Partnership Steering Wheels

How the Formation Process of a Cross-sector Partnership can Influence its Governance Mechanisms

Heike Schirmer
Freie Universität Berlin, Germany

For social entrepreneurs, who often operate under conditions of resource scarcity, building partnerships offers an efficient and effective way to mobilise resources and gain complementary capabilities. This paper examines the formation processes and governance mechanisms of partnerships between social entrepreneurs and corporations by using a qualitative multiple case studies approach. Based on four case studies from Germany, the data reveals two different formation processes: means-driven partnership formation dominated by elements of effectuation processes; and goal-driven partnership formation dominated by elements of causation processes. Additionally, Das and Teng's integrated framework of trust, control and perceived risk has been applied to the area of these cross-sector partnerships and it reveals that formation processes and governance mechanisms might be interlinked.

- **Social entrepreneurship**
- **Cross-sector partnership**
- **Partnership formation**
- **Effectuation**
- **Governance mechanisms**
- **Perceived risk**
- **Trust and control**

Heike Schirmer is a PhD candidate at the Freie University of Berlin, Germany. Her research focus is on partnerships between social entrepreneurs and corporations. Prior to her PhD Heike worked as a management consultant and holds a Master's degree in physics from the Technical University, Munich.

Freie Universität Berlin, Department of Educational Science and Psychology, Inclusive Education, Fabeckstr. 69, 14195 Berlin, Germany

heike.schirmer@fu-berlin.de

Building partnerships among organisations from different sectors can offer an effective and efficient way to mobilise resources and gain complementary capabilities. In the area of commercial entrepreneurship, collaborative growth strategies have been investigated intensively and are well established (see, e.g., Kaufman *et al*. 2000; Volkmann and Tokarski 2006). As for social entrepreneurs, who often 'operate under conditions of resource scarcity' (Di Domenico *et al*. 2010: 683), partnerships offer the potential to generate social impact 'far beyond what the individual contributors could achieve independently' (Wei-Skillern *et al*. 2007: 191).

Several studies have investigated the effects of collaborative strategies for social entrepreneurs (see, e.g., Haugh 2009; Meyskens *et al*. 2010a, b) and the empirical data provides a widespread agreement on the benefits partnerships can offer. However, little is known about how these cross-sector partnerships are built, implemented and maintained (Seelos and Mair 2007; Lyon 2012). The purpose of this paper is to further examine these aspects by investigating selected partnerships in depth—in particular between social entrepreneurs and corporations, with a regional focus on Germany. Two central research questions underlie this paper: 1) How do partnerships between social entrepreneurs and corporations form? 2) How are these partnerships governed to develop in a way that is desirable to their members?

Before focusing on partnerships the term **social entrepreneur** needs to be clarified as it lacks a unified understanding. Social entrepreneurship, a term that has emerged to describe the phenomenon of addressing social problems by using entrepreneurial principles, has gained increasing interest in practice as well as in academia in the last decades (cf. Nicholls 2006; Hill *et al*. 2010; Volkmann *et al*. 2012) Despite all its current attention the phenomenon itself is not new. Social entrepreneurs have always existed and many of today's organisations have emerged from their activities (Drayton 2006; Edwards 2008). Current attention might be justified in a number of recent success stories, as for example, in the area of microfinance or in the fields of healthcare and education (Huybrechts and Nicholls 2012); perhaps as well in the hope that social entrepreneurship could address 'hitherto unmet social and ecological challenges' (Beckmann 2012: 236). But regardless of the acknowledgement, a unified, widely accepted definition of social entrepreneurship does not (yet) exist (see, e.g., Dacin *et al*. 2010; Defourny and Nyssens 2010).

Defourny and Nyssens (2010) have provided some clarification into the ongoing definition dispute by identifying two different schools of thought. The authors distinguish between the 'school of earned income' (ibid: 40) and the 'school of social innovation' (ibid: 41). The former focuses on financially self-sustainable organisations including non-profit organisations using commercial approaches and businesses following a social mission. The latter is based on Schumpeter's concept of 'new combinations' (ibid: 42) in the way that new services, new products, or new modes of production are used to address social needs. In line with this latter school of thought is the definition developed by

Mair and Martí (2006: 37) and is the one that is used for this research project. It defines social entrepreneurship as:

> A process of creating value by combining resources in new ways; ...these resource combinations are intended primarily to explore and exploit opportunities to create social value by stimulating social change or meeting social needs... [This can involve] the offering of services and products but can also refer to the creation of new organizations.

This study follows the school of social innovation for two reasons. First, within the earned income school of thought to some extent the differences between social entrepreneurs (and their organisations) and non-profit organisations is centred on the generation of income. Since non-profit–business partnerships have been investigated extensively (see, e.g., Selsky and Parker 2005 for a literature overview) it can be argued that highlighting the aspect of social innovation, rather than income generation, could lead to more distinct insights for the purpose of investigating partnerships with corporations. Second, requiring financial self-sustainability as a selection criterion would have decreased the number of available cases for this study. (The term **social venture** is used within this study to refer to the social entrepreneur's organisation.)

Methodology

To investigate the formation of partnerships between social entrepreneurs and corporations, a qualitative approach is chosen for three reasons: First, given the complexity of this relatively new research area of social entrepreneurship, and social entrepreneur partnerships in particular, an open, exploratory approach suits this topic. Qualitative research allows for addressing the research questions by developing propositions (Mayring 2000). Second, qualitative research enables a high degree of interaction and communication between the researcher and investigated actors (Flick *et al.* 2007). For this research project, standardised inquiries, such as surveys, would have not been able, for example, to capture the entire history and special circumstances of a particular partnership, which are important to understanding the formation and implementation process (cf. Lyon 2012). Third, up to this point not many partnerships between social entrepreneurs and corporations could be found in Germany (see below for argument why the regional focus is on Germany). The number of identified cases did not necessarily lend itself towards quantitative investigations.

