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# Work Integrated Social Enterprises: Balancing Social Impact and Economic Sustainability through Governance and Policy Support

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# Work Integrated Social Enterprises: Balancing Social Impact and Economic Sustainability through Governance and Policy Support

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## Abstract

Work Integrated Social Enterprises (WISEs) have emerged as a powerful and dynamic force in redefining the established norms while enhancing sustainability, promoting integration and nurturing more inclusive working societies by addressing employment barriers for marginalized groups. Using data from semi-structured interviews with WISEs in a mid-sized Swedish municipality, this article's findings reveal the challenges they face, such as financial sustainability, the need for formal organizational structures, and societal prejudices. The findings highlight WISEs' strategies for balancing economic stability with their social mission and emphasize the pivotal role of municipal and regional governance in supporting their operations. Targeted policy support in areas like management, human resources, and financial backing is essential to ensure WISEs' survival and long-term success.

**Keywords:** work integrated social enterprises; social inclusion; entrepreneurship; municipal support.

**JEL Codes:** L31, I38, R58.

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# 1 Introduction

Amidst complex global challenges, societies around the world are searching for innovative solutions that align with the principles of sustainability, social inclusion, and economic resilience. In this context, social enterprises (SEs) have emerged as organizations that combine social and environmental goals with business activities to create social value. SEs can be seen as an influential and active force, not only challenging and transforming the established norms and principles of traditional for-profit businesses but also fostering principles of a circular economy, enhancing sustainability, and promoting the integration of marginalized working-age individuals into the labour force (Defourny and Nyssens, 2010; Mair and Martí, 2006). Among the diverse spectrum of SEs, Work Integration Social Enterprises (WISEs) are of interest because of their focus on overcoming employment barriers faced by marginalized groups (O’Hara and O’Shaughnessy, 2021) who are disadvantaged within or omitted from full admission to the labour market (Mandiberg, 2016). The aim of WISEs thereby involves integrating individuals left behind by the conventional labour market into the labour market and community. By creating inclusive work environments and offering tailored training programs, employment opportunities, vocational training, and personal development support to these individuals WISEs not only enhances the lives of the individuals involved but also contributes to the broader social and economic health of communities. Alongside WISEs, initiatives like Public Sector Employment Programs (PSEPs) aim to help individuals with weak labor market attachment secure jobs. Studies have highlighted positive effects of PSEPs, particularly for immigrants in Denmark and Norway (Bolvig et al., 2003; Heinesen et al., 2013; Markussen and Røed, 2016), and in two of Stockholm’s municipal employment programs in Sweden (Miles and Morrison, 2020)(Mörk et al., 2021). While PSEPs can aid in transitioning individuals into regular employment, WISEs may offer a more sustainable solution. Particularly when collaborating with the municipality’s office for social allowance and labour market integration, WISEs can enhance the design of these programs by placing participants in regular workplaces and providing continuous support and training, leading

to more positive and lasting outcomes. Nonetheless, by integrating WISEs into their local strategies, municipalities can leverage tailored training and inclusive work environments to better support disadvantaged individuals and foster long-term economic and social benefits, creating resilient and self-sustaining communities, suggesting that WISEs emerge from the dynamic interplay between social entrepreneurs and the environments where they operate (Mair and Martí, 2006). However, despite notable progress in understanding the critical role of the contextual environment in which social enterprises are embedded, the interaction between WISEs and the municipality requires further exploration, particularly concerning the institutional models that influence the activities of social enterprises (Kerlin, 2017). Small municipalities, like their larger counterparts, encounter challenges in providing employment opportunities for marginalized individuals. In this context, social entrepreneurship and social enterprises play an important role in integrating marginalized individuals in the labour market. Specifically, WISEs addresses work barriers by leveraging strengths of marginalized individuals to meet their specific needs (Lysaght et al., 2018). The emphasis on social inclusion highlights the need for research focused on WISEs establishment at the municipality level and the importance of collaborating with the municipality office for social assistance and labour market integration. Such research is crucial for understanding how WISEs can revitalize municipalities and contribute to their social and economic resilience. Even though the number of WISEs in Sweden is still low, the Swedish institutional setting and theoretical frameworks (Defourny and Nyssens, 2010; Mair and Martí, 2006) suggest that these enterprises can significantly contribute to sustainable development of municipalities and their communities through work integration, local collaboration, and environmental practices. By studying WISEs in a Swedish municipality that cover both rural and medium town settings in 2023, we are aiming to understand the nuanced strategies that underpin their creation and survival. By exploring the genesis of WISEs, we aim to uncover the challenges they face, the innovative approaches they employ to overcome obstacles, the ongoing strategies that sustain their operations with focus on the promotion of local economic resilience (Defourny and Nyssens,

