, 2011)

c) Influence the service design and delivery of business support services. (cabinet Office, 2011)

d) To raise the profile of social enterprise in their region (Social Enterprise North West, 2011)

e) To represent the interests of the region’s social enterprise sector. (Social Enterprise North West, 2011)

f) To encourage mutual support (Social Enterprise North West, 2011)

g) To create new market opportunities by boosting inter-trading (Rocket Science, 2011; Social Enterprise North West, 2011)

h) To share best practices (Social Enterprise North West, 2011)

i) To increase training and development opportunities between social enterprises. (Rocket Science, 2011; Social Enterprise North West, 2011)

j) To work with local, regional, national transnational bodies to strengthen the social enterprise sector and its voice (Social Enterprise North West, 2011)

k) To increase capacity of exploiting opportunities from growing ethical consumerism, increased offerings from the social investment markets, and public reforms

According to Meyskens et al (2010a:444) research the formation of partnerships among social enterprises and governmental bodies helps social enterprise to acquire financial capital resources, while governmental agencies obtain access to social innovation through human capital that has developed best practices on how to serve certain communities.
These relationships will continue as long as both parties feel that they meet their social and economic objectives and the length and strength of this collaboration is dependent upon the relationship of individuals from social enterprises and governmental agencies that interact in this network.

Public measure policies play a preeminent role to the increasing rate of growth of social enterprises, they act as ‘catalyst, customer and champion’ of the creation of this sector (Dees 1994, 1998; Nicholls, 2006, 2008, 2010a). The legal framework of the creation of CIC organizational form enabled the formation of social enterprises (Nicholls, 2010a).

### 5.6.4.2. Performance

According to evidence networks produce a high impact to social enterprises (Rocket Science, 2011). Their funding is now diminishing as more funding is directed to direct frontline social enterprises rather than intermediaries so they will have to strengthen their commercial activities (Rocket Science, 2011). Evidence suggests that networks should increase their knowledge management and inner/internetwork knowledge transfer. Networks should focus on developing economic activity and performance through developing complementary specialism and through exploiting market niches, such as new service development in specific sectors and not so much focusing on the geographical boundaries of each network.

Investment readiness and business planning through an impact plan. The parameters of the plan are: the change you want to make An investor will want you to be able to very clearly articulate the change that you intend to make with the capital that you are asking for., who will benefit, An investor will want to see that you can define your main beneficiaries (for example by their particular needs or where they live) and the number of people you are seeking to help. linking activities and revenues, An investor will want to see how your products, services and interventions are intrinsically linked to your ability to generate revenue from the social activities that you deliver. measuring and reporting, There are many systems for measuring and reporting impact. Front-line organisations are often in the best position to identify and select the things that are most important for tracking and evidencing their own impact. learning, improving and moving forward, A good impact plan will give you and your investor essential information for performance managing, learning and improving. (Big Social Capital, 2012a)

Social Impact Tests and Threshold Assessment that the Big Society capital applies.

Table below applies to both SIFIs and the frontline, with the exception of criteria in *italics*, which are relevant to SIFIs only. (Big Society Capital, 2012b)

Social impact components: a) social mission; what is the promise of change? Specific tests concern the strategy and the context; b) governance; what is the governance of change? Specific tests concern mission locks, Board/IC and exit; c) Activities; how will the organisation deliver its social mission? Specific tests concern track record, management, congruency and alignment, d) Impact; what is the extent of the change that
will be delivered? Specific tests concern depth of impact, breadth of impact, innovation and change, and frontline organizational development e) Impact assessment and measurement; how will the SIFI evidence the change it is making and learn from it? Specific tests concern impact assessment and screening, planning and targeting, monitoring and reporting, auditing, and learning

Social returns are measured using the Bridges Ventures IMPACT Scorecard and reported to investors alongside their financial returns. Our Sustainable Growth Funds deliver social returns across four impact themes:

a. Underserved Areas. Location in an underserved area located in the most deprived 25% of the country, as measured using the Government’s Index of Multiple Deprivation;

b. Fostering entrepreneurs. Managers in investee companies acting as role models that inspire others Bridges Ventures works hard to augment boards and management teams;

c. Creating jobs. Growth in and quality of direct jobs in company within target area Number of people taken out of unemployment;

d. Creating economic dynamism. Spending on suppliers and employees plus additional spending generated within local economy. Growth in economic activity of company within target area and impact of this on economic activity of supply chain.

   1. Economic activity created by construction;

   2. Environment Measures and practices that minimise the environmental footprint of business operations (e.g. The Office Group installing a green roof and a water harvesting system)

   3. Education and Skills Promotion of the education of a business’ customers, employees or local community (e.g. New Career Skills retraining plumbers and electricians)

   4. Health and Well-being Promotion of the health and well-being of the business’ customers, employees or local community (e.g. Chill Factor giving a discount to school children during off peak hours to encourage them to do sporting activity) (Bridges Ventures, 2013)

Performance framework of the CDFA with the support of RBS group named ‘Change Matters’ assesses three areas: impact by testing the mission with link to outputs and outcomes; financial activity of the organizations; business activity through compliance with the code of practice and appropriate policies and procedures of the sector (CDFA, Performance Framework, 2013)

“A theory of change is a methodology for planning and evaluating social intervention. Just as Six Sigma starts with the end in mind, a theory of change starts with an intended goal and builds a pathway to it. It does so by using assumptions to build a hypothesis about how change will occur—based on an analysis of all the identifiable causes of change and their interconnections. The process is participatory—with stakeholders articulating a shared long-term vision—and outcomes-based, with each outcome tied to an intervention on the roadmap for change. For many impact investors,
the value set of an individual or organization commonly drives an impact thesis and can reference a theory of change, often naming clear objectives such as access to clean water or affordable housing. It can reference a target population, business model or set of outcomes through which the investor intends to deliver the impact” Amy Bell, Head of principal investments for J.P. Morgan Social Finance in JPMorgan, 2013, p.1

The CIC regulation is based on a ‘light touch’ logics of reporting and disclosure practices and has significant limitations and challenges: a) in terms of the disclosure practices and organizational legitimacy of many CICs who provide very little information on their performance and could end up in jeopardizing trust in the sector; b) also the disclosure information that is required by the CICs is not in line with the social impact measurements that the social investment market requires; c) many agents that are looking for information on CICs have to resort to other sources to find this information like the websites and anecdotal information which is beyond the limits of control of the regulator; d) the information provided is insufficient for policy makers and the government to draw results and be able to design new policies for the sector (Nicholls, 2010a).

Rocket Science was commissioned by the government to evaluate the business support programme. The evaluation has used a variety of consultation methodologies: online surveys through self-assessments, 30 telephone interviews to further investigate self-assessments items, face-to-face interviews, output monitoring to stakeholders to check the self-assessments viability, three group workshops with funded organisations, and online survey to social enterprises to check the viability of the workshops results from funded organizations (Rocket Science, 2011).

5.6.4.3. Summary of results for Propositions 3

Institutions through their presence or absence play a central role in the growth of market economies and in determining the behaviour of actors (Dorado and Ventresca, 2013; Griffiths, Gundry and Kickul, 2013; Mair, Martí, and Ventresca, 2012). Institutions and institutional logics influence social action through rules and regulations, normative order, social expectations and culture thus formulating or restraining organizational behaviour (Pache and Santos, 2010). Social entrepreneurship is not a mechanism to address the fallacies of economic systems but rather an institutional format for these systems to achieve survival and existence (Nicholls, 2008). Social entrepreneurship targets social
change through a highly embedded political institutional context (Alvord et al, 2004): firstly, they have a very close relationship with the public sector either working with public bodies or receiving public funding. Even in the case of the UK where the social/impact investment market is the most advanced; the funding of the Social Investment Financial Intermediaries (who provide financial input to social enterprises) comes 63% from the government (Big Society Capital, 2012a). Secondly, social entrepreneurs shape various types of micro-level political structures to overcome institutional barriers in bringing societal change through the formation of networks they build on the strength of their social norms (Alvord et al, 2004; Nichols, 2010b).

The role of central institutions in the formation and growth of social entrepreneurship has been documented and evidence suggests that there is a clear positive relationship (Ferri and Urbano, 2010; Dees 1994, 1998; Korosec and Berman, 2006; Nicholls, 2004, 2008, 2010a; Sullivan, 2007); public measure policies play a preeminent role. The innovative sustainable solutions to social problems through social entrepreneurs’ ventures are substantial to governments and societies today (Cabinet Office, 2013). A government’s role is not to generate itself private growth or social enterprise growth, but what it can do is to establish the conditions for this to take place (Cabinet Office, 2011). It does that through a number of interventions: legislation, regulations, policies and infrastructure, funding, and business support services. Our research supports that if a government wants to direct entrepreneurial activity in the social enterprises sector then this can be done with the design of a basic legal system, through regulation interventions and incentives, such as tax reliefs (Ingram and Silverman, 2002; Meek et al, 2010; Sullivan, 2007; Van Putten and Green, 2010). Through the provision of technical advice, investment readiness protocols, incubators, training and education, access to specialized business support services, provision of space, policies to raise public awareness, access and facilitation of social enterprise network formation, alliances and partnerships (Sharir and Lerner, 2006). It can directly provide financial resources to social ventures, it can provide services to social enterprises to help them apply for grants (Korosec and Berman, 2006), access to public procurement market.

The legal framework of the creation of Community Interest Corporations organizational form introduced in 2005 in the UK enabled the formation of social enterprises (Nicholls, 2010a). The same effect had the Social Cooperatives law that was introduced in 2011 in Greece. The lack of any other public policies to support the social enterprise sector in Greece and the annulations of the tax incentives that were introduced by the aforementioned legal framework have restrained the development of these enterprises and the entry of new ones. In the UK case an extensive portfolio of policies and programmes have supported the growth of the sector while in Greece the absence of policies and support structures have resulted in many of them being inactive. The problem of social enterprises to raise capital- especially at the start-up phase when it is mostly needed- (Sharir and Lerner, 2006) has not been supported by formal institutions although an amplitude of programmes and grants have been available through the EC, like the European Social Fund. The EC experts have been providing extensive consultative and support services to the Greek Ministries and municipalities which have not been
implemented by the latter. The reasons identified through our research have been the law skills and expertise of public officials, structural voids and corruption.

Corruption hinders social enterprises formation and performance (Griffiths, Gundry and Kickul, 2013; Tonoyan et al, 2010) which lowers through economic development (there is a negative relationship between GDP levels and corruption levels), reinforcement of democratic practices and openness of trade. Quoting from our interviewees: 'The bids in Greece are given to friends'; 'There are high levels of nepotism, favouritism, lack of transparency in public procurement procedures, lack of auditing procedures'; 'We have to know which of the incubators have succeeded and why they are funded'; 'Screening and annual auditing of how you have contributed in the local communities need to be applied'; 'There have to be auditing procedures measuring the systems and criteria screening'. Informal institutions ‘determine the rule of the game and, importantly, who is allowed to play’ excluding certain groups (Mair et al, 2012). Our action research projects with the Development Agency of the Local Authority of Athens revealed the co-existence of many conflicting agendas of the management team and many unethical almost illegal practices. Such examples are: the team of consultants and managers that the CEO employees in the premises of the local authority are being remunerated from non for profit organizations; the latter being suppliers of the local authority. The ‘Athens Social Economy Initiative’ was running a number of programmes and community development activities and manage to get 5m€ grants from the European Social Fund (hereafter ESF) to implement those programmes. On the same day the management team of the development agency closed the programme! The rumour was that their scope was to absorb those funds through ‘own interest organizations’. Similar events have happened at the Ministry that manages the ESF funds; because of the tight control from the EC officials the grants couldn’t be absorbed in a favourable way to the officials so the grants after four years were returned back to the ESF unexploited.

5.7. Social Context: System of Informal Institutions of Network Embeddedness

RQ4: What is the role of the system of relational network embeddedness and social norms in the formation governance and performance of social franchising?
RQ41: Does the system of relational network embeddedness and social norms influence the formation and partner selection of franchising networks?
RQ42: Does the system of relational network embeddedness and social norms influence the governance of franchising networks?
RQ43: Does the system of relational network embeddedness and social norms influence the performance of franchising networks?
### Table 12 Data Analysis of the Sphere of Informal Institutions