The research methodology is based on the case study approach developed by Eisenhardt (1989) and Yin (2009) using multiple case studies. Four case studies have been selected for this research project (see Table 1) based on the following selection criteria.

- The partnership between the social entrepreneur and the corporation had to go beyond a donor–recipient relationship. Or, according to Austin's collaboration continuum (2000), the partnership had to be at least in a transactional or integrative stage—and not in a purely philanthropic stage.[1] The more intense the interaction, so the assumption goes, the more possibilities of actions exist for both parties

- The sphere of action of the partnership had to be Germany. The first reason is the place of residence of the researcher. Second, as the national context plays an important role not only with regard to social entrepreneurship but also with regard to cross-sector partnerships (see, e.g., Defourny and Nyssens 2008; Braun 2010; Janes and Schneider 2010; Leppert 2011), the comparability of partnerships from different countries is limited

Data was mainly collected through problem-centred interviews (Witzel 2000) with both the social venture's side as well as with representatives from the corporation. In some cases, additional stakeholders such as beneficiaries or corporate volunteers were interviewed as well. Interviews were conducted at two different points in time (roughly with a one year interval) to enable the observation of changes in the partnerships. Most of the interviews took place in person and were 40–100 minutes in length. As far as available, additional relevant secondary information was taken into account: for example, written agreements, annual reports, press clipping and web pages to triangulate the findings. In two cases the researcher had the opportunity to participate in meetings between the social entrepreneur and the corporate partner, which provided additional observation points.

After a literal transcription of the interviews the data was analysed based on the qualitative content analysis (see, e.g., Mayring 2000). An inductive-deductive approach was used to develop a coding frame (Miles and Huberman 1994; Schreier 2012). The analysis was supported by the software MAXqda. The developed coding frame and selected interpretations were discussed with another researcher. Parts of the findings were presented to and discussed with selected interviewed persons for communicative validation purposes (cf. Mayring 2002). A brief description of each case study, as well as the utilised sources of evidence, can be found in Table 1.

1 Austin (2000) has developed a framework, called the collaboration continuum, which works to explain different stages of cross-sector partnerships. Based on the intensity and scope of a partnership the author describes three typical stages: The stage with a low level of interaction and engagement is called the philanthropic stage. It is comparable to a relationship between a charitable donor and a recipient. Besides an exchange of monetary or in-kind benefits, the interaction between the organisations is limited. In the transactional stage, in addition to funds, specific joint activities (e.g. event sponsoring or corporate volunteering) are realised. In the transactional stage the level of engagement of the organisations is higher than in the philanthropic stage; resources deployed expand and joint value creation is relevant. The third stage, the integrative stage, can be compared with a joint venture that is central to both organisations. Here, collaborative action and organisational integration is experienced and resource exchange increases. The stages are not discrete points. It is more a continuum with many points in between these stages.

Table 1 Description of case studies

	Participants		Partnership		
Case	Social venture	Corporation	Initiation	Scope	Sources of evidence
#1	• Non-profit organisation founded in 2006 • Mission: focusing on students' own initiative and self-responsibility using an easily scalable concept • Founder: experienced for-profit businessman • Several partnerships with other corporations (of various scope and size and in different stages)	• German-wide trading firm • Current social engagement consisting of two elements: partnership with social venture and initiation of environmental management system (voluntary programme, linked to business operations)	• Start of interaction between partners before official foundation of social venture in 2006 • Initiated by social venture	• Partnership implemented as a philanthropic relationship • Within the last six years, increased magnitude of resources (bilateral exchange), increased scope of joint activities, increased level of interaction	• Interviews – Founder of social venture (Feb 2011, May 2012) – Corporate spokeswoman (Feb 2011, May 2012) • Participant observation in 'sponsor meeting' (Jun 2011) • Secondary data – Press clippings, web page information – Annual reports – Reports from beneficiaries – Internal documents from social venture
#2	• Non-profit organisation founded in 2007 following an approach launched in other countries beforehand • Mission: creating better educational opportunities for disadvantaged students • Founders: team of young professionals • Several partnerships with other corporations (of various scope and size and in different stages)	• Dax 30 company • Personal changes in management board entailed new strategy for corporate social responsibility and sustainability in 2008 • Selected programmes focusing, among others, on youth development and environmental topics (latter partially integrated in business operations)	• Partnership initiated by corporation after hearing from social venture through third party • First interaction in fall 2008, start and official announcement of partnership at the beginning of 2009	• At official launch of partnership scope of interaction determine to include financial support from corporation, development of joint projects, and joint external communication and presentation • Within the last three years, focus on implementation of joint projects, no change in scope or size of partnership	• Interviews – Member of management team of social venture (Feb 2011, Feb 2012) – Corporation's key contact person (Feb 2011, May 2012) – Beneficiaries (May 2011, Apr 2012) • Secondary data – Partnership agreement (1st & 2nd) – Press clippings, web page information – Annual reports, company brochures (for internal and external communication)

