



The Strategic Approaches of Social Enterprises Balancing Social and Financial Goals

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List of Acronyms

SE	Social Enterprise
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Abstract

This study examines the approaches social enterprises take to sustainably balance both their social and financial objectives. The main question is how these companies deal with the inherent frictions between profit and purpose motives. By assessing the methods by which they effectively navigate their hybridity in a capitalistic landscape, this research sheds light on the approaches implemented to support further social impact and maintain financial sustainability. Through a deductive thematic analysis of primary data (interview responses) and secondary data (case studies), the research offers a descriptive framework for how social enterprises choose to manage hybridity related challenges within essential areas of business operations. The findings revealed that social enterprises, through an integrative process, prioritize their social purpose to cultivate widespread alignment on long-term goals, while simultaneously addressing short-term needs through a paradoxical approach. These strategies help social enterprises reconcile their dual logics while also effectively managing the dynamically changing nature of hybridity. The study finds that social enterprises that approach dual goals through this lens are best positioned to sustain success and maintain credibility.

Relevance to Development Studies

The private sector has a key role to play in tackling development challenges. The private sector has shown it can make essential contributions to societal and environmental well-being. These actors have the capacity to spur sustainable economic growth, combat climate change, and finance social and economic infrastructure. However, the reality is often this sector does not live up to this promise. Its operations frequently create harmful repercussions for society at large. The proliferation of social impact-driven companies could lead to a sea change in the mainstream paradigm of business orthodoxy and create the environment by which business truly becomes a force for good. There is growing recognition that social enterprises offer an alternative business model that transcends the profit-driven motives of traditional companies and provides solutions that beneficially tackle a myriad of development challenges. Therefore, it is essential to understand the methods by which social enterprises can compete with profit-driven competitors while retaining their foundational principles. This paper adds to existing literature on social enterprises, offers policymakers and academics insights that benefit future studies, and provides practitioners a guidebook for how their business can compete in a capitalist landscape.

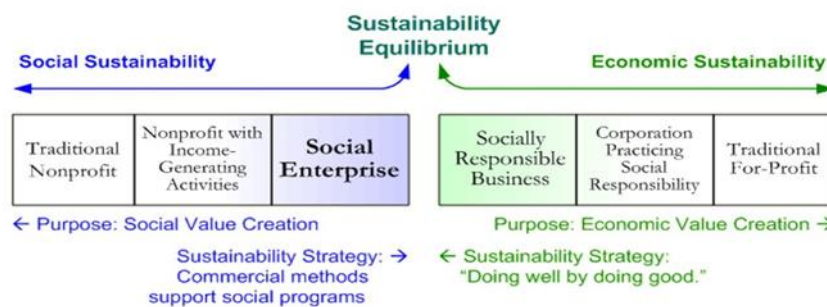
Keywords

Social Enterprise, Paradox, Integration, Dialectic, Dilemma, Strategic Approaches, Structured Flexibility, Social Objectives, Financial Objectives, Areas of Business Operations

Chapter 1 Introduction

The European Commission classifies a social enterprise (SE) as “an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives” (EU). It can also be considered that these dual objectives of making a profit and delivering social impact must at least be “co-equal” and that the balance of profit-making activities should not outweigh charitable social activities. At the same time, SEs need also consider their profit-making activities as not purely secondary to social goals and significant enough to ensure that business operations are their main source of income. In this way, an SE, rather than relying on grants and donations, as a traditional nonprofit does, occupies the middle range of the business type continuum. Traditional for-profit businesses exist on the other end of the spectrum, as social activities are considered as secondary, and not as “co-equal” with financial activities (Fig. 1) (Smiddy, 2010).

Fig.1 Defining Social Enterprises



Source: A. Jama, Medium

After establishing this definition of what an SE is and the unique space it occupies, it becomes evident that these businesses face challenges distinct from pure non-profits and for-profits. SEs are especially vulnerable to the phenomena of mission drift, which “relates to a condition when the company’s mission becomes too focused on financial profits and the social mission is no longer a priority” (Raišienė & Urmanavičienė, 2017, p.303). Mission drift can lead to internal organizational tensions that can affect operational output and external reputational damage that undermines trust, two interlinking concepts that influence an SE’s ability to deliver meaningful social impact. Therefore, achieving social objectives is critically important, and failing to prioritize these not only damages reputation but also erodes confidence in social mission and operational legitimacy. How to avoid this is a task that SEs must reckon with. Understanding the strategic approaches that SEs implement to deal with these seemingly irreconcilable goals is essential for the survival of their organization’s culture, purpose, and viability in a competitive capitalistic business landscape.

Tracing how SEs successfully fulfill their dual mission in the face of external pressures and potential internal tensions should shed light on how they orient themselves to stay true to their hybridity. It is often perceived that the inherent contradictions between financial sustainability and social impact are irreconcilable by nature. If we accept this “binary assumption” in which SEs are “more focused on the economic component of the organization” and “social entrepreneurs drift away from fulfilling social missions”, then it seems unfeasible to sustain a hybrid business model (Munoz & Kimmitt, 2019, p.855). Yet, how can we then

explain SEs that are able to remain competitive without drifting away from their social mission? By challenging the notion that SEs consider choices relating to dual goals as mutually exclusive and ‘either/or’ in nature, this study develops a more suitable theoretical framework to test that better reflects an SE’s ability to effectively balance their social activities with profit-making motives.