#### Social Norms: Relational and Structural Network Embeddedness

<table>
<thead>
<tr>
<th>categories</th>
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<tbody>
<tr>
<td>motives</td>
<td>formation of social franchising and partnerships</td>
<td>economies of scale, margins</td>
<td>We lack of resources, we don’t know the local market, the risk is very high so we work with local organizations existing ones to help them build their businesses and also offer jobs locally' GW. 'We need economies of scale' Women craftsmanship café.</td>
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<td>increase impact</td>
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<td>resources acquisition</td>
<td>raise fees to cover franchisor costs 'The fees allowed us to have supprt staff to assist the growth of the system and leave their current positions in the school and cover our costs' SSE 'You need to network with everyone so that you can win bids get grants from programmes and then use this money for your other activities to beneficiaries' Equal Society Klimaka</td>
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<td></td>
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<td>knowledge acquisition</td>
<td>Acknowledge that you don’t know something and find the best people that know it to work with' BLG</td>
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<td></td>
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<td>feasibility and sustainability</td>
<td>How can I instead of sitting alone in a room and thinking of all these ideas and reflecting can I through seeing others mobilise myself and make it happen?' Little Giants social entrepreneur reflecting on the necessity of a capacity-building programme, in the end she joined and was from the first to create straight after the courses a social enterprise. 'Convince others you need a team' Social Entrepreneur. 'SE is like a marriage. You marry with constraints and act on them collaboratively' Equal Society 'You need an idea and then you need people around you, groups, supporters, the local community' BLG ESA, School Canteens</td>
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<td>influence policy makers</td>
<td>They wouldn't allow me in the school to implement my model of healthy eating to the children, so I left someone on my foot and had to go out to get in touch with ministries and association and find a way to convince them' School Canteen.</td>
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<tr>
<td>Accumulation effect</td>
<td>serial social entrepreneurs</td>
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<td>Everything comes from experience. The one leads to the other. I talk with people and get ideas and that is how I do something else. I work in groups' Edra-Drasi</td>
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<td>criteria partner selection</td>
<td>market knowledge</td>
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<td>our partners are existing NGOs and social enterprises in the furniture sector' GW</td>
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<td></td>
<td>local knowledge</td>
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<td>They need to be committed, to have a passion and to have local experience' BLG</td>
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<td></td>
<td>values and personality</td>
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<td>Members are selected based on common values, even our customers are selected this wa and we offer one month experiential trial' The Hub Athens. 'we choose the person' SSE Equal Society</td>
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<td></td>
<td>unsolicited inquiries from direct</td>
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<td>We were apporached by unsolicited inquiries from people we didnt now but we didnt do it, how can we trust them? will they maintain wuality? will they keep our logic? they dont have resources, how will we control them? ESA. 'unsoliciteed inquiries from community pushed us to grow we were initially informal, then became a charity, then a trading company and then a group of social enterprises' BLG 'Our growth to Australia was an unslicited inwuiry from a former partner of Michael (Young) who was insisting, when we changed CEO it finally happened' SSE. In these cases the social franchise can be seen as an emergent strategy</td>
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<td>and indirect ties</td>
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<td></td>
<td>referencing-Indirect ties</td>
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<td>reputation positioning, homophile principle 'brokery, we use intermediaries from our networks who can reference us to local partners that can be 'champions' there' SSE 'we use references from the local communities from our networks to find partners' FareShare 'At the moment we are prostituting until i can find money and get well suited and longterm partners’ Tasha</td>
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<td></td>
<td>direct ties</td>
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<td>partners grow from inside, in the beginning there are relationships, then joint activities and then we form joint ventures' BLG</td>
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<td>governance</td>
<td>how to keep control?</td>
<td>operations manual</td>
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<td>signed written contracts</td>
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<tr>
<td>relationships</td>
<td>governance through network relationships</td>
<td>informal</td>
<td>we control through relationships, we have an open door and self-help policy' BLG 'There is a symbiosis of partners' SSE 'There is 100% link among relationships networks and success' GW 'we don't have governance in the conventional way only informally' BLG</td>
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<td>consistency</td>
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<td>You have to build relationships, spent time with people and be consistent at all costs' ESA 'To succeed in a SE you have to be seen as trustworthy in your social context and need to be consistent. You can make mistakes but not consistently. When you say I can do something you must be able to do it successfully. You have to have transparent relationships no favouritism not to be manipulating. To be believable, capable and inclusive' SSE</td>
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<tr>
<td>transparent</td>
<td>equitable relationships</td>
<td></td>
<td>Transparent relationships and practices have helped us create trust' GW ' Why collaborate with the sharks? They will devour us. there has to be multiplier effects' Diotima. 'they must seem trustworthy, they must be transparent and consistent. When they say something they must do it successfully' SSE 'A successful partner is confident, has legitimacy, is capable and credible he builds on trust' SSE 'How do I balance friendship and my responsibility as a social entrepreneur when my friend doesn't perform well?' social entrepreneur.</td>
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<tr>
<td>trust</td>
<td></td>
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<td>You need trust in SE. Sponsors need to trust you without having to see the beneficiaries' Equal Society. I'm proud of the relationships we have built... Our clients trade with us because they trust us' GW</td>
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<td>commitment</td>
<td></td>
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<td>We map capabilities and we see what capabilities are missing from the eco-system in order to invite appropriate members to join' The Hub Athens 'Sometimes we bid money together with partners' BLG SSE. The federation governance mode of The Hub. 'We all have ownership of the whole global network. There is one annual meeting where all members take part and have equal voting rights. There we design our strategy. There is annual conference of the Community of practice' The Hub Athens</td>
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<td>solidarity</td>
<td>We create a pot of money and we all invest in members' 'We built an eco-system and we are all there for each other' 'When a Hub is created in a new location there is a sister Hubs that helps and supports it to build its ecosystem' The Hub Athens, 'The first years we do things together (with franchisees)' SSE 'Our partner tells us their intentions and we help them on fund raising' SSE. 'Solidarity is essential to offer protection to members where governments fail' Panel Group. The ecosystem influences entrepreneurship. Be there for each other, fly people in, mentor each other, learn from success and failure. Have role models' Bind Karia TEDX. 'We need to create an epidemic blast of solidarity' Medisins Sans Frontiers 'SE is love, solidarity, giving to others, collectivism. Its nets of love' Giardino</td>
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<td>mutuality</td>
<td>joint boards memberships 'One of us is a member in each franchisees boards. And we are member in our Master franchisees board but not in their franchisees, it is them that are so we are indirectly' SSE 'We do community events, ecosystem building, we build the realtionships, we do peer mentoring' The Hub Athens</td>
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<tr>
<td>role integrity</td>
<td>'Once we expressed interest to create the Hub Athens we have to produce a sustainability study, they offer us two years, they wait for us' The Hub Athens, 'Each member in the Hub can offer their own services to the others, there is free exchange of services in the community, they create their own ventures and offer them in the platform' The Hub Athens</td>
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<td>flexibility</td>
<td>We have a framework but we discuss it with them (franchisees) we do not impose it' SSE 'You need flexibility in SE' Panel group</td>
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<td>restraint of power; expert</td>
<td>Training 'We need to train them to to change their culture in being commercially operational, in sellling'GW</td>
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<td>restraint of power; reputation</td>
<td>Reputation is an objective higher than profit and solvency' Boroume, SSE</td>
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<td>restraint of power; referent</td>
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<td>harmonization of conflict</td>
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<td>ethical morality honesty self-responsibility</td>
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<td>value congruence</td>
<td>the main elements in our SE are collective intelligence, community leadership, participatory methodology, participatory leadership' Siz 'you need collective consciousness and self-organization' medecins Sans Frontiers. 'relational embeddedness is the most important. See the maffia societies, people had no jobs, they had no space, so they formed netowrks in small spaces and they altogether increased the space' Panel Group</td>
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<tr>
<td>collectivism</td>
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<td>independence</td>
<td>Partners are independent from us' BLG 'There is a problem with existing franchisees that in the beginning were dependent on a NGO to open up but now the NGO doesn’t allow them to become independent. So we will apply a rule that franchisees get their independence from parent organizations in 3-5 years' SSE</td>
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<td>representative democracy</td>
<td>We built our activities on representative democracy, we mutually define the vision, the goals, the strategy and then we will apply action' Vytina Tomorrow</td>
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<td>performace</td>
<td>benefits from social franchises legitimacy credibility a succesful model evaluation need to gain credibility or requires legitimacy, if others view it as succesful' SSE</td>
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<td>no big revenue</td>
<td>I don’t believe in will never get big revenue streams, but getter better people, grow, linked up' SSE</td>
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<td>relationships networks</td>
<td>scale brings relationsips and networks, inner trade and share good practices' SSE</td>
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<td>attract better quality people</td>
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<td>increase reputation</td>
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<td>inner trade</td>
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<td>financial benefits</td>
<td>franchise fees 'we struggle with franchise fees in the first year and early second. Once they get sponsorships and community support we have no problem' SSE Entry fees 'we charge an entry fee to pay our costs and support them' SSE Entrance fee is 15,000 of which 5,000 go to the sister HUb' The Hub Athens</td>
<td>fractions</td>
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<td>overembeddedness risks</td>
<td>they have created fractions that dominates the market. They all talk nonsense, do superficial talking, no impact made, they just absorb the grants and projects. They need each other to keep them in the system. They are afraid of people who know because this will make their incompetence visible</td>
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<td>Failure cases</td>
<td>luck of trust 'we incurred costs because we trusted the wrong partners and we didn't have contracts. Now we trust but with cautious' BLG</td>
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<td></td>
<td>no legal documents</td>
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<td>poor franchise model</td>
<td>No standardised franchised model. We made three experiments that turned into failure in the beginning. We didn't have the system. It wasn't standardised. We had a poor franchise model. You have to focus in being the franchisor and not go on with your own store. You have to focus on the role of support' GW 'We tried to franchise Aisha child care but it failed the model was not sustainable. Now we are looking for what can be replicated' BLG</td>
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<td>lack of quality</td>
<td>it was a bad collaboration. The wanted the name but not the programme. So we now created a quality procedure to be able to keep quality and cut out bad relationships' SSE</td>
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<td>no commitment</td>
<td>we didn’t have the same vision. There was no commitment so we stopped the partnership' BLG 'I need partners but everyone wants more money' Little Giants</td>
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<td>cultural differences</td>
<td>They have a limited culture. They look at the past, not dynamic, not accepting change' Tasha 'it’s difficult for villagers to trust an outsider, that is foreigner, that is a woman and that is an Englishman when previous Englishmen had made promises of building high quality premises and let them down' ESA</td>
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<td>Opportunism</td>
<td>power driven, encourage others to see my vision. You need hierarchies’ Tasha Partner 'Go to investors as a monopoly once you have secured your position in the market' 'how do you pass something on that is not threatened by the weaknesses of trust system? How can you sustain a privileged position and success for ever?' 'I have to push for change to happen! I'm an educator I want to convince other trustees... If not i will find others and do it'. He is frustrated fom the NGO culture and the slow decision making. 'I want to get out and do something and succeed. I would change everything and keep only credibility and heritage. They can not even make a decision on upgrading the website!' 'You take what you can get' Tasha.</td>
<td>opportunistic partners</td>
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<tr>
<td>afraid to share ideas</td>
<td>We want to sign a MoA with our partners so that they do not steal our ideas and do it alone' Quality Net. 'ideas get hijacked' Human Grid. 'You talk with people and then they go out and do it alone' Loft 2 Work</td>
<td>afraid to share ideas</td>
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<tr>
<td>lack or afraid of partners</td>
<td>I don’t want partners' Elea Med 'I have the idea, I have developed the model but I need a parter with a market sense' Close the loop</td>
<td>lack or afraid of partners</td>
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5.7.1. Formation- Relational Embeddedness

According to Balournos & Geormas (2012) in December 2012 there were 97 Social Cooperative Enterprises in Greece, having altogether 920 members. According to unofficial reports from our interviews the majority of these enterprises have low potential of achieving earned income strategies as they are formed to rely on state subsidies, demonstrate low or no social innovation, and reveal no indication of providing significant social impact. It has been officially stated that the lack of growth of social enterprises in Greece is due to the inexistence of a favourable environment from the state. We identified the existence of two networks of social enterprises that were internally interconnected and the differences were: resources, strategy, individual entrepreneurs. They had similar patterns of relationship with the members of each informal network. Issues of centrality, issues of relational elements,

One of the practical implications of the study was the identification of the opportunities to form social alliances, isolated organizations having important qualities that are in need by other organizations lack and who may want to increase their connectivity to the network. For this network data through social network theory are very useful.

'We want alliances, collaborations' Human grid TEDX Up Greek tourism. " SE is a party of people not numbers' Equal Society. 'We need a network, a social franchise of school
canteens to be able to implement our model. The network will be investing in the creation of other units in other schools through collaboration and volunteering’ School Canteens. ‘Who are your supporters? Make them part of it. Not going to be a good campaigner if you are not a good neighbour. Make it fun!’

Foodbank social franchise of Trussell Trust charity emerged from a local imperative, emphasis on community participation and buy in. Partner selection trust from networks of existing direct or indirect ties: is build from the network of churches they already have and builds on a relationship. The formation happens once they both make the decision based on an informal process. It is with groups not with an individual as commercial franchising. (Berelowitz, 2012)

“Before they decide to do the project, they have to do a number of things... [say you] rang me up and said you are interested in running a Foodbank. My first question to you is: where are you coming from, where do you live, are you part of a faith-led organisation, do you know you will have to work with churches. The first document that we send them is the terms and conditions and a little bit of an explanation as to how the Foodbank works. It says who we are, what we do and it basically outlines how we work. Then there are the conditions and the money.” (Trussell Trust staff in Berelowitz, 2012:15)

“In the beginning, [a contact from the Trussell Trust] came and met with the leaders of the church, then I think we had another meeting and that was the first meeting that I went to... he went through the whole process. We asked tons of questions and he showed us the manual... and that was so comprehensive, things that we never even thought of. If you wanted to set up a charity status – everything was covered. He went away and it was discussed and decided... we were going to go for it!” (Foodbank franchisee in Berelowitz, 2012:15)

“SSE settled on a franchise strategy because it was in line with core principles: working in genuine partnerships; that those who best understand the problem understand the solution; and utilisation of existing networks” (interviewer’s opinion in Higgins et al, 2008:23).

Franchisee interconnectedness with other local networks criteria for selection, the structural enforceable element of trust: “Sutton Food Bank is run by twelve churches in the London borough of Sutton, who formed a new charity, Community Works. The mission is to engage with the needs of the community but also to engage with the council, the police, the local authorities, to make sure we’re talking to the church and to the local authority, to make sure we’re meeting needs. We felt there was a need in the borough for a Foodbank.” (Foodbank franchisee in Berelowitz, 2012:16). This is in line with the research of Korosec and Berman (2006) and Sullivan (2007) who highlight the need of social entrepreneurs to have high connections with their communities.

This example indicates the accumulation effect of embeddedness how trust and prior direct tiers lead to the formation of other social franchises.

“FoodCycle is a simple idea. Students and others collect food that would otherwise go to waste – from markets, shops and supermarkets and through the Fare
Share scheme – cook the food in donated kitchen space and serve it to vulnerable people – refugees, old people, the homeless, etc. It was adapted from the Campus Kitchen Project in the USA, and launched in the UK in 2009, achieving the Best New Charity award in 2010. Local projects are student or community run, and are asked to contribute £2,500 per annum towards the central costs of FoodCycle, and in return they receive food safety training (which is required for all volunteers), help with start up including equipment, on-going advice, training and support, and the benefits from being part of a network. The projects are given ideas and help for their fundraising, and the eventual aim is to raise the target from £2,500 to £7,500, which will come from a mixture of sources, including student fundraising events (perhaps involving the use of free food), crowdfunding and support from student unions and local trusts and companies. By the end of Year 3, there were 17 FoodCycle projects across the UK. Three of the projects now run cafes or restaurants based on the same principle of using volunteers to cook reclaimed food. The first, at Bromley-by-Bow centre is running smoothly 5-day per week and is now profitable. There is a lot of interest being shown by churches and community centres, and plans are being developed to create a separate franchise for these restaurants using the name ‘Pie in the Sky’’. (FoodCycle in Richardson and Berelowitz, 2012:42)

Other accumulative examples are: BIOS, BLG, Fair trade, Little Giants=Childit-Home Play, TEDX-Human Grid-Up Greek Tourism- Communications Effect, Edra-Drasi, Klimaka-Klimax Plus, Organization Earth-Aephoria, Equal Society ‘we have many different activities and many branches. I vision all this as a group of companies' Equal Society

Cultural barriers that drives social entrepreneurs in running their own ventures and the suspicion of social entrepreneurs of anything that is commercial (Richie et al, 2011).

“.... many players in the so called third sector see themselves as ‘social change agents’... they prefer to focus their energies on the development of new approaches. Imitating those of others is considered ‘not sexy’” (industry expert in Richie et al, 2011: 7)

“.... as if our legitimacy can only come from that which is brand new, as if each and every approach must be without precedent...that social enterprise can only succeed as a manifestation of a single heroic individual, able to discard and surmount all failure, all the discredited past” (social entrepreneur in Richie et al, 2011:7)

5.7.2. Partner Selection Criteria

commitment level, personal integrity like fund raising skills, linkages with the local networks and knowledge of the local sector and in some cases financial robustness (Doherty, 2009; Holberg and Morgan, 2003; Sivakumarand Schoormans, 2011a; 20011b). Weaven, Grace and Manning (2009) personality traits of franchisees and governance structure
5.7.3. Governance- relational embeddedness

“You need friends; you need honest transparent relationships with people who believe in what you do and will help you. That is the secret” Colin Crooks CEO Green Works, 2011.

The federation is when all franchisees are part of the wider franchise network and contribute cooperatively to the development of the network this is the case for Emmaus and The Hub. Central charity supports the network of social franchisees. The Food bank franchises are spin outs from the Trussell Trust the charity is in control of the network. The network structure consists of sub-network and regional networks coordinated by assigned managers-mentors and assistants.

a. Commitment, the selection process asks for resource commitments, the financial readiness criteria helps to filter those that “just think they will have a go at it and those that are committed to it.” (Trussell Trust staff in Berelowitz, 2012:16). Entrance fee £1,500 and royalties £360 per year which is one third of set up and support costs the rest fund raised through the Trussell Trust.

b. Restraint of power, mutuality, flexibility: “There is no point training people who have picked up things from the manual very quickly and they understand it. So what we have to do is allow them to decide what sort of training they need from a menu or a discussion. We have created a menu of the kind of training provided, who it is for and how long it takes. There are peer to peer audits and mutual marketing campaigns but basically based on the word of mouth” (Trussell Trust staff in Berelowitz, 2012:16).

c. Mutuality: “The Trussell Trust wants to break the barriers of how normal charities do things. They want to go to the next level, so they encourage you to come up with creative ideas of how to do things. That information gets filtered back. You see that different Foodbanks operate slightly differently to others because, depending on their team and the area that they’re in, it works for them. Best practice gets shared amongst us. We’re always pushing the envelope and we’re allowed to do that. It enhances the whole of the Trussell Trust. That’s what we’re there to do, enhance the project” (Foodbank franchisee in Berelowitz, 2012:17). “SSE has Network Away Days for peer discussion and support” (interviewer’s opinion in Higgins et al, 2008:24) “CASA holds minority equity stake 26% shares in all its franchisees who in turns have a Board member in the Board of the franchisor” (Berelowitz, 2012:19).

d. Solidarity, Trussell Trust provides on-the-job customized training, manuals, mentoring, website, data collection tools, branding suite: “They are there all the way. … the coordinator for London is on my speed dial; he is available all the time. He comes down for the training of volunteers; we had a photo opportunity, he came down for that. They are totally supportive. They are there all the way. They built our website, they ask us how it’s going. We report to them on everything we do. They report back to us. There are annual meetings and newsletters. You’re supported. They plug you in. You are totally supported.” (Foodbank franchisee in Berelowitz, 2012:16). “SSE wanted to build a network of
Social Entrepreneurs to provide support / innovation for each other” (interviewer’s opinion in Higgins et al, 2008:23). “when they (the franchisees) give people shopping lists of donated goods they need outside Tesco’s, they get 50% of people giving them something.” (Trussell Trust staff of Food bank in Berelowitz, 2012:15)

As the award winner Peter Joseph (2008) says in his documentary film ‘Zeitgeist: The Movie’:

“It is all one…a new conscientiousness is created that sees the earth as a single organism and recognises that an organism in war with itself is doomed” (Peter Joseph, 2008).

e. Accumulation of alliances. Foodbank joint programmes boost innovation as well as joint collaboration and resource pooling and leads to the accumulation of alliances: “many plan to work with other churches to create umbrella charities within which the Foodbank would be one project” (interviewers comments in Berelowitz, 2012:17). “one of the franchisees recounted that they had a local police officer who regularly ‘popped in’ at the Foodbank, and who one day said that she sees so many lonely people on her beat that she would like to teach some of them to do beadwork. The Foodbank said they would be delighted to set this up and purchased the materials. They now have 15-20 people who come in every Thursday afternoon to do beading. This is just one example of ‘instinctive local development’ that happens once the Foodbank knows and gains the trust of the local people” (interviewers comments in Berelowitz, 2012:19).

f. Credibility, reputation and reference power: “They are getting something for nothing, and they are getting something for nothing from an organisation that is credible. Credibility is all-important, and reputation. We try really, really hard to make sure that the project is credible and with a good replication plan, because that gives the food banks confidence that this is going to work and that it is going to be sustainable.” (Trussell Trust staff in Berelowitz, 2012:18).

g. Harmonization of conflict, the network has a network forum where anyone feeds in interactively and informs the whole network: “Certainly I’ve fed things back, like using a label gun, things like where you get crates from, we’ve bought bio-bags so that clients go away with food in bags that are biodegradable that have a supermarket name on. Generally we feed those sorts of things back to the forum so that people are aware.” (Foodbank franchisee in Berelowitz, 2012:17). Face challenge of funding though franchisee development to self-finance their activities “encouraging individual Foodbanks to develop social enterprises to assist their own sustainability, through for example the Restore charity shop model developed at Salisbury” (interviewers comments in Berelowitz, 2012:18). “I know some of the team think that we could do with a bit more support from them, especially with the actual funding applications.” (Foodbank franchisee in Berelowitz, 2012:16) “Personal relationships were of vital importance during difficult times” (SSE staff in Higgins et al, 2008).
Role integrity. Social franchising is conceived by many social enterprises as undermining their individuality, so role integrity is vital. Flexibility and freedom are key issues for social entrepreneurs (Berelowitz, 2012). Social enterprises don’t match the franchisee profile that mainstream franchises have. (CAN in Higgins et al, 2008)

Formulating the social franchise network and building relationships requires time more than two years was documented by Le Mat, CAN and Social Firms UK (Higgins et al, 2008). Requires training into a new culture of pursuing both financial as well as social objectives for the system to succeed (Social Firms UK in Higgins et al, 2008). Practical support in the early stages; regular communication and exchange of information on performance between all network members; regular support with recruitment, training and qualifications; peer to peer learning mechanisms so that franchisees can learn from each other (Cap Supermarket social franchise in Higgins et al, 2008). Social franchising is an innovative strategy and requires a network management structure with a central organization to develop and manage the network (Le Mat in Higgins et al, 2008).