Case	Participants		Partnership		Sources of evidence
	Social venture	Corporation	Initiation	Scope	
#3	• Umbrella organisation composed of multiple non- and for-profit organisations, founded in 1994 • Mission: work-integration focusing on disadvantaged people • Founder: experienced non-profit-manager • Several partnerships with other corporations and institutions; in 2011 partnership with larger scope launched	• Insurance company • In 2008 new department found to combine existing social engagement and sustainability activities • Activities reaching from corporate citizenship activities to activities anchored in business processes to own business approaches with social aspects	• Application of social venture for corporation's programme in 2010 after hearing about it at a third party's event	• Programme developed by corporation in 2009 to support selected social entrepreneurs (as part of its corporate citizenship approach) • Approach/content of programme: 2 selected corporation's employees consult social venture in a one-week onsite setting on a specific business challenge	• Interviews – Founder of social venture (Feb 2011, Apr 2012) – Corporation's key contact person responsible for particular programme (Feb 2011, Nov 2011) – Corporation's employee participating in consulting programme (Feb 2011) • Secondary data – Web page information, press clippings – Annual reports, company brochures (for internal and external communication)
#4	• Non-profit organisation founded in 2004 • Mission: initiating and supporting various ideas to sensitise for and address social issues • Founders: young professionals • Several partnerships with other corporations and institutions	• Online-marketplace • Support of different social initiatives that either have a certain business link or fulfilling local aspects	• Corporation approached social venture at the beginning of 2011 asking what support it could use • Some month later, social venture moved into the corporation's building	• Initially, provision of office space • Within the first months of sharing offices, various types of resources exchanged between the social venture and different departments of corporation • In 2012, joint research project initiated	• Interviews – Founder of social venture (Feb 2012) – Member of social venture's team (Feb 2012) – Corporate manager (May 2012) – Corporate strategist (Mar 2012) • Participant observation in informal meetings between social venture and corporation • Secondary data – Press clipping, web page information – Internal documents from social venture

Partnership formation: Means- and goal-driven partnerships

The case study's data reveals two opposing approaches for the partnership formation processes. Inspired by the effectuation logic developed by Sarasvathy (2001),[2] I call the partnerships with different formation processes either 'means-driven partnerships' or 'goal-driven partnerships' for the purpose of this study. While means-driven partnerships are dominated by elements of effectuation processes, goal-driven partnerships instead are dominated by elements of causation/rational strategic processes. Before presenting the two types of partnership in more depth, the underlying logic of effectuation is briefly introduced in the following.

Prior to the development of the effectuation logic about a decade ago, decision-making processes in the entrepreneurship research mainly focused on rational models and behaviour (e.g. Bird 1989). This classical logic, referred to as 'causation' by Sarasvathy (2001: 243), correlates to planned strategy approaches, where decisions are *goal-driven*, based on all possible information relevant for the decision, and are the result of considering various options against one another (Chandler *et al.* 2011). In contrast, the effectuation logic is defined as a process that 'take[s] a set of means as given and focus[es] on selecting between possible effects that can be created with that set of means' (Sarasvathy 2001: 245). Instead of goal-driven behaviour, an effectuation logic focuses on *means*. Effectual processes often start with a general aspiration. To satisfy this aspiration the decision-maker/entrepreneur uses immediately available resources. While employing resources, making decisions and observing the result of the decisions, the entrepreneur uses the new information to adjust his or her course. The overall objective is not necessarily clear at the beginning of the process; instead it develops over time and is affected by environmental contingencies (cf. Sarasvathy 2001, 2008; Chandler *et al.* 2011; Perry *et al.* 2012).

Effectuation and causation represent two contradictory logics for entrepreneurial processes.[3] But rather than being mutually exclusive, they exist next to each other. Depending, for example, on the situational context, the market, the environment or the personality and the experience of the entrepreneur, one

2 Sarasvathy has developed the logic of effectuation for decision-making processes in the area of 'classical' entrepreneurship.

3 Sarasvathy (2008) has developed five behavioural principles for effectuation that also highlight the differences from causation processes. Those principles are: 1) Instead of proceeding in a goal-oriented manner, the entrepreneurial process begins with a set of given means. 2) Instead of founding decisions on expected returns, the entrepreneur sets his or her own (monetary and physiological) barriers of affordable losses. 3) Instead of emphasising intensive analysis of competitors, the entrepreneur uses and develops his or her (social) network and forms partnerships to develop the business model jointly with partners. 4) Instead of trying to avoid and overcome unpredictable events and eventualities, the entrepreneur leverages those contingencies and reacts in a flexible manner to changes in the environment. 5) Instead of planning for a risky future, the entrepreneur tries to control an unpredictable future.

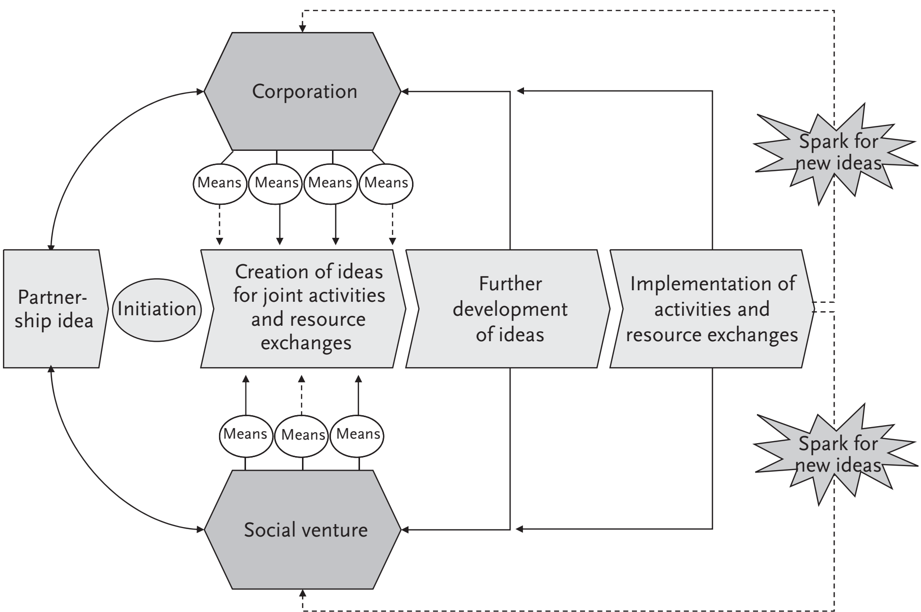
logic will be more favourable than the other (cf. Dew *et al.* 2009; Corner and Ho 2010; Hayton *et al.* 2011).