2010) and the implementation of environmentally sustainable practices (Mair and Martí, 2006). Recent literature highlights the importance of studying regional and rural settings for entrepreneurial activities (Hunt et al., 2021; Korsgaard et al., 2015) since the role of this area is rapidly changing in the global crisis (Hunt et al., 2021). Our study addresses this crucial perspective by exploring five WISEs in a mid-sized Swedish municipality that encompasses both rural and town settings. Our study provides a detailed examination of WISEs within the specific context of Swedish municipalities, offering insights from the managers' perspective and contributing to a deeper understanding of their role in local development. By examining the challenges these enterprises face and benefits of WISEs, our study provides implications for policymakers, practitioners, and academics engaged in social entrepreneurship. By unpacking the layers of WISEs, we offer a deeper understanding of their mission and realities and present insights for building a more inclusive and resilient society. In contrast to previous literature which has been criticised for examining outcomes of WISEs relative to social, economic and health factors (Lysaght et al., 2018) analysing quantitative survey data (Davister et al., 2004; Bidet and Spear, 2003), we seek to understand by employing a qualitative approach using in-depth interviews with open ended questions. The remainder of this study is organized into a cohesive progression of sections. Section 2 provides a historical overview of WISEs, including a presentation of the Swedish institutional context. Section 3 situates WISEs within the existing body of literature and illustrates their development and theoretical underpinnings, exploring key themes and proposing research questions that will guide our understanding of WISEs in this specific environment. Section 4 outlines our methodology and data, detailing the research design and data collection, along with the qualitative research design and analytical techniques employed. The core findings of our research are presented in Section 5, where we systematically explore the patterns and results observed. Section 6 discusses the broader implications of our findings, linking them to existing literature and real-world applications, while also highlighting our study's contributions and limitations and suggesting potential directions for future research.

## 2 WISEs in Academic and Practical Perspectives

WISEs, or Work Integration Social Enterprises, represent a unique fusion of market-driven and socially oriented approaches aimed at integrating marginalized groups into the workforce. These entities have emerged prominently as responses to the persistent challenges of unemployment and social exclusion within the modern economic landscape.

### 2.1 Development of WISEs

Originating in the late 1970s as an attempt to address the rise of structural unemployment in developed countries (Bode et al., 2006), WISEs represented a novel approach to employment. Unlike traditional business models, WISEs focused on hiring the long-term unemployed to produce goods or services in low-skilled industries, such as construction, catering, gardening, or recycling. These products or services were then sold at market prices. This innovative approach marked a significant departure from the conventional employment practices of the time, aiming to integrate marginalized individuals into the labour force by providing them with meaningful work and skill development opportunities. This approach, reflecting the ‘Work Integration Social Enterprise’ definition emphasizes integrating disadvantaged workers into the labour market and underscores the importance of facilitating job opportunities for marginalized individuals within a broader social framework. Over time, WISEs have significantly contributed to society by enhancing the employability of marginalized individuals (Smith and Lewis, 2011) and impacting public policy. However, WISEs role and impact have evolved, reflecting a broader shift towards network forms of governance, where non-governmental actors increasingly partake in the design and implementation of programs intended to generate public value (Stoker, 2006; Krogh, 2022). Nowadays, WISEs are recognized globally for combining traditional business activities with a social mission, such as providing employment opportunities for disadvantaged individuals or promoting sustainable practices. As suggested in Table 1, WISEs differ from both non-profit organizations and for-

profit firms in that WISEs are market-oriented while pursuing social goals rather than profits alone (Alter, 2007) and are involved in community engagement. For example, WISEs exist in all European Union (EU)’s Member States, exhibiting various degrees of recognition and size, regardless of the country’s welfare system type, non-profit sector development, cooperative tradition, or specific legislation (Commission, 2020). Notably, the essence of WISEs lies in their capacity to harmonize business operations with social objectives, contributing not only to economic growth but also to creating a positive social impact. This duality in their mission underscores their capacity to serve as transformative agents within our economic and social landscapes. WISEs handle the bureaucracy and the complexities of labour market integration by placing participants in the centre of their activities, adapting to mismatches between activity content and participant profiles, and managing the challenges of sporadic participation. Nonetheless, while there is increasing evidence that there is a major support for starting up SEs, such as grants and subsidies from public authorities, European funds, and private stakeholders like foundations (Commission, 2020), to our knowledge, evidence of similar support for WISEs is scarce.

Table 1: Characteristics of Various Enterprise Types

| Attribute                               | Traditional Non-Profit | For-Profit Firms | WISEs  |
|---|------------------------|------------------|--------|
| Profit Focus                            | No                     | High             | Medium |
| Social Responsibility                   | High                   | Low              | High   |
| Integration of Marginalized Individuals | Yes                    | No               | High   |
| Community Engagement                    | High                   | Low              | High   |
| Government Funding                      | Yes                    | No               | Medium |
| Market Competition                      | Low                    | High             | Medium |
| Innovation Focus                        | Medium                 | High             | High   |

Nonetheless, the feasibility of WISE projects is often dependent on external support, such as municipal funding or grants (European Union, 2020). Although external financial support is crucial, it is often limited and competitive, which increases the need for WISEs to explore diverse funding sources and improve their management and operational practices. This dependency makes WISEs financially vulnerable and not fully in control of their own future. Despite these challenges, the dedication of WISEs’ founders and people working



for and/or within WISEs is often driven by a commitment to ‘doing good’ over ‘doing well’ (Battilana and Dorado, 2010; Hockerts, 2017), which remains unwavering. The social and environmentally conscious focus of WISEs tends to attract individuals who are not only prosocial and nonprofit oriented but also deeply concerned about the environment (Doherty et al., 2014; Roumpi et al., 2020). This suggests the importance of building and maintaining a strong social capital for WISEs survival and development. Like other SEs, the long-term survival of WISEs are often contingent upon their integration within the local community. This integration involves both contributing to and drawing from the surrounding social and economic landscape (Stryjan, 2004). Such an approach can occasionally led to local governments having a degree of influence over these enterprises (Choi and Park, 2021). Nevertheless, studies indicate that SEs, especially those established or owned by local governments or those that are more profitable, are less likely to dissolve (Andrews and Hodgkinson, 2022). This trend suggests that collaboration between WISEs, and local governments can be beneficial, potentially providing WISEs with better access to vital social infrastructure. Such partnership facilitates the exploitation of social and economic opportunities while simultaneously addressing assorted community challenges. It cultivates the development of bonding networks within communities, bridging networks between various community entities, and linking networks that reach beyond the immediate community, thereby fostering a supportive and integrated ecosystem conducive to the flourishing of WISEs (Falk and Kilpatrick, 2000; Talbot and Walker, 2007). The strength of this social capital relies on the ability of local communities to develop a shared vision and synergize their diverse human capital and resources for collective economic and social benefit (Easter and Conway Dato-On, 2015; Kilpatrick et al., 2015; Woolcock, 2001).