5.7.4. Performance - relational embeddedness

Social and Financial Return

Foodbank success relies in it easy to understand, simple model “The church leaders got hold of it as well; it’s something that members could get hold of. You didn’t want to make it too complex, too wishy-washy, too ethereal… [it needed to be] something very tangible that would make us feel we could make a difference in our community.” (Foodbank franchisee in Berelowitz, 2012:17); it is low cost and it is bottom up building on the existing relationships and skills of charities and on the work they are doing, same values, meeting same social objectives, building trust: “For our church, having seen the project and what it does, it’s exactly what’s needed in the area, it’s something that’s up and running. It didn’t require a brainstorm. It’s a franchise, it’s up there, it knows what it’s doing. When you buy into it, you get the booklets, you get an overload of information. It’s quite daunting – you look at the folder and the information. You’ve got the help of the regional coordinator. You’re pretty much sure what you’re going to do is going to work, especially because everybody loves the idea. As far as our church is concerned, it was great. Getting other churches in to work with us requires a little bit more selling. Once you explain you are literally helping people in a crisis situation and providing what they need, then everybody else is also interested in doing it.” (Foodbank franchisee in Berelowitz, 2012:18). Performance measurement: quality audit processes, peer to peer audit. Challenges are the quality maintenance, understaffed and funding.

Environment. In 10 years green Works has redirected from landfill tons of furniture and saved over 55,000 tones of CO2e. Recycling is the principle value of the company. Customers. Since its creation green Works has helped more than 5,500 charities and organizations by providing low cost furniture. One of Green Work’s target groups are charities that as Colin explained they have a lot of people to take care but in many cases they do not even have a locker to keep their records in, or they have broken chairs for their employees. Green Works provides them with very low
cost high quality furniture that is actually helping them to raise their productivity and improve the moral of their customers and personnel. Employees. Since its creation Green Works has offered over 800 job posts for people from disadvantaged group. Green Works provides employment and training to marginalized groups. The labour intensiveness of Green Work’s business model helps the alleviation of poverty through creating large numbers of jobs either paid or volunteered. The important factor is that people living under poverty have never been given the chance to see that they can be good at something. Through Green Works a variety of jobs is created from sales to marketing and so people are trained in many different skills.

“It is a very big satisfaction to see people that didn’t believe in themselves to find out that they can actually be good in sales or in marketing or in accounting or in manufacturing and design” Colin Crooks.

Community. Helping the global community to alleviate poverty had always been in the agenda. Colin Crook has traveled himself many times to developing countries to actually see what the needs are and to establish long-term relationships with organizations in these areas. They have sent 450 tones of furniture to Africa, 200 tones to Sierra Leone to schools and governments. As Colin explained the greatest challenge there is humidity, so when he asked them if they needed books they replied back that they needed cabins to keep the books in, chairs, and desks. So Green Works has been helping institutions by sending them furniture and educational material for years now. The other important thing as Colin explained is that to make an impact in these areas you have to send large volumes. Green Works has built transparent long-term partnerships with organizations in Sierra Leone and Ghana so that they can control exactly where their donations go.

5.7.5. Proposition 4

Proposition 4: The influence of the dynamics of the system of informal institutions in the formation, governance and performance of social franchising

5.7.5.1. Formation and Partner Selection of Social Franchises

Social networks are positively related to social entrepreneurship formation (Van Putten and Green, 2010)

Evidence from Meyskens et al (2010a:441) research indicates that the formation of networks among social enterprises and corporations is positively related to the acquisition of human, social and financial capital resources for social enterprises; while corporations gain access to customer base, increase self-reports of perceived legitimacy, and fulfill regulatory obligations.

5.7.5.2. Governance of Social Franchises

Mair and Sezgi (2011) investigated the level of control among three models of scale up strategies of social enterprises: branches, affiliations, dissemination; they found that the mechanisms used to achieve control were training, mobility, communication and
templates. The first three achieved higher levels of commitment and thus operational and value consistency, they highlighted the need for informal mechanisms of control to maintain consistency in the network.

Evidence from Meyskens et al (2010a) research indicates that the length and strength of the social venture network is influenced by the relationship of the individuals from all partnering actors that are involved in the network activities.

5.7.5.3. Performance of Social Franchises

Social enterprises did worse than average SMEs in 2012 in the UK and worse than how they performed in 2010. On average SMEs social enterprises generate £650,000 income annually, 60% generate up to £250,000. 8% only expect a drop in revenue in 2013 and 15% of them expect to have fewer employees. While 40% expect to increase their income and 18% to increase their number of employees. Actually in 2012 27% increased their turnover, 12% increased their personnel and 63% generated profit. Only 6.7% expected to close down in the next 5 years as opposed to 2.7% in 2010. Only 22% of social enterprises received grant and donations in 2012, fewer than in 2010. 75% wanted to grow through increasing the leadership capabilities of managers, they were generally found to be more innovative than SMEs and to have higher management capabilities. They had less need to acquire finance than SMEs and more difficulty to do so; they argue that one of their biggest obstacles to success is getting access to finance (Cabinet Office, 2013a). The social enterprises that are reliant to public funding will face the greater challenges in the future (Cabinet Office, 2011). In 2008 the value of their expenditure was 93% of their total income (Big Society Capital, 2012a) which means that they are constrained to spend all their income. From 2003-2007 income rose by 5% annually while fixed assets growth was 3% annually and current asset growth was 1% annually.

For sponsoring bodies to support the growth of social enterprises they have to accept that some will fail as normal businesses do, that they need time, energy and money, that their aims should be both business and social, that employee involvement and responsibility are essential at all organizational levels and that ownership belongs to the entrepreneurs and employees so decision making should be left to them (Jeffery, 2005).

As Dr Alex Nicholls the first Lecturer in Social Entrepreneurship Skoll Research Centre, Oxford University says (in Sky News, 2012) when an organization is deciding in which way to chose to assess its social impact the important thing is primarily to turn to its beneficiaries and ask them ‘how would you evaluate us?’ and then incorporate those parameters in the social reporting of the organization.

There is limited research in assessing the effectiveness of social enterprises; one model that is suggested is an adaptation of the balanced scorecard assessing five parameters: financial, employee, social return, customer and community, and business development (Jeffery, 2005; Kaplan and Norton, 1996). Also there is the concept of Social Auditing that targets funders, owners/board, community, potential employees and evaluates parameters such as health gains, personal development (self esteem, confidence), cost
benefit, community benefits, employment policies, practices and empowerment actions (Schwarz, 2003).

Evidence of Sharir and Lerner (2006) evaluate performance through three parameters: the level at which social enterprises can meet their objectives, the capability of the social enterprise to raise resources so as to maintain stability and sustainability of the offering (service/product/programme), and the resources available to achieve growth and development.

According to Meyskens et al (2010a:441) social venture networks survival will depend on whether all partners are meeting their corresponding strategic objectives of perceived social and economic value creation in communities.

5.7.5.3.1. Financial and Social returns

Existing initiatives include the US-based Impact Reporting and Investment Standards (IRIS) and the Social Return on Investment (SROI) approach developed by a collaboration of individuals and organisations in the UK (such as the membership organisation the SROI Network). These could be developed on a sector-specific basis, as opposed to there being nationally relevant metrics that cut across all the sectors in which social ventures operate (health, education, etc.). A menu of options for measurement methodology will need to operate according to what investors need, with greater rigour being applied to those that require it; (Cabinet Office, 2013c). This also closely related with the need for social risk ratings, so that proportionate risk rate with reference to social outcomes could be a tool for identifying investment opportunities.

5.7.6. Summary of Results for Proposition 4

Social norms are socially shaped (Mair, Marti, and Ventresca, 2012; Meek et al, 2010) and emerge through the relational embeddedness of actors in networks (Granovetter, 1985). Social norms influence the effect of governmental interventions and therefore before the design of policies authorities should research the social norms that exist in this region and culture (Meek et al, 2010). When formal/central institutions are absent or weak then local institutions like social norms, culture and religion are the important determinants of the entrepreneurs’ activity; in the case where there are market failures and formal institutions are weak or contradict local social institutions then we have the phenomenon of institutional voids, in that case social inequalities will continue to exist (Mair, Marti, and Ventresca, 2012). So contradiction and conflict may raise among the two set of systems that of central/formal institutions and that of decentralised/informal institutions. Voids represent an institutional pluralism and are the result of conflict and contradiction among formal and informal institutions. Institutional plurality is also indicated as a source of conflict creation that influences social entrepreneurship (Nicholls, 2010a; Pache and Santos, 2010). Those identified institutional voids in the Greek case are further restrained from low entrepreneurship, individualism, mistrust and low skills in network building of prospective social entrepreneurs. Never the less because of the severe recession, high unemployment rates, increased number of people living
under poverty or in risk of poverty these logics are shifting. Our findings indicate that a growing number of individuals participate in networks and informal structures that target institutional change, social norms like solidarity and mutuality have risen, people through collective actions try to address unmet social needs, and to innovate through social entrepreneurial ventures ignoring the role of formal institutions.

The strength of an institutional logic to prevail in organisational decision making is determined by: firstly, the centrality of actors; for example governments have a central role and through coercive power can impose their institutional logic. Secondly, by the resources of actors; like foundations that have the resources needed by social enterprises and so their logics influence significantly decision-making of social entrepreneurs. And thirdly, by normative processes that shape the behaviour of social entrepreneurs; like through training, mentoring and socialization activities carried by educational and business support centers or by the norms and values coming from the internal environment of social enterprises through their volunteers, trustees and staff and through their social networks and alliances (Battilana and Dorado, 2010; Mair and Serzgi, 2011).

A vital characteristic of social entrepreneurs is their ability to build networks (Nicholls and Opal, 2005) those networks provide them access to resources, help them support their venture, but also increase their capacity in making social impact and social value creation (Nicholls, 2008). Having other entrepreneurs in one’s social network is fundamental for detecting opportunities in the market (Aldrich and Cliff, 2003). Lack of social connections, can make business startups unsuccessful despite having identified an opportunity gap in the market (Shane and Eckhardt, 2003). Most theories on social innovation identify the correlation among social innovation models and network embeddedness of actors (Alvord et al, 2004; Battilana, Leca and Boxenbaum, 2009; Mair, Battilana and Cardens, 2012; Seelos and Mair, 2005). Quoted from our interviewees: ‘We want alliances, collaborations’; ‘SE is a party of people not numbers’; ‘Who are your supporters? Make them part of it. Not going to be a good campaigner if you are not a good neighbour. Make it fun!’; ‘You need friends; you need honest transparent relationships with people who believe in what you do and will help you. That is the secret’ Colin Crooks CEO Green Works. Another important dynamic of embeddedness is the accumulation effect of networks. We have identified a number of what we call ‘serial social entrepreneurs’; specifically 10% of our population have diversified their operations by creating at least three different social enterprises.

From the findings of our research it is indicated that social entrepreneurs in the Greek case that have managed to scale and achieve a substantial social impact are advantageously positioned in high status networks and are people highly empathetic and caring about others. The ability of social institutional entrepreneurs to actually emerge and break the boundaries of their embeddedness within institutions (the paradox of embedded agency) is influenced by the the enabling conditions; such as field characteristics (like regulatory changes, scarcity of resources, economic and political crises, coexistence of contradicting institutions, low degrees of institutionalisation, the behaviour of other actors) and their social position (Battilana, Leca and Boxenbaum, 2009). Actor’s social position is also influenced by their perceptions of field level
characteristics but also by their ability to leverage resources to challenge them. Therefore there exists a correlation among social position -that is structural embeddedness in networks- and institutional entrepreneurship. There also exists a correlation among personal characteristics such as demographic and psychological factors and their correlation and institutional entrepreneurship.

Most of the failure cases of social enterprises have been due to the unwillingness of the owners to partner with others, their low levels of trust and their fear of sharing their ideas. Another risk is overembeddedness which in the Greek case is evident by the creation of specific fractions of non for profits which are grant reliant and deeply embedded in their ‘client’ relationships with ministries and municipalities. Most of these organizations are now facing bankruptcy due to governmental cost cuts.

5.8. Challenges and Lessons Learnt

The biggest challenge that Green Works has faced is the social franchise itself. Their first attempt to build a social franchise network in 2003 in three different locations simultaneously was a failure; that was due to the fact that their model was not yet ready to be franchised. It was not standardized and clear cut, they had no support system in place, and they had very low capital to invest. Also Green Works model is very much different to a McDonald’s in a sense that in recycling you are not in control over both backwards and forwards vertical supply chain relationships, and there are very few things that you can do about that in terms of marketing and boosting demand. The lesson that they have learnt is that they, being the social franchisor, have to stop operating the Green Works business model and focus only in the support of the social franchise network. The latter is in line with evidence from the industry research of Higgins et al (2008).

Aspire, Whole Food Planet and Law for All are three case of social franchises that have failed. The reasons are in line with the ones that we identified from our research. Aspire the model was not well structured although they received funding, they started franchising when their own social enterprise hadn’t been sustainable, a weak business model linked with very high social objectives, when problem arose they changed the rules and increased control and authority over franchisees, conflict of interest as franchisor targeted financial objectives and franchisees social objectives (Higgins et al, 2008; Tracey and Jarvis, 2007). Whole Food Planet was set up by Social Firms UK who bought the IP from Daily Bread Co-operative and tried to build a network, the model did not have a strong market orientation, they did not build on strong brand and marketing, it did not establish linkages and relationships with the parent company, it relied on grants rather than the market (Richardson and Berelowitz, 2012). Many social enterprises lack the capability to set up, market and manage a viable franchise system; they also lack motivation preferring to manage their own social enterprises; an important issue is that social franchises have to find access to working capital until they reach breakeven which is not before 2-3 years or before reaching 12 units (Higgins et al, 2008). Social franchisors indicate that they are willing to take lower fees but also provide less support, also most social franchises have not tested and invested on standardizing their concept before recruiting franchisees. These elements weaken the strengths of franchising as a
model for replication and thus posing threats to the viability of the venture (Higgins et al., 2008).

Issues and challenges that social enterprises face: Issues of formation, development: high need for prestart-up and start-up support at their local area. Need to scale-up; they are constrained to their local markets there is a need to enhance market opportunities; they struggle to achieve financial independence through generating income, as they charge lower fees for their offering, they employ volunteers and staff who are willing to be paid at below average level salaries (Sharir and Lerner, 2006) there is a need to raise awareness and understanding of bidding public contracts; they struggle to externalize from parenting bodies; their scale is too small to make the impact that is needed; there is a need to increase their effectiveness in delivering a triple bottom line (people, planet, profit). They need to grow to meet consumer demand and need to increase their marketing skills to promote themselves to consumers. There biggest challenge is getting access to capital: need for funding to compensate for their social and environmental contributions; need for funding to overcome market failures; need to gain access to finance and the social investment market; awareness of existence and access to alternative sources of finance; lack of investment readiness of social enterprises; need of understanding and producing social and environmental impact measurements; there is a need for capital investment of social enterprises in fixed assets and reserves

Networking needs: the need of social enterprises to connect with other social enterprises; to get acquainted with, be taught by and collaborate with other social entrepreneurs.

In terms of business support required there are needs that are similar to mainstream entrepreneurs, such as: managing expectations effectively, active follow up, relevant and practical information and advice. But mostly needs differ. Social enterprises are heterogeneous. Capacity building and skills required depends on: how they came to market, their business model, their sector, their stage of development; many spin-outs of charities or voluntary sector organizations reliant on grants and donations, other from social entrepreneurs with strong commercial background. Some have a commercial part as a mainstream business which raises surpluses to meet the social and environmental objectives; others have a stronger relationship between the social enterprise and their beneficiaries.

Such needs are: diverse legal structures, understanding social and environmental objectives, understanding social enterprise model, appointing trustees and volunteers, (Cabinet Office, 2011). Need to empathise with their social and environmental aims; need to communicate in an easily understood language; need to be inspired, motivated and enthused.

