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# The rise of public networks for economic inclusion : strategic dilemmas experienced by Flemish SSE-organizations

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## The Rise of Public Networks for Economic Inclusion: Strategic Dilemmas Experienced by Flemish SSE-Organizations

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**Abstract:** In this article, we summarize the dominant experiences, discussions, and judgments of Flemish SSE-organizations joining emerging public multi-actor networks to tackle the socio-economic challenge of economic inclusion. Based on a longitudinal qualitative research track combining case-study research, focus group research and action research (i.e. pilot studies), we recently find out that the initial enthusiasm, willingness and interest of SSE-organizations to participate has gradually been replaced by emerging feelings of cautiousness, disappointment, and frictions. When considering the dominant underlying classical rational management paradigm of these networks, we can better understand the precise nature and origin of these growing frictions. As such, emerging strategic network paradigms seem to provoke serious dilemmas. Based on our research results these frictions relate to (i) the reasons for being invited to participate, (ii) the meaning of related concepts (i.e. quality, professionalism, and innovation), (iii) the assumed disturbance of competition, and (iv) the pressure of isomorphic management models.

**Keywords:** social and solidarity economy (SSE); network management; strategic paradigms; economic inclusion; Flanders.

### Introduction

An important challenge in our contemporary society is the economic inclusion of vulnerable citizens. Due to various socio-economic trends (e.g. subsequent economic crises, demographic shifts, and the digital revolution) guaranteeing such an economic inclusion has become a difficult and rather complex endeavor for many public organizations (Krugman, 2008; Lestaeghe, 2010; Stiglitz, 2015). The complex nature relates to the fact that solutions can no longer be found in simple, ready-made management recipes of the past undertaken by a single actor or institution (Daft, 2015). The conventional management wisdom does not suffice anymore. Therefore, public organizations often join forces with other organizations to create so-called public multi-actor networks (Klijn & Koppenjan, 2015; Koliba, Meek, Zia, & Millis, 2011).

As social and solidarity economy organizations (SSE) are professional experts in economic inclusion, they are often considered to be important partners within these networks. Their expertise differs considerably from those of other organizations (Bouchard, 2009; Conforth & Brown, 2014; Monzon & Chavez, 2008). After all, SSE-organizations operate according to their own and unique economic frame of reference based on (i) the dominance of labor over capital, (ii) the outspoken use of democratic and transparent decision-making processes, (iii) the preferred creation of products and services with an explicit societal added value, and (iv) the outspoken emphasis on the sustainable quality of the global and inter-generational environment.

We will focus on the gradual rise of multi-actor networks in Flemish cities aiming for economic inclusion. Based on subsequent explorative research initiatives, we have gained interesting insights into the modeling of these emerging networks. On the one hand, it

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concerns insights into the 'backbone' of these networks, being the strategic management modeling of Flemish local governments and SSE-organizations separately. On the other hand, it concerns insights into the management consequences when joining forces.

The central research question in this article is, therefore: how do SSE-organizations experience the strategic modeling of Flemish public multi-actor networks aiming for the economic inclusion of vulnerable citizens, and how can we theoretically frame, embed and understand these experiences? What are the gained insights or major lessons-learned?

In the next paragraphs, we will report on the theoretical framework of our research, the used research methodology and the major lessons learned. Finally, a conclusion will follow.

### **The theoretical frame of reference**

Given the central research question, we first need to clarify (i) what do we understand by (i) strategic modeling and (ii) public multi-actor networks, and (iii) what do we know about the overall strategic modeling of Flemish public multi-actor networks aiming for economic inclusion? Answering these three questions will form the theoretical frame of reference for the analysis of the experiences of the SSE-organizations.

#### ***Strategic modeling: looking for paradigms***

The discipline of strategic management has a long and rich tradition of models and associated research lenses. Our lens concerns the fundamental nature of strategic modeling as investigated by the so-called paradigmatic approach (Carlisle & McMillan, 2002; Mintzberg, 1973; Roubelat, 2006; Whittington, 1993). Within the discipline of the economy, a paradigm is defined as a corroborative and consistent set of assumptions, principles, and opinions that describe how the economy functions or should function (Landreth & Collander, 1994; Medema & Samuels, 2013). When investigating the management of organizations, each paradigm uses another, fundamentally different view on the human behavior within an organization, as well as on the environment in which an organization economically operates and how an organization can survive accordingly (Paun, 2016). As such, it is clear that there is no one way to manage an organization, but many alternative ways. Similar reasoning applies to the strategic management of an organization: there does not exist one but many strategic ways.

Writing a well-delineated story on alternative strategic management paradigms is however not self-evident. This is mainly due to the diaspora of the strategic paradigm literature throughout different disciplines. Besides the discipline of economics, a substantive amount of literature can also be found in the disciplines of sociology, anthropology, and political sciences. Additionally, there is a vast amount of literature in some sub-disciplines like management, public management, decision-making theory, organizational behavior, and public administration.

In the next sub-paragraphs, we only summarize the economic paradigmatic lens. Additionally, we focus on the three paradigms that we have encountered the most throughout our subsequent research initiatives in Flanders during the last twenty years (see also paragraph on research methodology). It concerns the classical rational paradigm, the behavioral incremental paradigm, and the stakeholder paradigm.

- *The classical rational management paradigm:*

First, there is the so-called classical rational paradigm. It is the eldest paradigm dating back to the beginning of the 20th century and experiencing a considerable revival since the end of the twentieth century.

Within the discipline of economics, this paradigm is mainly used and preferred by the classical, neoclassical and (neo)liberal economists (Landreth & Colander, 1994; Medema & Samuels, 2013). Additionally, it is also preferred by managers with technical (e.g. engineers) and juridical background (i.e. law experts). Presumably, their paradigmatic preference is based on a commonly shared view on the world, being that of a natural, measurable and predictable order. Following this paradigm, the effects of economic actions can easily be predicted as they follow by default the logic of these universal economic laws of nature.