As SEs start to gain a stronger foothold in the market, and as stakeholders increasingly demand that they are accountable to more than just shareholders, research that examines how SEs deftly balance and beneficially manage their financial incentive with their social welfare logic is essential. White et al. (2022) conclude that “it will be valuable if future research can explore managers’ perceptions of the tensions they experience in running an SE, whether the paradox perspective resonates with them and whether framing SEs as paradoxical empowers or inhibits them”. SEs “seem to offer a promising way of creating both economic and social value. However, we need to have a better understanding of the conditions under which they can successfully sustain their hybrid nature over time and achieve high levels of both social and financial performance” (Ebrahim et al., 2014, p. 97).

Identifying the areas of business operations where challenges arise in achieving both social and financial goals and evaluating the approaches SEs implement to address these areas will shed light on effective methods of sustaining hybridity. SEs deal with challenges that traditional businesses do not deal with on a day-to-day basis. It is crucial to assess how SEs navigate these areas of business operations, that, if ineffectually handled, can lead to mission drift. This topic will be critically analyzed to respond to the following research question: *How do social enterprises strategically approach supporting social and financial objectives within their essential areas of business operations?* The chapters of this paper will be structured as follows. Chapter two includes a literature review and theoretical framework. In the chapter, I outline the two strategic approaches best suited for SEs to manage their hybridity and explain why alternative approaches are incompatible for an SE business model. I also introduce my theoretical framework, which serves as the guide to evaluate the strategic approaches of SEs and summarize the areas of business operations where dual objective related tensions can manifest. Chapter three describes the methodology of the research and details how I collected and analyzed my data. Chapter four presents the results of the data collection process. Chapter five analyzes the data and discusses the findings. Chapter six is a conclusion that places the research in a larger context, after linking the theory to the empirics, presents recommendations pertinent for the management of SE hybridity, and suggests future research directions.

Chapter 2 Literature Review & Theoretical Framework

2.1 Introduction

SEs face some of their most difficult decisions when deciding how they can grow their company while avoiding a degradation of their social value. Battilana (2012) hypothesizes that “firstly, developing a widely shared organizational culture and, secondly, selecting employees who are capable of simultaneously pursuing social and economic values” can be an effective way of cultivating a sustainable and profitable SE” (as cited in Raišienė & Urmanavičienė, 2017, p. 304). If this is the case, what are the strategic approaches SEs implement that cultivate such identities and how do they effectively balance and manage their dual goals? Is this manifested through organizational ambidexterity?

The literature review will identify two strategic approaches that SEs utilize to sustain their hybridity, explain why other approaches aren’t well equipped to handle the dynamic nature of organizational challenges, develop a theoretical framework of structured flexibility which incorporates the two strategic approaches, and introduce the essential areas of business operations where these strategic approaches will be assessed. By synthesizing existing literature on these topics, identifying gaps that have yet to be studied, I locate my own research in broader social entrepreneurship studies and produce a deductive method to gather and analyze data.

2.2 The Strategic Approaches of SEs

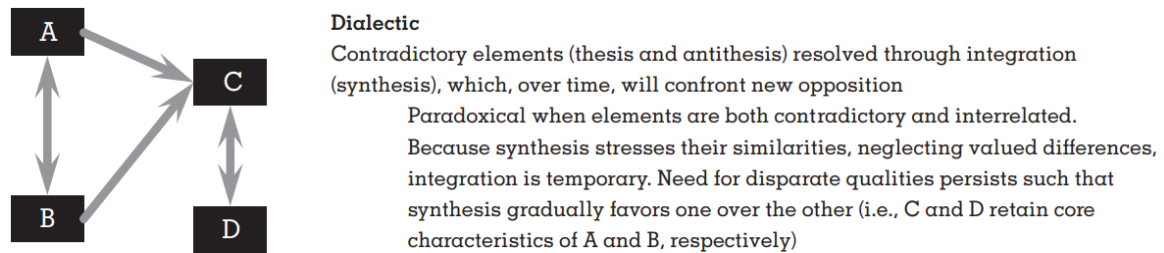
2.2.1 Integration: A Dialectical Approach

Integrative approaches entail pursuing solutions that synthesize conflicting goals cohesively. As Battilana (2018) describes it, “in an integrated structure, a hybrid organization tries to combine social and commercial principles in all of its activities”. The goal being to seek complementarity by incorporating both perspectives into synergistic cohesive solutions. This approach considers the workforce, including employees, as involved in both the social and commercial aspects of its activities. This sort of integration, rather than developing organizational structures that establish separate systems to tackle social and commercial goals respectively, trains and incentivizes the workforce to handle social impact initiatives and financial goals as complementary activities (Battilana, 2018, p. 1291). “Integration occurs when managers attempt to fuse multiple identities into a distinct new whole” (Pratt & Foreman, 2000, p. 30). Integration can minimize conflicting demands on members of an organization. SEs stand to benefit from such an approach, as when they steer clear of a multiple identity crisis, they also avoid a work environment where employees feel paralyzed by conflicting directions or simply seem to vacillate between opposing identities. This aids SEs as it can streamline managerial efforts (Merton, 1976). This type of approach can make it feasible for SEs to be able to simultaneously embody social values and commercial logics, allowing for more effective and efficient organizational responses to operational areas pertinent to hybridity (Pratt & Foreman, 2000, p. 31).

