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The demise of a rising social enterprise for persons with disabilities: the ethics and the uncertainty of pure effectual logic when scaling up

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Abstract:

How does a social enterprise pursue its ethical mandate of social impact growth while navigating the perils of the most vulnerable stage in a venture's life – scaling up? We observe a small inclusivity social enterprise attempting to scale up rapidly to create equality for people with disabilities throughout the world. Our embedded, ethnographic study is terminated with the venture's unfortunate demise after their dramatic effort to scale up failed. By examining scaling decision-making and conflicts around creation reasoning longitudinally, our study identifies over-use of effectual logic—a creation reasoning type considered more ethical and more appropriate for high-innovativeness contexts than causal logic—as a major factor in the venture's failure. From this insight, we extend the parameters of effectuation theory to scaling up and dimensionalize its ethical implications. Guidance for social entrepreneurs to scale up successfully while maintaining ethical integrity is also provided.

Keywords: inclusivity, scaling, social enterprise, social innovation, persons with disabilities, effectuation, effectual logic, causal logic, creation reasoning, organizational failure

INTRODUCTION

As an organizational form that is itself growing around the world (Hota et al., 2020), social enterprise can play an important role in creating a more just society (Pless & Appel, 2012) but only if social entrepreneurs learn how to scale up their social impact with greater certainty. In this paper, we build on the work of André and Pache (2016) and other recent literature focused on understanding how social entrepreneurs can succeed in scaling up their innovative social impact model (the method of creating and delivering new social value, e.g., Zahra et al., 2009). Scaling up an organization to serve all potential stakeholders is difficult, risky, and possibly fatal to venture survival (Coad et al., 2013). Scaling up a social enterprise is especially challenging, as these innovative hybrid organizations—combining a social mission with a self-funding mandate—are complex to grow (Ometto et al., 2019).

And yet, unlike commercial enterprises, where scaling is typically pursued for the owners' personal gain (Santos, 2012), scaling up a social enterprise is often seen as an ethical imperative, because it impacts how many people are touched by its social impact (André & Pache, 2016; Dees et al., 2004). Moreover, reasoning and decision-making approaches that might have worked well in the early, high-uncertainty stages of social enterprise development may not work as well for the scale-up stage, which often requires more planning, replication, and resource mobilization (Siebold et al., 2019). In particular, we have little empirical evidence of the implications of different creation reasoning types (decision-making approaches for innovation contexts; Lanz, 1926; Saravsthy, 2001) on the scale-up of social ventures. This is a surprising gap, given that innovative thinking is deemed a necessary condition for both creating and growing social impact (e.g., Mair & Marti, 2006; Chell et al., 2016; Smith et al., 2016; VanSandt et al., 2009). In this paper, we draw together extant insights on scaling up social impact and on the contextual application and ethical implications of different creation reasoning types by addressing the question: How does the type of creation reasoning used by a social entrepreneur when scaling up impact the growth and survival of their venture?

We adopt from the literature the term “creation reasoning” as an umbrella term to refer to the broad set of reasoning types that are applicable to creating and growing innovations and innovative new ventures, which includes but is not limited to effectual logic (Sarasvathy, 2001), causal logic (Sarasvathy, 2001), bricolage (Baker & Nelson, 2005) and jugaad (Shepherd et al., 2020). Our paper addresses only effectual logic and causal logic, as they most closely resemble the reasoning that we induced from our case. Dew and Sarasvathy (2007) posit that effectual logic is more ethical than causal logic because it more fully engages and attempts to address all stakeholders’ views and needs. At the same time, we understand that the application of creation reasoning is highly contextual, suggesting that a social entrepreneur may need to use different creation reasoning types as the innovation context changes at different stages of venture development (Shirokova et al., 2020). Clearly, from a consequentialist ethics perspective, the most ethical course of action is that which maximizes social impact to its intended beneficiaries while minimizing negative externalities to other stakeholders (Chakrabarty & Bass, 2015) – but how exactly this may be achieved has yet to be explored.

We gain unique insight into how effectual logic may impact social enterprise scaling via a longitudinal, ethnographic case study of a social enterprise attempting to scale up their social impact model to the more than one billion people with disabilities worldwide (WHO, 2020). Our focal social enterprise, based in a small European country, had an established startup operation at home and a recent, successful extension in a nearby country when we began our ethnographic study. We embedded a researcher in the organization for an intended 12-month period to observe the planning and implementation of their aggressive, global effort of scaling up: to be operating in ten additional countries around the world in five years. Unfortunately, this dramatic effort was cut short after only ten months of scaling activity because the organization failed and ceased to exist.

Investigating the organization's failure included examining decision-making and reasoning in real-time during the scaling-up journey and retrospectively over the course of the venture's lifetime. Key among our learning is that the near-exclusive use of effectual logic by the social entrepreneur while scaling up played a major role in the demise of the organization, even though this same creation reasoning was deemed critical to its success during the nascent and startup stages. We interrogate the consequences of a social entrepreneur using effectual logic when causal logic might be called for, thus qualifying Dew and Sarasvathy's (2007) normative view that effectual logic is more ethical than causal logic in the context of social enterprise scale-up. We show that while the use of effectual logic is necessary to draw in stakeholders and mitigate negative externalities during the high uncertainty steps of social enterprise creation and scaling up, causal logic needs to be flexibly combined with effectual logic to ensure successful scale-up and the creation of positive social impact for all those in need. We thus contribute to social enterprise theory development by extending the parameters of effectuation theory.

Our study supports the processual and iterative nature of creating social impact and highlights the need for contextual application of both effectual logic and causal logic, with an increased need for causal logic during scale-up. This extends the work of Brettel et al. (2012) and Shirokova et al. (2020) by further explicating the contextual nature of creation reasoning and providing a more nuanced depiction of effectual and causal logic application throughout the social enterprise creation process. Learning from our case also provides new insight into the more general question of how to scale-up social impact by extending a recent discussion in this journal by authors such as André and Pache (2016) from the perspective of consequentialist ethics.

To social enterprise policy and practice, we highlight the need to teach creation reasoning to help social enterprises continue to grow in helping society and to pre-empt and diagnose organizational

conflict. We also provide decision-making advice for social entrepreneurs, to guide planning and implementation of social impact scale-up.

THEORETICAL BACKGROUND

Scaling up social impact

All organizations are vulnerable when scaling up (DeSantola & Gulati 2017; Hambrick & Crozier, 1985) as a usually small, resource-constrained, and only partially developed venture grapples with conflicting goals of maintaining value creation for current stakeholders while pursuing new needs of additional stakeholders. Thus, regardless of the organizational form, scaling up is a period in the life of a venture when risk and uncertainty are heightened, and decision-making confusion and conflict increase. Failure to scale up is common, and organizational failure to survive during scaling up is not uncommon (e.g., Astebro et al., 2014; Shankar & Clausen, 2020). The hybridity of social enterprises adds further challenge when scaling up, and so-called “mission drift” is likely during this period (Ometto et al., 2019). Scaling the social impact model carries with it a requirement to scale the commercial business model (the method of creating, delivering, and capturing value to fund the social impact model, e.g., Dao & Martin, 2017), further complicating the scaling process. Even defining “scaling up” for a social enterprise is still contentious, with some commentators viewing scaling up the social impact model as the primary concern; others requiring equal focus on scaling up the social impact model and commercial revenue model, and still others focusing on internal changes and growth in the organization (Desantola & Gulati, 2017; Islam, 2020). While authors have pointed out that there are different ways of scaling social impact - diversification, scaling across, scaling deep, and scaling up (Dees et al., 2004; Lyon & Fernandez, 2012; Smith et al., 2016; Islam, 2021) - there is general agreement that maximizing social impact creation and delivery is an ethical mandate for social entrepreneurs (Chakrabarty & Bass, 2015).

In this paper, we focus on scaling up, which refers to expanding the social innovation to new stakeholders geographically or in new markets as a means to eliminate suffering among all those for whom the innovation might be efficacious (André & Pache, 2016). We adopt Smith and Stevens' (2010, p. 588) definition of scaling up social impact as “increasing the impact a social-purpose organization produces to better match the magnitude of the social need or problem it seeks to address”. This definition encapsulates the ethical imperative implicit in a social entrepreneur's decision to scale up: when these entrepreneurs have found an innovative product, service, or business model that helps to alleviate suffering, they often feel that it is ethically incumbent upon them to grow the reach and impact of such an innovation (though see Chell et al., 2016 on the often unquestioned “ethicality” of all social entrepreneurship). Yet, scaling up involves considerable added risk: if a decision to grow its social impact might foreseeably prove deleterious to a social enterprise, then maintaining social impact provision to existing stakeholders may in fact be the more ethical decision. In addition, André and Pache (2016) warned that social entrepreneurs' caring disposition toward their beneficiaries – often their *raison d'être* - may be at risk if dominated by growth concerns. They argue that social entrepreneurs must maintain all three elements of an ethics of care (fostering care in all members, caring relationships among all members, and capacity to listen to different voices) when scaling up a venture.

If and when a decision to scale up a venture's social impact is taken, it is thus all the more important that this undertaking is carefully planned and executed – clearly, from a consequentialist ethics perspective, the least ethical course of action is one that leads to social enterprise failure. However, we lack insights into a social enterprise's internal dynamics and decision-making processes related to these consequential decisions, according to Smith et al. (2016). For instance, researchers have not yet accounted for the possibility that different creation reasoning types could co-exist and potentially clash within one social enterprise in scaling decisions (Ashforth & Reingen,

2014); neither have they fully explored how social entrepreneurs' use of creation reasoning may imprint on future decision-making, becoming sub-optimal as the venture grows (Siebold et al., 2019). More critically, the fact that a social innovation is always just that – an innovation (Chell et al., 2016) - and that bringing social innovations to the world requires a certain way of engaging with stakeholders, which may or may not work when a venture scales up, has so far not been addressed in the literature on social impact scaling.

It is essential to address the current limited understanding of internal decision-making and reasoning in relation to scaling strategies for three reasons: (1) social enterprises that cannot scale up effectively cannot deliver on their ethical commitment of doing good and alleviating suffering for all those in need, (2) insights into decision-making and reasoning practices will uncover theoretical and practical insights into how to scale up most impactfully, and (3) uncovering signals leading to potential clashes between internal decision-making and anticipated scaling trajectory can minimize failure. To shed light on these issues, we now turn to effectuation theory as one theory that has focally explored entrepreneurs' creation reasoning.

Effectuation theory and social enterprise scaling

Effectuation theory posits that entrepreneurs, as resource-constrained, rationally bounded actors, address venture creation in conditions of uncertainty via a non-predictive cognitive approach to decision-making that is focused on creating the future rather than predicting it; using a means-driven, alliance-seeking, contingency-leveraging, and loss-minimizing approach to decision-making and action (Sarasvathy, 2001; Jiang & Ruling, 2019). As a construct, effectual logic can be understood as a meta-cognitive process for decision-making under uncertainty (Haynie et al., 2010), when the objective is to create and grow a new venture or other innovation. Causal logic is an alternative decision-making approach for creation in more predictive contexts, where risks can be identified and assessed (Packard & Clark, 2020).

Effectual logic has been associated with high innovativeness in commercial venture creation (e.g., Reymen et al., 2015). Yet, studies point to the need for both types of creation reasoning—effectual logic and causal logic—to be employed during the course of new venture creation and scaling (Brinckmann et al., 2010; Jiang & Ruling, 2019; Reymen et al., 2015; Sarasvathy, 2001; Sarasvathy & Dew, 2013). But how the two types interact during venture creation and growth is less clear. For instance, although some studies indicate that effectual and causal logic may be incompatible for simultaneous application (Packard et al., 2017; Perry et al., 2012) it is not clear if this indicates that only one or the other should be used during each broad stage of the venture development process (e.g., nascent, startup, and scale-up). And even less is known about the use of effectual logic for the scaling up of enterprises in general (Dushnitsky & Matusik, 2019) and about effectual logic in social enterprises in particular (Malsch & Guieu, 2019).

The potential for incompatibility is not surprising: effectual logic and causal logic manifest in different actions and behavior. Further, Read and Sarasvathy (2005) suggest that individuals can have preferences for one type of reasoning or the other, indicating that their application may not be a purely instrumental matter. There is also reason to expect that the use of effectual logic might lead to greater conflict among founding teams. Teoh and Foo (1997) show that those with higher tolerance for ambiguity are more likely to pursue innovative strategies and that this increases their likelihood of conflict with other actors. More specifically, effectual logic involves interaction and co-creation with a greater number of individual actors and frequent change in direction, as actors learn about new possibilities for value creation, further increasing the potential for conflict versus causal reasoning (Kerr & Coviello, 2019).