When considering, in particular, the economic behavior of the individual, the idea of the homo economicus is launched (Anderson, 2000; Friedman, 1953). Although a more correct term would be the homo neoclassical economicus, this human being acts solely according to the universal economic laws of nature. As such, his/her behavior is rational and universal beneficiary (i.e. the economic interest of all men is the same: maximal income, minimal costs and thus maximal profit or welfare). Because of these features, human beings are often compared to machines (i.e. the man-machine metaphor). Their economic behavior is genetically programmed. Simultaneously, the economic environment in which he/she acts is highly stable and predictable. After all, future economic behavior and their effects evolve according to stable and predictable patterns. What was and is now, will also be so in future time.

Based on the conviction of the homo economicus and of a stable and predictable economic environment, the management and strategic management of organizations are relatively easy and straightforward. Uncover the universal laws of economic behavior, emphasize them in explicit commands for the employees and they will automatically act accordingly (i.e. the obedient man-machine who accepts commands and management rules in line with his natural conditioning). The strategy of an organization is then defined as a formal, long-term plan that contains a vast, consistent and well-considered set of commands that guarantee the future success and survival of the organization (Ansoff, 1988; Johnson, Scholes, & Whittington, 2014; Mintzberg, 2000). Success is primarily defined in terms of dominance, competition, and profitability (Porter, 1980, 1985, 2008).

Consequently, the overall features of the strategic management process are (De Wit & Meyer, 2010; Johnson et al., 2014): (i) the use of strict, formal and linear roadmaps<sup>1</sup>, (ii) generic management instruments or tools that are assumed to guarantee a universal success<sup>2</sup> (i.e. irrespective of the type of organization), (iii) cut-and-paste best practices coming from popular and successful profit organizations, (iv) a preferable priority of efficiency (i.e. rationalization, cut-downs), (v) strict and profoundly elaborated strategic goal-cascades up until the operational level, (vi) strict and instrumental strategic management control systems, (vii) a rather traditional organization structure<sup>3</sup>, and (viii) a task-oriented and content-focused strategic leadership style.

When applied in a public management context, the advantages of this paradigm are often depicted as improving the overall transparency and thus control over the public management process. For some political and administrative policymakers, these advantages guarantee a more neutral, objective and thus professional approach. Not all policymakers, however, share this point of view. Moreover, they emphasize the risk of becoming too rigid, static and even bureaucratic. After all, reacting flexibly and responsively to the dynamic and unpredictable challenges of the public sector becomes very difficult if not impossible.

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<sup>1</sup> Including the mission statement, the environmental analysis, the strategic goals, the strategic actions (in view of ambitioned competitive advantages), the implementation and the management control (including a strategic performance management system with indicators).

<sup>2</sup> The environmental analysis makes for instance use of a SWOT-analysis (i.e. strengths, weaknesses, opportunities and threats) and the strategic goals meet the SMART-criteria.

<sup>3</sup> A high degree of task specialization, a market-oriented departmentalization, coordination via direct supervision and standardization (i.e. rules and procedures) and a high degree of centralization

- The *behavioral incremental* management paradigm:

Second, there is the behavioral incremental management paradigm. This paradigm evolved in the interbellum of the twentieth century and has become an important alternative paradigm for the rational one since the sixties. In essence, the protagonists of this paradigm reject the existence of the economic laws of nature. Based on their knowledge of sociology, psychology, and anthropology, they believe that human behavior is much more the outcome of the free will, personal values and norms, and of collective conditioning (e.g. family, society, work environment). As such, human behavior is far more complex than assumed by the previous paradigm (Paun, 2016). Additionally, human behavior can be *crafted* and influenced by interventions (Mintzberg, 1987). Economic behavior is, therefore, diverse.

Within the discipline of economics, this particular paradigm is used and preferred by behavioral economists (Landreth & Colander, 1994; Medema & Samuels, 2013; Thaler, 2015). Additionally, it is also preferred by managers with a behavioral and human sciences background.

When considering, in particular, the economic behavior of the individual, this paradigm rejects the idea of the *homo economicus*. Instead, the protagonists launch the concept of the *bounded rationality* (Cyert & March, 1963; Kahneman, 2003; March, 1958, 1981; Simon, 1972): people would like to behave rational but their physical and mental state - including values, preferences, and norms - inevitably obstructs the actual realization. The protagonists of this paradigm also reject the idea of the *universal beneficiary drive*. Instead, they launch the concept of opportunism and self-interest seeking behavior (Cyert & March, 1963; Hill, 1990; Hodgson, 2004; March, 1958). Human beings have different drives based on for instance the social status, education and the organizational function (e.g. owners versus top managers). Although the uncontrollability of self-interest seeking humans is not entirely agreed upon<sup>4</sup>, it is a major concern of the protagonists. Thus and due to these two behavioral assumptions, the management of organizations cannot at all be compared to machines. Simultaneously, the economic environment that human beings partly craft themselves, is much more dynamic and unpredictable than suggested by the previous paradigm. What *was* and *is* now, is certainly not necessarily so in other settings.

Based on the behavioral features (i.e. bounded rationality and opportunism) and the features of the economic environment (i.e. dynamic and unpredictable), the management and strategic management of organizations become more difficult. Formulating universal commands that are automatically accepted or implemented is not self-evident. The strategy of an organization is thus defined as a dominant, responsive and changing behavioral pattern over time (Brown & Eisenhardt, 1998; Mintzberg, 2000; Mintzberg & Waters 1985; Quinn, 1978). It consists of deliberate or planned parts of strategy on the one hand and spontaneous parts of strategy on the other. In other words, the realized strategy reflects the ongoing struggle for survival, partly deliberate and partly emergent. It does however neither facilitate prediction nor future success.