How can SEs work towards embodying fused identities? To cultivate an organizational structure that synthesizes opposing ideas into a single identity calls for a dialectical process. “A dialectic denotes an ongoing process of resolving tensions through integration” occurring over extended periods, and is “resolvable through their merger into a combined element (synthesis) (Smith & Lewis, 2011, p. 386). In a dialectic process an SE considers social impact

(A) and financial gain (B) as intertwined goals and looks for mutually reinforcing solutions to these dual goals. The communication and embodiment of this ethos cultivates integrative organizational identities (C), and as new conflicts resurface over time (D), SEs will resolve contradictory elements through new integrative solutions (Fig. 2). This can be defined as a process of ongoing sensemaking, an iterative and collaborative process of adapting to changing situations and finding cohesive solutions.

Fig. 2: The Dialectic Process



Source: Smith & Lewis, 2011

By minimizing the harms of conflicting demands, an integrative dialectical approach permits managers, employees, and stakeholders to tackle dual objectives in collaborative rather than competitive ways creating positive outcomes (Golbspan et al., 2022, p. 528). However, as Battilana (2018) states, “such integrated structures are not always associated with the development and maintenance of a hybrid culture, nor are they a necessary condition for an organization to create and sustain one.”. Integration might preclude “the organization from reaping all of the benefits of maintaining multiple, distinct identities. Thus, it may cost the organization some degree of flexibility in responding to multiple stakeholders” (Pratt & Foreman, 2000, p.31). The next section will introduce the second strategic approach that allows SEs to reap the benefits of being an adaptable and flexible organization.

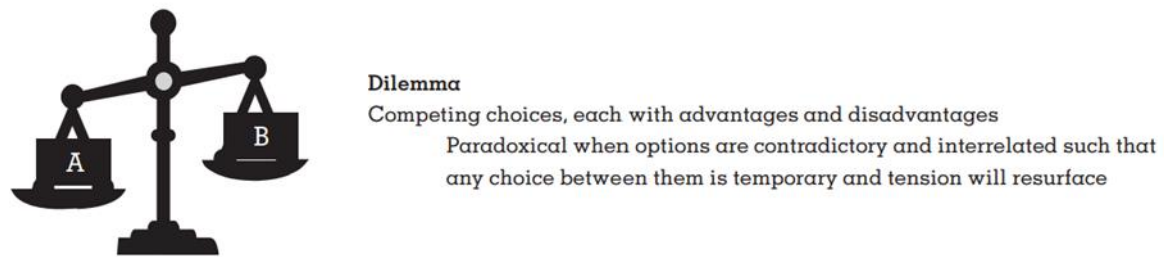
2.2.2 Paradox: A Dilemmatic Approach

In certain areas of operational decision making, SEs will need to make trade-offs, weighing competing alternatives and considering the solution that is most advantageous at the time. To retain flexibility SEs should acknowledge that they will sometimes need to manage dual goals by seeking temporary solutions. Not all contradictory goals can be solved through synthesis and integration. A paradoxical approach looks to work within these contradictions. Like the integrated approach, paradox aims to explain how organizations can tackle competing demands simultaneously. Paradox suggests that these contradictions are natural and persistent and not something to be solved, but rather, managed. “For researchers, exploring paradoxes is claimed to reveal deep insight into organizational form and function, while for managers, embracing paradoxes rather than making often futile attempts to reconcile them may lead to creative, beneficial outcomes” (White et al., 2022, p. 503).

In the paradoxical logic the “social mission and economic objectives sit on a continuum and constant trade-offs seem to exist”, thus requiring an approach that can manage these trade-offs (Florin & Schmidt, 2011). Making trade-offs, between the social imperative and commercial necessity, acknowledges that this is a decision-making problem; a dilemma. It is essential to note that “it must be realized that this decision-making process need not be binary (either/or) in nature but may in fact be analog (more/less) and even include decisions

that require some form of organizational ambidexterity” (White et al, 2022, p. 204). In a dilemma, contradictory goals, between making a greater social impact (A) and prioritizing profit-making activities (B), are considered in light of prevailing conditions (Fig. 3). The question that an SE might ask itself in this type of situation is what alternative poses the greatest advantage – this is a temporary, negotiated process of “weighing pros and cons” (Smith & Lewis, 2011, p. 386).

Fig. 3: The Dilemmatic Process



Source: Smith & Lewis, 2011

SE approaches to dilemmatic decisions need not be mutually destructive, rather these temporary decisions can be altered depending on prevailing priorities, manifesting in a sort of push-pull process. “If dilemmas are decisions that are made at a definite point in time, whereas dialectics occur over extended periods” then it can be presumed that SEs who are organizationally ambidextrous could manage or resolve tensions as they arise (White et al, 2022, p. 204). Literature suggests that “integrative or paradoxical thinking involves the ability through perspective taking from both sides to either arrive at more holistic solutions or to keep both sides in play”, thus SEs should try to “reconfigure and then fuse prior understandings into a new, emergent meaning for others” (Cornelissen et al., 2020, p. 33). Before I delve into the organizational theory of structured flexibility, which incorporates these two strategic approaches, I will first outline why other common approaches cannot be considered effective strategies for managing the inherent hybridity of SEs.