While causal logic and effectual logic can be clearly distinguished in purpose and in practical effect, our understanding of the ethical implications of each is less clear. Sarasvathy and colleagues (e.g., Dew & Sarasvathy, 2007; Harmeling et al., 2009) argue that effectual logic promotes ethical

considerations by design, whereas causal logic limits some aspects of ethical consideration and may lead to less ethical outcomes. The distinction turns on whether one embraces uncertainty and seeks to learn about possibilities for new value creation or attempts to overcome uncertainty by determining an outcome in advance and then focusing on instantiating that outcome.

Although often not specified, Sarasvathy's argument has largely been made in the context of commercial entrepreneurship (e.g., Dew & Sarasvathy, 2007). We adapt the argument to social entrepreneurship here but follow Sarasvathy's basic line of thought. Given that innovation is foundational to social enterprise (e.g., Mair & Marti, 2006; Smith et al., 2016; VanSandt et al., 2009) and innovativeness involves uncertainty (Sarasvathy, 2001), the primary ethical issue in social venture creation turns on how our attempts to overcome uncertainty impact stakeholders (Harmeling et al., 2009). The introduction of anything new to society and the environment will have positive and negative consequences for some stakeholders, which are difficult—maybe impossible—to know a priori (De Colle, Henriques, & Sarasvathy, 2014). Using a consequentialist ethics stance, if one reasoning approach minimizes the overall negative consequences to stakeholders more so than another approach while maximizing social impact, it may be deemed more ethical (e.g., Sen & Williams, 1982). Dew and Sarasvathy (2007) argue that an effectual approach is typically better than a causal approach at minimizing negative externalities. This is because effectual logic involves the entrepreneur making decisions based on engagement, and often co-creation, with a wide range of stakeholders in a process of learning and discovery: a process that generates empathy for stakeholders of all kinds and uses that empathy to help shape social innovation. Causal logic limits stakeholder engagement by deciding the shape of innovation at the beginning of the process and focusing on intended users or customers for the purpose of fine-tuning the social innovation.

Scant empirical research has validated whether and to what extent effectual logic increases social impact. However, several studies have supported aspects of Sarasvathy's argument and/or the ethical

nature of effectual logic on other grounds. For instance, Pellegrini and Ciappei (2015) associate Aquinas' virtue ethics and practical wisdom with effectual logic, arguing that it represents a way for innovative entrepreneurs to make ethical decisions in situations of high uncertainty. Michaelis et al. (2020) associate effectuation with frugality and Protestant work ethic when arguing that effectuation aligns the innovator with the ethics of hard work and delayed gratification. Lastly, Engel et al. (2017) support Sarasvathy's view of the ethicality of effectual logic in their examination of goal-directed versus effectual networking in innovation under uncertainty. These additional studies can be seen as early attempts to further explain and provide support for effectual logic aligning with greater ethicality through greater recognition and mitigation of negative stakeholder consequences.

To summarize our key learning from the literature, our understanding of effectuation has grown rapidly over the last decade and indicates that employing effectual logic rather than causal logic under conditions of uncertainty may help enhance social impact. It is also understood that both effectual logic and causal logic need to be employed at various stages of social enterprise creation and growth. We have less clarity, however, on when and where effectuation is appropriate. In turn, the literature on scaling provides some insights into how to successfully scale up social impact but it lacks insights into the reasoning and decision-making processes related to scaling. Thus, by drawing together insights on scaling up social impact and on ethical creation reasoning, we set out to empirically explore the key research question: How does the type of creation reasoning used by a social entrepreneur when scaling up impact the growth and survival of their venture?

METHODS

We chose a single-case, ethnographic research design to observe social enterprise scaling decision-making up-close and over an extended time period (Dyer & Wilkins, 1991; van Maanen, 2011; Hammersley & Atkinson, 2019). Although a resource-intensive mode of research, we chose ethnography for five reasons: first, while depth interviews were useful to unearth individual

reasoning, ethnographic immersion allowed us to conduct these interviews in situ and in real-time, often shortly after decisions were made or clashes of reasoning became apparent, and we could use such occurrences as prompts during the interviews (Boxenbaum, 2014). Second, ethnographic engagement allowed us to observe how individual reasoning was justified and defended at the organizational level through attendance at meetings and by being part of the normal day-to-day life of the organization (Ashforth & Reingen, 2014). Third, as is the case in many smaller, and particularly in social ventures, not all decisions were captured in organizational documents, and not all conflict became apparent in formal communications. Without the researcher present as a “research instrument”, a post-hoc re-creation of the myriad smaller decisions and conflicts would have thus been considerably more difficult. Fourth, ethnographic immersion allowed the researcher to develop a “relational foundation” for the research, which greatly helped to contextualize any insights emerging from interviews and documents (Dutton & Dukerich, 2006). Finally, ethnography allowed our field researcher to occupy the position of a “trusted outsider” (Bucerius, 2013). This position represented an ideal balance on the insider/outsider scale for our purposes from an ethical research perspective. Our field researcher was able to embody the role of a researcher, pre-empting any perceived breach of trust through “blending in”, yet was still entrusted with insights into internal dynamics and individual viewpoints. To help our field researcher maintain this fragile balance, they kept a field diary as well as a reflective diary and had weekly debriefings with the other members of the research team (Hammersley & Atkinson, 2019).

Our research site, DAO, represented an ideal case for examining our research question as it confronted multiple decisions during the planning and implementation of a major scaling initiative. We approached DAO in 2013 when the organization was about to scale up internationally. DAO offered us unfettered, prolonged access to all key actors, documents, and day-to-day operations. Over the course of our fieldwork, it became evident that while the organization was fully engaged in

scaling up globally, it was also in a precarious financial position. Conflicts soon multiplied, and the field researcher was afforded ample opportunity to observe creation reasoning in action and to interview protagonists in situ and immediately following points of conflict, thus avoiding hindsight bias.

Prior to data collection, we obtained institutional research ethics approval for our methods, discussed and agreed the terms of our data collection with the principals of DAO, obtained their written consent for ethnographic observation, and obtained separate, written consent from all those interviewed or recorded during the data collection period. As part of this consent, we agreed to de-identify our data before analysis and anonymize the organization and individual actors in all publications. To support the integrity of this promise—in a unique case that presents considerable opportunity for deductive identification—we use gender-neutral aliases and pronouns for all actors in our study and provide only research-relevant details about each actor and the organization.

Data collection

Diverse and extensive qualitative data were collected over a period of 10 months by “following forward” and “tracing backwards” pertinent decisions, events, and milestones (Langley & Tsoukas, 2010; Langley et al., 2013). The data generation methods included archival data, observations, formal interviews, and informal interviews with internal and external DAO actors (see Table 1).

===TABLES 1 AND 2 ABOUT HERE===

Ethnographic observations. One co-author spent 10 months fully immersed in the organization, an approach taken by others in organizational studies (White et al., 2022; Kociatkiewicz & Kostera, 2020; Wu & van Rooij, 2021). All DAO employees were informed about the study and the purpose of the researcher’s presence (Denzin & Lincoln, 2012). To fit in, the researcher carried out some administrative work; accompanied management and employees to client meetings, events, and on

business trips; and took every appropriate opportunity for informal discussion with all DAO members during the workday, taking extensive fieldnotes on the spot and completed at night. (Angrosino, 2007). This immersion into the daily activities of the organization gave in-depth insights into daily operations, actors, and organizational challenges. This approach is similar to Wu and van Rooij's (2021) study where the researcher immersed themselves at two sites to engage in participant observation over an extended time period.

In one of the early meetings we observed, one employee asked if the researcher was writing what was being said at meetings, as they were initially conscious of the researcher's notetaking. However, soon the researcher was seen as part of the team. For example, 11 weeks after the ethnographic research started, DAO staged an internal strategy day. When it was time for team photos, the researcher stepped out but was called back to be part of the 'DAO family photo'. Although mutual trust was developed, the researcher was conscious of retaining a critical distance and engaged in regular reflections on their role and interactions through diaries and debriefings with the research team. Other research team members also interacted with the organization through participation in events and research meetings, but to a lesser extent.

Archival data. The field researcher was given full access to archival data and the internal computer system. Data on DAO and its management team were collected throughout the field period, including all publicly available information and internal documents such as strategic and business documents from DAO's inception to dissolution, financial statements and accounts, internal memos, and emails (on which the field researcher was often copied), promotional materials, client briefings, workshop materials, and internal and external presentations.

Formal and informal interviews. A total of 49 formal interviews and 20 informal interviews were conducted with employees, board members, and other organizational stakeholders (see Table 2 for

an overview of key stakeholders) (Saunders et al., 2016). Informal interviews were conducted whenever opportunities arose, and such opportunities multiplied during periods of conflict and as the field researcher gained actors' trust. Most employees were formally interviewed twice. Initial interview themes were adjusted depending on their position within the organization but were broadly structured around past and present roles and experiences, perceptions of DAO's purpose and strategic direction, and perceived challenges and conflicts. The second interviews probed specific issues around DAO's scaling ambitions and challenges. Some of the second interviews with key employees took place after their decision to leave DAO, and they spoke more freely about the root causes of personal and organizational challenges. In addition to extensive observations, the founder, Dem, was formally and informally interviewed four times and the CEO Fan six times, with final interviews conducted after the organization's demise. The ethnographer worked closely with Jao (a DAO senior manager), which resulted in 11 interviews with them (planned and opportunistic), providing valuable insights into organizational challenges. The interviews varied between 25 and 84 minutes in length and were recorded with permission, transcribed, and then de-identified.

Data analysis

We followed Langley's (1999) analytical strategies for process-based data as we tried to make sense of the reasoning habits and conflicts revealed through our ethnographic and historical data. Data analysis evolved through a broadly abductive approach, comparing and contrasting observations and extant theories in an iterative process (Timmermans & Tavory, 2012)—or as Klag and Langley (2012) put it, conceptually leaping between “seeing” and “articulating”. We drew on these and other sensemaking strategies to detect, articulate, and visualize patterns and meanings in our data. We created opportunities for sensemaking from the emerging data in tandem with our fieldwork through our weekly team debriefings, which allowed the research team to combine “fieldwork” with “headwork” (van Maanen, 2011) by engaging in early analytical brainstorming

while there was still time to collect further data. Once fieldwork was completed, we started a more focused data analysis process, which was initially driven by the researchers who were not engaged in the ethnographic investigation, in order to reduce potential bias (Hehenberger et al., 2019). We first analyzed the entire data set through a “bottom up” approach to arrive at a set of first-order codes (Strauss & Corbin, 1998). These initial descriptive codes gave us granular insights into stakeholders’ perceptions of decision-making processes, ensuing conflicts, perceptions of organizational mission and strategies, and operational insights. Codes were also related to events such as “early decisions in DAO” or “Global Movement-conflicts”. To interrogate our data more deeply, we used analytical paradigms such as those of Strauss and Corbin (1998) to explore conditions, contexts, intervening mechanisms, actions/interactions, strategies, and consequences. To aid our processual approach, we created a detailed chronology of all major events, decisions, and conflicts over DAO’s history. Analyzing this extensive chronology allowed us to “temporally bracket” (Langley, 1999) three stages: nascent, startup, and scale-up. Understanding these brackets as temporal shifts rather than discrete units, we sought to comprehend any potential “rippling consequences” from one temporal bracket to the next (Gehman et al., 2018, 289). Moving back and forth between our events timeline and our first-order codes, we arrived at three overarching themes that encapsulated our first-level codes across DAO’s three stages: “disruptive ambitions”, “deeply rooted reasoning habits”, and “conflicts and clashes”. It was by interrogating the relationships between these three themes that we realized that what emerged from the coding and themes could only be properly understood and explained through the concepts of creation reasoning, and we started to draw on this literature more strongly to make further sense of our data.

Although our conceptual leaping between “seeing” and “articulating” (Klag & Langley, 2012) continued, the second round of coding was more theoretically driven through use of a codebook of creation reasoning concepts (see Appendix A). Specifically, we created effectual logic and causal

logic codes by synthesizing the work of Chandler et al. (2011) and Jiang and Ruling (2019), both of which build on Sarasvathy's (2001, 2008) original explication of effectuation theory. In Chandler and colleagues' highly cited work, the authors develop and validate measures of effectuation and causation as two constructs that can be examined deductively via quantitative testing. Jiang and Ruling's approach to effectuation theory is from a qualitative perspective to better understand the process of effectuation. We drew on both works to develop a holistic set of codes for effectuation and causation separately, with each including broad indicators of disposition and specific indicators of actions and activities. During this step, two researchers cross-coded our dataset with these concepts (see Table 3). We ensured cross-coder reliability through double-coding several interviews and resolving any coding discrepancies. In a final analytical step, we linked our three inductive themes in each temporal bracket to our theoretical codes to arrive at a narrative – presented below – which was at once theoretically robust and remained true to the lived experience of our research participants (Gehman et al., 2018). To preserve a sense of this lived narrative in a journey that was emotionally and psychologically highly involving to the research participants, we decided to report our findings below structured by temporal brackets and inductive themes, under which we highlight relevant theoretical codes. Our timeline in Figure 1 presents an overview of the venture's evolution and events, cross-coded with our theoretical codes.