## **2.2 Entrepreneurship and network in the local context**

Entrepreneurship in relatively small municipalities involves specific challenges such as distance to urban areas, market access, access to trained labour force and different social dimensions

which can result in constraints on entrepreneurship and economic growth. Because of these constraints, rural entrepreneurship is less opportunity-driven (Miles and Morrison, 2020). However, operating in a smaller community and knowing existing resources and conditions, new opportunities can be identified (Berglund et al., 2016). From this perspective, local entrepreneurship has potential to develop within and together with community and with strategic networks. These networks, formal (business incubators, banks, and others) and informal (family and friends) contacts, whether distant or nearby, are used to acquire resources. In particular, social network is important for entrepreneurship (Aldrich and Zimmer, 1986; Johannisson, 1986). Entrepreneurs are known to use social relations to get advice and resources to launch and manage their business (Granovetter, 1985; Greve and Salaff, 2003). Support from strong ties, family and friends, is specifically important for small and medium sized enterprises compared to weak ties (Brüderl and Preisendörfer, 1998). Family members can play a critical role in the business decision making process, notably among female entrepreneurs who often consult their spouse in business matters (Kremel and Yazdanfar, 2015).

Starting and running a business requires different contacts and resources in different phases. Depending on what phase the entrepreneur is in, such as being motivated to start, planning or establishing a business (Wilken, 1979), different network needs emerge (Greve and Salaff, 2003). The planning phase requires the largest network, whereas the establishment phase requires a somewhat smaller network (Greve and Salaff, 2003). In these early stages, entrepreneurs have few resources themselves and therefore rely heavily on informal sources (Aldrich and Ruef, 2006). As the firm grows or expands the firm, the entrepreneur needs to plan, manage, and allocate resources (Feldman and Klofsten, 2000), which can be accessed through the network. These arguments have been developed in the PAEI model Production (P), administration (A), entrepreneur (E) and Integration (I) (Adizes, 1979) discussing the life cycle of the firm, the team of the firm, and different roles within the team of the firm. The model suggests that the entrepreneur-role is important during the early stages of the

start-up, but when the firm is established other roles, such as producers, administrators and integrators become more important for the firm. More recent literature reports that the four roles all together make the organization survive for short or long terms because of its effectiveness, efficiency, and proactivity (Mowlanapour et al., 2021).

Like all businesses, WISEs need to respond to and create business opportunities to survive (Kremel and Wetter Edman, 2019; Shane and Venkataraman, 2000; Sarasvathy, 2008). Business opportunities arise from favourable circumstances, such as new products or business models emerging in the market, followed by alert actions from entrepreneurs. This type of ‘opportunity-based’ entrepreneurship (Brown et al., 2001) represents pull incentives, or ‘first order’ entrepreneurship. However, ‘necessity-based’ or ‘second order’ entrepreneurship is also common and often serves as an alternative to unemployment, requiring management routines and tools. Experienced entrepreneurs have developed the ability to simultaneously balance opportunity-based and necessity-based perspectives depending on the prevailing circumstances and the business challenges they face (Nikiforou et al., 2019). This ability is particularly important for adapting to swift changes in production and business environments. Opportunity-based entrepreneurship is stimulated when society and the economy are in a stable condition with well-functioning institutional frameworks, while economic downturns and global crises can create specific challenges, leading to higher unemployment and general uncertainty, which ultimately inhibits innovation and entrepreneurship but increases the scope for necessity-based entrepreneurship (Amorós et al., 2019).

## **2.3 Future Directions**

The future of WISEs lies in their capacity to harmonize business operations with social objectives effectively. While there is substantial support for social enterprises in the form of public grants, European funds, and private investments, similar backing for WISEs is less pronounced but growing. As these enterprises continue to navigate the complexities of market and social demands, their ability to adapt and innovate remains crucial. The ongoing

development of WISEs will likely depend on their capacity to secure sustainable funding and operational models that accommodate the challenges of integrating socially marginalized individuals into competitive market environments.

## **3 Method and data**

### **3.1 The empirical case**

Our study focuses on WISEs in Sweden. Starting from the 19th century with mutual and cooperative organizations, WISEs in Sweden have evolved alongside social movements, addressing social issues and aiding the most marginalized individuals. The Swedish government, recognizing social entrepreneurship as a means to achieve the global sustainability goals outlined in Agenda 2030, introduced a Strategy for Social Enterprise and Social Innovation in 2018, aiming to increase the number of SE in Sweden. However, until February 2021, there was no official definition of social entrepreneurship in Sweden, leading to unreliable statistics regarding SE (Tillväxtverket, 2021). Approximately 3000 SEs, including only those with the legal forms of nonprofit or economic association, were estimated to exist in 2019. WISEs make up the majority of SEs, which span over thirty industries in Sweden, with the three largest being health and healthcare, education, research, and development, and industry-, employer-, and professional organizations. Common contributions to sustainable development include work integration, local collaboration, and development for a specific place or focus such as improved environmental practices or alternative energy production. Progress in the healthcare sector has been comparatively slow, yet SEs often provide elderly and home care through cooperatives. Additionally, SEs in Sweden operate in sectors like clothing, eco-farming, catering and hotels. They also offer educational support, often assisting individuals, but not limited to, children of foreign-born parents (Tillväxtverket, 2019a,b). Our empirical case is about a mid-sized municipality in Örebro County in central Sweden with about 27 000 citizens. Starting in 2010, the Municipality has been initiating start-ups