Consequently, the overall features of the strategic management process are (De Wit & Meyer, 2010; Johnson et al., 2014): (i) a flexible, adaptable use of formal and informal planning that can be revised and/or reconsidered in time, (ii) the use of tailor-made management instruments, (iii) a considerable skeptic attitude towards cut-and-paste best practices of popular profit organizations, (iv) a preferable priority for effectivity with respect of the learning organization principles (i.e. gradually gaining insights, mistakes may be made), (v) general strategic outlines that are not elaborated in detail, (vi) flexible management control systems (e.g. more use of process control), and (vii) an employee-oriented or transformational leadership style.

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<sup>4</sup> This discussion is mainly an issue amongst the so-called transaction-cost economists. By means of contracts and reward systems, they try to limit and even control the self-interest seeking behavior.

When applied in a public management context, the advantages of this paradigm are often depicted as improving overall flexibility, responsiveness, and creativity. For some political and administrative policymakers, these advantages also provide more vigor and “punching” power. But, not all policymakers share this point of view. Moreover, they emphasize the risk of becoming too hesitating, indecisive and thus out of control. The paradigm is therefore also associated with a kind of “laissez-faire, laissez aller” approach.

- The *arena stakeholder* management paradigm:

Third, there is the arena stakeholder management paradigm. The appearance of this paradigm is closely intertwined with the behavioral incremental paradigm. Since the eighties, however, it has presented itself as a full-fledged alternative for the first and second paradigm.

Like the behavioral incremental paradigm, the protagonists of the arena stakeholder paradigm reject the existence of economic laws of nature, consider human behavior as complex and recognize the crafting-facilities by means of interventions. Additionally, they also recognize the existence of bounded rationality, opportunism, and a dynamic and unpredictable economic environment.

In contrast to the behavioral incremental paradigm, this paradigm, however, emphasizes much more the aspect of opportunism and self-interest seeking. Thus, the organization does not even exist. Instead, an organization is considered to be a diverse and complex melting-pot of different and sometimes (highly) conflicting agents or stakeholders (Freeman, Harrison, Wicks, Parmar, & Decolle, 2010). Consequently, this paradigm pays much attention to management aspects such as power and political behavior (e.g. lobbying, delegation, collaboration, and manipulation) (Cohen, March, & Olsen, 1972; Fama, 1980; March, 1962; Pettigrew, 1973).

Within the discipline of economics, this particular paradigm is once again used and preferred by behavioral economists (Landreth & Colander, 1994; Medema & Samuels, 2013; Thaler, 2015). Additionally, it is also preferred by managers with a sociological or political and even diplomatic background.

According to this paradigm, the strategy of an organization is defined as a dominant and changing behavioral pattern over time, on which stakeholders and their power-seeking behavior have a considerable impact (Freeman, 2010; Minoja, 2012). Thus, the realized strategy reflects the ongoing struggle as experienced and provoked by the various stakeholders involved. Once again the strategy supports rather long term introspection and understanding, instead of the prediction and success.

Consequently, the overall features of the strategic management process are (De Wit & Meyer, 2010; Johnson et al., 2014): (i) a flexible, adaptable use of formal and informal planning in view of gaining bearing-surface for decisions and/or remediating power-imbances, (ii) the use of tailor-made management instruments in view of stakeholders preferences, (iii) a considerable skeptic attitude towards cut-and-paste best practices because of the impact of power-balances and individual stakeholders (e.g. who considers this solution to be the best and why?), (iv) a preferable priority for effectivity with respect for the expectations and interest of all stakeholders involved, (v) general and rather vague strategic outlines that can be accepted more easily than detailed ones, (vi) hybrid and stakeholder-sensitive management control systems, and (vii) a charismatic, convincing or diplomatic leadership style.

When applied in a public management context, the advantages of this paradigm are depicted as improving the overall commitment, engagement, and impact of the organization. After all, a harmonious attitude of motivated stakeholders will enhance the success of strategic actions. But once again, not all policymakers share this point of view. As such, they emphasize the risk of triggering simultaneously confrontations,

disagreements, and conflicts. Therefore, some depict the paradigm as a kind of kinky “wheeling and dealing” approach.

### ***Public multi-actor networks: in search of a practical definition***

Within the international public management literature, the item of multi-actor networks or alliances in which public actors play a considerable role has received a lot of attention (e.g. Klijn & Koppenjan, 2015; Koliba et al. 2011; Osborne, 2006). In line with the majority of this literature, we also consider a public multi-actor network to be intense cooperation between public institutions and semi-public, profit and social profit organizations.

The motivation to join forces varies (Fugini, Bracci, & Sicilia, 2016; Koliba et al. 2011). Often it concerns tackling complex societal challenges (see also the introduction). Thus, each partner provides complementary time, means and knowledge that line up with their respective professional capacities and expertise. But, public alliances can also serve other goals such as efficiency (i.e. rationalization, public cut-downs), innovation and influence (i.e. impact, control).

In line with the so-called subsidiarity principle, the identity of the leading public actor within these public networks can change (Sörensen & Torfing, 2007). As such, outspoken local policy issues like for instance economic inclusion, often result in multi-actor networks controlled by local governments.

Parallel to the tendencies in the international literature, the research on public multi-actor networks in Flanders is also considerable (Callens, Verhoest, & Voets, 2018; Willems et al., 2017). The main focus of interest, however, concerns the sociologic, administrative, political and legal features of these networks (e.g. control, accountability, PPS-constructions), not management.

### ***Public networks for economic inclusion: exploring paradigmatic dominance in Flanders***

Our summary of the strategic modeling features of the multi-actor networks starts with summarizing the dominant strategic paradigms of each partner separately (i.e. Flemish local governments and Flemish SSE-organizations). Chances are high that their *individual* strategic logic eventually influences the *collective* and *joint* modeling of the network. To broaden up the theoretical framework, we will start each summary with a short sketch of the international context.

- Strategic modeling in *Flemish local governments*:

When we investigate the international literature on the public sector and local governments, in particular, the strategic management focus is quite considerable and has already manifested itself since the early eighties. It coincides with some world-wide public management trends like New Public Management (NPM) and New Public Governance (NPG), also referred to as post-NPM or the Digital Governance Era (Hood & Peters, 2004).

