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# THE FORMATION OF OPPORTUNITY FEASIBILITY BELIEFS IN SOCIAL ENTREPRENEURSHIP: A CONFIGURATIONAL ANALYSIS OF INSTITUTIONAL CONDITIONS



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## ABSTRACT

This paper deals with the impact of local institutional conditions on the formation of opportunity feasibility beliefs in social entrepreneurship. Embedded in the recent literature on entrepreneurial cognitions, institutions and social entrepreneurship, this study provides a systematic analysis of 776 social entrepreneurs in the UK to identify combinations of causal institutional conditions that collectively explain how early-stage social entrepreneurs form beliefs of feasibility regarding the venture opportunity under pursuit. We contribute to entrepreneurship literature by providing new theoretical and empirical insight into how different combinations of formally and informally organized local institutional features shape the social entrepreneurs' opportunity perceptions.

## INTRODUCTION

At the core of research on social entrepreneurship is a concern with understanding the distinctive ways in which entrepreneurs think and behave (Dacin et al. 2011), and the contextual factors that might affect the way the process of social entrepreneurship unfolds (Mair and Marti 2006; Grimes et al. 2012). In this context, opportunity feasibility beliefs play central roles in moving forward social entrepreneurial action. This depends not only on possessing the right knowledge and motivation at the time the opportunity emerges but also on the evaluation of how extant institutional conditions can facilitate or constrain entrepreneurial efforts. While literatures on entrepreneurial cognition (McMullen et al. 2006; Mitchell et al. 2007; Shepherd et al. 2007), opportunity development (Doyle and Ho 2010; Korsgaard 2011) and institutions (Greenwood et al. 2011; Mair and Marti 2009; Marquis and Battilana 2009) provide valuable theoretical background to contextualize and explain opportunity feasibility beliefs in social entrepreneurship, we know little about how such beliefs are formed in light of different combinations of formally informally structured local institutional features. This is a central matter because, regardless of the social implications of the problem at stake, social entrepreneurs can choose, based on the evaluation of the opportunity context (Shepherd et al. 2007), to desist from pursuing opportunities that lack promise and continue with the ones that hold promise (Dimov 2010).

In tackling this issue we conduct a Fuzzy-Set Qualitative Comparative Analysis (fsQCA) of 776 social entrepreneurs in the UK to explore the role of the local institutional conditions in the formation of opportunity feasibility beliefs in social entrepreneurship. Drawing upon recent literatures on institutional theory and social entrepreneurship we define measures for eight potential causal conditions and one outcome. The outcome measure for opportunity feasibility belief seeks to capture the degree to which the entrepreneur is confident that, given the local institutional conditions and looking forward over the next 12 months, the social venture will be successful in meet-

ing its main objectives. The independent measures seek to capture the following institutional local conditions: social support networks, socio-political legitimacy, governmental influence power, social structural problems, support in labor recruitment, financial advice, funding opportunities and funding bureaucracy. By using fsQCA we make causal interpretations regarding relationships between different simplified configurations of institutional conditions and the outcome of interest. These relationships are tested in terms of the necessity and sufficiency of conditions and combination of conditions. Findings show that the formation of high opportunity feasibility beliefs in social entrepreneurship does not depend on a single institutional factor but emerges from nine sufficient configurations of causal conditions. Overall, results suggest that combinations of less formalized institutional features that include e.g. support networks, socio-political legitimacy and local governmental influence power are substantially more important in shaping feasibility beliefs than combinations of more formalized features of the local institutional environment.

Our paper contributes to entrepreneurship literature in a number of ways. First, we explain how opportunity feasibility beliefs of social entrepreneurs are influenced by local institutional conditions. Hence, we respond to the lack of knowledge of the institutional embeddedness of opportunity development in social entrepreneurship. Second, we contribute to a locally-oriented institutional theory of social entrepreneurial cognitions, by providing new theoretical and empirical insight into how various combinations of formally and informally organized local institutional features shape the social entrepreneurs' opportunity beliefs differently. Third, we introduce a novel analytical technique that allows for comparing and contrasting configurations of institutional conditions and elaborating arguments based on necessity and sufficiency of such conditions. Finally, the empirical results suggest that the support of social entrepreneurs is clearly far more complex than simple legislative interventions. Only when formal institutional conditions are explored in the context of less formalized local institutional features, we better understand the complexity of opportunity contexts shaping early-stage social entrepreneurship.

## BACKGROUND LITERATURE

### Opportunity Feasibility Beliefs in Social Entrepreneurship

The formation of opportunity beliefs is critical in entrepreneurship theory because it helps the entrepreneur to escape ignorance and to overcome entrepreneurial uncertainty (Shepherd et al. 2007). These beliefs are central in moving forward entrepreneurial action, in particular in the moment when the potential opportunity for 'someone in the marketplace' is under evaluation. When the entrepreneur has formed the belief that the third-person opportunity at hand is valuable and feasible, and is achievable by him or her, and not just by others (McMullen and Shepherd, 2006), he or she will act in the face of uncertainty (Shepherd et al. 2007).