of SE and WISEs to facilitate job opportunities for individuals from marginalized social groups. The initiative with WISEs began as there was a need for finding workplaces for long-time unemployed individuals and other groups who, due to different reasons such as neuropsychological, were not able to function in the open work market. To function in the work market, these individuals need work training which can be achieved through work integrating. To facilitate the need, a group of officials at the municipality decided to start a project of work integration where the workers, could adjust to working life at their own pace. The project was successful, and workers were introduced to different jobs such as gardening, cleaning, and a coffee shop business. Over time, the project grew and officers from the municipality, who had been supervising the project found a need for starting a business which would facilitate the organization of the business. Since, municipalities in Sweden are not allowed to run businesses, the municipality thus had to find a solution which was sustainable over time. In 2010, an organization was established as a non-profit association and workers were employed in the new organization. As the organization expanded, more and more individuals were engaged and employed, leading to the need for business specialisation and the exploration of new business opportunities. For instance, some employees initiated and managed in running a coffee shop, others specialised in cleaning or outdoor activities like lawn mowing. This specialisation prompted the launch of new enterprises. By 2023, there were six WISEs in the municipality: two non-profit organizations, three economic associations, and one economic association that owns a limited company. The organizations are their own enterprises with everything that comes with being an enterprise such as economic and employee responsibility. However, they use the support of each other if necessary. The municipality also contribute to the network as a consultative partner. In 2023, the WISEs together engaged 200 individuals, with 50 employed directly by WISEs and 30 engaged in daily activities. In total, all six WISEs have a turnover of 25 million SEK (about 2.6 million EURO in 2023). Additionally, WISEs outsource workers to other firms and approximately, 3-5 individuals transition from the WISEs to positions in the regular employment market

each year.

## **3.2 Research Design**

This study employs a qualitative research approach through semi-structured interviews to gather open-ended data. Conducted in late 2023, these interviews engaged key individuals involved in the creation, development, and survival of Work Integration Social Enterprises (WISEs) within a mid-sized Swedish municipality. The purpose of this approach is to gain deep, contextual insights into the experiences and perspectives of those directly involved with WISEs. An interview guide, which includes a list of open-ended questions and topics, was carefully prepared to ensure comprehensive coverage of relevant areas. The detailed interview guide is presented in Appendix A1 for reference and transparency. The sample of interviewed individuals includes persons actively involved in managing WISEs in the analyzed Swedish municipality. All such individuals were invited to participate via email, ensuring that the study encompassed a diverse range of insights and experiences.

## **3.3 Data Collection**

The data collection process primarily involved face-to-face in-depth interviews conducted at the offices of the municipality, with two exceptions conducted via Zoom. This method was chosen to facilitate a more personal and in-depth discussion, allowing for the observation of non-verbal cues and the establishment of a rapport with participants, which is often crucial in qualitative research. The setting also ensured that participants were in a familiar and comfortable environment, likely contributing to more open and detailed responses.

### **3.3.1 In-depth interviews**

Since we are interested in understanding factors and conditions that led to the establishment and initial growth of these WISEs and how the organisations handle their mission of integrating disadvantaged individuals into working life and society and understanding factors and conditions that contribute to the survival of these WISEs, we used the method of in-depth interviews. By using the in-depth interview method, with

semi-structured questions with open ended questions (listed in Appendix 1), we are able to understand these dynamics at a deeper level. The method also gives the interviewee space to develop their reasoning about the experience (Spradley, 1979). To make sure we accurately captured the interviewees point of view and for clarity, we used follow-up questions (Geertz, 1973). To further increase our understanding, the interviews were conducted at the locations where the WISEs are based. The interviews were carried out by one of the authors, who has extensive experience in collecting qualitative data through face-to-face interviews either on site or online. Table 2 presents the main characteristics of the seven interviews, suggesting a relatively balanced distribution of women and men of relatively old working-age. All interviewees were managers, two at municipality office and five at WISEs. Five interviews took place at each location of the WISE and two interviews were carried out using Zoom.

Table 2: Characteristics of interviews

| <b>Interviewee</b> | <b>Organization</b>   | <b>Role</b>  | <b>Sex</b> | <b>Age</b> | <b>Interview Place</b> |
|--------------------|-----------------------|--------------|------------|------------|------------------------|
| I1                 | WISE1                 | Manager      | Woman      | 50+        | Site                   |
| I2                 | WISE2                 | Manager      | Woman      | 30+        | Online                 |
| I3                 | WISE3                 | Manager      | Man        | 60+        | Site                   |
| I4                 | WISE4                 | Manager      | Man        | 60+        | Site                   |
| I5                 | WISE5                 | Manager      | Woman      | 50+        | Site                   |
| I6                 | Municipality’s office | Head Manager | Man        | 60+        | Online                 |
| I7                 | Municipality’s office | Manager      | Man        | 50+        | Site                   |

Since most interviews took place on site at each WISE location, this allowed the researcher to interact with some of the workers and to capture photos of the work environment at two WISEs, a small industry, and a coffee shop in the city centre. 3.3.2 Ethical Considerations While the study did not involve questions that required formal ethical approvals, all research activities were conducted in strict accordance with the ethical guidelines and requirements for research data at the authors’ university. This includes ensuring participant confidentiality and data protection. Participants were informed about the purpose of the study, their right to withdraw at any time, and how their data would be used and protected. Informed consent was obtained from all participants, and all data were anonymized to prevent the identification of individual participants. These measures ensure that the study upholds the highest standards

of ethical research practice.