All of these changes suggest that a (more) professional, read a (more) efficient and effective public management sector should be inspired by the profit sector and/or in particular the principles of the free-market. As such, some NPM advocates have launched the concept of *new managerialism* in the public sector (Exworthy & Halford, 1999; Pollitt, 1993). Likewise, the strategic management process should be based on the strategic practices of the profit sector, which according to the same advocates necessitates severe rationalizations, privatizations, and internal reforms. According to the advocates, these profit practices seem to match the features of (only) the classical rational paradigm. Admittedly, their attention paid to some items of the stakeholder paradigm (e.g. the existence of stakeholders, conflicts of interest and networking) has increased, especially since the so-called Governance Era. But, when we, however, investigate the way in which

these items have been elaborated and put into practice, they rather match the principles of the classical rational paradigm than of the stakeholder paradigm (Vallet, 2016, 2018).

In Flanders, the research into the strategic management of local governments is existing but to a much more limited extent. Additionally, the particular attention for strategic paradigms is unfortunately absent. Our research has, however, shed some light on this particular topic. It consists of explorative case-study research, focus group research and action research (see later research methodology). Given the explorative nature of these research initiatives, we cannot formulate general conclusions. But, we do find however some interesting and inspiring tendencies for future research (Vallet, 2011, 2018).

As such, we noticed that Flemish local governments seem to be more inclined than SSE-organizations (see later) to persistently (re-)use and prefer the classical rational paradigm. Although Flemish local governments sometimes use the misleading terminology of managing *networks, partners, stakeholders, participation* and *co-creation*, they seldom use the stakeholder paradigm in a correct, genuine and convincing way (Vallet, 2016, 2018). More often, it is a thin layer of stakeholder varnish than a full option. When investigating the paradigmatic choices of Flemish local governments, we had a particular interest in uncovering the underlying motives of this paradigmatic preference.

Thus, the persistent choice for the classical rational paradigm was apparently not so much based on an act of isomorphism (i.e. copying the world-wide NPM and NPG trend), nor on an experienced high customer-satisfaction (i.e. an approved political success by means of a victory in subsequent elections). On the contrary, nearly twenty years after the first new managerialism reforms in Flanders the satisfaction of Flemish civilians on the performance of local governments has not really improved. In subsequent local elections (e.g. 2007, 2013 and 2019) they kept on 'punishing' the political policymakers in residence who have also been in charge of the continuing NPM- and NPG-reforms. Notwithstanding these devastating electoral results, the Flemish local governments seem to keep on promoting and implementing the classical rational paradigm (Vallet, 2016, 2018). As such and on the basis of our explorative research, we have experienced that this preference is presumably rather based on ideological grounds and convictions. In other words, the persistent use of the classical rational paradigm clearly seems to be more related to the dominant position and pressure of the underlying political right-wing ideology throughout the local policy-making in Flanders. This ideology often argues that it is the only economic paradigm present in *the* profit sector. This argument is however not correct as many profit organizations also prefer and use the other two paradigms as well.

- Strategic modeling in *Flemish SSE-organizations*:

Within the international strategic management literature, there is a growing interest in the strategy of SSE-organizations, albeit that the definition and delineation of an SSE-organization are not always clear. As such, a considerable amount of SSE-insights can also be found in the literature on social entrepreneurship and hybrid organizations (Haigh & Hoffman, 2014; Haigh, Walker, Bacq, & Kickul, 2015; Ormiston & Seymour, 2011; Porter & Kramer, 2006). As not all hybrid organizations and all organizations that respect the principles of social entrepreneurship are however SSE-organizations, these strategic management insights should be transferred to the SSE-sector with extreme caution. When we look for publications focusing in particular on the strategic paradigms, we do find publications mentioning the importance of some separate features like for instance rigid strategic toolboxes, dynamic strategic environments, and stakeholders. But, we do not find literature that investigates the entire nature of the respective paradigms profoundly and consistently.

In Flanders, strategic management research in the SSE-sector has been rather scarce especially the investigation into strategic paradigms. Our research initiatives on this matter, however, have tried to fill up this gap. It concerns once again explorative case-study research, focus group research and action research (see later research



methodology). Although the explorative nature of these initiatives does not allow us to make general conclusions, we do find some interesting tendencies that may inspire future research (Vallet, 2010; Vallet & Wouters, 2011).

As such, we did not find indications for a dominant use or preference of the classical rational paradigm. On the contrary, the two other paradigms were much more often experienced as “... *fitting better our SSE-identity and contextual setting*”. Nonetheless, some Flemish SSE-niches like the sheltered workshops, seem to tend to prefer the classical rational paradigm. Their motivation is inspired by the use of standardized working procedures on their work-floor and by their intensified quest for scale economies. The latter is triggered by the newest policy measurements of the Flemish government to render the SSE-sector more market-oriented and competitive. Although we have uncovered some interesting tendencies, it is clear that further future research will be needed to investigate and fine-tune these first paradigmatic findings in the Flemish SSE-sector.

- Strategic modeling in *Flemish public multi-actor networks for economic inclusion*:

When considering the strategic paradigms used within the public multi-actor networks, international literature is somehow ambiguous. By analogy with the overall strategic management literature (see before), various concepts originating from different and mutually opposing paradigms are often put together in one paradigmatic management *panache*. Even when the notion of stakeholders is widely used, assuming that this suggests an outspoken and genuine dominance of the stakeholder paradigm is clearly premature.

When considering multi-actor networks that focus in particular on economic inclusion, we have conducted various explorative research projects in Flanders (see later research methodology). These projects are related to the launching of our so-called IEP Site concept. This acronym stands for Inclusive Economic Participation site (e.g. Vallet, Bylemans, & De Nys-Ketels, 2017; Vallet, De Nys-Ketels, & Bylemans, 2017).