===TABLE 3 AND FIGURE 1 ABOUT HERE===

FINDINGS

Nascent: Innovating for Ability (2000 - 2005)

Disruptive ambitions. During the nascent stage Dem transitions from a “one-person fundraiser” to “DAO”, an internationally famous social innovator. From the outset, Dem's **disruptive vision** for DAO was clear: the full inclusion of persons with disabilities in all aspects of life – a vision Dem

continuously compared to the global green movement in importance and reach. Its main mission was to change the mindsets of the business world in perceiving persons with disabilities as equal employees and customers. This early stage sees DAO and its founder Dem following an almost prototypical effectual logic trajectory, where resources were accessed through heavy reliance on **networks and relationships**; decisions about next steps were **taken in an ad hoc fashion** and based on **opportunities at hand**; and the evolution of the organization resembled **an experiment with many unknowns** rather than a carefully plotted-out journey.

As the timeline in Figure 1 indicates, DAO's story begins in 2000 when its founder, Dem, then in their late twenties and with a physical disability, decided to quit their consultancy job to go on an adventure trek to raise money for disability organizations. After appearing on national TV, Dem's cause soon caught the imagination of the public, and funds began to flow in. One particular donor was a wealthy businessperson who gave a large sum of money to the trip and opened many doors to their peers for Dem. On return from the adventure trek and with funds left over from the trip, Dem decided to invest all their time and energy raising awareness around disability and business through a charitable organization that would promote a positive image of disability: DAO. Highly innovative in its vision of an ability-centric society, DAO's goal was "to create inspiration through adventure, create awareness of ability, not disability - and to encourage employment by running work experience programmes in leading private sector organisations". To achieve such significant social impact, in 2002 and 2003, the budding startup ran two Ability Conferences aimed at CEOs to highlight the emerging business case around inclusivity. This activity developed into a roadshow around the country in 2003 and 2004. From these interactions, the idea of creating a Disability Inclusive Business Awards (Awards) germinated. When Dem launched the initial call for application to the Awards in May 2004, DAO was a bootstrap operation run from a small office.

The idea behind the Awards was to articulate the business case for people with disabilities. This responded to Dem's learning from the roadshow, that a standard of excellence in disability management was needed: business leaders knew inclusivity was important but did not know if they were good or bad at it. Dem saw the Awards as a way to **leverage their new relationships** with business, the media, and government to make an impact. Soon DAO received sponsorship from Telco, whose MD had gotten to know Dem through the earlier CEO conferences, and from the government to run and host an awards event. Furthermore, a deal was reached to televise the event nationally, and a major newspaper agreed to publish a 32-page supplement about inclusive business.

To operationalize the Awards, Dem **used new connections made** with current disability organizations to engage with two experts on inclusivity benchmarking: Tray and Jao. Initially hired on a short-term consultancy basis, Tray and Jao developed a state-of-the-art benchmark that "graded" companies' disability management and inclusivity (which would later be seen as a unique and highly valuable resource for DAO). **Engaging their expanding network** of disability-aware contacts, Dem then created a panel of 28 people from disability and consultancy firms to perform the judging. Entry to the Awards was free for any firm, providing that their CEO was at the Awards to receive the honor, which ensured that the business case for ability reached top-level executives. The initial Awards event, in February 2005, was hosted by Dem and a television star, and included the Prime Minister, famous business people, musicians, and sports stars. A second and third iteration in 2006 and 2007 again received substantial media coverage. Towards the end of this period, Dem started to be invited as a guest speaker at high-profile national and international events and was honored with multiple international awards and fellowships for their social innovation.

Deeply rooted reasoning habits: During this period of nascency and ascendancy, Dem's effectual logic approach, fueled by the conviction that they could single-handedly **change the world**, worked very well for the young social enterprise. Dem's vision, and growing network of high-profile figures,

raised awareness, funds, and support beyond Dem's expectations: "they were the most influential business people in the country at the time and I had an opportunity...I'd never done anything like this" (Dem, interview). The success of these fundraising endeavors was attributed to Dem "being a visionary [with] big blue sky thinking" (Mie, board chair). In Dem's words, while they did not have a plan for the budding organization, they were trying to "**create dreams** you can put in people's heads, even about things like this. I think because disability is so not about dreams, and you need to try and create something so big that people think that ... it feels good to try and believe in you." (Dem, Interview)

Dem was open about the fact that DAO's success was **not supported by a business plan**: "I've never written a business plan in my life. Ever [...] [There was] no planning, no budgeting, no strategy, nothing, just crazy shit" (Dem, interview). The power that businesses would play in the inclusion of persons with disabilities was intuitive to Dem: "I didn't have the business case, I was just like, business is key...I didn't understand what that meant, because it was so intuitive to me, I never needed to think about it ..." (Dem, Interview). This intuitiveness gave Dem a "presence" that gained them many high-profile supporters and collaborators, as explained by board member Kae:

[Dem] is radiant...it's almost physical. I've seen Dem on TV and they are practically sparkling. And there's a radiance and I don't know ... what [is] causing that. (Kae, Interview)

Selling "the big vision" of DAO's social innovation through a prominent public profile and high-energy personality proved successful for Dem. Even without a business case, stakeholders recognized the asset that Dem's innovative energy brought to the "cause", as one client expressed it:

...because only people like Dem, real visionaries, which [Dem] is, think like that. You know, the rest of us don't even dream to dream like that. [Dem's] a very charismatic speaker... and [Dem's] got great interpersonal skills for bringing people along...very

driven as well, so you wouldn't be saying no to Dem ... (Pai, food service client, interview)

Conflicts & clashes. The founder's highly effectual approach, which marked this early period, found no resistance inside or outside the organization: the vision was new and daring, Dem was “lighting up” every room they entered, and in a context of general economic optimism funds were available to sustain Dem's **experimental approach**. As in many startup cases, this early period was characterized by a near-complete fusion between the nascent enterprise and its founder. Though a handful of new employees joined the startup, including individuals with substantially more experience than Dem in disability support, Dem “was” DAO. Stakeholders followed Dem's innovative vision for social impact wherever it took them and the company, and in the face of the “radiance” of these ambitions few if any obstacles were put in their way.

Startup: Experimentation and Diversification (2006-2012)

Disruptive ambitions. In 2007 DAO made a first concerted attempt to move from a small charitable foundation focused on disability awards to being a social enterprise with projects and programs across a number of fields of activity that were international in scope. The introduction of a formal board of directors also prompted development of a business plan (BP). In the main, this period saw DAO **experimenting** with a range of innovative services and with **internationalizing** its reach.

Most of its ambitions centered on the need to introduce revenue generation to a number of its social innovation projects. In part, this financial reorientation was a necessity: economic conditions had worsened in their country, and government funding for the Awards was soon withdrawn. But the broader ambition remained the major driving force: Dem and colleagues remained more convinced than ever of the potential international role for DAO's daring social innovation: to “alter mindset, and to drive behavioural change” (BP, 2008) around disability globally, thereby changing the “...way

disability is perceived and ensure that it is no longer invisible in the business arena” (BP, 2007). To achieve **its vision of change** globally it needed to be self-financing, which would be achieved through several projects to help make the disability case and provide revenue, including the Ability Awards, the Ability Program, the Ability Standard, a series of media programs, and collaboration with philanthropic “Visionaries”.

A fourth cycle of the national Awards was hosted in May 2010, but this did not follow DAO’s now longstanding pattern of ever-greater success. Amidst a general sense of economic depression, there were fewer entrants to the categories and no government funding was forthcoming; furthermore, there was far less media coverage and no live national broadcasting of the Awards:

Disability was in the media so much but then it completely died. There was no continued buy-in or commitment...it’s not that we’ve failed, it’s just that we need to re-energize people’s interest [and] focus more on what we’re going to do after the Awards. (Tray, interview).

However, there was light on the horizon with internationalizing the Awards. The 2007 Awards were attended by the CEO of Telco’s parent company, IntlTelco. Impressed by the cause, this person became a key ally in furthering DAO’s internationalization mission. With this key support, an agreement was reached that IntlTelco would run a number of cycles of the “International Awards” in its home European country (nearby country), with the first scheduled for 2011. This first iteration of the international Awards was seen as a pilot for an eventual internationalization based on a franchise model, and it was staged with royalty, politicians, high-level businesspeople, and celebrities in attendance, and wide media attention. Funding for this included a large upfront sum to cover set-up and launch costs as well as an agreed amount per cycle of the Awards.

Beyond the Awards, several extensions were suggested during this time, in short order, through a number of **affordable loss** journeys. First in line was the Ability Program, an employer’s

membership program that would provide discounts on services such as disability management consulting, free networking events, publications, and information provision. The program was to act as a link between organizations around a common purpose, serving as a basis for a budding network of ability-focused organizations. The idea for the Ability Program, once again being drawn from DAO's **current means** and by **embracing unexpected contingencies**, arose from organizations requesting advice on best practices in the employment and inclusion of people with disabilities as they prepared their Awards submission (Ability Programme Proposal, 2007). Though DAO had not prepared for such requests, it quickly realized the potential extension to its social innovation portfolio: an international inclusivity benchmark, the "Ability Standard", could act as a badge of excellence for inclusive organizations. This standard was to be based on the tool used to assess organizations that participated in the Awards. How this would generate fees was never fully expressed, but it was clear that its success was contingent on the internationalization of the Awards. Alongside the standard, a training and consulting division was to advise organizations on improving their ability focus. Finally, another potential stream of revenue was to come from "Funding through Visionaries" - philanthropic funding from high-net-worth individuals or organizations. However, even though ambitious funding targets were set by the Board, none were ever realized.

The final strand to their proposed suite of activities was a comprehensive media program that would drive awareness of the issue of inclusiveness and change perceptions around it. One of the key programs was a global photography initiative entitled "Deconstructing Disability", which was emblematic of DAO's highly disruptive ambitions for social impact:

The thing at the back of my head, which I really wanted to do more than anything in the world was this global movement. And how I constructed it was that we would work with the world's greatest photographers and the world's greatest corporates and reframe disability globally. ...And we would travel this massive global visual pod around the world. (Dem, Interview).

Motivated by Dem's unshakable **belief that they could change the world**, execution of the various initiatives relied very much on **taking emergent** and often **opportunistic steps** without a long-term funding strategy. In fact, funding from a multinational company to support a major art program for inclusivity had to be handed back in 2011, when the initiative failed to materialize. Likewise, while the Ability Program finally took shape, its target of signing up between 80 to 100 members to the network nationally was never realized, and neither was the potential to internationalize the Network. Simultaneously, the training and consulting arm only gained sporadic contracts within the public sector and commercial organizations.

Amidst many innovative projects and little revenue realized, the Board resolved to recruit a consultant in 2011 with the aim to bring stability to DAO. Much of its financial instability stemmed from the financial crisis that had engulfed Europe and led to domestic grants and business all but drying up. Although they had received substantial funding from IntlTelco this was spent setting up and running of the International Awards, and DAO was fluctuating through continual cycles of financial instability. Trained as a chartered accountant and with management experience prior to joining DAO, Fan was hired to give DAO shape and structure and to end its cycles of financial fluctuations. Reporting directly to the Board, Fan understood his role as complementary to the founder; their creation reasoning revolved around **structure**, solvency, and a **goal-setting approach**, as stated in an interview: "my responsibility is that there is always a business plan in place. To make sure to report back to the Board on what the key things in the business plan actually are, and to harness their support when needed, for any particular objective. So that, simply, that's what I do." (Fan, interview). In 2012 Fan became General Manager and CEO to steady DAO's ship financially for what was hoped to be a large and sustained period of growth. Another new recruit, Olo, also a qualified management accountant, took over the responsibility of running the Ability Program and the training and consulting offerings. With these new additions, a more traditional business-like

approach was favored by the Board to implement some of the many innovative products and services that had been launched in this period. Dem's new role was to be that of ambassador and champion; they would continue in their role of trying to change the way people think about disability and engage with business and media. They would be particularly involved in internationalizing the Awards, while Fan's role was to be the day-to-day running of DAO.