## 4 Data Analysis

For the analysis of the seven extensive interview transcripts of seven individuals, a thematic analysis was employed. This approach is well-suited for identifying, analysing, and reporting patterns (themes) within the data (Kiger and Varpio, 2020). Following the six-step process of Kiger and Varpio (2020), we started with a thorough reading of the transcripts to gain an in-depth understanding of the data searching for themes, reviewing these themes, and then defining and naming them. The interview questions presented in Table A1, Appendix 1, were designed to provide answers to our research aim: to understand the nuanced strategies that underpin creation and ensure survival of the studied WISEs. Based on these questions, six initial codes were defined. Following the methodology of (Kiger and Varpio, 2020), our next step was to collate the six codes into potential themes. The themes were then reviewed and refined to ensure they accurately represent the collected data. The final step involved defining and naming the themes, providing a detailed analysis of each, capturing the complexities and nuances of the participants, experiences, and perspectives, and relating them back to the research questions and literature. Table A1 in Appendix 2 provides a structured overview of the key concepts and terms mentioned directly and/or indirectly by each interviewee in response to the specific questions, allowing for a comparative analysis. Our analysis focuses on synthesizing the most important words, concepts, and ideas mentioned by each respondent across the questions presented in Table A1 in Appendix 1.



## 5 Findings: Implications and Contextualization

### 5.1 Initial codes and central themes

Analysing the data, we identified six initial codes: Adaptability & Resilience, Financial Sustainability & Challenges, Community Support & Impact, Professional Growth & Development, Networking & Collaboration, and Innovation & Market Adaptation. These initial codes identified in our thematic analysis directly inform our four central themes. The codes Adaptability & Resilience and Financial Sustainability & Challenges are encapsulated in our first theme, Theme A, Navigating Economic Realities highlighting the balance between economic pressures and strategic goals. The code Community Support & Impact translates into Theme B, Community Engagement and Impact, reflecting the mutual benefits between WISEs and their communities. Professional Growth & Development and Networking & Collaboration contribute to Theme C, Personal Journeys of Growth, emphasizing individual and collective development. Lastly, Innovation & Market Adaptation directs into Theme D, Strategic Adaptation & Innovation, showing the necessity of staying relevant through proactive strategies. These connections between our six initial codes and four central themes (A-D) suggest a comprehensive mapping of how individual elements contribute to broader, more complex patterns within the organizational ecosystem of WISEs. Each theme not only encapsulates a range of related concepts but also highlights the dynamic interplay between different aspects of organizational and personal development within WISEs.

A. Navigating Economic Realities: The challenge of balancing economic pressures with business goals was a recurrent theme (I1-I7). The struggle for financial sustainability and the need for innovation (I2) alongside the need for recognition and financial support (I1-I7) underscore the ongoing negotiation between maintaining financial stability and pursuing social missions. This theme highlights the strategic insight and resilience required to navigate market demands and regulatory environments (I1, I6 and I7), indicating a universal challenge among all interviewees. B. Personal Journeys of Growth: Respondents shared narratives of

evolution, from expanding a small unit into a significant operation (I3) to transitioning careers after life-altering experiences (I6, I7). Discussions about specialization of the workforce (I1, I7) and diversifying services (I3) alongside adapting skills for new challenges (I1, I6, I7) illustrate the transformative entrepreneurial journeys undertaken. This theme emphasizes resilience and adaptability (I5) as crucial factors in fostering personal and professional growth, reflecting a common thread of learning and evolution across different experiences (I1, I2, I4, I7).

C. Community Engagement and Impact: The importance of community support (I1) and creating positive social value (I4, I7) was evident across all responses. Focusing on engaging with and contributing to the community (I1), while supporting diversity and operational autonomy (I6, I7) highlights the role of WISEs in fostering community ties and impact. This theme reflects a deep understanding of the interdependence between success in WISEs and community engagement, emphasizing the collective effort to create meaningful change (I3, I5, I6). And all of these were possible because of the municipality's support, represented often by the head of the social office.

D. Strategic Adaptation and Innovation: The interviews suggested the necessity of adapting to changes and innovating to remain relevant and impactful (I1, I5, I7). Learning about new products/industries and responding to evolving market demands (I1, I5) alongside adopting innovative approaches and diversifying services (I7) showcase the proactive and dynamic strategies employed. This theme highlights the ever-changing nature of WISEs and their strategic responses required to ensure sustainability and growth (I1, I2, I3, I4, I6). The thematic analysis, focusing on the key concepts and ideas expressed by all responses (I1-I7), offers a nuanced understanding of the challenges and opportunities in social entrepreneurship in both starting and developing WISEs and assuring their survival. These findings underscore the importance of adaptability, resilience, community engagement, and strategic innovation in navigating this space. The insights gained can inform practitioners, policymakers, and researchers interested in supporting and understanding the growth and impact of WISEs and individuals that are employed or have worked for these enterprises.