5.9. Concluding Remarks

At this section we presented and discussed our qualitative data analysis findings. The Social Franchise Model provides evidence that formal institutions (like tax incentives), informal institutions of social norms and networks (Arrighetti et al, 1997), innovation
(like technology) (Van Putten and Green, 2010) and individual characteristics (like collective leadership) (Alvord et al, 2004) are positively related to social entrepreneurship and social franchising formation growth and success. The importance of these systems is increased during recession (Van Putten and Green, 2010). The most important elements in priority ranking are: firstly, relational and structural embeddedness of social entrepreneurs in networks; secondly, the existence of a favourable environment supported by formal institutions especially in terms of start-up capital offered and access to specialized educational and consulting schemes; thirdly, the technological and sustainability element of the ventures that has to be able to be solvent in due course; fourthly the ability of social entrepreneurs to enter and manage network relationships and their level of empathy, motive to make a positive change in society and resilience.
6. Quantitative Data Analysis

In this section we will analyse the data collected from a pilot web survey on mainstream franchises in the UK and Greece. The scope of the survey is to evaluate the influence of the informal institution of social norms of relational and structural network embeddedness on the formation, governance and performance of franchising systems.

6.1. Descriptive Research Findings

6.1.1. Survey Response rates

The sampling frame was drawn as following: on the 29th of February 2011 the list of participants at the international franchise fair in Athens included 142 companies of which 27 were not yet developed at the Greek market; so 160 fully operational franchise networks at the Greek market and 18 fully operational franchise networks at the UK market. The list of members to the Greek Franchise Association included 51 fully operational franchise networks. Among these 51 networks 21 took part in the international franchise exhibition. So in aggregation we had a sampling frame of 190 Greek franchise systems. From the list of members at the British Franchise Association we had another 97 full members. We followed a structured plan in conducting our survey following the ‘tailored design’ protocol (Dillman, 2007)

Table 13 Survey Response Rates Statistics

<table>
<thead>
<tr>
<th>Total number of Sampling Units</th>
<th>Greece</th>
<th>UK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total No of Respondents</td>
<td>35</td>
<td>12</td>
</tr>
<tr>
<td>Total No of Eligible Respondents</td>
<td>173</td>
<td>88</td>
</tr>
<tr>
<td>Total No of Ineligible Respondents (bounced back or dropped out)</td>
<td>17</td>
<td>9</td>
</tr>
<tr>
<td>Percentage of Eligible Respondents</td>
<td>91%</td>
<td>90%</td>
</tr>
<tr>
<td>Total No of Non Respondents</td>
<td>138</td>
<td>76</td>
</tr>
<tr>
<td>Response Rate Greece (35/173)</td>
<td>20%</td>
<td></td>
</tr>
</tbody>
</table>
6.1.2. Non response bias

To avoid unknown bias from refusals is to know that those who did not respond do not differ greatly from those that did respond. The potential of non response bias can be checked by comparing early respondents with late respondents (Armstrong and Overton, 1977). So through the t-student test we measured the significance among early and late respondents in both the UK and the Greek sample. We measured the significance of differences in TD and GB variables which have been widely used in our regression analysis and have been proven strong variables. Significance rates for the Greek sample were p≥ 0.818 for TD and p≥ 0.903 for GB and for the UK sample respectively p≥0.488 and p≥0.352

Therefore significance rates are above 10% so the two data sets are not consider as having significant differences among them and so we argue that the respondents of the people who didn’t respond wouldn’t differ greatly.

6.1.3. Significance among Greek and UK samples

We also applied a t-student test to see the significance of difference among the Greek and the UK samples as a whole; we checked findings with reference to variables TD p≥ 0.112 and GB p≥0.225; the same variables were used in the previous t tests. Since the significance rates are above 10% we consider that there are no significant differences among the data sets and have pooled them together.

Mavondo and Rodrigo tested their models for equivalence of the covariance matrices across national samples and did not find them to be different; x²=14.816, df=16, p<0.538. According to Abe et al (1996) the aforementioned results demonstrate equality of the variance-covariance matrices and equivalence of measures across cultures. In this case it can be suggested that data can be combined and no further cross-sample analysis are needed. Therefore the data set can be pooled and results can be generalised across both samples.
6.1.4. Descriptive Findings of Variables

Table 14 List of Variables and Scales

<table>
<thead>
<tr>
<th>Ties</th>
<th>Trust</th>
<th>Commitment</th>
<th>Flexibility</th>
<th>Role Integrity</th>
<th>Solidarity</th>
<th>Mutuality</th>
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<th>Restraint of Power</th>
<th>Formation Motives</th>
<th>Governance</th>
<th>Performance</th>
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Our study includes binary variables (the variables that measure Ties), categorical or else called nominal and multi-item ordinal variables of five point Likert scales which we analysed using SPSS package. From the table above we can see that Ties, Trust, Commitment, Flexibility, Role Integrity, Solidarity, Mutuality, Harmonization of Conflict and Restraint of Power are the Independent Variables of our study; while Motives for Formation, Governance and Performance are the Dependent Variables of our study. We have also used a number of control variables, also known as dummy variables to test variance in our findings due to industry, organizational or individual factors. None of these were found significant as we will see later on.

We can also see that we used many different scales for measuring the same or similar aspects of our variables. These scales (see Chapter 4) are all drawn or adapted from existing literature. The use of many different scales was purposively chosen as this is a pilot study and we wanted to allow the most appropriate scales to emerge from the social settings of our research. Based on the factor analysis findings of our scales reliability and validity tests we have drawn the final questionnaire that we are proposing for future research use at the mainstream and social franchise industry.

We hypothesized that the scales are linear so we treated them as interval variables; this is a common practice in many quantitative studies that use Likert scales. There is a big debate in literature on the difference among ordinal and interval variables and there is sustainable argumentation to support our choice. This allowed us to perform correlation analysis using Pearson’s r and linear regression analysis.
In the case of the three binary variables of ties we used t-student test by measuring the significance of the differences of means. It was not possible to perform neither Pearson’s r nor regression analysis since the dependent variables are interval and the independent are binary in this case.

6.1.5. Descriptive Statistics of Social Norms

The following tables provide a description of the frequency of each variable. We can see how many times the respondents chose a specific answer on the different scales and the percentage of appearance of each response choice within scales. Some scales had a clear concentration of replies on a specific scale while others had a wider distribution of choices of scales indicating a weaker strength of the scales and a variation of the sample.

Table 15 Aggregated Descriptive Statistics

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<th>N</th>
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The above table presents the means and standard deviation of all the variables of our study.
For the measurement of trust we used three different multi-item likert type scales which we coded TB, TC and TD. 1 was strongly disagree and 5 was strongly agree. Almost 38% of our respondents indicated that they agree that there is trust in their network based on TC which has 6 items. Almost 45% of our respondent indicated the existence of trust based on TD which has 3 items.
### Table 18 Descriptive Statistics of CA

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For measuring commitment we used four different scales. According to CA which has 6 items 43% of our respondents agreed that there is commitment in the network. According to CB which has 2 items the majority indicated that they agree (57%) and that they strongly agree (34%). Based on CC which has 2 items 63% indicated that they agree that there is commitment and 10% they strongly agree that they are committed to the network. Finally according to CD which has 9 items there was a wider distribution of answers 42% indicated that they agree that they are committed to the network.

Table 22 Descriptive Statistics of FB

<table>
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For measuring flexibility we used two scales, FA and FB. More valid was FB which indicates that 32% were indifferent in the existence of flexibility in the network, while almost 60% indicated that there is flexibility in the network relationships.
Table 23 Descriptive Statistics of SIA

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For measuring solidarity, role integrity and harmonization of conflict we created a new scale which was valid and reliable which we codes SIA, this encompassed items SA1, IA1 and HA1. The replies indicate that the majority of respondents acknowledged the existence of these norms in the franchise relationship.

Table 24 Descriptive Statistics of HB

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Harmonization of conflict was generally a strong scale which we also measured through HB. HB is a reverse scale so that is why our entire sample replied that they strongly disagree or disagree. This means that our sample indicated that the social norm of harmonization of conflict is present in their franchise relationship.
Table 25 Descriptive Statistics of SHR

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We also used a scale to measure solidarity harmonization of conflict and role integrity which we coded SRH it has 6 items. 87% of our sample indicated the existence of these norms in the franchise relationship.

Table 26 Descriptive Statistics of RA

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To measure restraint of power we used three different scales RA measuring expert type of power it has three items, RB measuring reference type of power has five items and RC measuring reputational type of power has seven items. Our respondents indicate that expert type of power is not present in the relationship and they do not engage in actions
that would enhance the development of this type of power. From their replies it is also suggested that reference type of power is not that present as prospective franchisees are not referenced to the network by existing network members. Finally reputational type of power is also not enhanced; practices and actions like joint activities among franchisees and franchisors are not encouraged.

6.1.6. Descriptive Statistics of Formation

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The formation of franchise networks was measured through motives that lead to formation. We used five categories of motives which were not found to be strong. Mainly
MA which was financial motives was a more valid scale and from this we can see that the majority of respondents (94%) indicated that financial motives were the reasons for entering into franchise partnerships. With reference to technological motives MB 40% of the respondents indicated that they formed franchise networks to gain technological benefits. MD referred to strategic motives, the majority of the respondents indicated that they formed franchise partnerships to meet strategic objectives.

6.1.7. Descriptive Statistics of Governance

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We measured governance through the existence of hierarchies using 17 items. The majority of the respondents indicated the existence of hierarchies to govern the franchise relationships.

6.1.8. Descriptive Statistics of Performance

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To measure the performance of the franchise networks we used four different scales. PA measured actual performance which was not provided by the majority of our respondents so we eliminated this scale. PB measured the satisfaction of the motives (MA-MD) that initially lead them to form franchise partnerships. PBA measured the satisfaction of meeting financial motives; 60% of our respondent indicated that they agree and strongly
agree that they achieved their financial motives. PBB measures both technological and managerial motives as it is a stronger scale when these items combined; it is unclear and almost indifferent whether they met their technological motives; 45% indicating that they do not agree nor disagree about meeting technological objectives. PBC measures strategic motives; 77% of our sample was satisfied with achieving strategic objectives. Performance was also measured through a two-item scale which measured overall satisfaction from the franchise network; 61% of respondents agreed that they were overall satisfied and 15% strongly agreed that they were overall satisfied from the franchise network.

6.1.9. Demographics - Descriptive Findings

Table 37 Descriptive Statistics of Demographics

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The wider majority of the sample were mature franchise networks.

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Our data indicate that 68% of the franchisors of the systems were firstly established in the capital or big cities in the UK and Greece.

DA3 YEARS

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<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>5</td>
<td>10.6</td>
<td>10.6</td>
<td>10.6</td>
</tr>
<tr>
<td>2</td>
<td>3</td>
<td>6.4</td>
<td>6.4</td>
<td>17.0</td>
</tr>
<tr>
<td>Valid</td>
<td>3</td>
<td>61.7</td>
<td>61.7</td>
<td>78.7</td>
</tr>
<tr>
<td>4</td>
<td>9</td>
<td>19.1</td>
<td>19.1</td>
<td>97.9</td>
</tr>
<tr>
<td>5</td>
<td>1</td>
<td>2.1</td>
<td>2.1</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td>47</td>
<td>100.0</td>
<td>100.0</td>
<td></td>
</tr>
</tbody>
</table>

The wider majority 62% of our respondents had created their franchise network for more than 10 years now. That is when they decided to establish their first franchised store.
Almost 72% of the first franchised store was located in the capital of big cities. This indicates that franchisors chose to recruit franchisees from big cities initially.

The majority of the respondents operate in the retail sector.

The majority of the respondents (87%) has not changed ownership of their franchised network

The respondents of our research are 90% men and only 10% women, indicating that owners and high ranking executives of franchise networks are male. This is a contradiction with social franchises and social enterprises were the distribution is 50-50.
With reference to age distribution 70% of our sample are below 45 years old while 28% are between 45-55 years old.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>6</td>
<td>12.8</td>
<td>12.8</td>
<td>12.8</td>
</tr>
<tr>
<td>2</td>
<td>6</td>
<td>12.8</td>
<td>12.8</td>
<td>25.5</td>
</tr>
<tr>
<td>3</td>
<td>9</td>
<td>19.1</td>
<td>19.1</td>
<td>44.7</td>
</tr>
<tr>
<td>4</td>
<td>24</td>
<td>51.1</td>
<td>51.1</td>
<td>95.7</td>
</tr>
<tr>
<td>5</td>
<td>2</td>
<td>4.3</td>
<td>4.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

With reference to educational background 50% of our sample hold a masters degree and 20% hold a bachelor degree, only 1 respondent is a PhD graduate and 13% are high school graduates without any further certification or training.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>25</td>
<td>53.2</td>
<td>53.2</td>
<td>53.2</td>
</tr>
<tr>
<td>2</td>
<td>20</td>
<td>42.6</td>
<td>42.6</td>
<td>95.7</td>
</tr>
<tr>
<td>3</td>
<td>2</td>
<td>4.3</td>
<td>4.3</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

With reference to the position they hold in the franchisor company, 53% are the owners of the company and 43% are senior managers only 2 respondents were managers.

<table>
<thead>
<tr>
<th></th>
<th>Frequency</th>
<th>Percent</th>
<th>Valid Percent</th>
<th>Cumulative Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>11</td>
<td>23.4</td>
<td>23.4</td>
<td>23.4</td>
</tr>
<tr>
<td>2</td>
<td>31</td>
<td>66.0</td>
<td>66.0</td>
<td>89.4</td>
</tr>
<tr>
<td>3</td>
<td>2</td>
<td>4.3</td>
<td>4.3</td>
<td>93.6</td>
</tr>
<tr>
<td>4</td>
<td>3</td>
<td>6.4</td>
<td>6.4</td>
<td>100.0</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>100.0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

With reference to former education the majority 66% were working in the private sector while 23% were self-employed.

6.2. Principal Component Analysis & Construction of Scale Indices

Initially we measured each scale independently and have identified the items that were not significant and eliminated them. This is an exploratory factor analysis through viramax rotation which is mostly used in other research and results in better factors loadings. Principal components analysis is used to evaluate the reliability and validity of scales and the structure of its factor. We present the component matrix of the scales that were found significant. The factor loadings comprise the weights and correlations between each variable and the factors which need to be higher than 0.5 to be sufficient. This is also referred to as the validity of the factors indicating that the factors are really measuring what we want to measure.
The cronbach alpha (hereafter CA) needs to be higher than 0.7 and measures the reliability of the variables indicating that if we would do this study again we would get the same answers. CA measures the internal consistency of the scale, namely how closely related a set of items are as a group. According to Nunnally above 0.7 is significant. These measurements are in line with previous research (Barker and Duhaime, 1997; Manning and Munro, 2007; Mavondo and Rodrigo, 2001; Mollering, 2003; Stimpert and Duhaime, 1997; Weaven, Grace and Manning, 2009).

6.2.1. Principal Component Analysis of Social Norms- Scales Reliability and Validity

6.2.1.1. Ties
We used two scales to measure formation based on the existence of weak and strong ties. We can see that the validity of the variable for measuring strength of ties is significant but there reliability as one variable is low, so we treated them as two independent variables.

Table 38 Principal Component Analysis Ties

<table>
<thead>
<tr>
<th>Component Matrix&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Component</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>TA4</td>
<td>.780</td>
<td></td>
</tr>
<tr>
<td>TA5</td>
<td>.780</td>
<td></td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.
<sup>a</sup> 1 components extracted.

CA: 0.26

6.2.1.2. Trust

Table 39 Principal Component Analysis Trust

<table>
<thead>
<tr>
<th>Component Matrix&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Component</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>TB1</td>
<td>.539</td>
<td></td>
</tr>
<tr>
<td>TB2</td>
<td>.824</td>
<td></td>
</tr>
<tr>
<td>TB3</td>
<td>.771</td>
<td></td>
</tr>
<tr>
<td>TB5</td>
<td>.639</td>
<td></td>
</tr>
<tr>
<td>TB7</td>
<td>.781</td>
<td></td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.
<sup>a</sup> 1 components extracted.

CA: 0.72
Component Matrix

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>TC1</td>
<td>0.789</td>
</tr>
<tr>
<td>TC2</td>
<td>0.948</td>
</tr>
<tr>
<td>TC3</td>
<td>0.924</td>
</tr>
<tr>
<td>TC4</td>
<td>0.899</td>
</tr>
<tr>
<td>TC5</td>
<td>0.862</td>
</tr>
<tr>
<td>TC6</td>
<td>0.901</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.
- 1 components extracted.

CA: 0.70

Component Matrix

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>TD1</td>
<td>0.790</td>
</tr>
<tr>
<td>TD2</td>
<td>0.861</td>
</tr>
<tr>
<td>TD3</td>
<td>0.801</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.
- 1 components extracted.

CA: 0.75

6.2.1.3. Commitment

Table 40 Principal Component Analysis Commitment

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>CA1</td>
<td>0.768</td>
</tr>
<tr>
<td>CA4</td>
<td>0.883</td>
</tr>
<tr>
<td>CA5</td>
<td>0.721</td>
</tr>
<tr>
<td>CA6</td>
<td>0.590</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.
- 1 components extracted.