Although the prime focus of these IEP Site research initiatives was on the development of so-called IEP Site blueprints, the research findings also revealed interesting insights into the use, dominance, and consequences of strategic paradigms. It is mainly these insights that are reported in this contribution. In this paragraph, we already want to emphasize the dominance of the classical rational paradigm, but the consequences will be described later (see later research results). Presumably, this dominance is due to the dominant role that Flemish local governments usually play in these networks. The partner that dominates the management of these networks, apparently also chooses the dominant strategic paradigm.

As mentioned before, we have developed a *track* of complementary research initiatives that gradually generated insights into the paradigmatic nature of the strategic management within Flemish local governments, SSE-organizations and Flemish public multi-actor networks for an economic inclusion involving both actors. As our first initiatives go back to the late nineties, the entire track covers approximately twenty years. The investigation of the multi-actor networks for an inclusive economy is, however, the most recent and newest pathway in our longitudinal investigation, starting some eight years ago.

The methodology used throughout this track is explorative and qualitative. The complexity of the paradigmatic point of view as well as the lack of existing insights especially in the public and SSE- sector in Flanders, made an explorative approach highly recommendable (Denzin & Lincoln, 1998; Tracy, 2019). Within the tradition of qualitative research, we have chosen for the methodology of Grounded Theory (e.g. Birks, 2011; Charmaz, 2014; Glaser & Strauss, 1999; Stern & Porr, 2011; Strauss & Corbin, 1994). Through subsequent research initiatives, we want to gain inductive in-depth insights that

enable us to build gradually an overall theory on the paradigmatic nature of the strategic modeling in the public and SSE-sector, as well as the multi-actor networks that they create.

To generate a rich and rigorous exploration we have combined various qualitative research methods in line with the overall prescriptions of the qualitative research tradition. Thus, we combined case-study research, focus group research (i.e. overall platform debates) and action research (i.e. pilot studies) (Krueger & Casey, 2014; Morgan, 2018; Stake, 1995; Yin, 2017):

- The *case-study research* focused on the strategic management features and evolutions in various organizational contexts (i.e. different local governments and SSE-organizations). The data-collection was realized through semi-structured interviews and desk research (e.g. policy documents, website information). The semi-structured interviews were held with political and administrative policymakers on the one hand (i.e. research in local governments) and with SSE-managers, -coordinators and -project managers on the other hand (i.e. research in SSE-organizations). In some case studies, we also made limited use of observations (e.g. site visits, attending meetings). Over twenty years, we have realized approximately forty case-studies in a total of which fifteen in Flemish local governments, six in Flemish SSE-organizations and twenty-five in Flemish multi-actor networks on economic inclusion;
- The *focus group research* consisted of overall platform debates on the findings of the previously mentioned case-studies. The data-collection was realized through a discourse approach (i.e. participants were invited to criticize, reflect and comment on obtained research results). The participants were *expert witnesses* coming from different public and social profit organizations. Their expertise was explicitly based on practical knowledge and field experiences. The number of participants varied between five and twenty. One platform debate lasted between one and three hours. The total amount of platform debates varies. With an average of one debate per year we have realized approximately twenty debates;
- The *action research* consisted of pilot studies that focused on the design and try-out of IEP Site blueprints. A blueprint is a well-considered and consistent management plan to successfully install an IEP Site. To elaborate and implement the blueprints we made use of individual talks, collective meetings (i.e. with all stakeholders involved) and observations (i.e. consequences of implemented decisions and actions). Up until now, we have realized two pilot studies. The first was situated in the former Colony of Wortel-Merksplas (i.e. in the north of the Province of Antwerp, near the city of Hoogstraten). The second was situated in the city of Mechelen (i.e. financed by the European Social Fund of ESF 2017-2019).

In addition to the three types of explorative research methods, we also gained interesting information through training sessions held with managers of Flemish local governments and SSE-organizations. Each training session started with a short presentation of the strategic paradigms. Next, participants were invited to investigate and comment on the presence of these strategic paradigms throughout their organization. This resulted in intense discussions and critical debates. The number of participants per session varied considerably, from ten to forty. The duration of a training session varied likewise: between half a day and thirty hours or five days. Most of the training sessions were embedded in the training program of the Antwerp Management School (e.g. Master in Public Management, Masterclasses in Social Profit Management and SSE). As such, most participants fulfilled a management function (e.g. top manager, middle manager, project manager, coordinator). Over twenty years, we have organized approximately forty training sessions.

To conclude this methodological paragraph, we want to emphasize that this article is a *reflective* research article. As such, the findings of various, complementary research initiatives are taken into consideration. In view of the economic inclusion focus of this contribution, we have primarily reflected on the findings of the research realized within the multi-actor networks for economic inclusion. Consequently, we have unraveled the

discussions, judgments, and experiences of how the network involvement of Flemish SSE-organizations has gradually influenced and transformed their strategic behavior. By presenting these reflections we want to invite other researchers to further uncover, fine-tune and investigate our experiences and interpretations.

### **Research results**

Let us now investigate the precise nature of the discussions, the judgments and the experienced consequences of the network participation by Flemish SSE-organizations. How do they experience the strategic modeling of these multi-actor networks and how does the dominant rational management paradigm align or relate to these experiences? In short, what are the lessons learned?

#### ***A dubious invitation to participate***

A first uncovered discussion item relates to the start-up of the public multi-actor networks and the invitation of SSE-organizations by the initiating local governments.