## 5.2 Challenges for the WISEs

At the start of the first WISE, one challenge for the municipality was about how to build the organization of the WISE. This challenge still exists and was a common theme of the interviewees (I1-I7). At the time of the interviews, there were six WISEs but there was no formal structure binding them together. The existing informal network among them serves this role. Discussion about a formal organizational structure was present in all interviews and the interviewees express the need for a new organisational form to sustain their network. This discussion has been ongoing since the start of the WISEs. The proposed solution is to build an “umbrella” organisation with specialists of HR, accounting, economy, marketing etc., that will coordinate and solve the different needs across all WISEs and support them. This structure would allow each WISE owner to focus on supporting the participants/workers rather than managing other operational tasks that often require specialized skills. As the enterprise grows, the need for specialisation becomes more evident (Bennett and Smith, 2002), reflecting the evolving needs within the WISEs. Another challenge involves external perceptions from the surrounding society and other organizations. the analyzed WISEs face negative attitudes and prejudices due to a lack of knowledge about SE and WISEs. These prejudices include views that WISEs are ‘being financially supported by the municipality’ (I1, I4, I5, I7), ‘don’t deliver quality’ (I1, I4, I5) and ‘undercut prices, forcing other companies out of business’ (I4, I5). While WISEs often dependent on support from municipalities (Colyer and Dyer 2015), it is partly true for the studied WISEs since they all receive indirect financial support from municipality, which pays some managers’ salary. Additionally, the WISEs are financially compensated for each worker. The interviewees however find that society are learning about what SE are about and the attitude is slowly changing. The management prioritizes each worker, striving to match the individual abilities with appropriate work tasks. Most WISEs are designed to facilitate the appropriate type of task that suits individual worker, requiring flexibility and adaptability from the organization. This alignment with worker needs drives the managers to continually develop and improve. Some

workers have disabilities, such as Asperger syndrome or other psychosomatic disadvantages and thus require specific accommodation to function effectively at the workplace as well as to find a suitable employment. This challenge, which also was discussed as a privilege in the interviews, motivates the managers (I1-I7) at the WISEs. When interviewees speak about their workers, they express reverence and a desire to help the workers find their place in society, discover meaning in life and ‘see the person develop’ (I1).

### **5.3 Balancing entrepreneurial strategies**

Entrepreneurs are typically driven by forces such as fulfilling a dream, witnessing the company grow, or developing an innovation. In starting a SE or WISE, the entrepreneur is driven by motivations for social inclusion, such as the desire to help and make a difference for others who may not have the same opportunities. This sentiment was echoed in all the interviews, with managers expressing a desire ‘to make a difference for other people, and passionate about helping and making a difference to people’ (I1). Both opportunity-based and necessity-based entrepreneurship perspectives are valuable in the case of managing WISEs. Necessity-based entrepreneurship is particularly relevant to WISEs, where circumstances necessitate the development of new products and services that match the workforce’s abilities. This was a common understanding among the interviewees, who all discussed finding the right fit between service and workforce and how to find a job that matches the person (I1 – I7). Opportunity-based entrepreneurship can also be applied to WISEs since there is a need for the enterprises to find new business opportunities. Almost all interviewees discussed this ongoing search of new business opportunities to incorporate into the WISEs (I2- I7). One interviewee, who has a large network, frequently emphasized his constant lookout for new business opportunities to integrate into his WISE (I5).

## 5.4 The network organization

The WISEs are organized as a network organization with various ties (Brüderl and Preisendörfer, 1998). These ties consist of individuals who move between the WISEs, including both managers and workers, driven by the dynamic nature of the network. Given the diverse business focuses of each WISE, workers sometimes move between these enterprises to find the most suitable and functional workplace. Similarly, managers oversee one or two WISEs and they share their specific expertise in areas such as payroll processing or business planning to support each other. The informal networks of the WISEs analyzed are highly valued by all interviewees. For instance, three managers, with extensive experience from running their own firms for many years, have developed strong expertise in business administration and leveraged extensive social networks (Granovetter, 1985; Greve and Salaff, 2003). These networks, which include customers, suppliers, and more, play a crucial role in the success. Notably, one manager, with over 30 years as CEO and owner of a large company, has built a substantial nationwide network, offering valuable business opportunities for the WISEs. Another manager brings extensive experience from working within the municipality. Together, these managers have strong ties both within the municipality and across Sweden. Even though there is no formal organisational support, the informal network of the analysed WISEs is coordinated with help from the municipality and its managers. One could argue that the initiator, the head manager of the WISE network, has taken the role as the social entrepreneur. This commitment is crucial in the early stages of the organisation's formation (Adizes, 1979), as it drives the pursuit of success and willingness to take risks according to market needs (Mowlanapour et al., 2021). However, in the case of the studied WISEs, the level of the risk could be discussed as being distinct from that of typical startups. The economic risk is carried by the municipality, and it could be considered low since no initial financial investment is required for the organization's establishment. Moreover, unlike a conventional startup that directly responds to market demands, a WISE focuses primarily on supporting individuals in working age in approaching an employment situation. Our study

confirms that this orientation of WISEs marks a significant difference from the typical startup organisational model.