CA: 0.70
### Component Matrix\(^a\)

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>CB1</td>
<td>.929</td>
</tr>
<tr>
<td>CB2</td>
<td>.929</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.  
a. 1 components extracted.  
CA: 0.84

### Component Matrix\(^a\)

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>CC1</td>
<td>.719</td>
</tr>
<tr>
<td>CC2</td>
<td>.719</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.  
a. 1 components extracted.  
CA: 0.70

### Component Matrix\(^a\)

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>CD3</td>
<td>.730</td>
</tr>
<tr>
<td>CD4</td>
<td>.773</td>
</tr>
<tr>
<td>CD5</td>
<td>.745</td>
</tr>
<tr>
<td>CD8</td>
<td>.692</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.  
a. 1 components extracted.  
CA: 0.70

### 6.2.1.4. Mutuality

#### Table 41 Principal Component Analysis Mutuality

<table>
<thead>
<tr>
<th>Component Matrix(^a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component</td>
</tr>
<tr>
<td>MA1</td>
</tr>
<tr>
<td>MA2</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.  
a. 1 components extracted.  
CA: 0.85
6.2.1.5. Flexibility

### Table 42 Principal Component Analysis: Flexibility

<table>
<thead>
<tr>
<th>Component Matrix</th>
<th>Component</th>
<th>FB1</th>
<th>FB2/SRH5</th>
<th>FB3</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.829</td>
<td>.862</td>
<td>.712</td>
<td></td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.
a. 1 components extracted.

CA: 0.71

6.2.1.6. Solidarity, Role Integrity Harmonization of Conflict

### Table 43 Principal Component Analysis: SIA

<table>
<thead>
<tr>
<th>Component Matrix</th>
<th>Component</th>
<th>SA1</th>
<th>IA1</th>
<th>HA1</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.671</td>
<td>.527</td>
<td>.772</td>
<td></td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.
a. 1 components extracted.

CA: 0.34

### Table 44 Component Matrix: REVERSE

<table>
<thead>
<tr>
<th>Component Matrix</th>
<th>Component</th>
<th>HB1</th>
<th>HB2</th>
<th>HB3</th>
<th>HB4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.778</td>
<td>.909</td>
<td>.622</td>
<td>.704</td>
<td></td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.
a. 1 components extracted.

CA: 0.75
### Component Matrix

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>SRH1</td>
<td>.683</td>
</tr>
<tr>
<td>SRH2</td>
<td>.980</td>
</tr>
<tr>
<td>SRH3</td>
<td>.980</td>
</tr>
<tr>
<td>SRH4</td>
<td>.713</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.
a. 1 components extracted.

CA: 0.83

#### 6.2.1.7. Restraint of Power

### Table 44 Principal Component Analysis Power

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>RA1</td>
<td>.636</td>
</tr>
<tr>
<td>RA2</td>
<td>.916</td>
</tr>
<tr>
<td>RA3</td>
<td>.876</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.
a. 1 components extracted.

CA: 0.75

### Component Matrix

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>RB1</td>
<td>.842</td>
</tr>
<tr>
<td>RB2</td>
<td>.588</td>
</tr>
<tr>
<td>RB3</td>
<td>.908</td>
</tr>
<tr>
<td>RB4</td>
<td>.908</td>
</tr>
<tr>
<td>RB5</td>
<td>.920</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.
a. 1 components extracted.

CA: 0.88
6.2.2. Principal Component Analysis of Formation – Scales Reliability and Validity

<table>
<thead>
<tr>
<th>Component Matrix</th>
<th>Component</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>MB1</td>
<td>.877</td>
<td></td>
</tr>
<tr>
<td>MB2</td>
<td>.877</td>
<td></td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.
a. 1 components extracted.

CA: 0.70

<table>
<thead>
<tr>
<th>Component Matrix</th>
<th>Component</th>
</tr>
</thead>
<tbody>
<tr>
<td>RC1</td>
<td>.562</td>
</tr>
<tr>
<td>RC2</td>
<td>.739</td>
</tr>
<tr>
<td>RC4</td>
<td>.697</td>
</tr>
<tr>
<td>RC6</td>
<td>.797</td>
</tr>
<tr>
<td>RC7</td>
<td>.536</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.
a. 1 components extracted.

CA: 0.70

<table>
<thead>
<tr>
<th>Component Matrix</th>
<th>Component</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>MD1</td>
<td>.544</td>
<td></td>
</tr>
<tr>
<td>MD2</td>
<td>.688</td>
<td></td>
</tr>
<tr>
<td>MD3</td>
<td>.832</td>
<td></td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.
a. 1 components extracted.

CA: 0.47
6.2.3. Principal Component Analysis of Governance- Hierarchies-Scales Reliability and Validity

Table 46 Principal Component Analysis Governance

<table>
<thead>
<tr>
<th>Component Matrix (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>GB5</td>
</tr>
<tr>
<td>GB6</td>
</tr>
<tr>
<td>GB7</td>
</tr>
<tr>
<td>GB8</td>
</tr>
<tr>
<td>GB9</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.  
\(a\). 1 components extracted.

CA: 0.86

6.2.4. Principal Component Analysis of Performance- Scales Reliability and Validity

Table 47 Principal Component Analysis Performance

<table>
<thead>
<tr>
<th>Component Matrix (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>PB1</td>
</tr>
<tr>
<td>PB2</td>
</tr>
<tr>
<td>PB3</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.  
\(a\). 1 components extracted.

CA: 0.70

<table>
<thead>
<tr>
<th>Component Matrix (a)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Component</td>
</tr>
<tr>
<td>1</td>
</tr>
<tr>
<td>PB4</td>
</tr>
<tr>
<td>PB5</td>
</tr>
<tr>
<td>PB6</td>
</tr>
<tr>
<td>PB7</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis.  
\(a\). 1 components extracted.

CA: 0.80
Component Matrix

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>PB8</td>
<td>.871</td>
</tr>
<tr>
<td>PB9</td>
<td>.835</td>
</tr>
<tr>
<td>PB10</td>
<td>.656</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis. a. 1 components extracted.

CA: 0.70

Component Matrix

<table>
<thead>
<tr>
<th>Component</th>
<th>1</th>
</tr>
</thead>
<tbody>
<tr>
<td>PC1</td>
<td>.863</td>
</tr>
<tr>
<td>PC2</td>
<td>.863</td>
</tr>
</tbody>
</table>

Extraction Method: Principal Component Analysis. a. 1 components extracted.

CA: 0.65

All the above tables include only the scales and items that have a sufficient reliability and validity. From the tables above we can redesign our questionnaire for future use and eliminate all other scale and items.

6.3. Correlation Analysis and Multiple Linear Regression Modelling

6.3.1. Correlation Analysis within Selected Constructs

The next step is the binary relation among variables using the scales that have a strong loading factor and CA. We performed correlation analysis using pearsons r. The correlation matrix that we present hereunder presents the relations among only two variables at a time and whether these are significant or not. When under 0.05 sig we indicate one star, if under 0.01 the two tiered significance which indicates an even stronger significance. The Pearson correlation is the index of the tention of the relation between each two variables.

Table 48 Pearson Correlation Analysis
|   | Me an | Std. Deviation | TA 1 | TA4 | TA5 | TB  | TC  | TD  | CA  | CB  | CC  | CD  | MA  | FB  | SIA | HB  | RA  | RB  | RC  | MB  | M D | SH  | GB  | PB  | PB  | PB  | P C |
|---|-------|---------------|------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| TA Pearson Correlation | 1 | .31 | .014 | .475 | 1   | .046 | .029 | .157 | .323 | .464 | 1   |
| TB Pearson Correlation | 3.9 | 0   | .030 | .269 | .374 | .172 | .201 | .338 | 1   |
| TC Pearson Correlation | 3.8 | 1   | .005 | .432 | .622 | 1   |
| TD Pearson Correlation | 3.9 | 1   | .032 | .284 | .471 | .825 | 1   |
| CA Pearson Correlation | 3.9 | 0   | .046 | .029 | .157 | .323 | .464 | 1   |
| CB Pearson Correlation | 4.3 | 1   | .024 | .103 | .213 | .444 | .543 | .030 | .331 | 1   |
| CC Pearson Correlation | 4   | 1   | .002 | .193 | .310 | .416 | .465 | .241 | .444 | 1   |
| CD Pearson Correlation | 3.9 | 1   | .033 | .059 | .229 | .344 | .390 | .348 | .482 | 1   |
| M Pearson Correlation | 4.4 | 0   | .024 | .103 | .213 | .444 | .543 | .030 | .331 | 1   |
| A Correlation | 1   | .25 | .002 | .103 | .213 | .444 | .543 | .030 | .331 | 1   |
| FB Pearson Correlation | 3.8 | 1   | .040 | .023 | .094 | .224 | .141 | .057 | .435 | .288 | .169 | 1   |
| SI Pearson Correlation | 3.9 | 1   | .084 | .230 | .334 | .271 | .204 | .296 | .388 | .230 | .400 | .202 | .15 | 1   |
| A Correlation | 3.8 | 1   | .099 | .230 | .334 | .271 | .204 | .296 | .388 | .230 | .400 | .202 | .15 | .36 | 1   |
| HB Pearson Correlation | 1.9 | 1   | .135 | .056 | .070 | .197 | .046 | .222 | .251 | .325 | .25 | 1   |
| RA Pearson Correlation | 3.4 | 1   | .193 | .056 | .070 | .197 | .046 | .222 | .251 | .325 | .25 | 1   |
| RB Pearson Correlation | 3.6 | 1   | .33  | .100 | .200 | .117 | .226 | .105 | .173 | .174 | .207 | .06 | .29 | 1   |
| RC Pearson Correlation | 2.5 | 1   | .028 | .108 | .421 | .355 | .339 | .333 | .403 | .474 | .339 | .239 | .266 | .01 | .338 | .29 | .147 | 1   |
| M Pearson Correlation | 3.4 | 1   | .13  | .025 | .048 | .014 | .024 | .154 | .345 | .247 | .013 | .26 | .03 | 1   |

329
<table>
<thead>
<tr>
<th></th>
<th>Pearson Correlation</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>M</td>
<td>.43</td>
<td>.24</td>
<td>.066</td>
<td>.082</td>
<td>.020</td>
<td>.104</td>
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* Correlation is significant at the 0.05 level (2-tailed).

** Correlation is significant at the 0.01 level (2-tailed).
6.3.2. Correlation Analysis Results

The findings from Pearson r analysis indicate the following which are useful to our research:
We wanted first of all to eliminate very high correlation among variables, that is to eliminate multicollinearity error and to see whether our independent and dependent variables were correlated in some way. The results indicate the inexistence of threats of multicollinearity to our analysis. Homoscedasticity was also not an issue in this research.

6.3.3. Multiple Linear Regression- Model Evaluation and Misspecification Tests and Multicollinearity Diagnosis

The next step was to conduct regression analysis using the scales that had strong CA and strong loading factor and at the same time that expressed some levels of correlation through them through the Pearson r correlation analysis.

6.3.3.1. Formation Hypothesis 1

H1: The informal institution of network embeddedness is positively related to the formation and partner selection decision of franchising networks
H1₁: Trust from prior direct ties between firms is positively related to franchise formation and partner selection
H1₂: In the absence of prior direct ties, the larger the number of the common third-party ties of two firms the more likely they are to lead to franchise formation and partner selection
H1₃: The existence of the network is positively related to the creation of new alliances and networks, so to its accumulation

Regression analysis on formation didn’t indicate any relationship among motives and ties, or among trust and motives for formation. So our hypothesis were neither rejected nor confirmed with reference to formation of franchise networks based on prior ties and trust.

TA₄ measures the strength of ties among the franchisors and the franchisees distinguishing among weak and strong ties. The findings indicate that franchisors had no prior ties with franchisees TA₁, with reference to TA₄ it is indicated that the ties among the franchisor and the franchisees are strong. TA₅ measures the strength of ties among the franchisees distinguishing among weak and strong ties. The findings indicate that the ties among the franchisees are weak.

Quoting from a franchisor “What has business to do with family? I’m impressed. References and ties don’t count the selection is based on objective criteria”
6.3.3.2. Governance Hypothesis 2

H2: The informal institution of the system of relational embeddedness determines the governance system of the franchising networks, therefore it is inversely related to hierarchical controls in franchising networks.

H2: Trust is inversely related to hierarchical controls.
H2: Prior ties between firms are inversely related to hierarchical controls.
H2: Commitment is inversely related to hierarchical controls.
H2: Solidarity is inversely related to hierarchical controls.
H2: Mutuality is inversely related to hierarchical controls.
H2: Flexibility is inversely related to hierarchical controls.
H2: Role Integrity is inversely related to hierarchical controls.
H2: Harmonization of Conflict is inversely related to hierarchical controls.
H2: Restraint of Power is inversely related to hierarchical controls.

6.3.3.2.1. Factor 1

Table 49 Regression Analysis Governance & HIA

<table>
<thead>
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<th>R²</th>
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<th>Standardized Coefficients Beta</th>
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a. Dependent Variable: GB
6.3.3.2.2.  Factor 2

Table 50 Regression Analysis Governance & SRH

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a. Dependent Variable: GB

6.3.3.2.3.  Factor 3

Table 51 Regression Analysis Governance & SIA

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a. Dependent Variable: GB

6.3.3.2.4.  Factor 4

Table 52 Regression Analysis Governance & Commitment C

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a. Dependent Variable: GB
6.3.3.2.5.  Factor 5

Table 53 Regression Analysis Governance & Trust B

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a. Dependent Variable: GB

6.3.3.2.6.  Factor 6

Table 54 Regression Analysis Governance & Trust C

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a. Dependent Variable: GB

6.3.3.2.7.  Factor 7

Table 55 Regression Analysis Governance & Trust D

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a. Dependent Variable: GB

6.3.3.2.8.  Summary of tests for Hypothesis 2

The regression analysis indicates that there are causal positive relationships among Hierarchies and Trust based on all scales TB, TC and TD. Among Hierarchies and Commitment based on scale CC. Among Solicarity, Harmonization of conflict and Role
integrity and Hierarchies based on both scales SIA and SRH. The causal positive relationship among harmonization of conflict and Hierarchies were further supported by the regression analysis between HA1 and Hierarchies.

According to these results our hypothesis are refuted indicating that the existence of social norms among franchisors and their franchisees are not enough to counter balance the need to have hierarchies.

Quoting from a respondent: “The management style in Greece is old fashioned. We cannot abandon hierarchies. I would do it. I would relax some hierarchies without having risk but the people are not trained to accept that. I know that hierarchies cause failures and distortions in our relationships”

Another respondent combined trust with training, he stated that the less trained franchisees have lower trust in the system. Another respondent with reference to commitment mentioned that “we became committed because we had to, our franchisees have 100% ownership of their stores. I could easily replace the invididual partner with another one but their business I need it”.