Based on the collected data, many SSE-organizations seem to experience mixed feelings about this invitation. As negotiations evolve, the major concern of local governments often seems to be creating jobs to solve the present malfunctions within the regular Flemish labor market. After all, the recent economic crises generate considerable deficiencies in cheap labor forces. Through a public multi-actor network, local governments hope to generate and deliver these needed cheap labor-forces as quickly as possible. This point of view is often ventilated throughout the interviews with administrative and political respondents of the local governments involved. Additionally, the action radius of the networks is primarily focused on deprived urban neighborhoods in which the unemployment rate is (very) high. For many respondents of the local governments, the labor market shortage on the one hand and the abundant amount of low-skilled unemployed citizens, on the other hand, could lead to counterbalancing problem-solving. Mathematically spoken this is a perfect match. The regular labor market can finally recover and generate prosperous perspectives in terms of profit and economic income (... also for the local government itself through taxes). The unemployment allowances decrease what generates low public expenses and cutback facilities. And last but not least, through the focus on re-energizing and developing particular (impoverished) urban neighborhoods, the potential voter and *client* of the public sector can observe the public efforts in a clear and rewardable way (i.e. “*yes, this local government is really bringing change so that the politicians deserve my future vote*”).

From the point of view of SSE-organizations, frictions arise however when local governments want to impose their previous reasoning on all partners of the network. Based on the collected data, the ambitions of SSE-organizations are much broader and intrinsically different. Thus, SSE-organizations are not primarily interested in fixing the regular labor market, but in (i) creating and reassuring a *sustainable* employment for all citizens including the vulnerable ones (i.e. not a temporary or precarious one, not only in times of labor shortages), (iii) striving for the growth of their competences, self-esteem, and self-reliance (i.e. a full-fledged and long-term focus), (iv) coaching them intensively when realizing the job (i.e. a continuous and tailor-made support), and (v) guaranteeing respect and appreciation (i.e. not treat them as the last in line to fill up deficiencies; not considering the regular labor market for-profit organizations as superior; not considering a return to the regular labor market as the ultimate goal). Additionally, SSE-organizations are also interested in combining these particular work-related ambitions for vulnerable citizens with other societal ambitions concerning, for instance, the development of a circular and/or local economy.

As such, and inspired by the classical rational paradigm, local governments (over)emphasize the overall efficiency of the public multi-actor network and each partner

involved. As the priorities of the SSE-partners generate inevitably high financial labor costs (i.e. training, coaching, development facilities), they easily judge SSE-organizations to be inefficient and in great need to learn from profit organizations how to decrease their labor costs. Consequently, and as several respondents from local governments emphasized during the interviews, SSE-organizations are considered to be “... *not so good in management as profit organizations*”, or “...*the weakest partners of the entire network game*”.

SSE-organizations experience this kind of reasoning not only as offensive but also as alienating them from their essential identity. Implementing best practices of profit organizations and/or reasoning in dominant terms of labor costs, forces SSE-organizations to make their financial goals far more important than their social goals. According to many SSE-respondents, this leads inevitably to a degeneration of their management practices in view of their SSE-identity.

As a result, Flemish SSE-organizations have become rather cautious when being invited by local governments to join public multi-actor networks, certainly when the preference of the latter for the classical rational paradigm is quite clear. As such, a respondent, for instance, explained: “...*we have to be careful with their hidden agenda!*”. This is certainly the case when SSE-organizations also actually experience the status of the second-rate partner. Thus, another SSE-respondent emphasized: “*when we did not want to give up our own identity and management model, we were not fitting anymore. We were replaced or we were only used to deliver cheap labor forces, and once this was done we were put aside and replaced by profit partners*”.

This growing cautious attitude of SSE-organizations is also perceived by a lot of local governments themselves. Throughout our research projects, public respondents often consider this, however, to be a sign of SSE-organizations not willing to improve their overall management performance and even of their economic “*stubbornness*”. Therefore, only SSE-organizations that do adopt the classical paradigm are welcomed and rewarded with a partnership. According to many SSE-respondents, this generates a vicious circle in which fundamentally changed and alienated SSE-organizations risk to survive in the long run because of their network involvement and tendency to a more - hybrid? - profit identity. Consequently, pure or genuine SSE-organizations risk becoming isolated, marginalized and excluded.

### ***A one-sided view on quality, professionalism, and innovation***

A second uncovered discussion item relates to the meaning and management implications of concepts like quality, professionalism, and innovation.

Based on our explorative data-collection, many local governments seem to make a direct link between these three management concepts and a positive effect on the profit or financial benefits of the network (i.e. see before: the efficiency priority within the classical rational management paradigm). Quality is the way to which clients appreciate the delivered services and are willing to pay for it. Professionalism refers to expert competences of the employees that guarantee a high added value of the delivered services, once again highly appreciated by different types of paying market actors (i.e. clients, financial institutions, shareholders). Innovation refers to new techniques and processes that improve the effectiveness but also the efficiency of the organizations (e.g. labor cost-saving automation and digitalization).

For many respondents out of the SSE-organizations involved, these meanings are not at all shared, on the contrary. Given their identity and for instance, the prior emphasis on (i) vulnerable citizens, (ii) a tailor-made approach and (iii) sustainable or circular economy, quality does not imply that clients automatically are willing and especially capable of paying for it. After all, vulnerable citizens are not only vulnerable on the production side of the economy (i.e. as labor forces), but also on the consumer side (i.e. buying goods and

services). So, cheap products may still be of high quality but not generate necessarily high incomes for the organization. For SSE-respondents this is, however, no problem as long as these services reach vulnerable target groups and improve their well-being (i.e. see before: respect and appreciation). This is often explicitly emphasized by several SSE-respondents during our research. Additionally, professionalism does not necessarily refer to high competences of employees. True, initiatives are undertaken and support is given to improve the overall competences of the employee target groups, but this is done in respect of individual disabilities and constraints. Thus, SSE-organizations accept that for instance the speed and intensity of the labor force might be kept deliberately low to guarantee a feeling of well-being, self-reliance, and self-esteem of their employees. One SSE-respondent emphasized: *“if necessary, clients just have to accept this”*. Finally, and also based on the collected data, innovations seem to be mainly focused on improving the quality of work and labor circumstances, as well as meeting the particular tailor-made needs of clients amongst which also vulnerable citizens (i.e. see before: effectiveness). Automation and digitalization are therefore not primarily focused on saving labor expenses and cutting jobs. And when a *“human touch”* is needed to guarantee perceived quality by the client (e.g. deprived elderly people), the delivered services will deliberately not be automated (e.g. *“we want no domotica but a human touch”*). Nothing is wrong with labor-intensive activities. According to many SSE-respondents, their costs and decrease of the eventual financial profit are compensated by a high human and sustainable return on investment.