2.3 The Incompatibility of Alternative Approaches

To understand how SEs are simultaneously able to embody and fuse dual logics and to corroborate the applicability of the two previously identified approaches to hybridity management, we require to delineate why other approaches cannot be considered viable methods of managing this hybridity. In this section I briefly summarize what these approaches are, why some practitioners prefer them, and outline why they create adverse consequences for the sustainability of an SE.

2.3.1 Binary Approach

A binary approach can be best summarized as an either/or decision, “relating to or consisting of two things, in which everything is either one thing or the other” (Cambridge, n.d). Some business practitioners prefer a binary approach to management as they decide on “the dominant order which prescribes what is adequate or desirable” (Dey & Teasdale, 2016). However, Mauksch et al (2017) “cautions that we should not reduce the domain of social

enterprise to a dualistic logic, as social enterprise comprises the complex interweaving of myriad “logics”” (p. 116). As such, a binary approach is less effective in dealing with the inherent dynamic nature of SEs as it favors one choice over another, creating rigid strategies that ignore the changing environments that SEs exist in. Besharov & Smith. (2013) conclude that binary approaches “lead to intractable conflict between subgroups that embrace each perspective or to one logic dominating the other”, thus ignoring approaches that could reconcile contradictory demands over time (in Smith et al., 2015, p.418). A binary approach overlooks the possibility of balancing and integrating competing objectives and promotes an organizational mindset that prevents an SE from pursuing dual goals simultaneously.

2.3.2 Linear Approach

In a linear approach, strategies consider “that if there is more of a cause then there will be proportionally more of the effect. This is the efficient, ‘if . . . then’ theory of causality... this is what is meant by straightforward unidirectional, linear connections between cause and effect” (Stacey, 2007, p. 13). Practitioners often prefer linear approaches as they are simple and straightforward, predicated on the assumption that each action will result in a specific and direct result. If SEs operated in an environment where there were predictable steps to success and growth, a linear approach might be a proper strategy. However, linearity fails to account for the complexity of SE organizational dynamics. Social and financial objectives are constantly shifting as market dynamics, stakeholder needs, consumer preferences, etc. are perpetually changing and evolving. “This view of the relationship between cause and effect is far too simplistic and leads to an inadequate understanding of behaviour”, thus resulting in strategies that are unable to balance or resolve conflicting goals over longer time periods (Stacey, 2007, p. 13).

2.3.3 Short-term & Reactive Approaches

Reactive approaches entail quick responses to immediate challenges. They are short-termist in nature as decision makers prioritize addressing urgent issues to adeptly respond to evolving circumstances. Certain business practitioners prefer the adjustable nature of such an approach as it enables flexibility, regardless of long-term plans. However, a short-term approach ignores the longer-term implications of reactive decisions and as such risks compromising a balanced pursuit of social and financial objectives. This can create a lack of strategic coherence. The centrality of long-term survival, which enables greater social impact, is embedded within the core mission and values of SEs. Failure to foster alignment and pursue cohesive and incorporative solutions can result in a drifting of mission. Investors often pressure businesses to prioritize shareholder interests and deliver quick results, yet, SEs have broader accountability to a wider subset of stakeholders. Consequently, if SEs want to be able to balance their dual goals and mitigate the risk of mission drift, then it would be wise for them to avoid short-term and reactive approaches to managing their businesses.

2.3.4 In Summary

These alternative approaches are unsuitable and incompatible because they fail to consider the complexity of challenges that SEs face. Additionally, these approaches have harmful repercussions, affecting the long-term sustainability of the business and eroding the hybrid nature. Short-term and reactive approaches prioritize immediate results, and thus could lead to a neglect of the long-term social mission. Binary approaches embrace the dominance of one logic over another and therefore force SEs to choose between social and financial objectives. If SEs were to employ such an approach, they would most likely be unable to address dual goals simultaneously. Linear approaches assume predictable cause-and-effect

relationships, overlooking the dynamic and evolving nature of SEs, where social and market conditions constantly shift. SEs require adaptive, integrative, and flexible strategies that can balance these competing demands over time. Without organizational ambidexterity, SEs risk compromising their social impact mission and ability to remain financially sustainable. In the next section I introduce my theoretical framework of structured flexibility. This framework incorporates both integrative dialectical and paradoxical dilemmatic approaches to create a more comprehensive strategic approach. To assess how SEs support both their social and financial objectives, the following theoretical framework will serve as a roadmap for developing an appropriate methodology.

2.4 Structured Flexibility: A Holistic Strategic Approach

As Nair & Pradhan (2009) state, it is possible “business neither exists for serving the unbridled self-aggrandizement of ambitious and greedy investors nor for furthering some altruistic motives to the complete neglect of the economic calculus of the owners and investors”. As SEs face pressure to engage and collaborate with a broader set of stakeholders and have the added task of solving societal issues, they must work towards a strategic focus that accommodates both ethical and economic. As established, there are ways for economic and social incentives to coexist and complement each other as co-equals. It is incumbent on SEs to implement strategies that promote organizational ambidexterity and structural flexibility.