6.3.3.3. Performance Hypothesis 3

H3: The informal institution of the system of relational embeddedness is positively related to the performance of franchising networks
H3\(_1\): Trust is positively related to performance
H3\(_2\): Commitment is positively related to performance
H3\(_3\): Solidarity is positively related to performance
H3\(_4\): Mutuality is positively related to performance
H3\(_5\): Flexibility is positively related to performance
H3\(_6\): Role Integrity is positively related to performance
H3\(_7\): Harmonization of Conflict is positively related to performance
H3\(_8\): Restraint of Power is positively related to performance

6.3.3.3.1. Factor 1

<table>
<thead>
<tr>
<th>Model</th>
<th>Model</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>Standardized Coefficient Beta</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Org. Context Years</td>
<td>Model</td>
<td>.204</td>
<td>.169</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indiv. Context Education</td>
<td>Org. Context</td>
<td>-.014</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust (TB)</td>
<td>Indiv. Context</td>
<td>.36</td>
<td>.28</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solidarity Role Integrity</td>
<td>Trust (TB)</td>
<td>.19</td>
<td>.10</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Harmonization of Conflict (SRH)</td>
<td>Solidarity Role Integrity</td>
<td>.19</td>
<td>.10</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Dependent Variable: PB\(_B\)
### Table 57 Regression Analysis Performance & Trust C

<table>
<thead>
<tr>
<th>Model</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>Standardized Coefficients Beta</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Org. Context Years</td>
<td></td>
<td></td>
<td>-.070</td>
<td>.630</td>
</tr>
<tr>
<td>Org. Context Industry Sector</td>
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<td></td>
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<td>.193</td>
</tr>
<tr>
<td>Indiv. Context Education</td>
<td></td>
<td></td>
<td>-.249</td>
<td>.081</td>
</tr>
<tr>
<td>Indiv. Context Past Position</td>
<td></td>
<td></td>
<td>-.054</td>
<td>.732</td>
</tr>
<tr>
<td>Trust (TC)</td>
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<td>0.14</td>
<td>.330</td>
<td>.024</td>
</tr>
</tbody>
</table>

a. Dependent Variable: PBB
6.3.3.3.3. Factor 3

Table 58 Regression Analysis Performance & Commitment B

<table>
<thead>
<tr>
<th>Model</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>Standardized Coefficients Beta</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Org. Context Years</td>
<td>.326</td>
<td>.007</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Org. Context Industry</td>
<td>-.347</td>
<td>.006</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indiv. Context Education</td>
<td>-.168</td>
<td>.142</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indiv. Context Past Position</td>
<td>-.082</td>
<td>.510</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Commitment (CB)</td>
<td>0.54</td>
<td>0.46</td>
<td>.524</td>
<td>.000</td>
</tr>
</tbody>
</table>

a. Dependent Variable: PC

6.3.3.3.4. Factor 4

Table 59 Regression Analysis Performance & Trust B

<table>
<thead>
<tr>
<th>Model</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>Standardized Coefficients Beta</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Org. Context Years</td>
<td>.349</td>
<td>.012</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Org. Context Industry</td>
<td>-.296</td>
<td>.036</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indiv. Context Education</td>
<td>-.251</td>
<td>.054</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indiv. Context Past Position</td>
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<td></td>
</tr>
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<td>Trust (TB)</td>
<td>0.36</td>
<td>0.28</td>
<td>.326</td>
<td>.014</td>
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</table>

a. Dependent Variable: PC

6.3.3.3.5. Factor 5

Table 60 Regression Analysis Performance & SRH

<table>
<thead>
<tr>
<th>Model</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>Standardized Coefficients Beta</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Org. Context Years</td>
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<tr>
<td>Org. Context Industry</td>
<td>-.302</td>
<td>.024</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indiv. Context Education</td>
<td>-.258</td>
<td>.035</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Indiv. Context Past Position</td>
<td>.109</td>
<td>.458</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Solidarity, Role Integrity, Harmonization of Conflict (SRH)</td>
<td>0.44</td>
<td>0.37</td>
<td>.466</td>
<td>.001</td>
</tr>
</tbody>
</table>

a. Dependent Variable: PC
6.3.3.6. Factor 6

Table 61 Regression Analysis Performance & Reputational Power

<table>
<thead>
<tr>
<th>Model</th>
<th>$R^2$</th>
<th>Adjusted $R^2$</th>
<th>Standardized Coefficients Beta</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Org. Context Years</td>
<td></td>
<td></td>
<td>2.303,026</td>
<td></td>
</tr>
<tr>
<td>Org. Context Industry Sector</td>
<td></td>
<td></td>
<td>-2.076,044</td>
<td></td>
</tr>
<tr>
<td>Indiv. Context Education</td>
<td></td>
<td></td>
<td>-1.770,084</td>
<td></td>
</tr>
<tr>
<td>Indiv. Context Past Position</td>
<td></td>
<td></td>
<td>-.708,.483</td>
<td></td>
</tr>
<tr>
<td>Restraint of Power through Reputation (RC)</td>
<td>0.32</td>
<td>0.24</td>
<td>2.001,.052</td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: PC

6.3.3.7. Factor 7

Table 62 Regression Analysis Performance & Harmonization of Conflict

<table>
<thead>
<tr>
<th>Model</th>
<th>$R^2$</th>
<th>Adjusted $R^2$</th>
<th>Standardized Coefficients Beta</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Org. Context Years</td>
<td></td>
<td></td>
<td>.316,.025</td>
<td></td>
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<tr>
<td>Org. Context Industry Sector</td>
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<tr>
<td>Indiv. Context Education</td>
<td></td>
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<td>-.360,.011</td>
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</tr>
<tr>
<td>Indiv. Context Past Position</td>
<td></td>
<td></td>
<td>-.080,.584</td>
<td></td>
</tr>
<tr>
<td>Harmonization of Conflict (HB)</td>
<td>0.33</td>
<td>0.24</td>
<td>-.296,.043</td>
<td></td>
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</table>

a. Dependent Variable: PC

6.3.3.8. Factor 8

Table 63 t-student test Strength of Ties and Performance

<table>
<thead>
<tr>
<th>Strength of ties among franchisees (weak vs strong) $TA_s$</th>
<th>Mean of Weak Ties</th>
<th>Mean of Strong Ties</th>
<th>Sig (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance Meeting Financial Objectives $PB_A$</td>
<td>3.68</td>
<td>4.13</td>
<td>0.029</td>
</tr>
<tr>
<td>Performance Meeting Technological &amp; Managerial Objectives $PB_B$</td>
<td>3.66</td>
<td>4</td>
<td>0.089</td>
</tr>
<tr>
<td>Overall Performance Satisfaction PC</td>
<td>3.72</td>
<td>4.15</td>
<td>0.040</td>
</tr>
</tbody>
</table>
6.3.3.3.9. Summary of tests for Hypothesis 3

Our regression analysis indicate that there are causal positive relationships among performance and trust (all scales of trust), harmonization of conflict, restraint of power especially with regards to reputational power, solidarity and role integrity.

We also measured the correlation among TA5 and the rest variables through t-student test. The only significant means correlation existed between the strength of the ties among the franchisees of the systems and the performance of the system. The findings indicate that those with stronger ties among them were better performing that those with wicker ties among them and this difference of means among these two groups was statistically significant p≤ 0.05% and p≤ 0.09% with reference to PB8.

Therefore our hypotheses are confirmed indicating that the existence of the social norms of governance is positively related with the performance of the franchise network.

6.3.4. Concluding Remarks

At this section we analysed the quantitative data collected through our online self-administered questionnaire. The findings have indicated the existence of correlations and causal relationships among hierarchies and social norms as well as among performance and some social norms. Our quantitative research analysis doesn’t provide any justification for the refutation or confirmation of our first hypothesis that A Firm’s embeddedness in social networks is positively related to the formation of new alliances-franchises and the selection of appropriate partners -franchisors/ees. With reference to our second hypothesis that network embeddedness influences the governance structure of franchise systems and that there is a negative relationship among hierarchies and social norms. Our data indicate that social norms in fact influence the governance of the franchise systems but positively instead of inversely. Finally with reference to our third hypothesis that network embeddedness is positively related to the performance of franchise systems, our data has confirmed this hypothesis. We also checked the relationship among ties and performance and found a strong positive causal relationship
7. Conclusions, Limitations and Implications

Our qualitative research indicated that in understanding social franchising we have to understand social entrepreneurship and the social innovation model of the ventures that combine resources in an innovative way to achieve social objectives and impact. The determinant factor that differentiates social franchises from mainstream franchises and alliances are these two elements which are strongly embedded and influenced by their contextual political and social environments building on the dynamics of social networks. Social franchises cannot be analysed in isolation from the spheres of social entrepreneurship, social innovation, the political context within which they emerge and operate and the social settings of relationships they form with other organizations and actors which shape their behaviour through the dynamics of relational and structural embeddedness.

The objectives of this study have been the attempt to provide satisfactory responses to the influence of the aforementioned four systems to the formation governance and performance of social franchises. Dissemination has been an objective of our research from early stages, therefore building on hard data of formal institutions incentives, best practices, challenges faced and solutions adopted by social entrepreneurs and support organizations.

The phenomenon of social franchising that is the subject of this research is at its ‘natal’, early introduction phase as a topic of research and therefore could benefit from any theory building that could shed some light on this new inter-organizational format. In overcoming this barrier we have drawn from theories in mainstream franchising, alliances, networks and social entrepreneurship which are all closely linked to the construct of social franchising. The main body of research in franchising and generally in inter-firm alliances has tended to view the phenomena through a unilateral or bilateral approach, at the expense of neglecting valuable insights, which could be gained from a social network theory approach and from viewing the interactions among various systems of institutions. Social entrepreneurship and their alliances is a relatively new field of research that could benefit from viewing these phenomena from a holistic approach incorporating elements of institutional dynamics and social network theory. Most empirical research on social entrepreneurship and social alliances either builds on secondary data or on case studies from the developing world. The consequence of this research imbalance is that little research has devoted itself in viewing the phenomena of alliances in its social and political context and assessing the impact of the dynamics of the social relationships of a network in its formation, governance, and performance. We are also attempting to cover this gap by gathering primary data from cases active at the developed world.

Our research is mainly exploratory building on an analytic induction theory of mixed-method approaches (Bailey, 2008; Bryman, 2006; Sloane and O’Reilly, 2013; Yin, 2008) of both quantitative and qualitative data analysis, including: 1) case studies of six social franchises in the UK and Greece; 2) in depth interviews with 113 social entrepreneurs in Greece and in the UK; 3) In depth interviews with 20 stakeholders in the UK and Greece; 4) an action research with the local authority of the city of Athens, the project name was ‘Athens Social Economy Initiative’; 5) an action research 30 hours workshop with 30 prospective social entrepreneurs and social franchisors; 6) an action research three days workshop with 7 CEOs of best practices social entrepreneurship centers and hubs in Europe, 2 experts policy advisors from the EC, 2 members of the Social Business Initiative of the EC, and 14 representatives from Greek formal institutions; 7) archive analysis of secondary data from sources including...
Europa, governmental, organizational, and local authorities; 8) and an online pilot survey through a quantitative approach in franchise systems in the UK and Greece to provide a quantifiable tool for future research needs in evaluating and explaining the influence of the system of informal institutions of relational and structural embeddedness on franchise formation, partner selection, governance and performance.

7.1.1. Research Findings

A conceptual model named ‘SoFraM’ (Social franchise Model) has been induced from the data analysis which views social franchising formation, partner selection, governance and performance through the dynamics of the following systems:

e) Institutional Political Context:
   a. centralized or formal institutions
      i. the supranational institutions, (data from the EU case)
      ii. the national institutions, (data from the UK and Greek case)

f) Institutional Social Context:
   a. decentralized or informal institutions, social norms and the argument of embeddedness

g) Organizational context:
   a. social innovation.

h) Individual Context:
   a. the individual/psychological social entrepreneurship profile

The properties and interactions of the system of decentralised or informal institutions of social norms have been further investigated through an explanatory quantitative study. The ‘FNM’ (Franchise Network Model) has been proposed, and subsequently empirically tested, which describes a number of factors hypothesized to be related to the formation, partner selection, governance, and performance of franchise networks.

Our data indicate that social franchise and social enterprises formation growth and success is heavily dependent upon four systems and their subsystems. These being: firstly, formal institutions through their policies and incentives both national and supranational, like the case of the EU that has assumed an active role in the support of the growth of the sector not only in Europe but also in its affiliated developing countries. Secondly, informal institutions of social norms and network embeddedness; social entrepreneurs are very much reliant on their relational and structural embeddedness in networks which provide them with opportunities and resources to emerge and scale. Thirdly, the system of the social innovation model adopted by the social enterprise; specifically the social impact that it wants to achieve, the way to achieve it, the way to raise resources, its sustainability and its scaling model. Finally, elements of the system of the individual/psychological social entrepreneurship profile, especially traits like empathy, social skills and ability to act collectively.

Our quantitative research analysis doesn’t provide any justification for the refutation or confirmation of our first hypothesis that A Firm’s embeddedness in social networks is positively related to the formation of new alliances-franchises and the selection of appropriate partners -franchisors/ees. With reference to our second hypothesis that network embeddedness influences the governance structure of franchise systems and that there is a negative relationship among hierarchies and social norms. Our data indicate that social norms in fact influence the governance of the franchise systems but positively instead of inversely.
Finally with reference to our third hypothesis that network embeddedness is positively related to the performance of franchise systems, our data has confirmed this hypothesis. We also checked the relationship among ties and performance and found a strong positive causal relationship

7.1.2. Research Significance and Contribution

The main contribution and significance of this study has been the investigation of the new interorganizational format of social franchising which has received almost non research attention up to date. Secondly, another significant contribution of this study has been the theoretical approach adopted which has been a holistic ontological and epistemological approach through systems theory and specifically social network theory creating a link among network theory and social entrepreneurship theory, the so called Social Franchise Model (SoFraM). Thirdly, this research pioneers by establishing the foundations for understanding the relationships among relational and structural embeddedness and the process of social entrepreneurship formation, growth and success; also by providing evidence for the role of formal institutions interventions to this process and by providing evidence for the role of specific elements form the individual psychological profile of social entrepreneurs that have not been identified up to now. Other significant contributions are: fourthly, it draws on primary data from the developed world which has been scant; fifthly, it draws on hard copy primary data of formal institutions policies, legislation, funding, capacity-building programmes along with evaluating their efficacy and perceived efficiency by key actors. This apart from having theoretical contributions can have direct practical implications for policy makers at the EC, national governments and local authorities;

Sixthly, it combines mixed method approaches of action research projects, analytic induction of case studies and an online survey therefore providing more knowledge to the theoretical implications of such approaches when used complementary. Seventhly, it contributes theoretically and practically by providing in depth information of the social economy ecosystem in Greece presenting the dynamics, conflict, collaboration, emergent logics and corruption levels among the different key stakeholder groups from the political, social, public and private organizational context. Finally, this research contributes to theory and practice by providing evidence through the quantitative study in the UK and Greece of the existence of causal relationships and correlations among relational and structural embeddedness and the formation, governance and performance of mainstream franchises.

7.2. Limitations of the Study

Various research limitations have been acknowledged early on (see chapter 4.3.2) that could threaten the reliability and validity of the study and actions have been taken to eliminate those risks. The latter being: participant/researcher biases and errors; sampling errors and response issues; measurement errors and methodological issues; and resource constraints. The adoption of triangulation techniques of space (among the UK and Greece), time, investigator and method, and the use of mixed method approaches following appropriate research protocols in every case have helped address those issues.

Possible limitations of our study are the issue of the generalisability of our results to the rest European member states and to the developing world. Though Greece represents the EU south and the UK the EU north, on the other hand the action research project with the best practice
social entrepreneurship centres from Sweden, Germany, Italy, Spain and Belgium counter-balanced that providing a wide representation of the EU social economy eco-system. The strongest limitations of our quantitative study are the very low response rates which has been complemented by the vast data of the qualitative empirical study. Another limitation of both our qualitative and quantitative studies is the large number of variables that we are dealing with which is due to the inexistence of research on social franchising on one hand and on the other hand is due to our holistic systemic approach into studying the phenomena. The vast number of variables and systems has made our study more complex, lengthier in time and size, more time consuming, in need of many sampling units, but on the other hand has provided rich findings and knowledge on the phenomena as well as a complete overview of the various interacting systems, actors and elements.

7.3. Implications of the Study

This thesis has direct implications to practice on all four systems, specifically:

Formal National Institutions. The European Union and supranational institutions need to define the legal framework of social enterprises providing legitimate labelling and unified harmonization of the different national legal frameworks. They need to provide incentives and sponsorship to the creation, development and scaling of social enterprises and of the social investment market. They need to provide metrics for the evaluation and measurement of social enterprises performance. They need to fund the exchange of know how, expertise, human resources, training and funds among European member states. They should enhance social innovation through sponsoring the development of scientific research and academic knowledge on social entrepreneurship. Governments need to employ specific policies to foster the creation and development of social enterprises. They need to define a legal framework that encompasses various social innovation ventures and to provide credibility and legitimacy to these enterprises. They need to adapt policies to allow social enterprises to deliver social welfare state services and to enhance the growth of the social investment market. They need to employ mechanisms and provide benefits like tax reliefs to counter balance the distortions and fallacies of the social economy sector. They need to provide grants and access to funding to social entrepreneurs. The local authorities need to collaborate with social enterprises allowing for the exploitation of real estate and service provision.

Business Support centres and social enterprise networks on social entrepreneurship need to be enhanced at regional and European level; including access to these centres for vulnerable groups and training of their staff. These centres should operate as social investment finance intermediaries bridging social enterprises and BoP (bottom of the pyramid ventures) with social investors, like big companies and their CSR, enabling the creation of corporate social partnerships; to allow the seeding of capital from venture capitalls, hedge funds, financial institutions, banks and city capital through crowd funding platforms. These centres should provide networking opportunities for social entrepreneurs allowing the formation of social partnerships, they should provide co-working spaces and incubators, capacity building on various hard and soft skills, and finally, they should provide targeted specialised consulting services. Universities and research centres should engage on social entrepreneurship and social innovation acting as incubators and providing education and networking to prospective social entrepreneurs, they should enable the transformation of research into social entrepreneurial ventures.

Executives of big organizations, multinationals and for profits acting as social intrapreneurs
need to support communities and social entrepreneurs by partnering with them and providing financial capital, infrastructure and mentoring. Financial institutions and investors need to exploit opportunities and assume the risk of investing into social enterprising ventures targeting primarily social objectives and secondarily financial profit; to leverage maximisation of profits with social impact creation. Publicly recognised people, famous people, artists, journalists, policy makers, public officials, academics and various professionals should act as opinion leaders into raising awareness of social entrepreneurship and the civil society ventures.

Consumers and the wider public need to integrate social criteria when entering into market transactions; the act of buying shoul incorporate elements of ethical consumption by taking into consideration the social impact created by the vendor companies. Communities and citizens should assume an active role in the provision of the social welfare state, in the transformation of institutions, in the management of local and national resources, in the execution of public policy. Citizens could take stakes in social enterprises and participate in their decision making thus shifting power from the centre to their communities; they could support the establishment and growth of social ventures of their co-citizens by providing their own resources these being time, expertise, human capital, volunteering, financial capital, physical capital, entrepreneurship.