In McMullen and Shepherd's (2006) view, these beliefs are the result of knowledge and motivation combined with information about the environment. In this sense, situational and social influences continuously affect the entrepreneur's knowledge of the developing opportunity (Dimov 2007b). As such, venture opportunities involve a social, learning process whereby new knowledge (of the opportunity context) constantly emerges to resolve the uncertainty inherent to the development of opportunities (Dimov 2007a). In the context of social entrepreneurship, this can be understood as an interactive process of experimentation, learning and refinement whereby ideas for social value creation grow and advance (Doyle and Ho 2010; Korsgaard 2011). In this vein, oppor-

tunities and the formation of feasibility beliefs are constituted by the surrounding circumstances of entrepreneurship (Fletscher 2006; Gartner et al. 2003) and can be better understood by looking at the social and local institutional embeddedness of the entrepreneur (Jack and Anderson 2002; Mair and Marti 2009; Marquis and Battilana 2009). This is relevant not only at the nascent stage, but throughout all early-stage entrepreneurial activity (Bosma et al. 2012). Once the venturing efforts are initiated, the ongoing evaluation of the feasibility of the opportunity is a central element in the sustenance of the entrepreneur's intention to pursue the opportunity (Dimov 2010). At any point, entrepreneurs can choose, based on the evaluation of the opportunity context (Shepherd et al. 2007), to desist from pursuing opportunities that lack promise and continue with the ones that hold promise (Dimov 2010).

Similar to traditional entrepreneurship, social entrepreneurship involves the pursuit of opportunities to bring into existence future goods and services (Mair and Marti 2006). However, this is not an end in itself, but an essential part of an intervention to achieve social objectives (Mair et al. 2012). Although desisting from pursuing a social opportunity may have implications beyond the domain of the entrepreneur, the cognitive mechanisms that observe, judge and learn from the environment or institutional context, and finally propel the continuity or discontinuity of the pursuit of social value, are the same (Austin et al. 2006). Following this line of reasoning, some scholars draw upon social cognition theories (Ajzen 1991; Fiske and Taylor 1984) to emphasize that indeed entrepreneurial cognitions depend on the situational (Krueger 2000; Mitchell et al. 2007) and local context (Kibler 2013), where the surrounding institutional structures can become decisive for the formation entrepreneurial feasibility beliefs (Lim et al. 2010; Liñán et al. 2011). Given the local embeddedness of social entrepreneurship (Shaw and Carter 2007; Mair and Marti 2009; Dacin et al. 2011), i.e. it emerges from and attends to local social issues, local institutional conditions are key forces that shape social entrepreneurial cognitions and the perception of value and viability of the opportunities available to the social entrepreneur (Austin et al. 2006; Pache et al. 2012).

Despite the relevance of institutional conditions in shaping feasibility beliefs, we know little about how contextual variables collectively impact information processing and decision making in social entrepreneurship (Dacin et al. 2011). In order to improve our understanding of the mechanisms through which a social entrepreneur forms the belief that an opportunity is of value and achievable by him or her, and not just by others (McMullen and Shepherd 2006), we need to evaluate the role of local conditions at the time social opportunities are being evaluated.

### **Local Institutional Conditions, Social Entrepreneurship and Opportunity Feasibility Beliefs**

This research is based on the assumption that institutional conditions can enable and constrain the formation of entrepreneurial beliefs (Lim et al. 2010) and thus social entrepreneurial efforts (Austin et al. 2006; Dorado and Ventresca 2012). Drawing upon recent institutional research, we particularly address how the local institutional environment (Marquis and Battilana 2009; Mair and Marti 2009; Marti et al. 2011), consisting of a range of formally and informally structured institutional features (Greenwood et al. 2011), shapes opportunity feasibility beliefs in social entrepreneurship.

Institutional theory suggests that the range of local institutions (fragmentation) and their degree of formalization (formal structuring) reflect the complexity of local institutional field structures confronting enterprises (Greenwood et al. 2011; Meyer et al. 1987), emphasizing the existence of combinations of institutional features – instead of a single institutional factor – (Scott 1991)