Golbspan et al. (2022) envision “an alternative approach that sees organizations situated in “spaces” where missions are more vulnerable to drift. These spaces influence the path to be followed, which leads us to examine what happens when SEs are challenged by the risk of mission drift. We argue that spaces of vulnerability are a new construct that reconciles past approaches, according to the nature of the tensions experienced by the SEs. In this way, our argument focuses on dynamic boundaries of social and financial goals”. Similarly, Cornelissen et al. (2020) argue a process defined as re-keying which “describes a creative and symbolic process (in words and actions) through which leaders reconfigure and then fuse prior understandings into a new, emergent meaning for others.”

For SEs to re-key, they need to be able to adjust and reorient to prevailing circumstance. This can be done through an iterative process in which SEs continuously evolve while maintaining the integrity of their hybridity. Within spaces of vulnerability, SEs need to carefully consider the best strategies to deal with tensions that arise in various areas of business operations. In the structured flexibility approach, SEs are given space to apply both integrated and paradoxical approaches dependent on the area of business operations. Consequently, SEs are better equipped to balance dual logics through either synthesized cohesive solutions to dual objectives or making well thought out trade-offs where social and financial priorities are given due consideration. Structured flexibility can help make sense of how SE leaders can combine financial and social aspects into a coherent whole (Cornelissen et al., 2020, p.2-3).

Training and incentivizing the workforce to resolve tensions that arise through integrated solutions promotes a collaborative culture that tackles dual objectives through dialectic methods, a process of ongoing dialogue and sensemaking which works to reconcile contradictions, integrating opposing goals into one cohesive solution. Yet, it will not always be possible to resolve tensions, in those cases it is necessary to find a way to manage tensions effectively. This presents itself as a decision-making problem, a dilemma, where it might be necessary to make trade-offs. The social mission may have primacy at certain times, and financial sustainability may have to have it at others, but both must be served at all times. These sorts of dilemmas seem to be decisions that are made at a definite point in time. In short, dilemmas are “temporary, negotiated responses that enable leaders to move forward

rather than trying to permanently resolve tensions” (Luscher & Lewis, 2008). Accepting that these contradictions are natural and persistent, and not something to be resolved, requires an SE to be able to evolve and shift over time.

Integrative and paradoxical approaches fit within the model of structured flexibility. Both view the evolution of a social enterprise through a long-term perspective. Bubbling tensions are seen as workable challenges, solved either through ongoing dialogue and sense-making, or temporary, persistent, yet flexible decision-making dilemmas. The combination of integrative and paradoxical approaches forms the foundation for an SE to avoid mission drift and achieve long-term success.

If an SE implements a strategic approach that resolves and manages tensions through organizational ambidexterity and structural flexibility than one can assume an SE has set itself up for sustained positive impact. To evaluate whether SEs implement strategies that mirror structured flexibility, it is also necessary to dive deeper into the areas of business operations where competing social and financial objectives manifest. Once I summarize the contextual factors, the areas of business operations, I will be able to test the theoretical framework and evaluate whether dialectical and dilemmatic processes are approaches that SEs commonly utilize.

2.5 Areas of Business Operations

Providing a synopsis of the areas of business operations where tensions can surface, exposing SEs to possible mission drift if not handled correctly, contextualizes the instances SEs could employ paradoxical or integrative approaches to sustain their dual mission. For the purposes of this paper, I will largely borrow from literature that has similarly summarized these areas of business operations yet have used slightly different titles and descriptions of them. Two papers that greatly informed this study were White et al. (2022) *Reconciling social enterprise: beyond the paradox perspective* and Kulshrestha et al. (2022) *Constituents and Drivers of Mission Engagement for Social Enterprise Sustainability: A Systematic Review*. I will briefly summarize each area, highlighting how social and financial objectives and challenges display in SE practice. The intricacies of resolving or managing dual goals comes to the forefront within these areas. Once these areas of business operations have been defined, it will be possible to assess the strategic approaches SEs implement to maintain their hybridity and balance dual objectives.

I have chosen to exclude two common areas where SEs often deal with tensions relating to competing demands. One area of business operations that could be studied but I have chosen to exclude is how SEs interpret the seemingly contradictory goals of profit making and achieving social objectives. This is often described as the dual-mission paradox. Yet, as “social and financial value are intrinsically interconnected rather than in opposition”, financial sustainability and social impact in practice jointly shape each other. Therefore, the perceived dual-mission paradox “is not simply resolved, but it is revealed as a myth” (White et al., 2022, p. 504, 507). Tensions do not occur because of the competing logics between commercial and social means, rather, they arise through disagreement on how to weigh profit against growing social value and impact. The six areas of business operations that I do choose to assess address this predicament. I have also chosen to exclude the areas where SEs must deal with consumers doubting the credibility and legitimacy of their mission and product. This is purely an external tension often affected more by societal pressures and trends than internal business operations. This area relates to the critique broader audiences might have of an SEs effectiveness of achieving its social goals. Mission drift tends to occur in this area as external manifestation, poor marketing and negative outside perceptions can affect an SEs ability to operate effectively, forcing the company to alter its priorities. While future research

could explore how SEs pursue effective solutions to these external demands, this study only evaluates internal business operations, focusing on organizational strategies SEs utilize to handle these challenges and whether SEs are aligned on purpose and process.