Deeply rooted reasoning habits. At this point in its development, DAO appeared to be a well-run business to the outside world, engaging in high-profile public events led by its charismatic founder, who delivered a universally appealing **vision**. However, on the inside, Dem admitted that “it has been very hocus pocus” (Dem, interview). Even DAO's most important initiative, the internationalization of the Awards, had happened in a largely serendipitous manner: “what did happen was the opportunity for the Awards to go to [nearby country], without a plan, without a budget” (Dem, interview). This effectual approach worked as long as the business could rely on its social impact vision more than its operational acumen. Internally, Dem's approach to projecting grand ideas with little procedural follow-up made for uncertain foundations for a more concerted scaling effort. This was evidenced by the proliferation of projects, only to run out of steam. It reflects Dem's driving belief **that there were always new (and better) possibilities to be aiming for** in their quest to change the world; failures did not seem to ruffle them in what seemed to be a focus on **affordable losses** - as in the case of the photography project where funds had to be returned to the sponsor.

Multiple examples of the same pattern of decision-making and creation reasoning by the founder were evident throughout this period: sparked by an apparent opportunity to explore new ways to develop and fulfill the inclusivity vision, Dem was quick to move into action, engaging with any stakeholder who appeared willing to join the vision. For example, Dem could often try and **leverage unexpected contingencies, based on instinct:**

I got an a-ha! moment, which is very rare I guess after you've, I've to be very lucky to get it, but I just got an a-ha! [to] understand why I do what I do. (.) And went to [an Asian Country] and gave the speech of my life [...] and there I decided to start selling the Awards. Which I'd always wanted to do, which I'd always got instincts about [...] and I was right. (Dem, interview)

Overall, this initial growth exploration and tentative internationalization presented Dem with scope to exercise their effectual logic and learn about future possibilities for DAO. But with headcount and overall expenses increasing, continued ad-hoc generation of revenue became a more serious issue.

Conflicts and clashes. Before Fan's arrival, DAO's Board attempted to match the founder's creative approach with a CEO's more stable hand twice in this period. In both cases, the CEOs left due to an inability to reconcile their approach to planning and decision-making with Dem's belief **that they can change the world**. As DAO's former chair of the board remembered:

I think relatively early on, I had lots of conversations with Dem to say look Dem, you are a person that can set visions. You're not necessarily the person that can, if you like, implement the vision. Now, I suppose, ...I underestimated the difficulties that would arise between Dem and [former CEO] which eventually led to them leaving. (Palu, former board chair, interview)

Despite these difficulties, at the end of this period, DAO still had ambitious plans for their "Global Vision", with the first seeds for international scale-up sown. Once again heavily depending on **their current means** and **leveraging partnerships and alliances**, their long-term sponsor IntlTelco agreed in 2011 to initially fund €650,000 for the expansion of the Awards in three to five international territories, replicating the national model with business, media, and government support in each territory. This money was in addition to the funds for the International Awards and payments per Awards cycle. DAO also wanted to set up an international advisory and sounding board and sign up global multinational partners from the consultancy and software industries. However, upon receiving

IntlTelco's funding for expansion, the money was again largely spent on debt and supporting other initiatives.

Scale-up: Scaling or Failing? (2013-2014)

Disruptive ambitions. Throughout 2013 DAO continued to struggle to put itself on a sound financial footing. Under Fan's lead, DAO **attempted to take planned, incremental steps** to grow the Ability Program and consulting activities at home. A number of successful workshops and events were executed in 2013 but did not deliver the projected revenue. Although there was much activity in these other program areas, DAO remained primarily dependent on the Awards.

Feeling imprisoned by the emergent structure of DAO's operations, Dem briefly disengaged from daily operations in early 2013: "I still turned up and I still spoke, gave the motivational speech but [...] all I wanted was to be free. And not to be scared every day about money and the stress". Dem reversed course, however, when they received an award in summer 2013: "I publicly made a speech...and the whole room cried. [...] something had happened around that time ...I was around business leaders again in that room and (..) I was like, I want to talk to these guys, I can't explain it" (Dem, interview). Dem's passion around **who they were and who they knew** was reignited and **seeing a new perspective on the possible** prompted Dem to start re-imagining DAO by **engaging with others to build the vision**, undeterred by the efforts by the Board and the CEO around regaining financial stability.

In a new vision that would lead DAO to 2020, Dem once again voiced the disruptive ambition to be a **force for change** and create "a world where no one gets left out" (DAO strategy document) in a global movement that they saw as the "new green" (DAO Vision 2020 document). Despite the modest size of the organization, Dem presented the new Global Vision to the Board and the members of the Ability Program. This vision was more ambitious than ever: to create and run Awards in 10

countries in five years in order to change the mindsets of 500 million people, with the help of five global businesses that would lead, help support, and finance the Global Vision. As explained by a senior manager, “the global partners will support building that Global Vision, building the global awareness [...] we want visibility at the highest level of media forms throughout the world ...this needs to get on the agenda and it's not.” By 2020, with the Global Vision completed, DAO would no longer be needed as the inclusion of persons with disabilities would be common practice, with the vision accomplished. Despite cracks in the relationship with IntlTelco, they were seen **as a co-creator of a more inclusive future** – “Even though we hate IntlTelco, they give us incredible opportunities” (Dem, board meeting).

Running alongside the global campaign was a domestic strategy to “make [home country] the most inclusive business community in the world, as only then international expansion can happen” (Ability program members meeting, observational notes). Having been dormant during the depths of the recession, the revival of the National Awards was a critical piece of the overall strategy: by showcasing inclusivity at home, DAO would gain further credibility on an international stage. Dem yet again began to **leverage “whom they know” as they attempted to form alliances** internationally and domestically. However, key stakeholders proved more hesitant to engage this time around; for instance, a key government official and previous champion of DAO failed to respond to Dem’s communication (observational notes). That this domestic hesitancy could be a signal for difficulties to be experienced abroad did not appear to concern Dem.

Taken in isolation, the audacity of the Global Vision was clear evidence for Dem’s unfaltering **belief that DAO can change the world** for persons with disabilities through **engaging others in co-creating an inclusive future**. Interactions among board members and senior management in a late January board meeting illustrate a slightly different picture. Dem presented the Global Vision to the Board with characteristic passion yet failing to back up the vision with strategy or planning. A

member of DAO's disability representative group and board member voiced scepticism: "the time frame is too ambitious to start with [...] DAO's been going through difficulties, ... there was a resource issue [...] things can run out of steam [...] unless you're three steps ahead." (Tai, interview). Dem's high-level vision was followed by Fan's presentation, highlighting DAO's financial difficulties and demonstrating the limited scope for expansion this created: cashflow was depleting and bank overdraft almost maxed out to pay basic outlays such as staff salaries. The contrast between Dem's starry vision and Fan's stark financial reality was striking.

Deeply rooted reasoning habits. As DAO's ambitious global vision was brandished by Dem and financial doom projected by Fan, fundamental clashes between these two protagonists were evident. Our data indicate that the quickly escalating conflicts between the founder and the CEO could be partially explained by their different reasonings and justifications, which prevailed in their individual decision-making and became even more deeply rooted as ambitions and reality drifted further apart.

Dem's effectual logic approach. Dem, the founder, continued to pursue their innovative vision for social impact in an emergent way, with a **focus on using current means** of their extensive networks, **engaging with others to build relationships and new shared visions at home and abroad**; rather than on formal planning and execution of the newly agreed and now more specific DAO vision. A typical example of this approach is Dem's interaction with IntlBeautyCo (a global beauty products firm). Initial contact was established when Dem agreed to be on IntlBeautyCo's judging panel for their internal inclusivity employee awards. Dem saw the opportunity to **leverage this unexpected contingency** and proposed to IntlBeautyCo to be one of their five partners for the Global Movement, highlighting the benefits of "being part of a unique club of brands which stand up for inclusivity of people with disabilities" (observational notes). When IntlBeautyCo had concerns about committing the required financial resources, rather than disengaging, Dem suggested other ways of contributing, as having the firm on board would entice other global partners to commit. When meeting Dem in

person IntlBeautyCo's Diversity Director – as others before - seemed enraptured by Dem's global vision (observational notes). Regardless, DAO's pitch to the VP was delayed several times and when asked about how the relationship was progressing in summer 2014, Dem admitted that "I'm not putting [IntlBeautyCo] on hold, I just want Fan gone before I do. I think [IntlBeautyCo] is going to be very much part of this accreditation program, and I think they might fund an awful lot of the putting together of that process" (Dem, interview). This revelation came at a time of deepening crisis within DAO and is one of many examples of how Dem's deeply rooted use of effectual logic did not budge even as challenges around implementing the strategy deepened. It also shows how Dem continued to be comfortable with conceiving and **pursuing innovative ideas** with little to no financial resources in hand.

Fan's causal logic approach. In contrast to Dem, Fan followed a causal approach to decision-making around DAO's future, including the Global Movement and Ability Program activities. How Fan envisioned DAO's operations in the future illustrates this **step-by-step approach of setting specific goals**:

We're looking at having a TopCo, which is a pure philanthropic charity [...] and then creating business models underneath [...] which will operate as businesses with an objective to make surpluses. And those business units [...] profit objective would feed back up into the TopCo [...] into new projects and put money into new initiatives. [...] and that sort of works for me as a model going forward." (Fan, interview)

Likewise, Fan wanted the Global Vision launched in a **cautious, step-by-step fashion, eliminating any impediments to executing the plan**: market entry in one country, proven to work there operationally and financially, and only then expanding to another country, each chosen based on specific metrics. Furthermore, Fan was sceptical about the inclusivity benchmark, as no market for this product had emerged, and no resources should be invested until this was evidenced: "We are not

ready to commercialize it yet, you know. And we won't be able to commercialize it until we've had it rethought through [...] target audience, market research, can we get companies to buy into it? Will they pay for it?" (Fan, interview).

While also considering new opportunities, Fan sought to veer the organization away from Dem's regular use of effectual logic, and to base decisions on hard facts and quantitative research:

We want to become more research based [...], more knowledge based... For example, say there is very little on best practice for disability collected from all EU countries and outside the EU... we're actually building up our research capacity inside here in collaboration with others and we disseminate that information. That is a whole new area of the business, but it is key for us to be able to deliver our message properly. (Fan, interview)

Our analysis showed Fan to live in a world of pure causation, with a **cautious and planned approach** - an approach that alienated and perplexed Dem. Given how divergent Dem's and Fan's creation reasoning approaches were, someone clearly had to bridge this ever-widening divide.

The Board's reconciling attempts. Learning from their past mistakes when the Board installed two short-lived CEOs but failed to integrate their more causal and managerial approaches with Dem's effectual approach, the Board fully supported Fan's focus on sound planning this time. However, diverging visions in how to scale up DAO became more pronounced over the first few months of 2014. In the May board meeting, Mie expressed serious concern about the lack of a step-by-step plan for scaling. Mie felt that the Global Vision was over-ambitious and only "happening in Dem's head" (May board meeting, observational notes). They insisted once again that Dem **change their approach to decision-making** and implement more **structured planning and goal setting** including a report of progress and probabilities.

As the Board realized that Dem's reasoning style was not going to change and that this would inevitably lead to yet another fallout, the Board decided to set specific roles for Dem and Fan:

Dem has to realize that [Dem's] skills are not in day-to-day operation...Dem has to give Fan the respect [Fan] deserves for managing that, and not to trivialize that element of the operations. And Fan...most certainly has to acknowledge...that's [their] strength, but in terms of going out there and being the visionary and being the door opener, that's Dem's strength. I think the two of them can work together, I think it's very easily resolved...I think Dem has to understand that Fan manages the company [...] And if Dem doesn't acknowledge that, well, my own view is that I would struggle to see a place for Dem.
(Jao, board member)

Conflicts & clashes. Somewhat unsurprisingly, with an ambition for scaling up that was clearly unrealistic, conflicts and clashes in the organization multiplied, both between the two main protagonists and between Dem and the Board, who unlike earlier took a much more active role in calling for effective implementation. Importantly, these clashes were not caused by diverging views on the social mission of the venture; indeed Fan and Dem “were fighting only because they were both trying to do the best they could and they were motivated by the same thing” (Kae, board member, interview). Rather, our analysis evidences that most of these conflicts were related in some way to Dem's consistent, almost exclusive, use of effectual logic to guide decision-making and action, and apparent inability to understand or agree with the use of causal logic. Even though they understood Dem to be using “visionary” and “innovative” approaches to creating and growing DAO so far, Fan and the Board, on the other hand, believed that an ever greater causal focus was needed to achieve DAO's Global Movement vision. The role differentiation worked only as long as Dem was free to play both founder and CEO; any attempt to partition Dem's role was strongly resisted. In line with this view, Dem suggested two alternative ways to separate the founder and CEO roles. The first approach made Fan DAO's “operational lead” while Dem became the “strategic lead”. The

second alternative was to separate DAO into two entities; one, led by Dem, to run the Awards and the Global Vision on a worldwide basis; the other, led by Fan, to look after consultancy, business members, and operations (Fan, informal interview). The final Board decision was to have Dem head business development and fundraising, while Fan managed everything else. This did not sit well with Dem:

I'm not here as a fundraiser anymore, I'm here for my brains, and I've been used in this business too much just to go out and prostitute myself for cash and I'm like, no. (Dem, interview).