that can potentially shape social entrepreneurial efforts. In other words, the local institutional context for social entrepreneurship is constituted by the interplay between formalized institutions, representing e.g. political bodies as well as legal and economic rules, with less formalized institutional features, reflecting e.g. social actors and normative rules in the local community (Dacin et al. 2010a; Mair and Marti 2009; Marquis and Battilana 2009). Social entrepreneurs therefore depend on formally organized relations with local public bodies, but also on informally structured interactions with social actors, in order to mobilize important (im)material resources (Meyer and Rowan 1977; Pache et al. 2012), which arguably shape their feasibility beliefs in meeting the social enterprise's objectives. Since there is no evidence on the influence of local institutional structures on the formation of opportunity beliefs in social entrepreneurship, this section does not offer formal hypotheses. Instead, we combine insights from sociological institutional theory (Scott, 2001) and the traditional and social entrepreneurship literatures to introduce a range of institutional features with different degrees of formalization as potentially giving rise to condition entrepreneurial opportunity beliefs in social entrepreneurship: social support networks, socio-political legitimacy, governmental influence power, funding bureaucracy, funding opportunities, support in labor recruitment, and financial advice.

Applying Marquis and Battilana's (2009) conception of informally organized institutional elements, tight social relationships and support networks are essential in supporting enterprises to shape local expectations, which can increase a social organization's certainty in being able to access necessary resources (Galaskiewicz 1997) and to explore opportunities that hold promise (Dimov 2010). Supporting this argumentation, Katre and Salipante's (2012) study shows that successful social entrepreneurs are able to conduct in-person interactions and to form close partnerships with leaders of local organizations who deal with a similar client base. Subsequently, once the social venture is created, the ongoing evaluation of the ease or difficulty of accessing informal support networks in the community (Audia et al. 2006) might support or undermine the social entrepreneur's belief of being able to achieve their venture's mission (McMullen and Shepherd 2006).

A related normative institutional element, widely discussed in the literature, is that of the socio-political legitimacy, which here reflects the extent to which key local stakeholders, opinion leaders or governmental bodies evaluate social entrepreneurship (Aldrich and Fiol 1994) as 'desirable, proper or appropriate' (Suchmann 1995:574). The social legitimacy of social entrepreneurship in a local community thus indicates the demand for, supply of and allocation of resources to social enterprises (Etzioni 1987), which, evaluated by the entrepreneur, can influence their feasibility beliefs in successfully operating their business (Liñán et al. 2011; McMullen and Shepherd 2006). New social enterprises therefore not only create new goods and services; they are confronted and must deal with legitimacy (or acceptance) issues in the community (Bruton et al. 2010; Nicholls 2010) to overcome entrepreneurial uncertainty (Shepherd et al. 2007) and the liabilities of newness (Stichombe 1965), helping them to increase their prospects of survival (Ahlstrom and Bruton 2001; Delmar and Shane 2004).

Local opinion leaders and resource-rich actors can particularly leverage power over the level of legitimacy of organizations (DiMaggio and Powell 1991; Marquis and Battilana 2009) by aligning the key discourses and norms of the community with their own interests (Greenwood et al. 2011; Pacheo and Santos 2010). With regards to social entrepreneurship, local governmental and public funding bodies are often the most powerful – socio-political – authorities (Greenwood et al. 2010), which shape local normative evaluations of the promise of and to informally structure the opportunity context for new social enterprises (Nicholls 2010). The degree of local governmental

influence power over social enterprises, thus might serve as a crucial condition in the formation of a social entrepreneur's perception of uncertainty (Shepherd et al. 2007) and belief that the (social) third-person opportunity at hand is achievable by him or her (McMullen and Shepherd 2006).

Individual beliefs are also influenced by local social structural conditions, in that they can shape the development of certain cultural values in a local community (Marquis and Battilana 2009; Fine et al. 2012). For instance, in the context of social entrepreneurship, local communities with relatively low education, employment and income levels can reflect greater social structural problems in the community (Dacin et al. 2011), and thus arguably enhance local beliefs that social entrepreneurial efforts are appreciated or even necessary. As such, the local social structure can create frames of reference and identity that provide cognitive templates (Marquis and Battilana 2009) for social entrepreneurs to evaluate their venture's role and mission in the local community.

In addition, and more obviously, local key public actors organize more formalized institutional structures (Marquis and Battilana 2009) that can influence social entrepreneurship through a variety of local regulative incentives (Nicholls 2010). The extant literature suggests that complex regulatory and bureaucratic processes tend to discourage entrepreneurial activity (Baumol et al. 2009; Stenholm et al. 2013), while Lim et al. (2010) also demonstrate how low regulative complexity can support the formation entrepreneurial ability and opportunity beliefs. In a similar vein, Nicholls (2010) shows that local regulative frameworks, that ease the access to funding and provides highly flexible reporting formats, helps social entrepreneurs to strategically develop their venture in line with their specific objectives and resource limitations. As such, local formalized structures, which provide a range of accessible funding opportunities and less complex funding bureaucracy is expected to enhance a social entrepreneur's feasibility belief to overcome uncertainty and to successfully mobilize entrepreneurial action (McMullen and Shepherd 2006).