Thus, and inspired by the classical rational management paradigm, local governments once again seem to judge SSE-organizations as being *“weak”* or *“limping behind”* when it comes to guaranteeing quality, professionalism, and innovation. This is, in any case, the dominant experience of our interviews with public local respondents and also with many SSE-respondents involved. Additionally, local governments often advise SSE-organizations to improve these management concepts, mainly through best practices and hired consultants who are experts in the profit sector. In line with the classical rational paradigm that is then seen as the only existing management paradigm.

Based on our research findings, SSE-organizations experience this kind of reasoning not only as offensive but also again as alienating them from their SSE-identity. Once again it forces them to make their financial goals far more important than their social goals.

### ***Distortions of (honest) competition***

The third item of discussion relates to a more general comment on the SSE-sector that was used often by public representatives, especially right-wing politicians. Therefore, it can be seen as the item that is most openly and explicitly related to the classical rational paradigm and the underlying (neo)classical ideology.

When creating networks, many local governments seem to be vigilant not to obstruct or jeopardize a so-called honest competition. Several public government respondents emphasized this concern during our research initiatives. In line with the classical rational paradigm, they consider the economic free-market model to be the best or ideal market form in economics. When inviting SSE-organizations to become partners, public representatives, therefore, emphasize that they will not be treated differently from other (profit) partners. Or, as an SSE-respondent said: *“we had no right to claim otherwise, that was out of the question”*. In particular, this means that SSE-organizations have to *“deserve”* a partnership based on being efficient. Additionally, many public representatives seem to consider profit organizations to be able to render the same services to the unemployed vulnerable citizens as SSE-organizations do. So, in essence, there is no difference, and SSE-organizations are not permitted to negotiate or demand special treatments or alterations of the network management priorities. Thus, an SSE-respondent emphasized for instance that there were *“no mild concessions”* made, irrespective of the uniqueness of the SSE-profile (see before).

In line with the contemporary public debate in Flanders, many public representatives in our research often judged SSE-organizations to undermine and distort the economic ideal of complete competition. Based on the collected data, this is also the dominant impression that many SSE-organizations got. Surprisingly, however, they do not only experience this with Flemish right-wing politicians but also with several left-wing politicians and even with supposedly neutral civil servants. In this way, we as researchers are inclined to speak about an emergent ideological myth that gradually has received the status of some kind of neutral economic-law-of-nature. According to this reasoning and based on additional data, the competition distortion is said to be done in two ways. On the one hand by receiving subsidies that decrease their labor cost in relation to the profit sector that receives nothing. On the other hand, by getting a prior ranking in sub-contracting calls of community services by public agents (e.g. the green maintenance of public parks, small restorations of public furniture, painting jobs in public schools).

When we investigate the institutional impact and consequences of this reasoning, we can also detect a trend towards correcting this unwanted distortion of the complete competition in the legislation within the SSE-sector. Recent Flemish policy measurements, for instance, diminish and even abolish this type of public SSE-support in the so-called *Maatwerk* decree. The SSE-respondents depict the consequences of this upcoming decree as follows. According to this decree, subsidies or financial support will be given to all organizations that give socially vulnerable people a job, irrespective of their economic identity. The decision is given to the vulnerable citizens themselves who receive some kind of backpack-allowance that they can spend freely to the best provider of a job. In relation to the community service calls, open tenders will be used for which again all organizations can candidate. Additionally, the tenders will be judged mainly upon the low cost and efficiency. Finally, SSE-organizations will also have to look for financial compensations and extra income through exploring the free market and joining forces with profit organizations. Admittedly, these new policy measurements have encountered some resistance and delay in the implementation. But, up until now “insiders” have confirmed that the fundamental principles are kept unchanged by the new Flemish government. This is anyway the informal message that various SSE-respondents throughout our research track got when communicating with these “insiders” and/or public representatives.

For many SSE-respondents, these policy measures are perceived as directly attacking their SSE-identity and even their basic right to exist. Frequently, these respondents confirm that although they are aware that their management practices can certainly be improved, they do not want to be forced in adopting “*other*” values (i.e. the free market ideal) and thus becoming hybrid or even profit organizations themselves.

Additionally, and according to some SSE-respondents, another approach of the public SSE-support is more correct and respectful. Thus, subsidies should be seen as a collective compensation given by society for the explicit societal added value that only SSE-organizations create for vulnerable citizens. It clearly concerns more than “just (*temporarily*) giving a job... or using them as cheap labor-forces to fill in temporary labor market deficiencies” (see before). Besides, the received subsidies are far from sufficient to cover the total investments and added value created by SSE-organizations. In this sense, their competition distortion impact is much smaller than suggested, or as a respondent said: “*Profit organizations do not benefit from subsidies, that is true, but they do not make considerable investments like SSE-organizations neither*”. Besides, it is not an explicit request of the SSE-sector to cover fully their expenses. Based on our collected data, subsidies are rather seen as a token of collective appreciation and thus motivate SSE-organizations to certainly continue their considerable and harsh efforts.

Furthermore, some SSE-respondents emphasized that SSE-organizations often serve economic niches with a very specific customer profile. In accordance with the literature on strategic groups and niches (e.g. Tang & Thomas, 1992; Tywoniak, Galvin, & Davies, 2007), these customers do not necessarily come from other niches because of detected

cost-benefits. The customers visiting, for instance, social restaurants, do this because of the services given by people with a similar profile, because of its nearness and low thresholds: “*Luxurious restaurants are not their initial choice and never will be... Visiting them will also not happen even when these luxurious restaurants themselves would offer cheap meals. So we do not hijack or steal customers from them*”. After all, the behavior of customers is complex and seems to be influenced by psychological and sociological aspects besides (only) low expenses reasoning.