These clashes around DAO's leadership and decision-making caused emotional strain on all DAO employees who saw their loyalty and devotion to Dem tested. Senior manager Olo expressed their frustration:

I had a question a while ago about selling training, about whether I could continue to sell training...And I talked to Dem, to Mie, and to Fan, and I got three different answers from them. And I was like, this is crazy [...] I was in the process of doing [job] interviews and I was like, I'm so making the right decision because I can't actually handle this anymore. (Olo, interview)

At this point of summer 2014, the Board began to execute their new divisions, requiring Dem to justify actions and decisions, for instance, by securing durable revenue streams for DAO before proceeding with any steps to scale up. Dem resisted these requirements and continued to seek external support for the global vision by leveraging their networks to secure global partners. By contrast, the focus of the Board had shifted from pursuing a great global vision to simple survival:

there's always a tension there between the Board and Dem about us trying to protect the security of the business and Dem wanting to change the world by next Tuesday week... And Dem finds that hard ...difficult to accept (.) no from a board, saying, no you can't do that. (Kae, board member)

At that point, an ultimatum was given: if Dem was not willing to change, Dem's role in the organization would be reassessed, "[...] unless [Dem] can work in the confines of a role that's been given to [Dem], I don't see a future for [Dem] in the business" (Mie, acting board chair, interview).

In July, six months after the Global Vision was announced, a team meeting was called. Fan talked about the financial instability and the sense of déjà vu that this conjured up for the organization, DAO's inability to pay bills and that the required cost reductions would have to include payroll until new sponsorship was in place. When Dem started to talk, to the surprise of many, there was no acknowledgment of DAO's dire financial situation. Instead, Dem's focus was on an upcoming global event and the securing of high-profile celebrities to "approach disability inclusivity from a contemporary point of view" (observational notes). This clearly demonstrated that Dem was unable to lower their sights to operational and financing issues. But many staff began to seek alternative employment after this meeting (observational notes).

The final straw. DAO's increasingly dire finances generated further conflict between Dem and Fan and anxiety for the team, with tensions high by mid-July and weighty decisions required in quick succession. In an informal conversation, Fan admitted that there was virtually no communication between DAO's two leaders, and that they could see Dem allowing DAO to die due to lack of funding and to "rise like a phoenix from the ashes" with a new organization and their global ambition intact (Fan, informal interview).

Within months, the inability to overcome disagreements on implementing the Global Vision created constant, intractable clashes that pitted founder Dem's little-understood approach with what the Board saw as the sensible, right, and necessary approach of a highly experienced and capable manager, Fan. In September, independent auditors interviewed all key staff and examined DAO's financials. They concluded that although the Awards were viable, because none of the international

sponsors were fully on board and negotiations were still ongoing, DAO should be wound up. On November 3rd, the board of directors met for a final time to begin the official liquidation process; DAO's notice of liquidation was posted in a national newspaper on November 6th, 2014.

ANALYTICAL GENERALIZATION

A Stage Approach to Creation Reasoning

In the end, did DAO simply falter because of a clash of personalities between the founder and the CEO or because of a lack of sound commercial and financial footing for its social impact model? While both explanations hold true to a certain extent, our forensic, moment-by-moment analysis above suggests these may be symptoms of a more fundamental conflict, namely that between two creation reasoning types – effectual logic and causal logic - with both sides (particularly founder Dem) unable to move or even acknowledge the need for a different approach. Crucially, our longitudinal analysis also allows us to observe when and why such conflict proved fatal to the organization. Founder Dem's deeply rooted use of effectual logic and inability or unwillingness to engage causal logic was surprising to us. The CEO, Fan's, exclusive use of causal logic was less surprising, as this form of creation reasoning is expected to be more common among experienced managers, especially those with a background in accounting and finance. Nevertheless, the negative impact that over-application of effectual logic had on our social enterprise case during scaling up, and the inability of the focal actors to forefront and align their creation reasoning preferences, highlights the need to better understand how creation reasoning type may affect the social enterprise development process. In this section, we extrapolate from our case, supported by literature on venture development and creation reasoning, to derive analytical generalizations as a future research base.

Evidence showing our founder's consistent use of effectual logic over a considerable period indicates that Dem was initially successful in employing effectual logic, as it resulted in the founding

and sustained operation of a new social enterprise: one that garnered considerable customers, beneficiaries, and supporters; engaged a wide array of business leaders in inclusivity improvements for persons with disabilities; developed an innovative business model that generated considerable funds for the venture; and then added additional innovative business models (e.g. consultancy service and paid support network), which strengthened both social impact and revenue generation. This is consistent with extant literature showing that effectual logic can be an effective approach in contexts of high innovation (Brettel et al., 2012) and high uncertainty (Shirokova et al., 2020), particularly when spanning a great number of stakeholders, as our case company had done in its early stages. But much of this literature deals with the earlier nascent and startup stages, not scale-up, and little addresses the social enterprise context. Our data provided unique insights into what creation reasoning type may be most beneficially used when scaling up a social enterprise, and what might keep social entrepreneurs from using different creation reasoning types contingently.

As mentioned previously, literature has established that effectual logic is needed for learning in high-uncertainty contexts, and causal logic is needed when applying that learning (Brinckmann et al., 2010; Shirokova et al., 2020). Also, effectual logic is associated with success in highly innovative contexts, while causal logic is beneficial when lower levels of innovation are expected (Brettel et al., 2012) and in stable contexts (Shirokova et al., 2020). This indicates that causal logic can be used for innovation, not just implementation, but only in contexts of probabilistic risk.

Using our case findings from each stage and augmenting this with insights from the literature, we argue that social enterprise creation requires considerable use of effectual logic and considerable use of causal logic, and that the most appropriate balance between application of effectual logic and causal logic will be determined by the amount of learning and application-of-learning respectively required at each stage of venture creation. This allows us to propose the relative importance of effectual logic and causal logic at each of the three major venture creation stages—nascent, startup,

and scale-up. First, our data suggest that the predominant use of effectual logic can be a successful strategy for the nascent and startup stages of a high-innovativeness social enterprise, as DAO was conceived and launched in the market successfully using effectual logic predominantly. We reason that this is the case because the nascent and startup stages for a high-innovativeness venture are learning-intensive and high in uncertainty, and so effectual logic ensures the high novelty in value creation needed. We also saw DAO drawing in a great number of stakeholders through diverse and often multi-layered relations, which is a particular strength of an effectual logic approach. As well as being evidenced in our case, this is largely supported by extant literature (e.g. Brinckmann et al., 2010).

Second, our findings indicate that such predominant use of effectual logic may be less successful in the scale-up stage of an innovative social enterprise, as DAO suffered the ultimate failure when attempting to scale up using the same effectual-logic-dominant reasoning it had applied to the nascent and startup stages. We expect that this is because the scale-up stage for a social enterprise is more application intensive, and so causal logic—focused on setting goals and acquiring new means to create a larger version of the startup—will ensure that learning from the earlier venture stages is applied. This argument is also largely supported by extant literature (e.g., Shirokova et al., 2020).

But these rather blunt indicators beg for more contextual examination, which our data permit. For instance, we note in our case that scale-up is not a unitary stage; for DAO it included at least two steps. The first step involved preliminary exploration and low-cost learning. DAO started to explore scale-up by using effectual logic elements, such as a means focus—engaging with existing contacts to identify shared interests in DAO’s efforts in other countries—and affordable loss—testing with only their existing Awards social impact model, and in a way that cost them little, and in fact generated new ongoing revenue for the venture.

During the second step DAO attempted to apply learning from Step 1 to conduct a more replicative and goal-oriented global scale-up, for instance by replicating the “proven” nearby-country scale-up test and setting a more specific vision to be in 10 countries in five years, with five global sponsors, in order to focus the now larger organization on a common end-goal. We see in this a possible progression from greater use of effectual logic to greater use of causal logic as the scale-up progressed. But the move to this more causal-logic Step 2 appeared to turn an ongoing, but manageable, conflict over creation reasoning types into a fatal flaw. We believe this is at least partly due to the fact that Dem continued to apply a mostly effectual logic approach to their decision-making. For instance, while ostensibly setting out to line up the five global sponsors called for in the new, more specific vision agreed by DAO’s Board, Dem’s early encounters with IntlBeautyCo led to a new separate scaling idea and vision with IntlBeautyCo’s Director, whereby they might jointly develop the inclusivity benchmark globally, rather than maintaining the sole focus of scaling the Awards program in the current global vision.

Establishing a disruptive vision for social impact can be seen as a necessary early step in the scale-up stage for DAO; one that motivated the organization and gave broad direction. Creating such a vision requires considerable learning to understand possibilities and opportunities for scaling up. DAO was at such a stage in early 2014 when we began our ethnography: imagining a broad vision for a scaled-up venture by engaging with potential partners to learn about what to scale up, where, and to whom. Yet, despite this scaling exploration it faltered as soon as it attempted to execute this scale-up. This insight highlights the need to examine creation reasoning requirements with a more granular perspective. We thus propose that a “stages and steps” approach may prove useful to future research, in line with Levie and Lichtenstein’s (2010) call for greater recognition of the complex, emergent nature of enterprise creation.

Following this approach, we conjecture that over the nascent and early startup stages the enterprise transitions broadly from predominant learning and exploration to balanced learning and application, requiring a different mix of effectual logic and causal logic throughout. By the late startup stage, in the “startup management” step, application is predominant, as founders seek to solidify the initial operation. Once scaling up is under consideration, however, exploration increases in importance again as founders are faced with a range of new questions: how to scale up, where to scale up, scale-up for which stakeholders, and how might their needs be different? So, learning increases in importance, but within more limited parameters than, say the nascent stage, and then follows the same pattern of diminishing in importance over the latter scaling steps of “scaling preparation” and “scaling execution”, as the need for application increases. A schematic depiction of such a “stages and steps” approach is illustrated in Figure 2. This Figure should be read hypothetically rather than predictively; the exact balance of causal logic and effectual logic required in each step will depend on multiple contextual factors.

=== FIGURE 2 ABOUT HERE=====

Abstracting from this analysis, we propose that social entrepreneurs may increase their likelihood of success in creating a sustainable social enterprise by employing both effectual logic and causal logic to some extent in all stages of new venture development. These entrepreneurs may also increase their likelihood of success by employing effectual logic predominantly during the nascent stage of development, and a more even balance of effectual logic and causal logic during the scale-up stage of development. If such a balance is not achieved, for whatever reason—inability, conflict, or other factors—scaling up via mostly or purely effectual logic may lead to difficulties and potentially even failure. This is because an effectual logic-dominant approach to scaling up would engage the same level of uncertainty as early nascency: a state where essentially little to no replicable learning has been achieved, and no established, ongoing organization is at risk of being undermined.

Ethical Implications of Effectual and Causal Logic

Our findings allow us to further theorize the ethical implications of using effectual logic for social enterprise creation and scaling. Dew and Sarasvathy (2007) argue that effectual logic is more ethical because, relative to causal logic, it is better at ensuring negative stakeholder consequences are eliminated or mitigated in the resulting innovation. Indubitably, success in creating and scaling a social innovation—one that addresses social problems while minimizing negative externalities—is the most ethical outcome of a social enterprise. To achieve this outcome, effectual logic is needed during the high uncertainty stages of social innovation. But, we argue from our case, equally important is that the social venture reliably replicates the intended social impact for those in need.

DAO's experience and our earlier arguments highlight that social impact creation involves a series of stages and steps that might need to be addressed iteratively. Within each stage, the first step, where considerable new learning is needed, likely requires engagement with a wide and ill-defined range of stakeholders. If the social entrepreneur progresses beyond this first step, the level of uncertainty diminishes, as broad, ill-defined exploration gives way to more specific learning designed to finetune innovation execution. Interaction with stakeholders at this point is mostly focused on intended users or beneficiaries of the social impact, and causal logic may be the most effective creation reasoning approach to ensure that the final innovation is created and delivered sustainably to all those in need. Thus, employing a consequentialist ethics stance, we suggest that social entrepreneurs take the most ethical course of action (that is, maximize expected social impact) when they employ a mix of effectual logic and causal logic contingently, with effectual logic best utilized during steps that involve high uncertainty and ill-defined learning, and causal logic predominantly employed during steps that involve low uncertainty and less stakeholder engagement.