## **6 Discussion and future research directions**

### **6.1 Summary of findings**

By delving into the heart of five WISEs that existed in a middle-sized Swedish municipality in 2023, our study collected information that enabled us to understand the nuanced strategies that underpin their creation and ensure their survival. By exploring the genesis of these WISEs, we uncovered the initial challenges they face, the innovative approaches they use to overcome these obstacles, and the ongoing strategies that sustain their operations. Our study uncovered four central themes: Navigating Economic Realities, Community Engagement and Impact, Personal Journeys of Growth, and Strategic Adaptation & Innovation. These themes highlight the critical importance of navigating economic pressures, engaging with communities, fostering personal and professional growth, and embracing strategic innovation. The interplay between these themes reflects the delicate balance WISEs must maintain to ensure their longevity and positive social impact for the community. The challenges include the need for a formal organizational structure and overcoming societal prejudices. Additionally, the WISEs' need for recognition, particularly from policymakers and stakeholders, emerged as a critical element for their sustainability and continued success. A key finding of our study is that WISE managers view collaboration with the municipality's social and labour market office, along with consistent support from its head, as the most critical factors for the creation, growth, and sustainability. The named individuals from both municipal and regional governance play a pivotal role in supporting WISEs, and their involvement is crucial for the operational success of these enterprises. This support not only strengthens WISEs' operational frameworks but also enhances their contributions to inclusive employment practices, enabling marginalized groups to integrate into the workforce. Moreover, the strong informal networks and ties

within the municipality are key to the success of WISEs, setting them apart from typical startups by balancing entrepreneurial strategies with a focus on social inclusion. Furthermore, our study highlights how personal narratives of growth and career transitions, coupled with a focus on community engagement, emphasize the importance of developing human capital and fostering community relationships. These approaches are highly relevant for the continuous operation and positive impact of WISEs, as they evolve and adapt over time. An adaptive and innovative mindset is crucial for the survival and growth of WISEs. This mindset is particularly important while navigating in the changing economic and social landscapes as these WISEs do. WISEs ability to balance economic stability with their social mission is a key factor in their ongoing success. By examining how the WISEs navigate this complex interplay, we found that their adaptability to new products/industries, evolving market demands, illustrates the dynamic strategies utilized to overcome initial and ongoing challenges. These strategies are not only critical to the survival of WISEs but also enable them to continue addressing employment barriers for marginalized groups. Balancing financial sustainability with their social mission underscores the complex balancing act required to establish a stable financial foundation for social enterprises launching social initiatives. This complexity is reflected in WISEs need for alternative financing strategies, as they must efficiently manage limited resources to achieve both economic stability and their social goals.

## **6.2 Implications for policy**

Our study has implications for policy. Municipal and regional governance have a critical role of supporting WISEs. Without the involvement of key individuals within these governance structures, the operational and strategic success of WISEs would be severely compromised. WISEs rely on this governance support not only for operational stability but also for advancing their social mission. In the context of existing support for starting up SEs, such as grants and subsidies from public authorities, European funds, and private stakeholders, our results suggest that similar support measures should target WISEs' specific needs. For example,

support could be provided via incubators and business innovation centres that help the establishment and growth of WISEs with focus on administration and management of tasks related to HR, accounting, marketing, and IT. Additionally, targeted policies should address the unique challenges WISEs face in balancing economic and social goals, ensuring that they receive the necessary recognition and financial backing to thrive.

### **6.3 Future research directions**

While our study focused on the perspectives of WISE managers, a comprehensive understanding of WISEs requires exploring other perspectives, such as those of workers and helpers within WISEs. Given the global challenges and the ongoing transition to sustainable society, literature on social aspects of entrepreneurship is needed and therefore, we encourage new studies addressing other perspectives, such as those of workers and helpers within WISEs. Their personal growth narratives are integral to understanding the broader impact WISEs have on individuals and communities, especially when dealing with marginalized populations. Their experiences and thoughts are crucial, particularly when they face challenges like disabilities, marginalization, discrimination, reluctance to communicate with unfamiliar people, or language barriers. Additionally, further research is needed to understand the unique challenges of entrepreneurship in general and social entrepreneurship in particular in regional and rural settings.

## **Disclosure Statement**

The authors declare no conflict of interests.



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# Appendix A1: Interview Guide

Theories are based on necessity, opportunity, state fragility, slack, and competency issues.

## Opening Question

Can you briefly tell us about your company? (type of business, ownership, history, current status).  
Why are you the one running this company?

## I Challenges

1. What would you say are the biggest challenges with ASFs?
2. How do you handle these challenges?
3. Do you feel that you are successful in handling some or any of the challenges? Which ones and in what way?
4. Do you have experiences/opportunities that enable you to develop the company in any respect/act in new ways?
5. As a CEO or owner, have you made any "extraordinary efforts" during the time you've run the company for 7 years (such as foregoing salary, investing new capital, working extra, etc.)?
6. If yes, what have these consisted of, and what effects have these efforts had?

## II Survival

1. What would you say contributes to your company's survival? Any particular factors that are more or less important?
2. Are there any specific factors that you particularly work with to manage?
3. Can you describe how you work with this?
4. Does the organization have ambitions to grow/scale up?

## III Future Investments in Innovation and Business Development

1. Have you encountered obstacles for the company's development over the years? If yes, what are these obstacles about? (e.g., competency or capital)
2. Have you had a need for increased capital? Reasons for the increased need?

## **IV Networks and Collaboration**

1. Are you part of any network?
2. Have contacts/networks been of great importance to your business? In what way?
3. How has the relationship with the municipality been over the years?
4. Is the relationship crucial for the survival of your business?

## **V Competency Issues**

1. What does the need for competency provision look like in your industry?
2. How do you work with competency development?
3. How have you handled the need for competency development over the years that the company has existed?