Means-driven partnerships

The means-driven process that this study identifies, illustrated in Figure 1, is based on the dynamic and interactive process of effectuation developed by Wiltbank *et al.* in cooperation with Sarasvathy (2006) and has been transferred and adapted to collaborative interactions and multiple actors for the purpose of this research project. The partnership starts with a loose agreement to work together based on vague aspirations of the partners, while the partners' means and aspirations shape the creation of ideas for joint activities.

Figure 1 Means-driven partnership

Source: author's own illustration



As illustrated in Figure 1, in case study #4 the *idea to partner* arose rather coincidently as the social venture was looking for office space. The corporation, having the desire to increase its social engagement, offered space within its company building, and the social venture's move-in led to the *initiation* of the partnership. And although the corporation had the aspiration to create a partnership that would go beyond the provision of office space, no further partnership elements were defined at the beginning of the partnership. Instead, over time new *ideas* for resource exchanges emerged, or were *created*, as the parties got to know each other and became aware of each other's needs and *means*. For example, when the social venture experienced a sudden push in public attention and needed extra human resources, the corporation decided to cover parts of the cost for an additional position. Furthermore, the corporation offered the social venture use of existing supporting functions such as accounting services or the press department for the social venture's affairs. On the other hand, the social venture started to provide specific know-how to the corporation, for example, by conducting workshops for its employees in an area of expertise. Additionally, the social venture became an inherent part of the corporation's volunteer programme, where once a year the corporate employees spent one business day to support different social initiatives. As indicated in Figure 1, the different ideas were *created*, *further developed* and *implemented* when mutual consent could be found. For some ideas, while they were developed and implemented, the provided means were adjusted and sometimes expanded as indicated by the feedback loops in Figure 1.[4] For example, initially, the corporation offered the social venture a conference room for three days every week. As over time the social venture's team grew and it became too difficult to find different office space for the rest of the week the two parties agreed that the office space could be used for the entire week.

Working next to each other, interacting on a daily basis, and exchanging various resources seems to have created a *spark for a new idea* as indicated in Figure 1;[5] in this case, the idea for a joint research project emerged. In contrast to the activities described above, which can mainly be understood as one-dimensional resource exchanges, this research project was based on the idea to combined resources and know-how and to create something new with relevance to the mission of both parties. At the moment of data collection, kick-off meetings had taken place and it can be argued that this idea was just in the phase of being further developed.

Overall, it appears that the partnership's scope and objectives were not determined upfront but rather emerged over time as available means led to the imagination and implementation of possible ends (cf. Sarasvathy 2005):

> We did not suspect it. It just turned out that more and more things fit (Founder of social venture #4) [translation by author].
>
> I guess we will sit together after the summer break and will have a look what ideas we come up with on what we can do together (Manager of corporation #4) [translation by author].

A similar formation process seems to have taken place in case study #1. Here, the partnership started as a philanthropic partnership as the social venture had asked the corporation for financial support. At this point the initiative was in an early stage and the social venture was not officially founded. Soon the parties sat together and *created ideas* for additional interactions:

> So, we sat together with some colleagues and [social entrepreneur #1] and thought about how we could ever bring this thing to roll. What should actually happen? And, we first thought about what we could afford. [Social entrepreneur #1] had ideas...

4 Corner and Ho (2010) also found that the circular flows and iterative processes are an essential part in approaches dominated by effectuation.

5 The idea of 'sparks' is based on the work of Corner and Ho (2010) on effectuation processes. They describe a spark as the 'moment of insight when the interesting idea surfaces for the potential entrepreneurs' (ibid: 645).

> We checked everything we already had and what we could provide (spokeswoman of corporation #1) [translation by author].

The parties *developed* a blueprint for a joint activity. After testing this blueprint the corporation decided to provide more financial resources than originally planned, which can be understood as an adjustment and expansion of the provided means (indicating a *feedback loop* as described above), before the new activity was *implemented*. Also in this partnership the close interaction led to *sparks for new ideas*. While rolling-out the first joint activities, various ideas for additional activities arose such as new joint projects regarding environmental issues or the idea of corporate volunteering. In an iterative process, similar to the process just outlined, new ideas were discussed and shaped, some were rejected and some were further detailed and realised.

To summarise: The focus on means instead of goals, the involvement of the partner in the idea creation process, and the focus on affordable losses rather than expected return seem to illustrate similarities between the partnership formation process I call 'means-driven' and effectuation processes.

Goal-driven partnerships

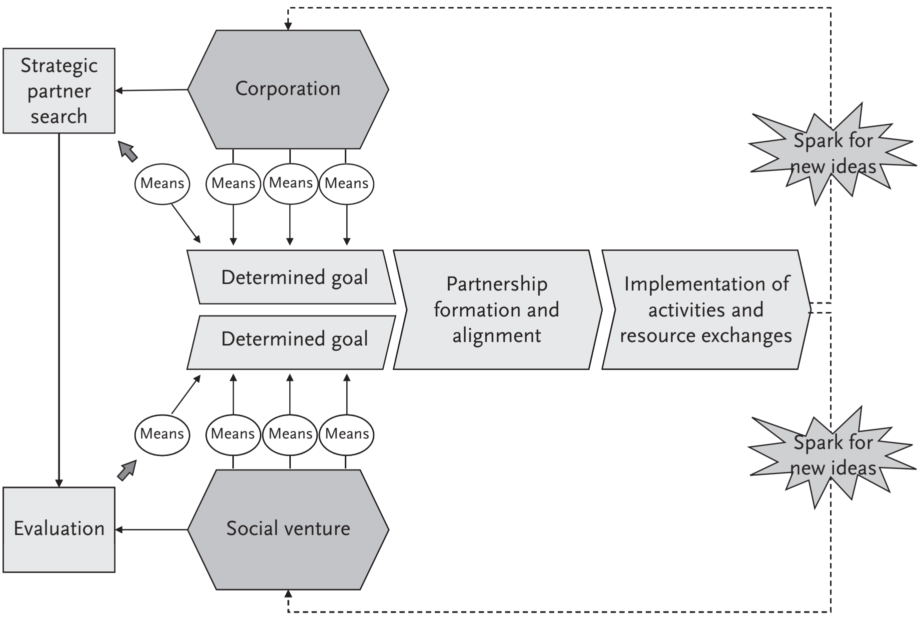
Turning to the case studies #2 and #3, they seem to represent good examples of how partnerships can form and evolve around goals (instead of means). This partnership formation process, which I refer to as a 'goal-driven partnership' in the following, is closer to a causation process as outlined by Sarasvathy (2001) and is illustrated in Figure 2. This process can be compared to a classical/strategic approach for partnership formation as, for example, described by the Peter F. Drucker Foundation (2002) or by Selsky and Parker (2005).[6]