Local formalized institutional structures that shape entrepreneurial processes have been further associated with the institutional support in labor recruitment and training (Marquis and Battilana 2009) and the availability of financial advice and services (Lim et al. 2010). Current literature suggests that successful early-stage social entrepreneurs are able to seek competent labor force that is committed to, and can bring in key resources for meeting the social venture's aims (Brown 2007; Katre and Salipante 2012). Thus, supportive institutional structures towards labor recruitment may strengthen a social entrepreneur's perceived feasibility to recruit valuable workforce, which in turn can strengthen their confidence that their venture will be successful in reaching its main objectives. Similarly, a greater presence of public services that offer particular support in applying for funds or bidding for contracts can reflect a strong contextual incentive for social entrepreneurs to successfully meet their social mission (Dorado and Ventresca 2012). This can further strengthen the social entrepreneur's confidence to overcome financial uncertainty and thus their feasibility beliefs in pursuing promising entrepreneurial opportunities (Lim et al. 2010).

In sum, the presented literature on cognitions, institutions and social entrepreneurship suggests that the local institutional context can support or hinder the formation feasibility beliefs in social entrepreneurship. It has been further emphasized that the local institutional context consists of a range of formally and informally organized local institutional features, which can shape social entrepreneurs in meeting their venture's objectives in different ways. Subsequently, this study particularly proposes that exploring the combinations of local institutional conditions confronting early-stage social enterprises is needed, in order to develop our institutional understanding of how feasibility beliefs in social entrepreneurship are formed.

## DATA AND METHODS

### Methodological Approach

The analytical approach of the study is based on the logic of systematic qualitative comparison and conjunctural causality (Ragin 1987) as embodied in Fuzzy-Set Qualitative Comparative Analysis (fsQCA) (Ragin 2000). FsQCA is a set-theoretic method and analytical technique that uses Boolean algebra and counterfactual analysis to visualize and analyze complex causality (Schneider and Wagemann 2012). Based on set theory and the calibration of measures (Ragin 2008), this analytical technique permits the evaluation of the degree of set membership of specific cases in a conceptual category, and enables an estimation of the degree of joint membership in configurations of different categories. By comparing combinations of causal and outcome conditions and using the principles of logical minimization, fsQCA allows us to make causal interpretations regarding relationships between different configurations of institutional conditions and the formation of opportunity feasibility beliefs, and then testing the necessity and sufficiency of such conditions and combination of conditions. (Ragin 2000).

### Outcome Measure

*Opportunity Feasibility Belief* (OFB) is captured on a 5-point Likert scale. It measures the degree to which social entrepreneurs are confident that, given the local institutional conditions and looking forward over the next 12 months, the social venture will be successful in meeting its main objectives. Given that we use early-stage ventures, we can assume that these social entrepreneurs do possess the right cognitive skills (i.e. knowledge and motivation) to recognize and evaluate the situation at the time the opportunity emerged. This way, we can focus on examining the role of local institutional conditions.

### Independent Measures

*Local Support Networks* (LSN) is captured on a 3-item Likert scale ( $\alpha=0.80$ ) that assesses the extent to which the social entrepreneur is able to build and maintain local support networks of third sector organizations that help them to influence local decisions and improve their service. *Local Socio-Political Legitimacy* (LSL) is captured on a 7-item Likert scale ( $\alpha=0.93$ ), which measures the degree to which the entrepreneur considers that key local institutional bodies legitimate (i.e. understand, value and involve) the role of the venture in addressing relevant social issues. This, regardless of whether the entrepreneur has direct dealings with these local bodies or is receiving funding or other forms of support from them. *Local Governmental Influence Power* (GIP) uses a 5-point Likert scale to measure the extent to which the entrepreneur considers that local governmental institutions have power over the venture's success. The higher the score, the stronger is the perception of influence. *Local Structural Problems* (LSP) is a deprivation measure at the small area level in England. It covers seven distinct dimensions of deprivation experienced by individuals living in an area: income, employment, health, education, housing, crime and living environment. 38 different indicators capture these dimensions. LSP is therefore conceptualized as a weighted area level aggregation of these specific dimensions of deprivation. In order to capture the real deprivation level of the area and not its position relative to the other areas, we did not use the index score but rather the actual scores from the 0-100 scale. To facilitate the calibration procedure and based on the observed distribution of cases, we transformed the 0-100 scale into a 16-point scale using 5 points intervals, being 1=least deprived and 16=most deprived (equivalent to  $\geq 75$ ). *Local Sup-*