2.5.1 Area #1: Communication of Mission & Organizational Identity

Doherty et al. (2014) postulate that “the creation of social value might be closely linked or even integral to the successful achievement of economic outcomes that, in turn, generate financial resources to be employed to achieve their social mission”. The underlying assumption here is that “the generation of social value is seen as dependent on generating financial value, not in opposition to it” (White et al., 2022, p. 508). Instead of seeing the creation of financial value as a burden to social value, it is more precise to view these two goals as interconnected and complementary of each other. In this way, these goals are considered as co-equals, they are equal in relative standing and importance to organizational success.

The essential aspects I look to assess within this area of business operations is how SEs choose to define, articulate, and align dual objectives to cultivate sustainable hybridity internally and how they communicate their mission externally, to their stakeholders, while also integrating the opinions and desires of said stakeholders when articulating their mission.

Organisational identity renders a distinct image that characterises the organisation (Albert & Whetten, 1985). It is a collective representation of the members of the organisation and how they themselves view it (Gioia, 1998). Identity influences decision making (Dutton & Dukerich, 1991). It plays a key role in an organisation’s growth and success (Gioia et al., 2000).

(in Kulshrestha et al., 2022, p. 102)

To evaluate the strategic approaches of SEs within this area of business operations, I will look to garner insights into how they develop aligned organizational identities and how they interpret social and financial goals in relation to one another. “The assessment of social value of an organization is, therefore, dependent upon the prevailing social need and the opinions of the efficacy of social initiatives that have been implemented in order to address it” (White et al., 2022, p. 508).

2.5.2 Area #2: Stakeholder Engagement & Governance Structures

Engaging with various stakeholders and developing competent governance structures is a complex undertaking that SEs often struggle to deal with but is of vital importance for their sustained success. Unlike traditional commercial enterprises, SEs generally engage with broader groups of stakeholders, who often have competing priorities. This can make it difficult to establish a unified identity causing tension and internal conflict (Tian & Smith, 2014). Due to their hybridity, the necessity to make a profit to survive, and their stated social impact goals, stakeholders have a wide array of expectations. SEs face a tall task being responsive and accountable to all these expectations. How SEs choose to balance social and economic objectives can determine whether their relationships with stakeholders is mutually beneficial rather than destructive. Mason & Doherty (2016) found that SEs who seek “new investment from social investors, clearly articulated short-term and long-term objectives, open discussion regarding tensions and trade-offs, flexible budgeting approaches, the training of beneficiaries who have direct representation on the board, careful selection of board members to balance the boards with hybrid, social and commercial skills, socialization of board members” have greater potential for innovation. These factors inform the focus of an SEs

mission. If SEs don't participate in fruitful engagement with their stakeholders, it can create an absence of strong relationships and consequently can lead to a depreciation of revenue and human resources (Kulshrestha et al., 2022).

Additionally, "the separation of governance roles, responsibilities and capabilities may be a practical means of overcoming the competing and conflicting tensions that are seen to arise within SEs" (White et al., 2022, p. 509). Clearly defining roles that align with people's strengths can be an effective strategy to balance competing priorities without causing conflict. With proper governance structures, SEs ensure that employees know how to value social and financial objectives in their decision-making and thus also understand how to balance the competing objectives of their stakeholders. Assessing the strategic approaches within this area of business operations will reveal deep insights into organizational form and stakeholder engagement processes.

2.5.3 Area #3: Positioning & Cross-Sector Collaboration

Navigating the dual paths of maintaining commercial viability while also advancing a social mission requires strategic positioning. An essential part of setting the agenda for an SE is determining whether and how to collaborate with traditional commercial businesses, the public sector, and other stakeholders. Failure to set effective positioning strategies can erode trust and social capital and might negatively impact an SEs ability to deliver its social impact.

SEs try to set positioning strategies of multi-sector collaboration that expand their operations while also allowing them to maintain their social mission. SEs also prioritize effective positioning strategies as a "response to scarce resources and resistance to conventional interventions" (Kulshrestha et al., 2022, p. 108). SEs operate in a competitive marketplace where resource can be scarce, therefore they need to develop partnerships across different sectors to diversify said resources. At the same time, it is important to make prudent decisions with whom to partner with as certain collaborations might negatively affect their ability to achieve social objectives and pull them towards a prioritized financial orientation. Therefore, SEs that "create rules and structures governing their relationships with the purpose of addressing multifaceted social concerns to create and capture social value" are more likely to beneficially position themselves in the market while maintaining the integrity of their social mission (Loosemore & Barraket, 2017, p. 675). SEs engage in collaborative activities that increase value and income generation, this can help scale their operations, however, it is equally important that these partnerships also address social concerns and help them capture social value (Kulshrestha et al., 2022). By looking into the strategic approaches SEs take to position themselves in the market, we can begin to understand the core focus of their strategic alliances.

2.5.4 Area # 4: Resources & Sources of Investment

SEs seek to "make a significant impact on the large-scale issues facing the world" yet "access to capital" is often a "binding constraint" (Martin, 2015, p. 122). SEs "can sometimes leverage their dual-mission to access capital at below market-rates or with preferential terms from financiers" (Dees, 1998, as cited in White et al., 2022, p. 511). While SEs are uniquely positioned to attract funding through more non-traditional means, there are still limitations to solely seeking grant funding, public financing, donations, etc. Private investment is often required for the enterprise to scale and "the over-provision of public funding can limit the desire for private financing to flourish." However, SE's must also consider that "the over-provision of private investment results in "crowding-out" of public funding provision" (White et al., 2022, p. 511). Investors should regard profit "as secondary and as a way to

further the social benefit an SE provides rather than as simply a reward or as an end in itself” (White et al., 2022, p. 511).