In case study #3, the corporation had the objective to increase its social engagement while at the same time aiming to incorporate employees in a way that involved existing core competences. Therefore, the corporation had developed a detailed programme to support social ventures by providing trained employees to consult social entrepreneurs on a selected business challenge. This consulting programme can be understood as a (pre-)*determined goal* of the corporation as indicated in Figure 2. To achieve the corporation's pre-determined goal, adequate social ventures were needed as participants, which can be understood as **missing means**.[7] Based on these considerations, the corporation conducted

6 The author of the Drucker Foundation's *Meeting the Collaboration Challenge Workbook* (2002) develops a four step guideline for non-profit organisations to build effective partnerships with corporations. It starts with a preparation phase, where the non-profit organisation defines its partnership's goals and expected benefits and determines what benefits it can provide to a partner. It is followed by a planning phase, which includes a systematic search of the partner. In the developing phase, through negotiations with the selected organisation, goals are aligned and bilateral agreements are made. The fourth phase is the renewing phase, which contains a review and potentially readjustment of the partnership's agreement (see Schirmer and Cameron 2012 for an extended summary).

7 Sarasvathy (2005: 2) calls the process of searching for new means to achieve a pre-determined goal 'creative causal reasoning'.

Figure 2 Goal-driven partnership
Source: author's own illustration



a *partner search* with clearly defined selection criteria (see Fig. 2). When social entrepreneur #3 heard about the consulting offer he *evaluated* how such a programme could support his organisation. As he identified a specific issue he wanted to have an outside view on, he *determined his own goal* for the partnership and applied for the programme. Some calls between the corporation and the social venture took place to *align* the (individually) determined goals and to decide to partner. The *implementation* followed and the consulting programme was conducted as defined by the corporation upfront. It consisted of an internal preparation for the corporate consultants and was followed by one week onsite, where two corporate consultants worked together with the social venture on the determined challenge. After that the interaction of the parties ended.

A similar process seems to have taken place in case study #2. Also here, the *goals* of the partnership were *determined* upfront. The social venture, focusing on creating better educational opportunities for disadvantaged students, following the model of similar initiatives already launched in other countries, was in its foundation phase. Its 'business model' included partnerships with corporations—not only for financial support. Relatively precise ideas for additional elements and further resource exchanges existed. The corporation on the other hand wanted to systematically develop its social engagement and had developed concrete ideas of how a partnership with the social venture could support making 'youth development' a central theme of its corporate responsibility strategy. The corporation, for example, engaged a team of consultants to evaluate a potential partnership with the social venture before approaching the social venture. Contact happened after receiving positive results from the evaluation and led relatively quickly to concrete contract negotiations since the initial offer of the corporation was in line with the social venture's intentions. These negotiations can be understood as the *alignment* of the (individually) *determined goals* that led to the partnership *formation* (see Fig. 2).

It was clear for both parties that the scope of the partnership would involve various joint activities, a relatively high magnitude of exchanged resources, and a high level of interaction. Already during the negotiations the partnership was officially announced. However, it took the parties several months to align all details and to sign a formal agreement. It can be argued that this was due to the magnitude of resources involved and the complexity of the partnership. The *implementation* of the defined activities followed and operational steps were initiated. In case study #2, again, it took several months until all defined joint activities were implemented.

As observed in the means-driven partnerships, this partnership suggests that the joint activities also created a *spark for a new idea*. The corporation decided to expand its social engagement in the field of youth development and started additional partnerships with other organisations. In contrast to case studies #1 and #4, where sparks led to the creation of new ideas for joint activities, this example shows that the spark led to the determination of new goals for the partner individually—emphasising the goal-driven behaviour of this party.

To summarise: starting a partnership with clearly defined goals, strategically searching for a partner with whom to achieve these (pre-)determined goals, and focusing on implementing the partnership as defined upfront seems to illustrate similarities between the partnership formation process I call 'goal-driven' and causation processes.

Partnership governance mechanisms

Addressing the second question, which focuses on governance mechanisms that are in place to ensure a partnership develops in a way that is desired by the partners, it does not seem to be surprising that the different formation processes presented above might have an influence on the existing governance mechanisms. Before presenting the findings from the different case studies, a brief review of the existing know-how on inter-organisational governance mechanisms is given. In particular, Das and Teng's integrated framework (2001) of trust, control and perceived risk is presented.