*port In Labor Recruitment* (SLR) is captured on a 4-item Likert scale ( $\alpha=0.84$ ), which measures the extent to which the entrepreneur considers that local institutions support (help and advice, but no direct funding) the venture in recruiting and retaining necessary staff. This includes management and leadership staff, workers, volunteers and board members. *Local Funding Opportunities* (LFO) is captured on a 6-item Likert scale ( $\alpha=0.81$ ) that measures the entrepreneur's evaluation of the range of and access to funding opportunities provided by local authorities. The higher the score, the more positive is the entrepreneur's evaluation. This regardless of whether or the venture has received funding or income from formal local institutions. *Local Financial Advice* (LFA) is captured on a 3-item Likert scale ( $\alpha=0.79$ ). LFA evaluates the extent to which the entrepreneur considers that local institutions support the venture in the management of financial resources. This entails help, advice and support in how to access and maintain sufficient financial resources. *Local Funding Bureaucracy* (LFB) is captured on a 3-item Likert scale ( $\alpha=0.74$ ). It assesses the extent to which the entrepreneur is satisfied with the process and administration involved in receiving funding and/or maintaining contracts with formal local institutions, such as local statutory bodies.

### Cases Selection and Data Collection

The data stems from the 2008-2009 UK's National Survey of Third Sector Organizations and The English Indices of Deprivation 2007-2010. In order to isolate the effect of institutional features on social entrepreneurs, we reduced the original population of more than 14.000 respondents in line with three criteria, which were applied sequentially. First, we separated social enterprises from other types of third sector organizations based on the following definition: 'Social enterprises are businesses with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or community, rather than being driven by the need to maximize profit for shareholders and owners'. Second, we distinguished social entrepreneurs from established social enterprises based on whether the venture has been in operation for 4 years or less. This is in line with prior research (Bosma et al. 2012) that considers within the group of 'Early-Stage Entrepreneurial Activity' (i.e. nascent entrepreneur and new business owner) to those ventures that are up to 3.5 years old. Finally, we drop the cases with missing data. Based on this procedure we constitute a sample of 776 social entrepreneurs.

### Calibration and Data Analysis

Calibration is an essential process in fsQCA. By means of a simple estimation technique it transforms variable raw scores into set measures, rescaling the original measure into scores ranging from 0.0 to 1.0 (Ragin 2008). This enables to specify the score that would qualify a case for full membership in the set of social entrepreneurs with high opportunity feasibility beliefs, as well as in the set of each condition, and also the score that would completely exclude it from each of the sets. For LSP we set calibration thresholds at 8 for full inclusion (membership of  $\geq 0.95$ ), 2 for full exclusion and 5 for the cross-over point or the point of maximum ambiguity (membership of 0.5). These thresholds are based on anchors defined in the statistical release 03/11 of The English Indices of Deprivation 2007-2010. For all the other measures, including the outcome OFB, we set calibration thresholds at 4 for full inclusion, 2 for full exclusion and 3 for the cross-over point. Theoretical knowledge defines the thresholds for the three states (Ragin 2007), which, once established, are computed and transformed into set scores by the fsQCA (2.5) software. Deviation scores are calculated using a crossover point as an anchor (Fiss 2011). Based on these thresholds, membership in each conceptual category is established when the case's score surpasses the point of maximum ambiguity (Ragin 2008).



## RESULTS

The following section presents the results of the configurational analysis of the following model:  $OFB = f(LSN, LSL, GIP, LSP, SLR, LFO, LFA, LFB)$ , which are subsequently discussed in light of the notions of multiple conjunctural causality, necessity and sufficiency in the context of recent literature on entrepreneurial cognitions, institutions and social entrepreneurship.

Based on the following analytical criteria: frequency=1 and consistency=0.95, the 256 logically possible configurations ( $2^8$ ) for the outcome were reduced to form a truth table with 55 rows and 178 cases relevant for the outcome OFB. 145 cases exceed the lowest acceptable consistency, set at  $\geq 0.95$ , and 33 cases are below the consistency cutoff line. Following Schneider and Wagemann (2012), the consistency threshold corresponds to a gap observed in the distribution of consistency scores. There are 201 logically possible configurations lacking empirical evidence. Although we cannot infer sufficiency based only on the fact that a given combination is logically possible, missing evidence is relevant and considered in the counterfactual analysis.

Table 1 shows the results of the fsQCA for the formation of opportunity feasibility beliefs (OFB). The counterfactual analysis (automated in fsQCA) for this intermediate solution was based on the assumption that, aside from local structural problems (LSP), all conditions need to be present to produce the outcome. We did not make assumptions for LSP because, unlike the other measures, current literature do not provide sufficient support to establishing ex-ante the impact of presence or absence of local structural problems on the formation of opportunity feasibility beliefs. It has been suggested that social entrepreneurship is more likely to occur where there are significant social or environmental problems (Dacin et al. 2010b), however it is not sufficiently clear how the lack of local institutional features can facilitate the development of social ventures.