Another problem experienced by many SSE-organizations is the fact that socially vulnerable citizens are not always capable of making well-considered judgments on expenses. As such, their backpack-allowance as suggested in the new decree can easily be spent at a quick win (“*an organization offering a job to start the next day*”), but not necessarily to a sustainable and more holistic win (i.e. an organization giving also the necessary support, training and long term commitment).

Finally, only a limited amount of SSE-respondents expressed their preference for the other management paradigms as described before. At first sight, this was somehow puzzling for us as researchers. But when investigating their reasoning in more detail, the collected data showed that many SSE-directors or managers are not quite familiar with the paradigmatic alternatives. Once we handed over information on these paradigms, a lot of respondents were however much more inclined to use them as an inspiration, but also as a critical evaluation instrument to detect what could be improved according to these alternatives in respect of their identity.

To conclude, once again the overall result of this public pressure towards the acceptance of the neoclassical economic philosophy by adopting the classical rational paradigm, is perceived as a transformation towards alienation, rather than towards harmony and improvement.

### ***Isomorphic tendencies***

The last item that we have detected throughout our research initiatives, is closely related to the previous items but emphasizes more explicitly the public need to wipe out different organization profiles and associated management models within the economy.

According to public and SSE-respondents, there clearly seems to exist a tendency to talk about *the* economy and *the* economic organization and *the* successful management model. We as researchers think that this tendency may be caused by a growing feeling of uneasiness and loss of control in our ever-increasing complex society. The more complex our lives, the greater the need for simplification. And admittedly, the classical rational paradigm is very clear, transparent and easy to understand. Nonetheless, it sometimes gives a false feeling of security and control. It is not because the model is simple, that the associated environment becomes simple and manageable as well. Admittedly, this is a personal interpretation on behalf of us as researchers.

It is interesting to mention that many local governments tend to formulate critical reflections on this isomorphic tendency, as well as on the overall dominance of the classical rational paradigm. But surprisingly, local governments do not always reason consistently when crafting their multi-actor networks and tackle complex societal challenges. The mystery of this kind of decision making dualism certainly seems to be worthwhile investigating more in-depth in future research projects: why do they, irrespective of the growing criticism and experienced failures, still persevere so obsessively in this isomorphic reasoning and dominant use of the classical rational management paradigm? Is it only a matter of ideological conviction and dedication, or is it something else?

## Conclusions

We have summarized the dominant discussions, judgments, and experiences within public multi-actor networks, as reported by Flemish SSE-organizations and local governments joining forces to remedy economic inclusion. These findings are based on a track of different but complementary explorative research initiatives that gradually generated insights into the paradigmatic nature of strategic decision making within Flemish local governments, SSE-organizations, and multi-actor networks focused on economic inclusion involving both actors. Admittedly, explorative nature does not allow us to make overall statements. Nonetheless, they uncover some interesting lessons-learned that we as researchers want to share with a larger critical audience of peers.

Although the nature of the comments differs according to the respondents involved, it seems to become clear that most SSE-organizations experience simultaneously a lot of enthusiasm, willingness, and interest, but also a growing concern, cautiousness, and disappointment about their involvement. As illustrated in this article, major problems or frictions occur on (i) the true motivation to participate, (ii) the meaning and implications of important management concepts like quality, professionalism, and innovation, (iii) questions about competition distortion, and (iv) the tendency towards isomorphic organizations and management models.

When investigating the underlying management paradigm used by the initiating partner – mostly local governments – it becomes clear that this is a classical rational management paradigm. The features and ideological framework of this particular paradigm help us to understand the emerging problems or frictions. After all, this paradigm is not very favorable for SSE-organizations. The paradigm does not only imply a negation of their unique identity but also questions their added value and management competences.

As such we notice that SSE-organizations seem to become rather cautious and careful to participate in these emerging networks initiated by local governments. Although they still think in terms of interesting spill-over effects of knowledge, synergies, and power, they also experience considerable negative side-effects. Instead of experiencing a transformation towards harmonization and respect, they risk losing their identity and transform towards a management degeneration and even alienation. What makes an SSE-organization an SSE-organization? In what way does an SSE-organization still differ from profit organizations? And how can this be guaranteed when joining public multi-actor networks? As such, SSE-organizations only experience the disadvantages of the classical rational paradigm: it triggers a rigid and static strategic modeling and it is even far from neutral and objective.

Given the research findings, we would like to suggest that other management paradigms are likely more favorable for SSE-organizations in these networks. When also used within the public multi-actor networks, chances are high(er) that by means of parallel network learning effects, SSE-organizations can even improve their performance of these paradigms. Effects and future trends in terms of an identity-wise improvement, empowerment or management (re)vitalization of SSE-organizations are likely to occur. Thus, additional or further research into the paradigmatic nature of strategic decision making seems to be very useful and advisable.

From a more practical point of view, the lessons-learned indicate that it is important that SSE-organizations communicate explicitly on their negative experiences. Only by opening up the debate, questioning supposed advantages of the dominant rational paradigm and offering solutions and alternative paradigms for experienced disadvantages, SSE-organizations can build awareness and trigger change. It is also important to know that even within the public sector, criticism does exist. Not all public actors are automatically in favor of the rational paradigm. Admittedly, the favor is highly ideologically driven, so triggering change demands for intense, political lobbying efforts of the SSE-sector. SSE-organizations should join forces and look simultaneously for allies to support and



empower their SSE-lobby platform. At present and given the institutional SSE-changes towards more competition and less public financial support, joining forces is not self-evident. After all, they rather seem to divide than unify the SSE-sector. Nonetheless, we believe that closing ranks is crucial for obtaining a more beneficial negotiation position. Only then SSE-organizations can turn the tide of the strategic modeling in favor of a more mutually respectful and harmonious partnership. Only then the present strategic dilemma's may vanish.

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