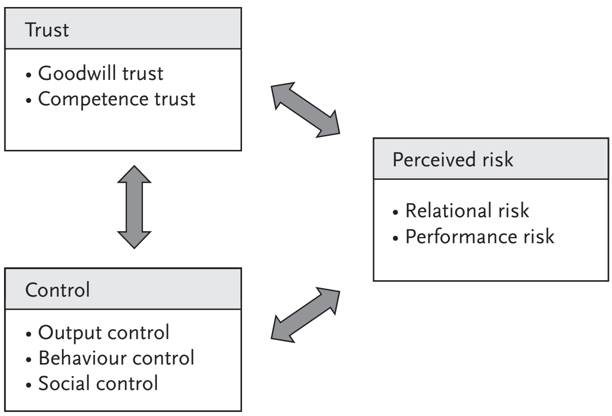
Introducing the integrated framework of trust, control and perceived risk

In 'classical' management studies,[8] inter-organisational relationships and their governance mechanisms have been investigated intensively within recent

8 In this context 'classical' management studies refers to partnerships between two profit-oriented organisations.

decades (see, e.g., Eisenhardt 1985; Das and Teng 1998). While for a long time much attention was given to the governance mechanism of **control**, **trust** became increasingly recognised as an additional mechanism to coordinate expectations, interactions and behaviours in inter-organisational relations (Costa and Bijlsma-Frankema 2007). Das and Teng (2001) suggest viewing trust and control in the interplay with perceived risk within a partnership (see Fig. 3), as both mechanisms present a pathway for reducing risk.

Figure 3 Integrated framework of trust, control and perceived risk
Source: Das and Teng 2001: 257

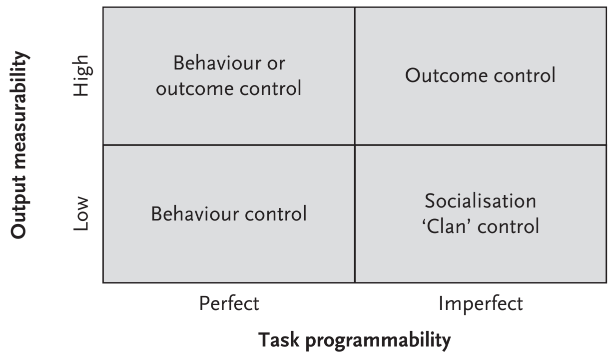


Starting with **control**, which can generally be understood as a 'process of regulation and monitoring for the achievement of organisational goals' (Das and Teng 2001: 258), a typology based on the works of Ouchi and Maguire (1975) and Eisenhardt (1985) has largely found acceptance in the literature. These authors distinguish between **formal control**, which refers to control based on external measures, and **informal** or **social** or **'clan' control**, which is based on internal values. Formal control uses the establishment and utilisation of formal rules, policies and procedures with the purpose to monitor and reward desirable performance. It can further be divided into **output** and **behaviour** control. While measuring (and controlling) behaviour focuses on an appropriate process (that 'turns appropriate behaviour into desirable output'; Das and Teng 2001: 260), output control is the assessment and monitoring of the partner's performance. Social control relies on the establishment and regulatory power of organisational norms, culture, values and the internalisation of goals with the purpose of encouraging desirable outputs (ibid).

The type of control which is appropriate in a specific situation depends on two characteristics: task programmability and output measurability. If tasks are programmed, behaviours are defined and therefore can be measured. If goals are clearly defined, output can be measured in a precise and objective manner. If both of these characteristics are low, social control seems to be the appropriate control mode as shown in Figure 4 (Eisenhardt 1985; Das and Teng 2001).

Figure 4 Different control strategies and their appropriateness

Source: Eisenhardt 1985: 135. Reprinted by permission. Copyright 2013 INFORMS. Figure 1 from: Eisenhardt KM (1985) Control: Organizational and economic approaches. *Management Science* 31(2): 134-149, the Institute for Operations Research and the Management Sciences, 7240 Parkway Drive, Suite 300, Hanover, Maryland 21076, USA.



Adapted from Ouchi (1979)

Turning to **trust**, although a unified definition of this governance mechanism is missing, a certain consensus exists that it refers to a positive expectation regarding the other's likely behaviour in a risky situation (Gambetta 1988; Das and Teng 2001; Faems *et al*. 2008). Das and Teng (2001) distinguish between **goodwill** and **competence trust**. The former is based on an organisation's good intentions, its integrity and its responsibility to deal with a partner organisation in a fair and caring manner without unfairly exploiting the other organisation. The latter refers to trust that is based on the resources and capabilities of an organisation. In other words, it is the expectation or confidence of one organisation that the partner organisation can accomplish its task successfully within the partnership because of its competences (Das and Teng 2001; Walker 2007).

Regarding **perceived risk**, which can be understood as the 'perceived probability and impact of undesirable outcomes' (Das and Teng 2001: 254), Das and Teng suggest that perceived risk can occur in partnerships either (1) owing to missing willingness of one partner operating in good faith and potentially opportunistic behaviour or (2) owing to an inability to perform in a satisfying manner (e.g. because of a new (competitive) environment, changes in demand or supply, or missing resources or competence by one of the partners). In this way the authors distinguish between (1) **relational** and (2) **performance risk**. While behaviour control can reduce relational risk more effectively, and output control can reduce performance risk more effectively, social control can reduce both kinds of perceived risk. Trust, according to the authors, can enhance the effectiveness of any control mode. However, formal control can undermine goodwill and competence trust while social control can enhance both levels of trust.

Governance mechanisms in means-driven partnerships

In both case studies where the partnership formation followed a more means-driven approach (case studies #1 and #4), a similar interplay of social control and trust could be found as the primary governance mechanisms. Additionally, in both case studies formal control appears to have played a subordinated role.

Starting with formal control, in both case studies the partnering organisations had composed some isolated written agreements for *selected* joint activities (e.g. for financial contributions) but not for *all* joint activities. A basic formal agreement was composed at the beginnings of the partnerships. When additional joint activities emerged over time, sometimes additional formal agreements followed, sometimes not. In any case, not much attention was given to these agreements:

> When I left the first meeting I heard [spokeswoman #1] saying: 'We will do this! That is a great initiative!' And 14 days later the contract was signed... And the contract was a very simple thing (Founder of social venture #1) [translation by author].

Additionally, in case study #1 the social entrepreneur stated that the amount of financial support mentioned in the contract did not represent reality as the corporation provided additional financial support every year. Furthermore, in neither of these case studies was any kind of review process in place, no milestones were defined or monitored, and no performance monitoring was in place.