“SEs need to be able to take advantage of and promote new forms and sources of funding and non-financial investment” to grow their business and expand their impact (White et al., 2022, p. 511). SEs that seek investment from partners that have aligned expectations can better manage dual goals and maintain their hybrid status. This can be done through a process of due diligence in which there is “proper articulation of social and commercial goals, and how the investor-investee firms will organize their interaction to achieve their stated goals” (Agraway & Hockerts, 2019, p. 9). Attracting investment and developing a sustainable method of attaining resources presents as a tricky challenge as access to finance should not jeopardize an SEs social goal, lest risking a drifting mission. It is “essential that social impact created is measured and communicated frequently to ensure that the social goals are clearly articulated and the social logic maintains its legitimacy” (Agraway & Hockerts, 2019, p.18). While SEs might have varying strategies when it comes to deciding on which investors to work with, the main priority should be to foster complementary partnerships which facilitate business models of intrinsic synergies. To evaluate the strategic approaches SEs use for this area of business operations, I will investigate the motivations behind who they choose to partner with and how it has helped them cultivate effective business models.

2.5.5 Area #5: Hiring Policies & Socialization Strategies

The strategies SEs implement to hire and train staff, prevent turnover, and cultivate alignment of organizational values are vital decisions that play a significant role in the ability to operate effectively and achieve growth. Tensions might arise when the hiring of employees from the private sector, who diverge from established SE processes, create misalignment of company values (Battilana & Dorado, 2010). SEs inherent hybridity calls for the building of a workforce that is sufficiently skilled at balancing commercial and social goals (Liu & Ko, 2012). If SEs can hire and train staff who bring a diversity of skillsets, who buy in to the practices and mission of the enterprise, and who believe everyone is working towards the same goal, then the likelihood of long-term success increases. “Deepening and enhancing a social enterprise’s understanding of its commercial mission and ability could be mirrored by equal effort that centres on social awareness and community oriented values” (Cornelius et al, 2007, p. 364). This is a tricky balance to achieve in practice as there is no one best hiring and socialization policy that achieves organizational alignment, whether that be through integration of skillsets or compartmentalization and separation of roles. The challenges inherent are two-fold: what employee characteristics should SEs prioritize and how do they try to socialize and train their staff so that they can effectively reconcile social and financial goals?

Whichever approach is taken, a distinct set of meta-skills is required: specifically, differentiation relies upon an ability to appreciate and articulate the unique contribution of each intention; while integration depends on the capability to engage with both, whilst also investing in the means of achieving synergy between the two. In practical terms, this can manifest as the linking of financial metrics with the measuring of social performance (i.e., integration) or differentiating decision pathways and outcomes for financial performance as opposed to social performance.

(Lewis et al., 2023, p. 6-7)

Assessing the hiring policies and socialization strategies of SEs will provide insights into the core values that these businesses try to impart company-wide and the approaches they

implement to foster cohesive organizational cultures that can respond to both social and financial challenges.

2.5.6 Area #6: Social Networks & Social Capital

SEs contrast from more traditional competitors as they often “serve a defined community, be it a geographical community or a community-of-interest” (Richards & Reed, 2014, p. 7). Depending on strong ties to a community or a specific subset of stakeholders can be beneficial as it often results in being first in line to win public tendering (local/regional/state/federal governments) who believe partnering with SEs will help achieve societal well-being goals. This often ensures financial stability, but it can also “generate operational tensions as SEs attempt to deal with increased administration, different forms of governance, new quality control systems and regular inspection” (White et al., 2022, p. 513). SEs can also be hindered by their social networks as they might squander the potential to attract knowledge, resources, and partners who exist outside of their established community. On the flip side of the coin “eschewing social capital in favor of more professional staff, which is in the pursuit of improving the organization’s grant winning capabilities or marketability, can result in loss of its unique knowledge and capabilities and an erosion of its geo-social situatedness along with stakeholders’ perceptions of its validity” (White et al., 2022, p. 513). There is great opportunity for SEs to leverage their social capital for the benefits of both their social and financial goals, however, risks emerge if not properly utilized.

The social networks of SEs can build social capital, however, to sustain and leverage the benefits that come from their networks they need to ensure that this social capital is built on a bedrock of trust and reciprocity. This means “the type of interactions, relationships and behaviour that one has with others define its strength or weakness of social capital which in turn reflects how well the actions can be taken collectively” (Kulshrestha et al., 2022, p. 109). Social capital is best perceived as a concept that transcends geographic linkages, rather it should be normative in nature (Kistruck & Beamish, 2010). In practice, SEs that cultivate shared values and common visions with their social networks are more likely to benefit from supportive relationships and avoid possible tensions with those they purport to help. It is also possible for there to be “an over-dependence upon social capital” which can “result in tensions that stifle SEs’ sustainability as local politics, community conflict and myopic, value-laden opinion and decision-making, permeate the organization” (Villeneuve-Smith & Temple, 2015). To evaluate how SEs maintain their unique social ties, building trusting and aligned relationships, while also not letting these networks constrain their ability to access broader resources and newfound knowledge, I will look to assess the strategies SEs put into practice to resolve challenges that arise.