7.4. Suggested Avenues for Future Research

The posing of questions that resulted in a scientific inquiry in the first place has as an output the raise of more questions. The output of a significant theory building are conceptual models that can be used and applied in other settings and through further investigation of the relationships identified (Dubin, 1978; Elsbach et al, 1999; Whetten, 2001). We suggest future research to direct to the following avenues:

In terms of future research we recommend for a systemic approach of the scaling strategies of social enterprises as well as a systemic approach on the drivers that can trigger the social investment market.

Moreover, replication strategy; we believe that valuable insights can be gained by investigating the spheres of ‘SoFraM’ in other national environments and cultures. We also find it important to apply ‘SoFraM’ in other inter-firm alliance and network types both mainstream and social.

The properties of ‘SoFraM’ can benefit from an analytic approach in creating a framework for each sphere, like what was attempted with ‘FNM’ on the social sphere. The objective could be to causally link the specific variables that we identified from each sphere with strategic issues facing social enterprises and franchises. Hypothesised relationships can be formulated and then tested and measured through larger scale research studies both nationally and cross-nationally, both in the developed and developing world.

‘FNM’ is an analytical framework that needs to be applied in the settings of social cooperatives, social enterprise networks and social franchises to evaluate its significance and to assess the impact of its variables in these formats.

We feel that ‘SoFraM’ and ‘FNM’ theories provide a theoretical framework that can be useful to future research that wants to address these issues.
7.5. Concluding Remarks

This section identified the main conclusions of the study and highlighted the findings of the qualitative and quantitative empirical research. The limitations of the research were identified and addressed. An important element for the writer of this research is the implications of this study for practitioners; these have been developed both through the empirical study and in this section. We finally concluded by suggesting avenues for further research investigation.
APPENDICES

Appendix A The Online Questionnaire

Below is the online questionnaire as constructed on survey monkey platform that has been cop pasted as picture hereunder [Available at: https://www.surveymonkey.net/MySurvey_EditorPage.aspx?sm=8F0uZw39rTV82OLjpqVyWkh8rT7YB%2bWJ0508x9DmhmE%3d]

SoFraM- Social Franchise Model Inter-country Survey

This is an inter-European academic research conducted by Brunel University of London with the support of the British Franchise Association, the European Franchise Federation, the Greek Ministry of Labour and the Greek Franchise Association. This research provides valuable insight on the role of relational network embeddedness in the formation, partner selection, governance and performance of franchises. It also investigates the emerging relationship between social entrepreneurship and franchising.

You have been chosen because of the position you hold in the company and your franchise is one of a few systems that have been carefully selected to participate in this survey. Your contribution is vital to the design of policies at a regional and European institutional level for the further growth and support of Franchising and it should only take you about 30'. Your participation is expected to be a constructive process that could provide you with learning benefits.

All information provided will be treated with absolute confidentiality and anonymity and is protected by Brunel University's Ethical Research Code (see link: http://www2.brunel.ac.uk/427/policy/CoEv7wpdraftnotrk.pdf)
In return for your cooperation, the findings of the inter-country survey will be provided. Also, we could offer you a free private consultation on the implications of the findings to your business.

Thank you for your time and contribution.

For any query you may have please do not hesitate to contact Brunel's Academic Research Team: Brunel University, Kingston Lane, Uxbridge, Middlesex UB8 3PH, Tel: +44 (0)1895 274000, Fax: +44 (0)1895 232806, Email: fiori.zafeiropoulou@brunel.ac.uk
TO WHOM IT MAY CONCERN

Dear Colleague,

BRUNEL RESEARCH ON FRANCHISING

The Greek Franchise Association strongly supports the execution of academic credible research on franchising in order to raise the understanding on the benefits and realities of franchising as understood by business, academia, government and the media.

The recent interest of social entrepreneurs to enter in the field of franchising brings new opportunities to the concept of franchising. We can only gain the benefit and avoid the damage if franchising initiatives in the social entrepreneurship field are competent. They can only be competent if they are based on knowledge.

This Brunel research will be important in adding to that knowledge and I ask you to spend just a small amount of your time in contributing your experience to the debate through this research survey.

Yours sincerely,

[Signature]

FRANCHISE ASSOCIATION OF GREECE
45/94, 9th floor, Athens 105 57
Tel.: 210 515572 FAX: 210 524781
www.franchise.gr
franchiseassociation@franchise.gr

[Signature]

President of the Greek Franchise Association
Ministry of Labour and Social Security
M.A. of Mainstreaming Equal Principles in the O.P.s and Managing Actions Funded by the O.P. “Human Resources Development”

To whom it may concern

This academic piece of research executed by Brunel University, UK has the support of the Greek Ministry of Labour. This is a good research work, it is timely and effective. Please help by participating.

To...

[Signature]

[Date]

[Name]
TO WHOM IT MAY CONCERN

Dear Colleague,

BRUNEL RESEARCH ON FRANCHISING

The Greek Franchise Association strongly supports the execution of academic credible research on franchising in order to raise the understanding on the benefits and realities of franchising as understood by business, academia, government and the media.

The recent interest of social entrepreneurs to enter in the field of franchising brings new opportunities to the concept of franchising. We can only gain the benefit and avoid the damage if franchising initiatives in the social entrepreneurship field are competent. They can only be competent if they are based on knowledge.

This Brunel research will be important in adding to that knowledge and I ask you to spend just a small amount of your time in contributing your experience to the debate through this research survey.

Yours sincerely,

FRANCHISE ASSOCIATION OF GREECE
45 Vouli St., Athens 105 57
Tel.: 210 3252997, Fax: 210 3247881
www.franchising.gr

[Signature]

President of the Greek Franchise Association.
Network Embeddedness Survey - SoFraM

2. Motives for the Formation of Franchise Networks

Please answer by selecting the appropriate box. In some cases space is provided to write your personal comments. The questionnaire is 6 pages long and will take you no more than 40' to complete it. Once you answer all questions in a page please move to the next one by pressing the button at the bottom of the page. We hope that this will prove to be a constructive and learning process to you. Your absolute sincerity is needed for the credibility of the research results.

1. In recruiting Franchisees you usually find partners using one of the following methods:

☐ In recruiting

☐ Existence of a direct/franchisee

☐ Through Franchisee

☐ Franchisee fairs, unsolicited

☐ partners with

☐ usually find

☐ tiemagazine enquiries

☐ using one

☐ of the
g

☐ following franchisee agencies

☐ methods:

2. Have you provided a second franchise to existing Franchisees?

☐ Have you provided a

☐ Rarely

☐ Often

☐ second franchise to existing Franchisees? Never

Explain

the

reason:

______________________________
3. Which were your motives for creating a franchise network (evaluate the importance of each motive to your decision)?

<table>
<thead>
<tr>
<th>Motive</th>
<th>Completely unimportant</th>
<th>Unimportant</th>
<th>Indifferent</th>
<th>Important</th>
<th>Very important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share business risk</td>
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<tr>
<td>Business growth (increase of sales, profits)</td>
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<tr>
<td>Exploit economies of scale (reduce per unit costs)</td>
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<tr>
<td>Increase innovation (access to new ideas, develop new technologies)</td>
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<tr>
<td>Access to information capabilities (local markets, new skills)</td>
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<tr>
<td>Increase customer loyalty</td>
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<tr>
<td>Develop and improve marketing and distribution skills</td>
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<tr>
<td>Enter in new markets (geographical, new customer segments)</td>
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</tbody>
</table>

4. Which were your three most important motives that led you in creating this franchise network? (choose from the scroll down menu)

<table>
<thead>
<tr>
<th>Motives Franchise Formation</th>
</tr>
</thead>
<tbody>
<tr>
<td>First most important motive</td>
</tr>
<tr>
<td>Second most important motive</td>
</tr>
<tr>
<td>Third most important motive</td>
</tr>
</tbody>
</table>
5. Do you own more than one franchise system

☐ Do you own more ☐ No, but we would like to create one in the ☐ No than one franchise system (please explain at the space provided) Intend to create another franchise system Yes, the "why?" and whether it would be a related or unrelated diversification (please mention them at the space provided)

Explain

6. The influence of the strength of ties

Strong Somewhat Weak

Prefer to avoid this person or strangers

How strong a connection do you have with your
3. Governance of Franchise Networks

7. To what extent do the following factors describe the structure of the franchise system (we are mostly interested in whether these are being implemented rather than if they are written on a contract)
<table>
<thead>
<tr>
<th></th>
<th>Doesn't apply at all</th>
<th>Doesn't apply</th>
<th>Indifferent</th>
<th>Slightly applies</th>
<th>Applies completely</th>
</tr>
</thead>
<tbody>
<tr>
<td>We have specified a priori all members roles and responsibilities</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>There is a clear authority system, we do the decision making and specification of actions</td>
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</tr>
<tr>
<td>There are standard operating procedures (clear process specifying Franchisees decisions for the everyday management of their companies and the entire network)</td>
<td></td>
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<tr>
<td>We are doing the planning of the network</td>
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<tr>
<td>We have designed a priori formalised contingency plans</td>
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<tr>
<td>We have designed a priori the process of change and adjustments</td>
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<tr>
<td>There are formalised monitoring procedures (clear process measuring performance, procedures of output and external controls of behaviour)</td>
<td></td>
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<tr>
<td>We have incentives and rewards tied to output performance and to observed behaviour of Franchisees</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>We have standard and clear dispute resolution procedures (quasi-judicial process to resolve disputes)</td>
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</tr>
<tr>
<td>Enforcement mechanisms are by legitimate authority (like contract termination and direct control)</td>
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</tr>
<tr>
<td>Our relationship with the Franchisees has a fixed length defined a priori</td>
<td></td>
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<td></td>
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</tr>
</tbody>
</table>
We have unilateral authority on renegotiating or terminating the relationship written on contract

<table>
<thead>
<tr>
<th></th>
<th>Doesn't apply at all</th>
<th>Doesn't apply</th>
<th>Indifferent</th>
<th>Slightly applies</th>
<th>Applies completely</th>
</tr>
</thead>
<tbody>
<tr>
<td>The prices of our services offered to Franchisees are fixed in advance</td>
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<tr>
<td>Franchisees keep detail records of everyday transactions they have</td>
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<tr>
<td>We use formal means of communication than dealing with the Franchisees informally</td>
<td></td>
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<tr>
<td>The structure of our partnerships is hierarchical</td>
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<td></td>
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<tr>
<td>The structure of our partnerships is informal</td>
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</tbody>
</table>

8. What is the ownership type of your franchised units?

☐ What is the ownership type of your franchised units? 100% under the ownership of the Franchisees

☐ We have a minority equity stake on the franchised units

☐ We have a joint venture with the franchisees (a separate third company in which we both have equity stakes)

☐ We have 100% ownership of the business and provide a management contract to our Franchisees

☐ We own the property where the Franchisee establishes the franchised unit

Other (please specify) ...

9. Have you expanded the franchise network to a foreign market?

☐ Have you ☐ No, we ☐ Yes, the expanded the have not yet network has franchise expanded already network to a internationally expanded foreign but we intend internationally market? No, to we have not expanded internationally
10. What is the mode of entry into foreign markets?

☐ What is the mode of entry into foreign markets? Master entrepreneur

☐ Direct franchise (recruit and manage franchisees from the home country)

☐ Subsidiary established at the foreign market to recruit and manage franchisees

☐ Joint venture (create a third company with a local partner to manage the chain)

☐ Area Development Agreement (provide licence to a local partner to open company-owned units in specific geographical areas)

11. How do you recruit local partners (franchisees) in the foreign markets? (please respond what actually stands for the franchisor)

☐ How do you recruit local partners (franchisees) in the foreign markets? (please respond what actually stands for the franchisor)

☐ Existence of a direct/indirect tie with the prospective partner

☐ Unsolicited enquiries of prospective franchisees from foreign countries

☐ Recruitment through international fairs, foreign magazines, recruiting and consulting agencies

☐ Referred
5. Performance of the Franchised Network

12. How satisfied are you from achieving the following goals because of the existence of the franchised network?

- We achieved the sharing of business risk
- We achieved business growth (increase of sales, profits)

13. How strongly do you agree with the following statements?

- Strongly disagree
- Disagree
- Indifferent
- Agree
- Strongly agree

Overall the relationship

57%
<table>
<thead>
<tr>
<th>We exploited economies of scale (reduce per unit costs)</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>We achieved the increase of innovation (new ideas, new technologies)</td>
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<tr>
<td>We achieved access to information capabilities (local markets, new skills)</td>
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<tr>
<td>We achieved increase of customer loyalty</td>
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<tr>
<td>We achieved the development and improvement of marketing and distribution skills</td>
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<tr>
<td>We achieved entry in new markets (geographical, new customer segments)</td>
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<tr>
<td>We achieved increase of brand awareness</td>
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<tr>
<td>We achieved the acquisition of competitive advantages (create uniqueness over competitors in the customer minds)</td>
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</tbody>
</table>

Our franchisees have been beneficial and is sufficiently profitable to carry on.

We have met the objectives that made us create the network.

Our industry sector is doing well.
We achieved more trustworthy and higher quality relationships with our Franchisees.

Other goal that you achieved or commentary on the network's performance

Answer Q14-Q19 by completing the actual and expected value of the figures for the past and following three years. If you do not wish to provide us with the actual numbers then you can give us a rate from the previous year.

<table>
<thead>
<tr>
<th></th>
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</thead>
<tbody>
<tr>
<td>2008</td>
<td>2008</td>
<td>Profit margins</td>
<td>Market share</td>
<td>Number of company owned units</td>
<td>Number of franchised units</td>
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<tr>
<td>2011e</td>
<td>2011e</td>
<td>2010</td>
<td>2010</td>
<td>2010</td>
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<tr>
<td>2012e</td>
<td>2012e</td>
<td>2011e</td>
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<tr>
<td>2013e</td>
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</tbody>
</table>
6. Relational Network Embeddedness Variables

20. How true do you believe that the following statements are about your relationship with your partners? (please answer as truthful and accurate as possible since this questionnaire is anonymous and keeping in mind that we are not testing each company individually but the whole of the sample at a European level)

<table>
<thead>
<tr>
<th>Statement</th>
<th>Completely untrue</th>
<th>Untrue</th>
<th>Indifferent</th>
<th>True</th>
<th>Completely true</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our Franchisees are fair in recording their transactions</td>
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<tr>
<td>There are a few problems with the quality of products/services offered by our Franchisees</td>
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<tr>
<td>We experience relatively few problems with the reliability of our Franchisees</td>
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<tr>
<td>Our Franchisees operate a reliable quality system</td>
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<tr>
<td>Our Franchisees have a good reputation in the business</td>
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<tr>
<td>Legal disputes with our Franchisees are unlikely</td>
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</tr>
<tr>
<td>Statement</td>
<td>Completely untrue</td>
<td>Untrue</td>
<td>Indifferent</td>
<td>True</td>
<td>Completely true</td>
</tr>
<tr>
<td>--------------------------------------------------------------------------</td>
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<tr>
<td>Our Franchisees understand the needs of the business and the way we work</td>
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<tr>
<td>We appreciate the way our Franchisees behave to us as Franchisor</td>
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<tr>
<td>Our working relationship with our Franchisees' staff is good</td>
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<tr>
<td>Our Franchisees make constant efforts to maintain good relationship with us</td>
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<td></td>
</tr>
<tr>
<td>Our Franchisees are honest and truthful with us</td>
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<tr>
<td>We have great confidence in our Franchisees</td>
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<tr>
<td>I feel that I can trust our Franchisees</td>
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<tr>
<td>I believe that our Franchisees can be counted on to do what is right</td>
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</tr>
<tr>
<td>Mutual trust has helped in developing our relationship with our Franchisees</td>
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<tr>
<td>In our relationship our Franchisees have high integrity</td>
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<tr>
<td>Our Franchisees keep the promises that they make to our operation</td>
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</tr>
<tr>
<td>We believe the information our Franchisees provide to us</td>
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<td></td>
</tr>
<tr>
<td>Our Franchisees are genuinely concerned with the success of our business</td>
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</tr>
<tr>
<td>We had some direct/indirect connections with the majority of our Franchisees before negotiating on joining the network</td>
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</tbody>
</table>

21. Please reply

22. Please reply
<table>
<thead>
<tr>
<th>How important is your relationship with the specific Franchisees of your network to the overall success of your business?</th>
</tr>
</thead>
<tbody>
<tr>
<td>![Select options](unimportant, very unimportant, don't know, important, very important)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>If these specific Franchisees were no longer available what effect would that have on your business?</th>
</tr>
</thead>
<tbody>
<tr>
<td>![Select options](unimportant, very unimportant, don't know, important, very important)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Why? Is it related to the ownership type of the franchised units or to the nature of the relationships?</th>
</tr>
</thead>
<tbody>
<tr>
<td>![Select options](unimportant, very unimportant, don't know, important, very important)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How difficult could it be to develop a relationship with other partners similar to the relationship you now have?</th>
</tr>
</thead>
<tbody>
<tr>
<td>![Select options](very easy, easy, don't know, difficult, very difficult)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>How difficult would it be to replace the Franchisees with other partners?</th>
</tr>
</thead>
<tbody>
<tr>
<td>![Select options](very easy, easy, don't know, difficult, very difficult)</td>
</tr>
</tbody>
</table>
23. How strongly do you believe that the following statements are true about your partnerships with the Franchisees? (please answer as truthful and accurate as possible since this questionnaire is anonymous and keeping in mind that we are not testing each company individually but the whole of the sample at a European level)