The solution table highlights the differences between core and peripheral conditions<sup>1</sup>. It confirms that the set relation between configurations of conditions and the outcome is highly consistent, with individual results above .88, and an overall consistency of .86. The total coverage of the solution is .85 indicating that most of the outcome is explained by the causal paths and that the solution as a whole is empirically relevant.

### Necessity Analysis

The configurational analysis found no single local institutional condition necessary for the formation of opportunity feasibility beliefs. In other words, no condition must be in place to create a situation where the outcome can occur. This is particularly important in a social science sub discipline concerned with social intervention (Ragin 2000), in that the absence of manipulable necessary conditions limits the possibilities of policy influence in fostering socially oriented entrepreneurial behavior. In order to corroborate these results, we conducted a confirmatory necessity analysis with presence and absence of institutional conditions. Lack of funding opportunities ( $\sim LFO$ ), presence of governmental influence power (GIP), and presence of local support networks (LSN) obtained the highest scores ( $\geq .65$ ), however none of them surpassed the minimum acceptable consistency level (.80) to be deemed as a mostly necessary condition.

## Sufficiency Analysis

Findings indicate that the formation of high opportunity feasibility beliefs in social entrepreneurship does not depend on a single institutional factor, but emerges from nine sufficient configurations of causal conditions. Although they differ in terms of empirical relevance, the results point out a situation of true multiple-conjunctural causality.

Among the nine causal paths, we identify a group of five configurations dominated by more formalized local institutional features and a group of four configurations dominated by less formalized institutional elements, which exhibits a high concentration of empirically dominant solutions paths (unique coverage  $\geq .01$ ). Overall, results suggest that combinations of less formalized institutional conditions that include e.g. support networks (LSN), socio-political legitimacy (LSL) and local government influence power (GIP) are substantially more important in shaping feasibility beliefs than combinations of more formalized institutions that include e.g. availability and access to financial support (SLR, LFA) and resources (LFO, LFB). The exclusion of configurations with lesser explanatory power obtained by changing the frequency threshold corroborates this argument. Focusing on the solutions that provide higher stability for our causal inferences permits identifying four solution paths; three empirically relevant conjunctures (RC  $\geq .32$ ) with predominance of less formalized local conditions, and only one, less relevant conjuncture (RC = .28) with predominance of more formalized local institutional features.

In solution 1, perception of strong governmental influence power (GIP) is sufficient by itself for the formation of feasibility beliefs, and no complementary condition is needed. Indeed, 62 per cent of cases relevant for the outcome exhibit GIP as a positive condition. Despite its empirical relevance, perceptions of influence power of local institutions on the venture's success do not constitute a necessary condition for the outcome to occur.

Solutions 2 and 3 show perceptions of strong socio-political legitimacy (LSL) as a core condition, however complementary factors are needed to produce the outcome. In solution 2, the presence of support from local support networks (LSN) reinforces the central features of LSL. This means that LSL produces the outcome only when it is accompanied by the presence of support networks (LSN). Unlike S2 that requires the presence of a peripheral condition, solution 3 produces the outcome when LSL is reinforced by absence of local structural problems ( $\sim$ LSP). This means that the existence of strong socio-political legitimacy in less deprived localities is sufficient to reinforce the belief that the venture will be successful in meeting its social objectives. These complementary ingredients only make sense as contributing factors (Ragin 2008); therefore, S2 and S3 are considered similar solution paths.

Solution 4 combines presence of local support networks (LSN) with absence of local structural problems ( $\sim$ LSP). Unlike solutions 2 and 3, the formation of opportunity beliefs in S4 requires two essential, core conditions. These are decisive causal ingredients that distinguish solution 4 from a potential union of sets S2 and S3 (i.e.  $LSL \cdot [LSN + \sim LSP]$ ), where presence of socio-political legitimacy (LSN) and absence of local structural problems ( $\sim$ LSP) are reinforcing factors, and socio-political legitimacy (LSL) is a core condition. From the latter we infer that, given these combinations of less formalized institutional conditions, the social opportunity under exploitation will be considered most of the times valuable and desirable. As explained below, we ruled out the possibility that high and low managerial capacity, and high and low prior success may influence the relationship between local institutional conditions and feasibility beliefs.

Solutions S5 to S9 exhibit a dominant presence of more formalized local institutional conditions. S5 combines presence of local financial advice (LFA) with the presence of local support networks (LSN). Despite its relatively high raw coverage, its unique significance in the explanation of the phenomenon is less relevant than those configurations dominated by less formalized institutional conditions. In this sense, although S3 shows a unique coverage only slightly higher than S5, it is possible to create a union of sets (i.e. S2+S4) that permits increasing the empirical power of combinations of less formalized institutional conditions.