On the basis of our case, which saw a highly innovative venture with an ongoing startup operation and considerable potential for social impact creation falter due to a failure to scale, we

further propose that if the right balance of creation reasoning is not feasible, scaling up may in fact not present the most ethical course of action for the enterprise. In these cases, rather than following a ‘blind’ scaling mandate, other ways of scaling social impact such as diversification or ‘scaling deep’ (André & Pache, 2016), which rely more on effectual logic, may be the more ethical approach. We thus argue for a contingent balancing of the scaling mandate with an awareness of the venture’s predominant creation reasoning type.

CONTRIBUTIONS

We opened this paper by asking: How does the type of creation reasoning used by a social entrepreneur when scaling up impact the growth and survival of their venture? By peeling back the layers of decision-making that surrounded our social enterprise’s focal, and in the end fatal, conflicts following the decision to scale up, we found a much different meta-cognitive culprit than the institutional hybridity literature had led us to expect: effectual logic. Understanding the potential conflicts created by the use of different creation reasoning types can have considerable explanatory value for scholars and practitioners.

Our learning serves to re-examine and modify a proposition of Dew and Sarasvathy (2007) in this journal, wherein effectuation is identified as the most ethical approach to creating and growing innovations for society. While we agree that effectual logic is necessary, we point to our case insights to argue that it may not be sufficient: both types of creation reasoning—effectual logic and causal logic—must be used in varying measures throughout the social enterprise creation and scaling process. While the use of effectual logic can mitigate negative externalities during high-uncertainty steps of social enterprise creation and scaling, causal logic should be employed during low-uncertainty steps—where risk can be identified and mitigated—to ensure that social impact is reliably replicated for all those in need.

Making creation reasoning types overt may not be possible when they are based in meta-cognitive processes that are little-known or little-understood, even by those who employ them regularly. Our social enterprise founder's inability to articulate or acknowledge the basis for concern grounded in their favoured reasoning type may stem from dwelling in the world of global change makers. Dem's use of effectual logic may have conformed to maintaining legitimacy among that set; a context in which it could be practiced without attracting the scrutiny of operationally-focused management practitioners.

Our insights that effectual logic can be employed with little awareness or alternating use of causal logic by a founder or manager surfaces at least two new areas of consideration. The first—a known but understudied area—elaborates when to use effectual logic and when to use causal logic in scaling a social enterprise. The second - a novel area of examination – illuminates how a particular creation reasoning type can become a deeply rooted reasoning habit, with what effects, and how these effects might be mitigated depending on the context. Ventures are expected to be especially vulnerable during scaling, so minimizing potential for conflict internally should be considered critical to scaling social enterprise. Open communication around all decision-making should help to minimize conflicts, but even with such openness, the decision to use effectual logic versus causal logic, when and in what ways, holds the potential for considerable internal conflict.

These insights also contribute to discussions around the ethical implications of scaling up social enterprise by authors such as André and Pache (2016) and Ometto et al. (2019). In our case, social entrepreneurs were able to maintain a strong focus on their social mission by embedding their social impact and commercial models in one unified vision, in which the commercial plays a supporting role to the social: a shared vision of DAO as an organization that used the business case for creating an inclusive world for persons with disabilities. In other words: there were no fundamental disagreements pitting the ethical and social focus of the venture against the commercial. In our case,

critical trade-offs were surfaced by the creation reasoning type used by our two focal actors, with both creation reasoning types—effectual logic and causal logic—employed with a “caring disposition” (André & Pache, 2016): Fan’s causal logic approach was focused on caring for DAO’s employees and their jobs, while Dem’s effectual logic approach was mainly set towards global change. As a result, they each engaged internal and external stakeholders differently in their decision-making. It is evident that the final consequences of failing to find a compromise or synthesis between these creation reasoning types provided the least ethical outcome for all stakeholders of this organization: its failure. This finding requires further scrutiny into how caring dispositions and creation reasoning types interact, and how both relate to mitigating the potential of mission drift in scaling social enterprise, to achieve ethical growth of social ventures.

As our findings are contextualized, we can also provide more specific guidance for the social entrepreneur. By focusing attention on whether and how much learning is required at each step of the venture development process, social entrepreneurs can employ effectual logic and causal logic with greater confidence that their reasoning and decision-making is fit for purpose. Our insights also support social enterprise leaders by highlighting the need to make creation reasoning explicit among all decision-makers to minimize conflict and align resources and activities. This holds further implications for public policy by highlighting the need for the inclusion of creation reasoning in social entrepreneurship education programs and the value of discussing the ethical implications of creation reasoning choices in such programs.

While we argue that DAO’s ultimate failure was due to their inability to surface, employ, and compromise between effectual logic and causal logic, we largely but not completely rule out other factors at play in the venture’s demise. For instance, an alternative explanation may be the existence of interpersonal clashes or a charismatic founder effect in the firm. While both explanations may to a certain extent be applicable to our case, we note that the startup did not falter by hitting against

such rocks in the earlier stages of its lifecycle, but only in the scaling execution step, which supports our interpretations above. Another potential explanation to DAO's demise is the fluctuation in funding and business opportunities during the startup stage, impacting the stability of their finances and operations. However, it is worth noting that while the enterprise survived the turbulence of a near-complete global economic collapse, it is in the scaling execution step that DAO failed, which took place in a more benign economic climate. That is not to deny that financial instability contributed to the demise of DAO. However, when we examine the ways in which the organization was weak, we find that many of them primarily stem from a lack of cohesion among leadership actors, which in turn stems in large part from the inability to understand and compromise on the creation reasoning type used. As such, we identify it as a root cause of the difficulties and eventual demise of DAO.

Future research

We highlight three artifacts uncovered in our study that are little discussed in the literature and suggest how they might inform future research in the social entrepreneurship literature. First, we discovered an organization that fully instantiates the hybrid social enterprise combination of social mission supported by a commercial business model but has been developed without the conflict over institutional logics—such as social versus market logics—that the literature suggests is endemic to such organizations. Future research might examine if this is a trend, reflecting the creation of new logics made up of two that were previously conflicted, for instance.

Second, our example of an actor's near exclusive use of effectual logic raises a number of interesting deductive and inductive questions for further study of creation reasoning in social enterprise contexts. A recent development within management research has seen the incorporation of Boltanski & Thevenot's (2006) orders of worth into managerial and entrepreneurial decision-making research, highlighting that underlying justifications for decision-making are often opaque to

the decision-maker and greatly influenced by relatively stable personal valuations that have little apparent connection to the matter under consideration. A related area of exploration, argued by Reuber et al. (2016, 537) and evidenced in our case as deeply rooted reasoning habits, is the potential for habituated use of effectual logic, and the need for future research to examine how “habituated aspects of human agency factor into effectual thought processes and behavior.” We support such exploration and call for more context-sensitive studies that examine the prevalence of effectual logic use among experienced social entrepreneurs specifically: to what extent such use is “habitual”—in Reuber and colleagues’ terms—as opposed to employed flexibly? If use of effectual logic is habituated for many social entrepreneurs, is it related to the likelihood of becoming a social entrepreneur and/or to a particular leadership style or personality? Johannisson (2018) provides some indication that social entrepreneurs in Sweden use effectual logic and uncovers what the author claims is a new type of effectual logic used by social entrepreneurs in work-integration ventures: “necessity effectuation” (Johannisson, 2018, 390). Future research might integrate this early insight into a more comprehensive examination of creation reasoning use in social enterprise.

Lastly, we contribute to the growing literature on entrepreneurial failure by revealing another possible cause of conflict and poor decision-making: inappropriate application of a particular creation reasoning type to context, and the potential for such application to become a deeply rooted reasoning habit. Future studies can corroborate the extent to which this is practiced across the globally growing population of social entrepreneurs.

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TABLE 1. Data Collection Summary

Data Type (Quantity)	Sources (Quantity)	Information Provided
10-Month Embedded Observation		
Formal Interviews (49)	Internal actors (20) Board members (5) Former board members (1) Advisory board members (11) Clients: Construction (1), Consultancy (1), Energy (1), FMCG (2), IT (1), Tourism/leisure (4) Competitors (2) Overseas collaborators (1)	Perspectives on themes such as nature of involvement with DAO, perceptions of DAO and their initiatives; justification for becoming involved with DAO; views on implementation of inclusivity initiatives; issues and challenges in relation to inclusivity projects, organisations, and individuals; nature of future involvement Key internal actors were interviewed at least twice All interviews were transcribed and coded in NVivo
Informal Interviews and Conversations (20)	Internal actors (19) Board members (1)	Occurred in informal settings, both unplanned and by arrangement All notes were typed either at the meeting or directly afterwards and coded in NVivo
Meeting and Event Observations (80)	Meetings/events with clients/potential collaborators (49) Internal meetings observations (28) Board meetings (3)	Meetings and events in DAO premises and externally: conference calls, international conference, client premises. Internal meetings involved management, individual and team meetings. Board meetings took place on DAO premises. All observation notes were coded in NVivo.
Emails (55 email threads)	Emails between the researcher & individual DAO actors; Researcher copied on company emails	Researcher provided own DAO email address, with resulting conversations on meeting arrangements, social activities, administrative tasks, etc. Relevant emails were coded in NVivo while others provided details on context and access to documents.
Other Observation Data (~188,000 words)	Daily observational notes (36,500 words; 808.5 hours of observations during 104 days spent within DAO) Interview (formal & informal), meeting/event notes (99,500 words) Weekly summaries for research team (42,000 words) Reflective diary (10,000 words)	Substantial amount of observational notes were compiled from different sources of observational data and researcher's reflections during data collection period. This data was valuable in providing context, details on events, actions and actors. Historical references also helped to build deeper understanding of DAO's journey and key events.
30-Month Records Retrieval		
Archival Data (829 pages)	News & media coverage Business plans, strategy and financial documents Internal documents on awards, audits and quality mark procedures Client-related documents Promotional materials	News stories, public opinions and representation of DAO in media by DAO actors and by journalists. Internal company documents covering strategic planning, operations, finance, audit and award procedures. Promotional materials, such as those for Awards, which contained marketing messages. These materials were used to build a company case and to compliment and contradict primary research data.

TABLE 2. List of DAO key stakeholders, 2012-2014

Name	Organization	Role/Background
DAO Key employees		
Dem Smith	Founder of DAO	Founded in 2000 and face of DAO nationally and internationally. Has a disability. Prior to DAO worked as a management consultant
Fan Jones	CEO of DAO	Joined in 2011 as consultant, acting CEO in 2012. A chartered accountant experienced in construction industry and helping firms in difficulty.
Jao Davies	DAO Senior Manager	Joined in 2004 as consultant for Awards, full-time in 2008, to develop programs and consultancy. Key role in developing ability standard auditing tool and internationalizing Awards. Previous work in disability sector.
Olo Russell	DAO Senior Manager	Joined in 2012 to develop programs and consultancy. Resigned August 2014, returning to consultancy.
Tray Stander	Consultant/part-time DAO employee	Consultant and employee since 2004. Key role in developing inclusivity measurement and auditing tool. Carried out audits. Considerable previous disability sector experience.
Nat Earls	DAO Network Co-ordinator	Employee since 2005. Held various positions including administrative work. Resigned June 2014 to work for consultancy.
DAO Board of Directors		
Mie Darcy	Interim and acting head of Board of Directors	Board member since 2009. Acting interim chairman 2014. Works as Partner in major executive search (headhunting) firm.
Kae Farrell	DAO Board Member since 2000	Long term friend and supporter of Dem. Trained as a chartered accountant. CEO of a major national disability organization.
Rube Evans	Board member since 2013	Background as senior management consultant.
Kelly Deasy	Board member since 2012	Disability activist with acquired disability.
Palu Moore	Former Chair of Board	Board Member from 2005 to 2013, Chair from 2010-2013. Worked as a high-level civil servant.
DAO Advisory Board		
Jamie Forde	Advisory Chair; BoD member	Interviewed 11 of 30 members, who ensure strategic direction/decisions reflect persons with disabilities' needs Involved with DAO since inception. Background in financial management, born with a disability.
Client Companies (Indicative)		
Lorr Fergusson	Tourist Attraction	Members of DAO's inclusivity supporters' network, participated in inclusiveness audits, training, events; and championed inclusivity initiatives in their own organizations
Caol Kennedy	Energy Provider	
Pai Wong	Food Service	
Kal Taylor	Consultancy	
Ran Williams	Hotel	