In sum it can be argued that formal control did not play a significant role in governing the two means-driven partnerships. Emphasising that in these means-driven partnerships the goals and the content of the partnership were not clearly and precisely defined at the beginning but rather emerged over time, it becomes apparent that both output measurability and task programmability were low in each partnership (see Fig. 4). The theoretical consideration that in such a situation social control should be the preferable control mode (Ouchi and Maguire 1975; Eisenhardt 1985) proves true within both case studies. 'Consensus-making processes' (Walker 2007: 287) played an important role in each partnership—in particular at the beginning. Sitting together (often in informal settings) and brainstorming about potential joint activities was mentioned in both cases (see, for example, quote by spokeswoman of corporation #1, above). In case study #1 the social venture also launched a 'sponsor meeting', inviting all corporate partners once a year to discuss further ideas on how to work together. In case study #4 the social venture started—once it had moved into the corporation's building—to interact and work together with different departments on daily business topics, in this way developing a common culture and establishing common norms.

The governance mechanism of social control was supported—in both case studies—by trust. Several references for both goodwill and competence trust can be found in the data as shown, for example, in the following quote:

> I had also contacted [name of another corporation] to recommend them to partner up with [social venture #1]. I had told them: 'Isn't that something for you? Don't you

> want to do that? You can totally trust this initiative. We are absolutely delighted and we are cooperating with them now for quite some time' (spokeswoman of corporation #1) [translation by author].

For case study #4 the following quote indicates the goodwill trust on the part of one of the managers of corporation #4 as well as the waiver of formalities: 'I got the impression they are really intrinsically motivated and we know them by now for quite a long time... And we decided to only have a minimum of formalities' (Manager of corporation #4) [translation by author].

Also from the social entrepreneur side the presence of goodwill trust was emphasised in case study #4:

> As far as I perceive it, [corporation #4] is a real social company, regarding, for example, the commitment to its employees and also how they ensure it... And also if you look how many employees are voluntarily wearing company clothes and bags... And then it is also the case, in my perception, that the bosses are really nice people (Founder of social venture #4) [translation by author].

To summarise, it seems that in both case studies both parties deliberately waived formal control in the form of defined rules, regulations and procedures or formal contracts and coordination. Instead social control and trust were in place to ensure the partnership would evolve in a way that was desirable for each party. How effective this interplay of social control and trust seems to have been in both cases becomes apparent when looking at the perceived risk. In both cases none of the involved parties highlighted any kind of relational risk in the way, for example, that they could imagine opportunistic behaviour by the partner. This is similar for performance risk. In both cases at the time of the interviews the involved parties were satisfied with the partnerships. They emphasised how they wanted to continue cooperating and already had further ideas for joint activities in mind. It could be argued that in these means-driven partnerships where the goals of the partnership were not defined upfront, the perceived probability that objectives could not be achieved (which is by definition performance risk) has already been bypassed in the way these partnerships had formed.

Governance mechanisms in goal-driven partnerships

When investigating the governance mechanisms that were in place in partnerships where the formation process followed a more goal-driven approach (case studies #2 and #3), a different picture emerges—interestingly, similar for both case studies. In both partnerships, formal control appears to have played an important role.

In case study #3 the corporation had defined the consulting programme in detail and had carried out the programme with other social entrepreneurs beforehand. It had designed a contract that included the duration of the consulting programme, a commitment of the social entrepreneur to provide sufficient time and manpower and regulated the feedback process (therefore focusing on behaviour control). As the interaction between the corporation and the social entrepreneur was limited to agreeing to work together and to executing the consultant activity it can be argued that there was not much space for establishing common norms and values (which is by definition social control). In none of the interviews could a significant role of trust (neither positively nor negatively) be observed. In sum, it can be argued that in case study #3 the existing governance mechanism (mainly behaviour control) was sufficient to execute the partnership in an acceptable way for both parties. However, it should be mentioned that this short-term interaction (about six months) was not perceived as very risky by either of the partners.

In case study #2 once the parties had agreed to work together they focused on formulating a formal contract that captured as many aspects of the partnership as possible. 'So the contract we set up—it took ages' (member of management team of social venture #2) [translation by author]. It included the financial support the social venture would receive from the corporation, the joint activities that were planned and the joint communication channel that should be used during the partnership. The term of the contract was limited to three years and also included how joint activities would fade out in the event that the partnership would end with the end of the contract. In addition to the contract, frequent touch points were defined and pursued. These touch points were biweekly update calls between the two responsible contact persons as well as a biannual status report provided by the social venture.

However, in this partnership the existing behaviour control seems not to have been sufficient. When interviewing the social entrepreneur and the corporation a year later, the negotiation for a new (follow-up) contract had just been completed. In particular the corporation mentioned a perceived performance risk. As the social venture had experienced some rough times just before the second contract negotiation had started, some hints could be seen that the competence trust in the social venture by the corporation was partly marred:

> And there was the point when you ask yourself, this organization—is it able to manage that? So, this is when you have doubts to some extent in the professionalism of this organization (key contact person of corporation #2) [translation by author].

To tackle this performance risk the corporation pushed for more formal control. On the behaviour control side the parties agreed to formalise the existing milestones even more (in the way that protocols would be written after each meeting) and they tried to compose a contract that would reflect the reality more precisely. Furthermore, the corporation also decided to try to control the outputs of the partnership by starting to set up a system of key performance indicators. Combined with that, they changed the new contract so that an early withdrawal from the partnership would be possible if the output measures were not satisfactory.

It can be observed that for some elements of the partnership social control was used in the way that the partners sat together for certain topics and jointly developed solutions. However, it seems that, compared with formal control, this mode of control played a subordinate role.