Solutions 6 and 7 exhibit local funding bureaucracy (LFB) as a core condition. While S6 requires the presence of local support in labor recruitment (SLR) as a peripheral condition, S7 requires the absence of local structural problems ( $\sim$ LSP). The facts that S6 and S7 share LFB as a core condition, and exhibit high raw coverage but low unique coverage, suggest a high overlap between solutions. Again, these sets can be combined to create a superset (S6+S7), meaning that the formation of opportunity feasibility beliefs is the results of a combination of presence of local funding bureaucracy with either presence of support in labor recruitment or absence of local structural problems (i.e.  $LFB \cdot [(SLR + \sim LSP)]$ ). Solutions 8 and 9 portrait counterintuitive cases, meaning that although those combinations occur in a relatively small number of cases, are still capable of explaining the formation of opportunity feasibility beliefs. These solutions and cases are not treated as errors; they simply represent alternative causal recipes (Ragin 2008) for the outcome.

In order to assess the robustness of our findings we conducted three tests. First, we conducted a test with changes in the frequency and consistency thresholds to assess the stability of the solutions. Second, we controlled for the potential effect of managerial capacity and prior success in shaping feasibility beliefs. We ran different fsQCA analyzing the role of institutional conditions in 4 subsets of the sample, defined by high and low managerial capacity, and high and low prior success. Finally, we conducted a sensitivity analysis to examine whether our findings, particularly those of necessity and sufficiency, are robust to the use of alternative specifications (i.e. higher and lower degree of membership) of causal conditions (Ragin 2000). All tests corroborate the robustness of the results.

## DISCUSSION AND CONCLUSIONS

At the core of research on social entrepreneurship is a concern with understanding the distinctive ways in which entrepreneurs think and behave, and the contextual factors that might affect the way the process of social entrepreneurship unfolds. It is within this context that we have undertaken the research effort for this study, which in particular seeks to uncover the conditions under which a central element of social entrepreneurship action occurs, namely the formation of opportunity feasibility beliefs. In presenting the results of the configurational analysis, we distinguish two sets of causal paths based on the empirical relevance of the solutions and on the degree of formalization of the most predominant local institutions. Results suggest that combinations of less formalized local institutions that include, for example, local support networks, socio-political legitimacy and local governmental influence power are substantially more important in shaping feasibility beliefs than combinations of more formalized local institutions that include, for example, availability and access to financial support and resources.

In general terms, the identification of combinations of local institutional conditions is central to understanding and theorizing the process of social entrepreneurship, in that it provides arguments on the effect of various external variables on entrepreneurial cognitions, so far absent in the discussion of how opportunities develop in this particular form of entrepreneurship. Doyle and Ho (2010), for example, do identify an opportunity development process based on experientia-

tion, evaluation and refinement of venture ideas (i.e. a learning process) as a key element for social value creation; however they fail to explain the elements from the environment that provide feedback to the entrepreneur. In a similar vein, Korsgaard (2011) concludes that opportunity formation in social entrepreneurship is a process of transformation and mobilization of actors. He draws on a complexity approach to emphasize the role that actors and the set of external circumstances play in the transformations that the opportunity undergoes in the social entrepreneurial process. Nevertheless, the author does not provide explanation on the nature and complexity of external circumstances, nor on how they may influence the evaluation of the opportunity, inherent to the entrepreneurial process. More recently, Miller et al. 2012 theorize on the relationship between institutional features and the cognitive and affective processes of social entrepreneurs, specifically in terms of how the former can predict an individual's choice to engage in social entrepreneurship. Although the authors provide interesting insight on such relationship, their view of the phenomenon is partial in that they only consider the individual's perceptions regarding social enterprise's legitimacy, disregarding other central institutional forms.

We now turn our attention to the effect of formally and informally organized institutional features in the formation of opportunity feasibility beliefs and the conjunctural mechanisms in play. In line with our locally-orientated institutional theorizing (Greenwood et al. 2011; Marquis and Battilana 2009), our study demonstrates that considering different sets (*fragmentation*) and degrees of formalization (*formal structuring*) of local institutional conditions help further understanding the complexity of opportunity contexts for social entrepreneurship and how these contexts shape the opportunity beliefs differently. While acknowledging the role of local formally structured institutions, our findings suggest that the formation of opportunity beliefs is particularly shaped by combinations of less formally organized institutional features, emphasizing the importance of local social-normative elements (Marquis and Battilana 2009) in the development of social enterprises. Especially, we show that a social entrepreneur's belief in being able to succeed in meeting the social venture's main objective is conditioned by evaluations of the social power relationship with local key institutional actors, the degree of local social legitimacy given to their venture and the opportunities to shape local opinions through building collaborations with other third sector organizations. However, even if less formalized institutional structures are more relevant than formal regulations, in most cases a single informal institutional condition is not sufficient by itself to support opportunity feasibility beliefs in social entrepreneurship. For instance, the presence of socio-political legitimacy of social entrepreneurship in the community only produces strong opportunity beliefs when the social entrepreneur is confident in being able to interact with other social enterprises, to create a favorable social support network.