TABLE 3. Selected sample of Dem's use of effectual logic**Stage 1. Nascent (2000 – 2005)**

It was an idea, it was a vision, and I think there must have been something in my energy or my passion that just (.) it came out. (Dem, interview) - **believing that they can change the world, focus on current strengths**

Now when I went to do the [Awards] I put together a concept paper, no business plan...It was just three pages document. (Dem, interview) – **unwilling to commit to detailed and specific steps that limit possibilities**

I had nobody's number. I even look back and go, what the hell? Where did I think I could do this? I knew nobody... I didn't have that circle. That circle was born out of an absolute unrelenting passion to make something happen. (Dem, interview)- **believing in changing the world, focusing on current means of strengths & partnership building**

And in discussion with a number of people [Dem] decided that something else that could attract business leaders would be a good platform. So that is where Dem conceived the idea of the Awards and started putting it into place. But they needed a sponsor [...] Dem met [the CEO of Telco] at some particular venue and [TelCo CEO] bought totally into the idea that it could be very good for TelCo at that stage. (Jao, interview) – **believing that they can change the world, engaging with others as collaborators, leveraging unexpected contingencies & seeing each step as a way of learning**

Stage 2. Startup (2006-2012)

I could see that I wanted to project this outside the country, similarly wanted to bring the next phase of the network in, could see training modules, consultancy ...Was networked enough between England and America to see what was going on. I'd become a Global Social Enterprise Organisation fellow, I knew the work that we were doing was definitely leading edge. (Dem, interview) – **believing that there are new possibilities, decisions about next steps based on current means, engaging with others to learn**

The difficulty in terms of, if you like, having somebody like Dem who's great at projecting a vision is that what Dem wasn't good at was doing the, if you like, the accounting behind the vision, in other words, like, okay, this is a great vision, but what money do you need to deliver the vision? (former board chair, interview) – **not wanting to spend time with details of executing plans, unwilling to commit to specific steps and limit possibilities, engaging in each step as a way of learning**

Stage 3. Scale-up (2013-2014)

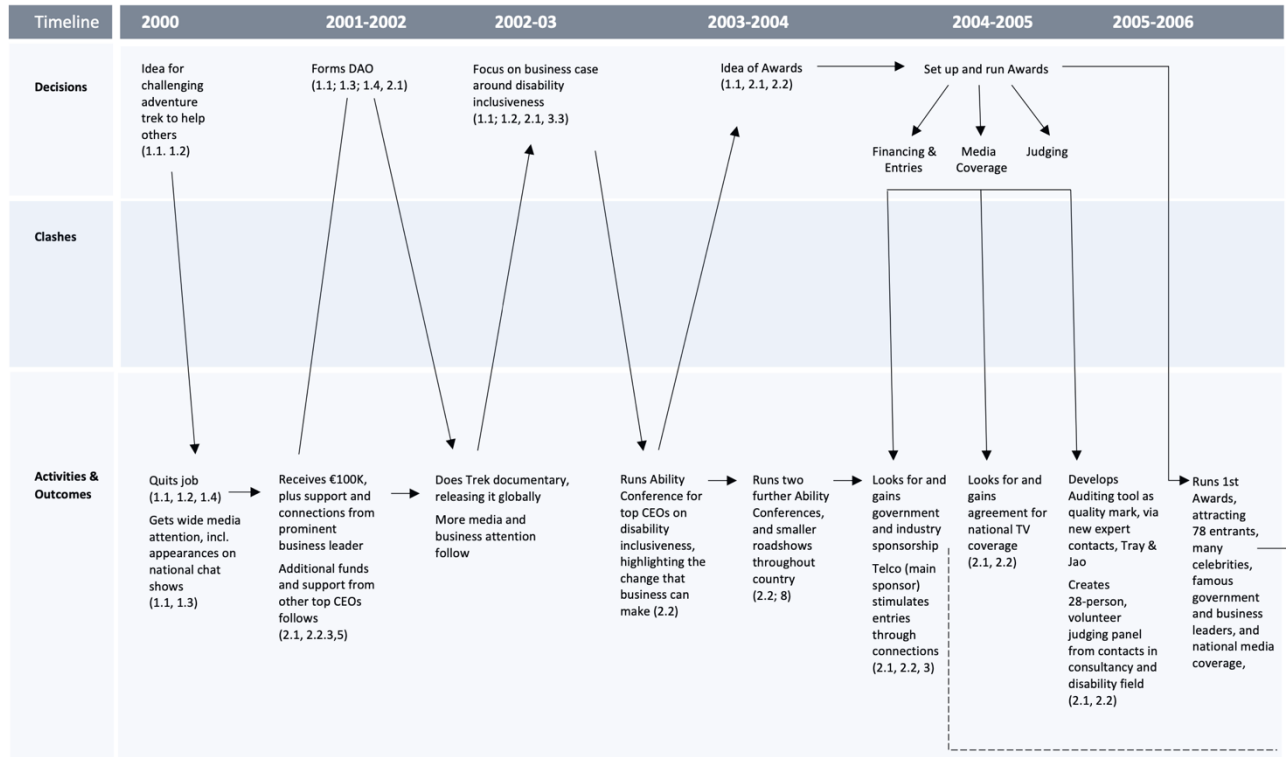
I keep trying to get my gut ...going, who do I see? So in my head, it originally was IntTelCo, IntlBeautyCo, TechCo, FrenchBank & ComputerCo. and then[...] I think there's something gonna be really exciting about that ... And then we're going to need massive creative, we going to need to get three or four very big celebrities ...I got it, I've got to be thinking about that. (Dem, interview) – **using current strengths and networks, believing in changing world, engaging others & leveraging unexpected contingencies**

I don't know how we're going to do it, but we can do it...I'm not worried about TelCo, Jao was like, well, (.) how would we get the 250 thousand, I said, Jao stop worrying about it! 250 thousand for what? I said, if we're going to go run the Awards, we'll have to get a far bigger chunk of money from somebody else without strings, I said, you want something without strings right now. (Dem, interview) – **affordable loss, new perspective on the 'possible', using current means of own strengths and networks**

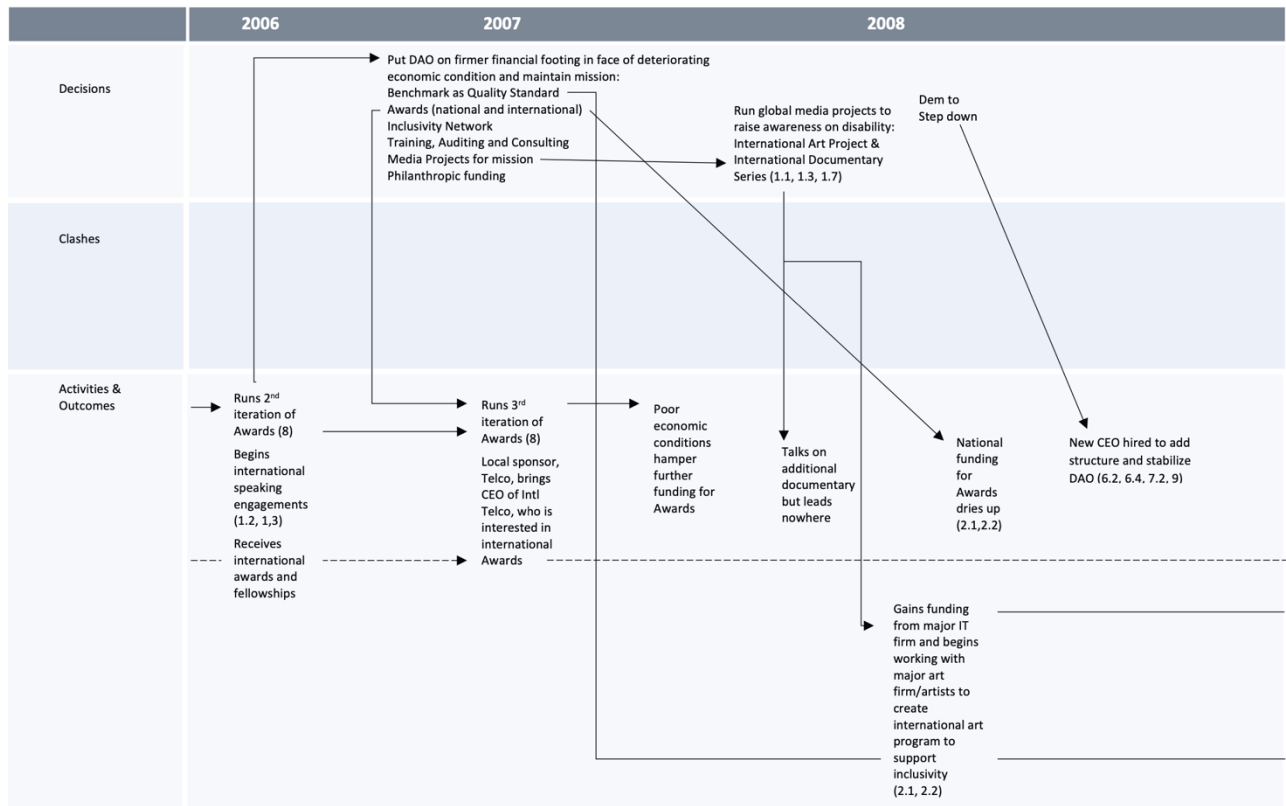
Dem's brain can have 75 different segments in it, all working and you know I met [Dem] last night and [Dem] talked to me about three things I never heard of ever. I said, hang on, what's that? Em, so, that's just the nature of [Dem], that's [Dem's] creativity, that's [Dem's](.) incredible gift but (.) if we're not going to walk into trouble you can't divide yourself that much, because you'll deliver on nothing. (Kae, board member; interview) – **believing that they are doing something that changes the world, unwilling to commit to specific steps that limit possibilities**

Olo said that Dem is brilliant at establishing contacts at high level but they wouldn't ask for funding as Dem feels that by asking for money, the relationship would suffer and they'd rather use the relationship for other things like introductions to other people and so on. However, Olo said that if there is no DAO due to no money, then there won't be any other introductions or growth in the future. (Olo, informal conversation) – **attempting to engage others as collaborators, seeing each step of the process as a way of learning rather than a step toward one specific end, unwilling to commit to specific steps to limit possibilities**