<table>
<thead>
<tr>
<th>Statement</th>
<th>Completely untrue</th>
<th>Untrue</th>
<th>Indifferent</th>
<th>True</th>
<th>Completely true</th>
</tr>
</thead>
<tbody>
<tr>
<td>We have promised resources to the chain (land, finance, raw materials)</td>
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</tr>
<tr>
<td>All members of the system make equal contributions to the business</td>
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<tr>
<td>We expect our Franchisees to make equal contributions as we have</td>
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<td></td>
</tr>
</tbody>
</table>

24. How strongly do you believe that the following statements are true about your partnerships with the Franchisees? (please answer as truthful and accurate as possible since this questionnaire is anonymous and keeping in mind that we are not testing each company individually but the whole of the sample at a European level)

<table>
<thead>
<tr>
<th>Statement</th>
<th>Completely untrue</th>
<th>Untrue</th>
<th>Indifferent</th>
<th>True</th>
<th>Completely true</th>
</tr>
</thead>
<tbody>
<tr>
<td>If the chain performs well this means that we will also perform well</td>
<td></td>
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</tr>
<tr>
<td>The chain has good potential for future success, so we expect stable future benefits</td>
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</tr>
<tr>
<td>We would not expect the Franchisees to support us beyond</td>
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</tr>
</tbody>
</table>
We intend to allocate more resources to the chain
We are bound to the chain for future operations
We believe that the reliability of our Franchisees has led to a rewarding business relationship
Our relationship with our Franchisees is something we are very committed to
Our relationship with our Franchisees deserves our maximum efforts to maintain
There is an

their formal contractual obligation
We won't grant the Franchisees leeway if they have temporary problems in delivering as agreed
We share with our Franchisees the results of any research and analysis we conduct
Our Franchisees participate in the changes of policies and strategies of the system
<table>
<thead>
<tr>
<th>Agreement over key decisions, goals, roles, future plans, strategic direction, daily operations and contractual terms</th>
</tr>
</thead>
<tbody>
<tr>
<td>We are obligated to be patient with our Franchisees over mistakes, to listen to their problems, to try to overcome their problems</td>
</tr>
<tr>
<td>We provide valuable market information to our Franchisees</td>
</tr>
<tr>
<td>Our relationship with our Franchisees was developed over a long period of time</td>
</tr>
<tr>
<td>We carry on</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Flexibility in response to requests for changes is a characteristic of our relationship</th>
</tr>
</thead>
<tbody>
<tr>
<td>We all expect to make adjustments in the ongoing relationship to cope with change</td>
</tr>
<tr>
<td>When some unexpected situation arises, the parties would rather work out a new deal than hold each other to the original terms</td>
</tr>
<tr>
<td>Staying together in situations of adversity/challenge</td>
</tr>
<tr>
<td>Developing our relationship with our Franchisees so as to provide future advantages for our company</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>We intend to exchange more important information with our Franchisees in the future</td>
</tr>
<tr>
<td>We intend to allow our Franchisees more decision making in the future</td>
</tr>
<tr>
<td>Our Franchisees and us share similar business values</td>
</tr>
<tr>
<td>Our Franchisees and us share similar social values</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>is very important to all members</th>
</tr>
</thead>
<tbody>
<tr>
<td>Our relationship with our Franchisees extends across many complex responsibilities and multiple tasks</td>
</tr>
<tr>
<td>When disagreements arise all facts are reassessed to try to reach a mutually satisfactory compromise</td>
</tr>
<tr>
<td>There is distrust in our relationship</td>
</tr>
<tr>
<td>There are personality conflicts</td>
</tr>
<tr>
<td>There are cultural</td>
</tr>
</tbody>
</table>
The reason I prefer this system to others is because of what it stands for, its values. I am proud to tell others that I am part of this system.

There are misunderstandings.

There are conflicting goals.

Our Franchisees and we think it is important to continue our relationship.

Our Franchisees and we are generally able to resolve disagreements to all parties' satisfaction.

Our Franchisees and we are conscious about maintaining a cooperative relationship.
25. How often do you believe that the following occur in your relationship with the Franchisees?

<table>
<thead>
<tr>
<th>Event</th>
<th>Never</th>
<th>Once every two years</th>
<th>Once every six months</th>
<th>Once a month</th>
<th>Once a week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training of all members is an ongoing process in the system</td>
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</tr>
<tr>
<td>Market research and competitive gains are regularly measured</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

26. How often do you believe that the following occur in your relationship with the Franchisees?

<table>
<thead>
<tr>
<th>Event</th>
<th>Never</th>
<th>Once every two years</th>
<th>Once every six months</th>
<th>Once a month</th>
<th>Once a week</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franchisor and Franchisees jointly plan and implement specific programmes and activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Franchisees among themselves jointly plan and</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Market research and its results (competitive gains, customer satisfaction, etc) are regularly reported to all members of the system</td>
<td>implement specific programmes and activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Businessmen request to join the system after having been referred to by existing Franchisees</td>
<td>We send newsletters, annual reports or other information to our Franchisees</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prospective employees apply to work after being encouraged by our Franchisees</td>
<td>Our Franchisees exchange among them newsletters, annual reports or other information</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our Franchisees would encourage any candidate Franchisee to join the system</td>
<td>Managers of the Franchisor meet personally Franchisees to discuss about business</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Our Franchisees recommend the system for a partnership to their friends and relatives</td>
<td>Franchisees meet personally with each other to discuss about business</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>How often have organizations or businessmen been referred</td>
<td>Meetings of an advisory council or board with members from the Franchisees take place</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
7. Demographics

27. Please state the year and region that your company was established.

[Input field]

Please state the year and region that your company was established.

28. If you are a Master Franchisee please state the year and region that the Franchisor’s company was established.

[Input field]

If you are a Master Franchisee please state the year and region that the Franchisor's company was established.

29. Please state the year and region that you established your first franchising.

[Input field]

Please state the year and region that you established your first franchising.

30. What is the sector that you operate in? (please name the sector)

[Input field]

31. Has the Franchisor changed ownership?

- [ ] Has the Franchisor changed ownership?
- [ ] Yes, the company has changed ownership.
- [ ] Male

32. What is your gender?

- [ ] Male
- [ ] Female
What is the sector that you operate in? (please name the sector)

33. What is your age group?
- Under 25
- 26-45
- 46-65
- Above 65

34. What is your Educational Background? (choose all that apply)
- Master's Degree
- PhD
- Bachelor Degree
- Other Professional Qualification

35. What is your position in the firm?
- Owner
- Senior Manager
- Manager
- Other (specify)

36. What was your prior occupation to that position?
- Self-employed
- Employee in the private sector
- Employee in the public sector
- Other (specify)

37. Can you think of a recent event that made you realise that there is trust in your relationship with your Franchisees? Please explain the situation
Can you think of a recent event that made you realise that there is trust in your relationship with your Franchisees? Please explain the situation.

38. Can you think of a recent event that there was evidently a case of low trust between you and your Franchisees? Please explain the situation. To what do you think is low trust of Franchisees related? (e.g. untrained Franchisees, geographical distance)

Can you think of a recent event that there was evidently a case of low trust between you and your Franchisees? Please explain the situation. To what do you think is low trust of Franchisees related? (e.g. untrained Franchisees, geographical distance)

39. Do you believe that the governance of your network is influenced by the strength and the quality of your relationships with your Franchisees? If so, why do you still keep hierarchies and contractual terms that are responsible for numerous distortions? Is it a matter of national culture and lack of education on new management styles that structures franchised networks around hierarchies?

Do you believe that the governance of your network is influenced by the strength and the quality of your relationships
with your Franchisees? If so, why do you still keep hierarchies and contractual terms that are responsible for numerous distortions? Is it a matter of national culture and lack of education on new management styles that structures franchised networks around hierarchies?

40. **Have you considered the adoption of social missions apart from your commercial ones in your franchised business concept? Missions that Franchisees would have to pursue and achieve.**

Have you considered the adoption of social missions apart from your commercial ones in your franchised business concept? Missions that Franchisees would have to pursue and achieve.

41. **Do you feel that the recent financial crises has changed business patterns in your field? Do you intend to change the partnership model in any way in the future?**

Do you feel that the recent financial crises has changed business patterns in your field? Do you intend to change the partnership model in any way in the future?

42. **Is there anything else that you would like to add?**
43. Do you want to receive the results of this academic research?
   - [ ] Do you want to receive the results of this academic research? No
   - [ ] Yes

44. Do you want to receive an individual consultation about the implications of the findings to your activities?
   - [ ] Do you want to receive an individual consultation about the implications of the findings to your activities? No
   - [ ] Yes
findings to your activities? No

100%
Appendix B Cover Letter to Case Studies Participants

Dear Cynthia,

Brunel is managing a Research Project on Social Franchising with the aim of building the case for the Government to create a "Professional Body of Social Franchising". Your enterprise is one of a very few systems that have been carefully selected to participate in this study. This research work is expected to provide valuable insights to the formation of Social Franchises, their selection of partners, their governance structure and to whether trust, commitment and the social norms of governance influence their performance. Your participation in this study will have significant implications for helping other Social Enterprises resolve issues of growth, for helping the Government in establishing specialized bodies to support Social Franchises, and for helping the entire Franchise industry in integrating social objectives in their practices.

Following my recent communication with members of your company I'm sending you the questionnaire of the study, it is in excel format, please download it in your PC, fill in your responses (the format is an easy mark an "X type which will take no more than twenty min), save the document and then email it back to me at fiori.zafeiropoulou@brunel.ac.uk. I would be grateful if you could send me your replies back by the 26th of November.

All information will be treated with absolute confidentiality in line with Brunel University's Ethical Research Code. The findings of this study will be presented at the International Society of Franchising Conference in June in Boston University and submitted for publication at the International Journal of Social Entrepreneurship and Innovation and at the Journal of Small Business and Management. This will give Fare Share an international exposure.

You can also benefit by receiving the results of the study and also we can offer you an individual feedback session on the implications of the findings for your business activities to help you guide your strategic decisions.

Thank you in advance for your participation. If you have any further queries don’t hesitate to email me or call me on 07401648111 or 01895267460.

Best Regards,

Fiori
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Appendix C The role of Franchising and SMEs to the Global Economy

“The rate at which inter-firm alliances have been formed the last two decades has been unprecedented and an important characteristic of this growth is the increasing diversity of inter-firm alliances” (Gulati and Singh, 1998:782).

According to a research conducted by Day (1994) it was estimated that inter-firm alliances would increase by 25% annually. That is due to the big range of benefits that they can provide to organizations (Whipple and Gentry, 2000), these benefits extent beyond pure financial motives, like creating new market opportunities, expanding economies of scale and sustaining long-term competitive advantage (Day, 1994). These expectations have been verified by recent research (Sakaraya et al, 2012; Sorensen et al, 2013)

Business format franchising, being a type of inter-firm alliances, plays a significant role in the global economy and there is extensive literature and research on this format (Mclntyre, Young and Gilbert 1994, 1997; Spriggs and Nevin, 1994; Stanworth and Kaufmann 1996). Franchising as a concept is growing both in economic importance and also as a topic of academic interest (Hoy and Stanworth, 2003). The last decades the phenomenon of franchising has seen an important evolution both as a domestic growth strategy and as a mean for international growth (Eroglu, 1992; Hoy and Stanworth, 2003; Mendelsohn, 1993; Walker and Cross, 1989).

The importance of franchising can be stretched through the following data. In the UK in 2012 there were 929 chains with 4% increase from previous year with 38,400 franchised businesses, employing 600,000 people and generating £13.4bil (BFA, 2012). The industry kept growing through recession but with lower growth rates; 27% of all franchisees are multiple franchise owners. In Greece in 2012 70,000 firms failed overall in the economy representing 36% of all firms, but only 2% of all franchised companies failed which represents a 0.2% of all firms; there is a drop in revenue of 20% in franchised networks. The franchised units were 20,000 employing less than 100,000 people which represents 15% of all employment in Greece indicating that franchising has resisted stronger to recession than mainstream businesses. Perceptions indicate that 56% expect that the franchise market will pick up in 3 years while 37% expect this to happen in 10 years (Franchise Observatory, 2013).
In 2009 in Europe-17 there were over 10,000 systems with a growth rate of 8% accounting for 500,000 franchised businesses (EFF, 2011). The European Franchise Federation’ survey (1997, 1998, 2004) on 12 European countries (Austria, Benelux, UK, France, Germany, Denmark, Italy, Spain, Hungary, Portugal, and Sweden) revealed that in 1997 there were 3,149 franchise systems, in 2002 4,920, in 2004 5,552 creating employment for 1.3 million people in 1997 and generating an aggregate turnover of 75 billion euros which rose to 135.13 billion euros for the year 2002. The number of franchised units in 1997 was 144,561 while in 2004 this increased to 250,643. In the US in 2003 there were 767,483 franchises generating turnover of $1.53 trillion and creating 10 million direct jobs. In 2011 according to a survey conducted by International Franchise Association (IFA, 2011) the franchise industry was doing better than in 2010 for both franchisors and franchisees and expectations for growth were bigger than the previous year.

This research project falls also under the area of small business research as the majority of social enterprises, franchises—both franchisors and franchisees—and social franchises are SMEs (Stanworth 1995b). The EU classifies businesses as: micro firms—businesses with less than 10 people and up to €2m turnover, small firm 10-49 employees and up to €10m, medium-sized firms 50-249 employees and up to €50m and large firms with 250 or more employees and more than €50m turnover; the first 3 categories are combined into a single category: SMEs. (Curran and Blackburn, 2001; Europa, 2013a)

SMEs represent over 95% of enterprises in most OECD countries, and generate over half of private sector employment. The significance and contribution of SMEs is stretched both in the ‘Lisbon’ strategy for economic growth in the EU and in the ‘Europe 2020’ strategy (Europa, 2013a). Today, most governments and the EU apply an array of policies and programmes to promote entrepreneurship (especially of youth and female entrepreneurship) and boost development of SMEs. These programmes generally aim to alleviate the difficulties that SMEs experience in areas such as financing, technology and innovation, e-commerce, management and internationalisation, and seek to identify and implement best practice policies. According to the EU annual report on SMEs in 2012 (Europa, 2012a) SMEs have kept their position as the backbone of the EU countries, they represent in EU-27 98% of all businesses (for both Greece and the UK 99.9%) of which 92.2% are micro there number is 20.7m firms accounting for 67% of all employment (85.2% in Greece; 59% in the UK of private sector employment) and 58% of turnover (GVA) (75.2% in Greece; 48.8% in the UK of all private sector turnover) they generate €3.6tril; while 43.6 thousand large firms generate €2.5tril. In the UK in 2011 SMEs employment dropped by 0.8 while GVA rose by 1.2 while in Greece SMEs employment dropped by 2.4 and GVA by 3.1. In 2013 the UK is expected to have both figures positive and Greece both figures negative.
Unemployment rate in August 2013 in the EU-28 was 11% and in the Eurozone 12.1%; in Greece it was the highest in all EU being 27.9% while this was 7.7% in the UK; youth unemployment (under the age of 25) rate in the Euroarea was 23.7%, in Greece it was the highest in all EU being 61.5% and 21% in the UK (Eurostat, 2013a).

“The small enterprise has experienced a remarkable revival as a focus of business, political and research interest in recent decades…it is now seen more positively as the generator of the enterprise economy and integral to economic regeneration” (Curran and Blackburn, 2001: preface).

“In an era increasingly dominated by ‘big’ business the petite bourgeoisie has become a marginal social and economic category threatened by powerful political and economic forces” (Stanworth et al, 1986: 164).

There is a considerable re emergence of the small enterprise the last decades, after the transformation to concentrated structure dominated by large and often monopolistic corporations. So there is a revival of small enterprises across the industrialized world and at the same time there is evidence that shows that large firms move to decentralization. This does not prove that there is a shift of control from the centre to the periphery. Organizational types such as franchise indicate that the small firms (the franchisees) are bound together under the control of the franchisor. So a central control and command still exists. Franchisees are legally independent from both their franchisor and others within the chain, yet they trade in more or less the same way, under the same brand name as those from whom they are autonomous (Felstead, 1993).

Stanworth et al (1986) also argue that there is an emergence of small firms and entrepreneurship, which try to gain a share of power from the big organizations. Curran and Blackburn (2001) argue that SMEs are likely to be the key to the UK’s economic future because they are very important in many knowledge-based sectors, like high-technology activities. The main contribution of SMEs according to Griffin and Ebert (2005) is job creation, innovation, and importance to big businesses as they provide them with components and services. Other research has highlighted the increasing importance of SMEs in business services such as consultancy and research.

“...The importance of SMEs in terms of employment and business turnover makes the case of small business research important in understanding the functioning of the UK economy” (Keeble et al, 1992).
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