Interestingly, local socio-political legitimacy and social support networks can condition opportunity feasibility beliefs also in cases where social entrepreneurs evaluate opportunities in a local social environment with less structural problems. Subsequently, the formation of opportunity beliefs in social entrepreneurship depends on the presence, but also absence of certain informally and socially structured institutional features. In addition, the results do also emphasize the importance of social normative logics embedded in formal regulations (Nicholls 2010) by providing new insight into the conditional impact of the interplay between more and less formally organized institutional conditions on opportunity beliefs in social entrepreneurship. For instance, local financial advice provided by public institutions only conditions opportunity beliefs when favorable social network cultures are also present in the local community; whereas the formal structured support in labor recruitment is essential in case where shared collaborative understandings amongst third sector organizations are not established.

In a different vein, our results raise an interesting issue regarding the role of presence/absence of social problems in shaping social entrepreneurial perception. The fact that local structural problems (LSP) are absent in a great number of solution paths (3, 4, 7, 8 and 9), and appear as irrelevant in the other four solutions challenges a central argument in social entrepreneurship literature. This argument proposes that social entrepreneurship is more likely to occur where there are significant socioeconomic, cultural, or environmental problems (Dacin et al. 2010). Given that the formation of opportunity feasibility beliefs is central to overcome uncertainty and mobilize entrepreneurial action (McMullen and Shepherd 2006), we demonstrate that social entrepreneurs will hold their efforts in less deprived contexts (i.e. where social structural problems are less prominent). Thus, while social structural problems within a local community can or should attract social entrepreneurship, our findings suggest the need of developing our understanding further in terms of how social problems at the same time reflect institutional voids and resource-constraining contexts (Mair and Marti 2009) for the formation of opportunity beliefs of social entrepreneurs. This critical issue needs to be subject of further research if we want to enrich our knowledge of how to support the development of social enterprises and solve social problems at the same time.

In conclusion, in exploring how opportunity feasibility beliefs of social entrepreneurs are formed in light of different combinations of local institutional features, we uncover the complexity of the institutional embeddedness of opportunity development in this particular form of entrepreneurship. In doing so, we extend current literature at the intersection of opportunities, social entrepreneurs' cognition and institutional elements (Doyle and Ho 2010; Miller et al. 2012) as well as respond to the need for research on social entrepreneurship opportunities (Arend 2013), and of the environmental antecedents that encourage the perception and judgment of feasibility of such opportunities (Grimes et al. 2013). Alongside explaining the role of institutional conditions in the formation of feasibility beliefs, the finding of multiple conjunctural mechanisms represents an important contribution to entrepreneurship research, where equifinality in general and institutional complexity in particular are rarely considered and discussed. Interest in the relationship between institutional environments, cognition and social entrepreneurship has spiked in recent years. We hope this work help advance its development.

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## NOTES

1. Black circles indicate the presence of the condition, and circles with "X" indicate the absence. Large circles indicate core conditions; small circles indicate peripheral conditions. Blank spaces indicate irrelevant condition (Ragin 2008; Fiss 2008)

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**Table 1. Configurational analysis for opportunity feasibility beliefs**

Configurations	Solutions									
	S1	S2	S3	S4	S5	S6	S7	S8	S9	
Less formalized institutional features	LSN	-	●	-	● <sub>6</sub>	●	-	-	⊗ <sub>7</sub>	-
	LSL	-	● <sub>2</sub>	● <sub>2</sub>	-	-	-	-	-	-
	GIP	● <sub>1</sub>	-	-	-	-	-	-	-	-
	LSP	-	-	⊗	⊗ <sub>6</sub>	-	-	⊗	-	⊗
	SLR	-	-	-	-	-	●	-	● <sub>7</sub>	-
	LFO	-	-	-	-	-	-	-	-	● <sub>5</sub>
	LFA	-	-	-	-	● <sub>4</sub>	-	-	-	-
More formalized institutional features	LFB	-	-	-	-	● <sub>3</sub>	● <sub>3</sub>	-	-	
Consistency	0.88	0.91	0.92	0.91	0.92	0.94	0.94	0.94	0.96	
Raw coverage (RC)	<b>0.67</b>	<b>0.5</b>	<b>0.32</b>	<b>0.35</b>	<b>0.44</b>	<b>0.4</b>	<b>0.29</b>	<b>0.28</b>	<b>0.27</b>	
Unique coverage (UC)	0.059	0.012	0.01	0.019	0.009	0.003	0.009	0.029	0.005	
Overall solution consistency					0.86					
Overall solution coverage					0.85					

(n=776, frequency threshold=1)