In sum, it can be argued that, in the investigated goal-driven partnerships, formal control was the dominant governance mechanism in place. When assuming that Das and Teng's integrated framework can be applied to the investigated partnerships, it is not surprising that the behaviour control that was used in case study #2 could not effectively address the performance risk. According to Das and Teng (2001: 262): 'perceived performance risk in an alliance will be reduced more effectively by output control than by behaviour control'.

Discussion

The case study data reveals two opposed formation processes. So-called means-driven partnerships start with vague aspirations; joint activities emerge over time—influenced by the means provided to the partnership. In so-called goal-driven partnerships, goals are determined upfront and are attempted to be met by finding the right partner and by aligning individual goals.[9] Investigating partnership governance further reveals that governance mechanisms and formation processes might be interlinked. While in means-driven partnerships predominantly social control combined with trust was in place, in goal-driven partnerships formal control, in particular behaviour control, was the predominant governance mechanism.

This study makes several contributions to the literature. First, with regard to the different formation processes, it seems that the current literature mainly focuses on strategic, goal-oriented formation processes. For example, the processes developed by the Peter F. Drucker Foundation (2002) suggest starting by determining the benefits that can be provided to and expected from a partnership before, based on these considerations, a systematic search with well-defined criteria is recommended (cf. footnote 6). In a similar manner, Seitanidi and Crane (2009) suggest setting up the partnership objectives after 'choos[ing] "partnership" as the preferred associational form' (ibid: 416). Regarding less goal-oriented formation processes, only a few indicators can be found in the literature. Westley and Vredenburg (1997), for example, suggest that 'perhaps collaborative theory would be strengthened by defining the process more loosely and experimentally' (ibid: 382). Le Ber and Branzei (2010), who investigate how partnerships between for-profit and non-profit partners form and reform, find flexible and dynamic partnership processes comparable to the findings of case study #1 and #4. However, besides these few indicators, systematic investigations of less goal-oriented and more dynamic, evolving partnerships seem to not have been conducted so far. The means-driven partnership model that has been developed within this study seems to provide a counterbalance to a so far mainly

9 Although the two approaches were presented as being dichotomous it should be mentioned that these approaches potentially present end-points of a spectrum ranging from means-driven partnerships on the one side to goal-driven partnerships on the other side with mixed approaches lying in between (cf. Corner and Ho 2010).

goal-oriented view of partnerships. Using Sarasvathy's effectuation approach enabled the construction of these findings on an established theoretical concept.

As the second contribution to the literature, with regard to governance mechanisms, various studies have investigated both trust (see Bryson *et al.* 2006; Lyon 2012; Walters and Anagnostopoulos 2012) and control (see Walker 2007; Rivera-Santos and Rufín 2010; Graf and Rothlauf 2011) in cross-sector partnerships and found, for example, that formal control in cross-sector partnerships is more complex than in same-sector partnerships. However, the scholars mainly investigated the constructs of trust and control separately. An integrated view that also incorporates perceived risk has (according to the author's knowledge) not yet been applied to these partnerships, despite its success in 'classical' management studies (cf. Lui and Ngo 2004; Sengün and Wasti 2007; Sengün 2010). This study's findings reveal that an integrated view supports the understanding of the existing governance mechanisms, particularly the subordinate role of formal control in means-driven partnerships, or the effect of behaviour control in goal-driven partnerships.

In sum, this study makes new contributions to both the cross-sector partnership and the social entrepreneurship literature and suggests the extension of the effectuation approach from the area of entrepreneurial decision-making to partnership settings.

Implications, limitations and further research

This study has several implications for practitioners. First, contrary to what current literature suggests, partnerships do not need to be fully outlined and specified upfront to become effective. Whether it is more adequate to focus on means or on goals depends on the intentions and personal preferences of the involved parties, the context of the partnership and environmental aspects. In other words, no formation process seems to be 'objectively better' than the other—both types of partnership have the potential to succeed or to fail. However, it can be argued that what Sarasvathy (2008) postulated for commercial entrepreneurs—that failure occurs earlier for effectual entrepreneurs but with lower investment cost—might also be relevant for partnerships. It can be claimed that, because of the dominant role of social control in means-driven partnerships (from the beginning onwards), potential tensions can be faced earlier. If these tensions seem unsolvable the partnership might fail before it is fully implemented. Another implication concerns the partnership governance. The investigated link between formation processes and governance mechanisms implies for practitioners that in means-driven partnerships the focus should be on establishing a common culture and aligning values (which is social control). Therefore, in particular at the beginning of the partnership, regular interaction should be enabled. In goal-driven partnerships, however, the particular task characteristics (e.g. high task programmability) enable the use of formal control, which might be the lower cost alternative for these particular partnerships (cf. Ouchi 1979).

It needs to be kept in mind that the results are based on a small number of case studies and further (large-scale) investigations are necessary to obtain generally applicable statements. Furthermore, the period of observation for the case studies was limited to about one year and therefore allowed to capture only a fraction of the partnership. Longer observation periods could support the examination of both the effect of formation processes and governance mechanisms on a partnership's sustainability and how (environmental) changes can affect governance mechanisms. The particular focus on the participation of social ventures presents another limitation regarding the generalisability of the results. Further investigations with a wider set of socially oriented organisations could be helpful.

The study also brings to light several other interesting questions that could be assessed in further research. One question concerns the 'direction' of the link between formation processes and governance mechanisms. Does the formation process influence the governance or vice versa? Or more concrete: is trust, for example, developed while a means-driven partnership emerges gradually or can existing trust 'provoke' joint idea creation processes and a focus on each other's means? Another question concerns the balance of power. How does an imbalance influence the formation and governance of partnerships? Can partnership governance support 'regulate' power imbalance? Finally, the question arises of how adequate output control can be in general as a governance mechanism in partnerships with social ventures. In socially oriented partnerships in particular, measuring output (and furthermore outcomes and impact) seems to be particularly challenging (cf. Selsky and Parker 2005; Seitanidi 2010; Graf and Rothlauf 2011) and could be worth investigating in future research.

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