Nascent Stage



Startup Stage



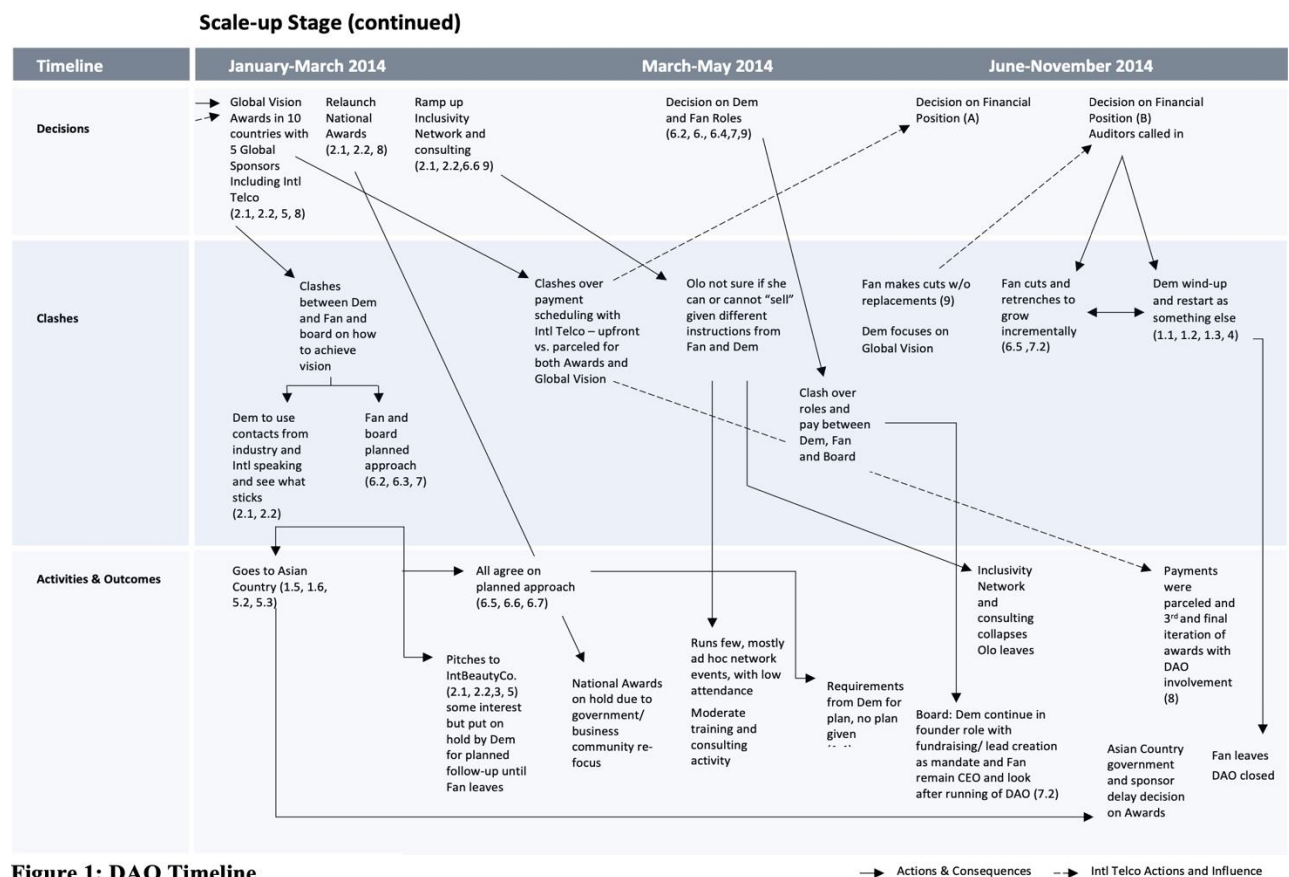
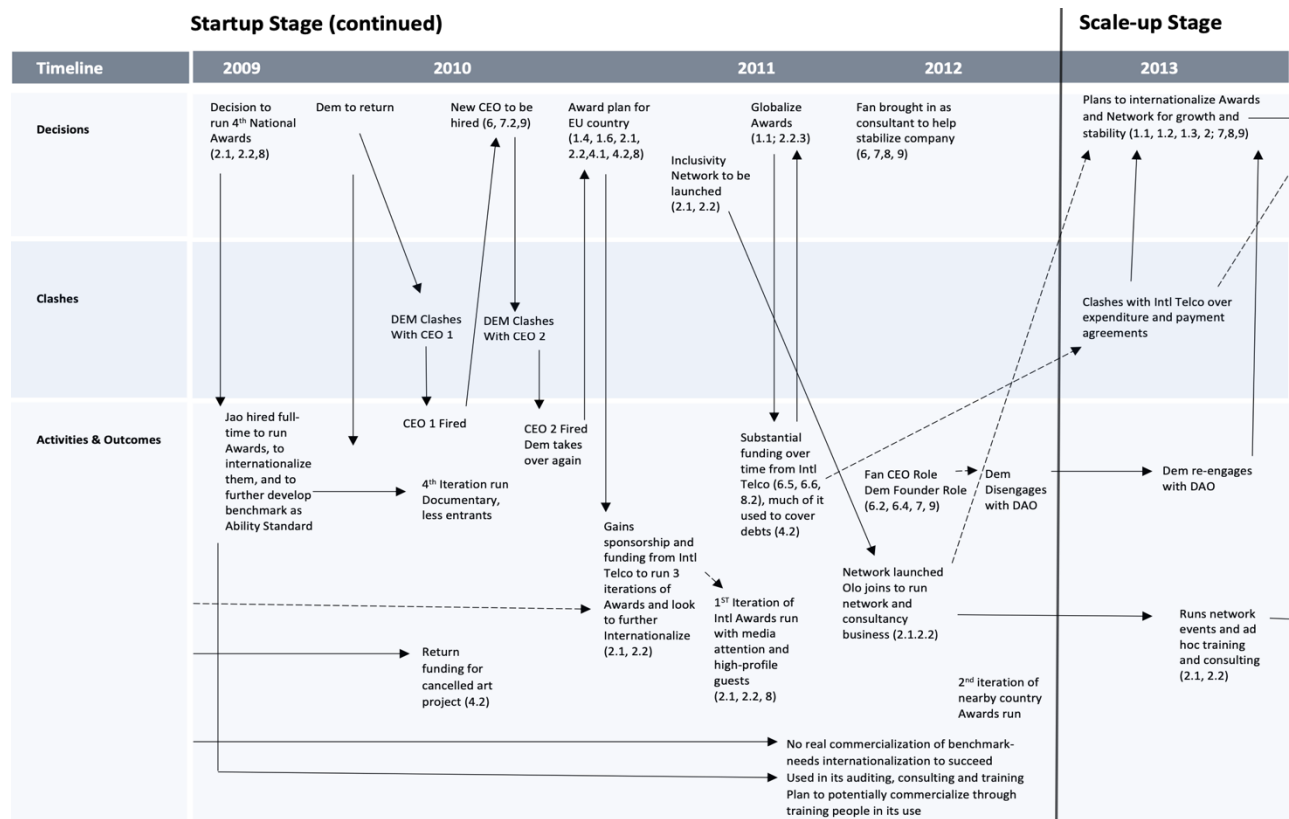


Figure 1: DAO Timeline

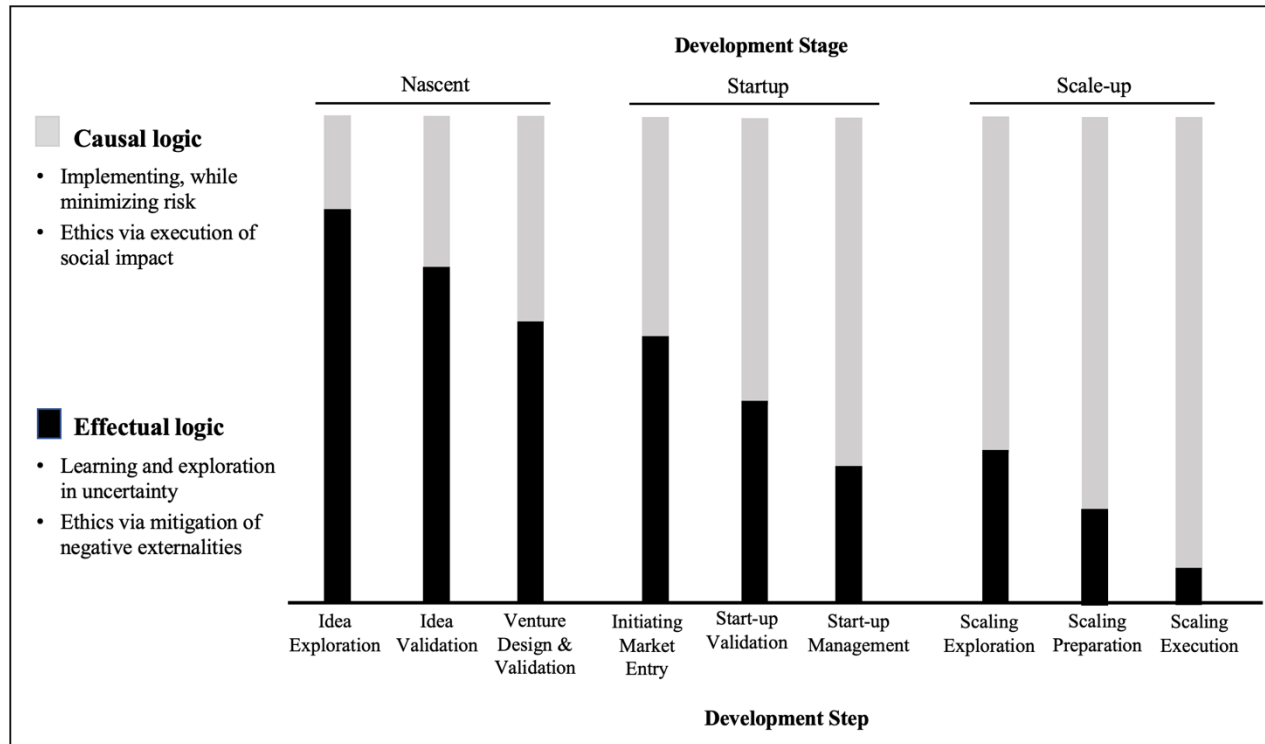


FIGURE 2. Creation reasoning application for high-innovativeness social enterprise development

APPENDIX A: Codebook for effectuation and causation codes

EFFECTUAL LOGIC CODES**1. Broad Effectual Indicators**

- 1.1. Believes that they can change the world
- 1.2. Believes they must always be doing something that changes the world
- 1.3. Believes that what they do (can eventually) make the future different than it would otherwise be
- 1.4. Feels that it does not make sense to do (too much) detailed planning because one can't know what exactly to plan for (until one creates it)
- 1.5. Feels that there are always new (and better) possibilities to be aiming for or creating than what is currently "on the books" or "in the plan"
- 1.6. Is unwilling to commit to specific steps now that limit possibilities for disruptive (more creative, unusual, daring, etc.) Outcomes to be identified in the future
- 1.7. Does not want to spend their time with details of executing plans (because it is not sufficiently exciting, creative, disruptive, etc.)

2. Focus on Using Current Means

- 2.1. Focusing on:
 - 2.1.1. who *you* are now*
 - 2.1.2. what *you* know now*
 - 2.1.3. who *you* know now *

* "now" being the time of speaking or writing for each actor
- 2.2. Decisions about next steps (at any point in the process) focus on engaging with:
 - 2.2.1. *Your* current strengths (and weaknesses as a person, as a leader, as a marketer etc.).
In essence your own human capital
 - 2.2.2. *Your* current knowledge and experience on the subject at hand, and any generally related/relatable subjects (not future predictions or analysis)
 - 2.2.3. *Your* current network and each individual in that network's human capital (and possibly their social capital)

3. Leveraging Unexpected Contingencies

- 3.1. treating each step in the process of creation as a beginning – a new perspective on the possible – what might be created – even if it is part of an agreed "plan" whose outcome has already been specified.
- 3.2. engaging in each step of the process is seen as a way of learning about what to end up with, rather than a step toward one specific end.
- 3.3. using learning from one meeting with a contact, for instance, to change overall goal, or key aspect of it

4. Affordable Loss

- 4.1. Viewing everything as an experiment, something to learn from
- 4.2. Not caring about making profit / maximising profit / hitting a target because it might be the wrong goal or target
- 4.3. Viewing any step that might lead to a new and exciting possibility (possible outcome) as worth taking, even if it might be seen by others as unaffordable

5. Partnerships and Alliances

- 5.1. Not keeping ideas (and plans) secret
- 5.2. Sharing ideas (and plans if they exist) early in the process and widely
- 5.3. Attempting to engage others in order to learn from them, but also because everyone is a possible collaborator or co-creator of a more exciting future
- 5.4. Avoiding desk research to learn; instead choosing to engage with others (usually who you know) to learn

CAUSAL LOGIC CODES

6. Broad Causal Codes

- 6.1. Believes that they cannot change the world or does not consider such a thing as a possibility, or within their scope of interest
- 6.2. Believes they must always be doing something that involves setting goals and meeting them
- 6.3. Believes that what they do *that matters* is to set and/or meet goals
- 6.4. Feels that it always makes sense to do detailed planning because that is the only way to know where you are going and in what direction to head next
- 6.5. Feels that achieving agreed goals and plans should drive all decisions and behaviour
- 6.6. Wants to commit to specific steps now that will lead to goal attainment in the future
- 6.7. Prefers to spend time setting goals, making specific plans to achieve goals, executing plans to achieve goals, measuring progress toward achieving goals.

7. Focus on Setting Goals, Especially Specific Goals

- 7.1. Follows goal setting theory: specific, difficult goals lead to better performance
- 7.2. Decisions about next steps (at any point in the process) focus on:
 - 7.2.1. How will this impact plan achievement?
 - 7.2.2. Where are we now in executing the plan, as a gauge for deciding what to do next?

8. Focus on Overcoming/Eliminating Unexpected Contingencies

- 8.1. Will do what it takes to stay on plan regardless of newly uncovered impediments
- 8.2. Focus on removing/eliminating impediments to executing the plan as originally (or currently) agreed
- 8.3. Denigrating or putting aside new learning or new ideas that appear valuable because they are not part of (or inconsistent with) the plan

9. Maximize Profit

- 9.1. View (most) everything as a matter of profit and loss (or some other specific metric of performance)
- 9.2. Care most/only about making profit / maximising profit / hitting a target
- 9.3. View any step that might diminish chance of meeting profit or other performance targets as inappropriate

10. Competitive Analysis

- 10.1. Keeps ideas (and plans) secret
- 10.2. Hiding ideas (and plans) early in the process, even when there is little original or competitive at stake
- 10.3. Avoids engaging others that might help the actor learn, to keep ideas private
- 10.4. Focusing on desk research to learn – market data, competitive analyses rather than engaging with stakeholders / potential stakeholders