## **B. Necessity Entrepreneurship**

1. How have you managed to handle challenges over the years? Do you have any particular strategy to survive? Have challenges led to the development of new products, services, processes, etc.?
2. Looking at your routines for developing new products, services, processes (i.e., innovation processes, business development), how does it differ from running another type of company?
3. Have you discovered new business models or achieved success through new business models as a result of the company being a social enterprise?

## **COVID Pandemic**

### **C. Opportunities during the COVID pandemic**

1. Have you discovered new business opportunities during the pandemic? What are these?
2. Have you been able to act on these new business opportunities during the pandemic?
3. Would you have made these efforts otherwise if you weren't "forced"? (without the forced efforts, it might not have happened at all)
4. Have you needed to act based on the risk of shutting down the business during the pandemic? Or because of other business/knowledge/innovations?

## **D. IT and Digitalization**

1. Has the pandemic brought any special efforts or business opportunities within this area? (For example, e-business, tools for communication, competency efforts, others?)
2. Is there anything you would say is a result of the pandemic? Or would these efforts have been carried out anyway?

## **E. Forms of Support and Their Importance**

1. Have you utilized any of the support programs for the business sector that have been available during the pandemic? (For the record: Short-term Adjustment-Lowered Employer Contributions-Sick Pay Costs-Deferred Payments)
2. If yes, what significance have these had? How have they affected your business?

## **I. State Fragility**

1. How have the pandemic regulations worked?
2. If and how, have the rules affected the company's operations?
3. Regarding rules, could the authorities have done something else? What would the companies have wished in that case?

## **L. Concluding**

1. Anything in particular you would like to highlight from our discussion? Or add?

Thank you!



## Appendix 2: Keywords

Table A1: Keywords by Question and Interviewee

|   | I1   | I2  | I3   | I4   | I5  | I6   | I7  |
|---|--|---|--|--|---|--|---|
| Q1: Can you briefly tell us about your journey?     | municipal social office, social welfare, employment, community support | unexpected turn, entrepreneurial skills, adaptability, resilience | supervisor, cleaning unit, expansion, dedication         | non-profit support, umbrella organization, SEs, environmental business | 20 years experience, life shock, environmental business | supervisor, administration, finance, Funkis, transition    | umbrella organization, non-profits, SEs, independent action |
| Q2: What are the biggest challenges with WISEs?     | funding, regulatory environment, marginalized workforce                | market demands, financial sustainability, innovation              | quality, reliability, economic pressures, social mission | recognition, financial support, environmental standards                | stigma, financial challenges, environmental practices   | sustainable operations, balancing finances, social mission | supporting diversity, financial aid, operational autonomy   |
| Q3: How do you handle these challenges?             | collaboration, guidance, policy changes                                | advice, funding opportunities                                     | community ties   | tailored support, marketing  | Network, trust  | hands-on management, adapt strategies                      | Activity, network   |
| Q4: What contributes to your enterprise's survival? | adaptability, community ties   | adaptability  | service diversification                                  | adaptability, extensive network, support                               | resilience, reputation                                  | improvement, feedback, community                           | network strength, support, community                        |
| Q5: Does the organization have ambitions to grow?   | expansion, reach, impact, inclusive economy                            | expand product  | reach more clients                                       | expand reach, support  | market needs  | new challenges, industry transition                        | service expansion, operational scaling                      |

(Continued)

|   | <b>I1</b>   | <b>I2</b>  | <b>I3</b>   | <b>I4</b>  | <b>I5</b>   | <b>I6</b>  | <b>I7</b>  |
|---|---|--|---|--|---|--|--|
| Q6: Have you encountered obstacles for development?   | navigating regulations, funding challenges            | industry learning, market adaptation                         | balancing mission, economic viability, professional development | accessing capital, technological advancements, service relevance | Learning, new industry, evolving market demands   | strategic adaptation, industry change                        | operational hurdles, financial management, strategic planning      |
| Q7: Are you part of any network?  | regional networks, social enterprise associations     | industry associations, business networks                     | local business networks, social enterprise community            | SEs networks, government agencies, private partnerships          | hospitality networks, social enterprise community | business associations, support networks, industry forums     | industry collaboration, community networks, strategic partnerships |
| Q8: How has the relationship with other entities been over the years?                         | positive, mutually beneficial, trust, collaboration   | instrumental, shared learning, partnerships                  | trust-building, quality service, social impact                  | vital, insights, collaborative opportunities                     | positive, learning, mutual growth                 | strengthened, trust-based, resource sharing                  | long-term relationships, mutual support, shared goals              |
| Q9: What does the need for competency provision look like in your industry?                   | social work, business management, continuous training | technical skills, customer service, environmental management | operational excellence, customer satisfaction                   | multifaceted, technical skills, strategic planning               | environmental management, specific training       | administrative efficiency, continuous learning               | diverse skills, training, strategic development                    |
| Q10: How have you managed to handle challenges over the years?                                | strategic planning, flexibility, community feedback   | adaptability, learning                                       | learning, feedback, professional growth                         | flexibility, mission commitment                                  | problem-solving, innovative solutions             | proactive engagement, learning from experience, adaptability | strategic resilience, operational flexibility                      |
| Q11: Have you discovered new business models or achieved success through new business models? | hybrid models, social impact, economic viability      | flexible workforce   | service innovation, market responsiveness                       | collaborative models, community engagement                       | hybrid models, communication, diversification     | market responsiveness  | service diversification, strategic growth                          |