2.6 Research Questions

Based on the literature review and the resultant theoretical framework, my research question was formulated to analyze how SEs strategically resolve and manage social and financial objectives within the identified areas of business operations.

How do social enterprises strategically approach supporting social and financial objectives within their essential areas of business operations?

The following sub-question will support the central research question by providing additional context to the findings of my data collection.

Are there overarching themes in the strategies SEs use to balance their dual objectives and what factors cause variation in these approaches?

The central research question and sub-questions will guide the analysis of my data and support categorization and discussion of the findings.

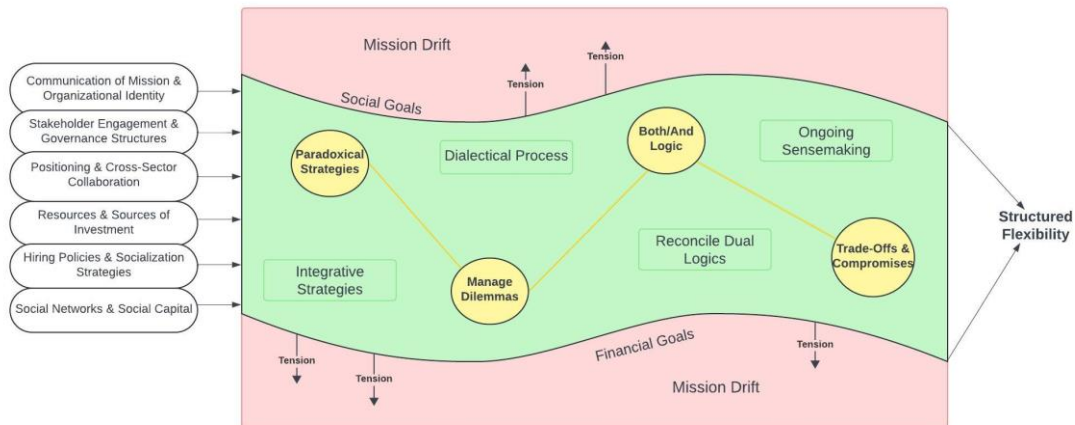
2.7 Chapter Summary

In this chapter I explored the two strategic approaches, integrative and paradoxical, that SEs employ to navigate their hybrid identity, a constitution of social and financial objectives, and explained how it fit within my model of structured flexibility. I also outlined the six areas of business operations that will function as a manual for assessing participant SEs.

In the integrative approach, SEs look to find cohesive solutions that harmonize dual goals. SEs incorporate a logic which seeks complementarity. Embodying such an integrative identity creates unified directions for employees and stakeholders alike. The method that SEs utilize to cultivate this type of identity is considered a dialectical process. The contradictory logics of social and financial objectives are resolved by developing governance structures and setting directions that cultivate mutually reinforcing solutions and integrative organizational identities. This is achieved through an iterative and collaborative process of ongoing sense-making. To retain flexibility and deal with their dynamic nature, SEs should also be willing to make compromises to sustain their hybridity. This can manifest as a trade-off, whereby SEs need to weigh the pros and cons of certain decisions and consider the most advantageous route. This is an both/and approach to SE management where companies look to work within their inherent contradictions and tackle competing demands simultaneously. These contradictions are not resolved but managed to create beneficial outcomes for the long-term survivability and impact of SEs. SEs can incorporate a paradox approach by considering decisions as dilemmas that require short-term trade-offs. To decide whether to prioritize social or financial goals, SEs need to have a firm contextual understanding of their prevailing conditions to come to prudent conclusions. Alternative approaches, such as binary, linear, and reactive, were deemed unsuitable as the complexities of SE management don't support rigid and unadaptable approaches.

The literature review led to the formation of my theoretical framework of structured flexibility which comprises both integrative and paradoxical approaches. Structured flexibility permits SEs to adapt to the dynamically changing nature of managing a business founded on social impact principles yet still reliant on profits to survive. In figure 4, I give a visualization of the theoretical framework in which everything within the green area represents SEs that embody structured flexibility, the yellow circles represent paradoxical strategies that are temporary in nature, and the green rectangles represent integrative strategies that are consistent and iterative (Fig. 4). The framework will be applied across the six key areas of business operations, including how SEs form organizational identities, how they engage with their stakeholders, how they position themselves in the marketplace, how they source investment, how they socialize employees, and how they leverage their social capital. SEs will be assessed on the strategies they implement to effectively balance the dual logics within each area of business operations.

Fig. 4: The Dynamic Nature of SE Hybridity



(Author's Own Creation)

Based on the literature review and theoretical framework I formulated a research question and sub question that would precisely respond to the main ideas of this paper. The next chapter describes the methodology of this paper, identifying the procedures and techniques that were utilized to yield revealing and pertinent answers for SE practitioners and academics alike.

Chapter 3 Methodology

3.1 Introduction

To gather insights and identify connections that facilitate practical and pertinent recommendations for SE management, I have developed a methodology that best responds to my central research question. As a reminder, this research is concerned with assessing the strategic approaches of SEs as they attempt to sustain dual objectives and maintain hybridity within the outlined areas of business operations. This chapter will describe the methodological approach I used to collect data, a mixture of semi-structured interviewing and secondary data, and validate why these methods were considered the most effective approaches. By employing a deductive thematic analysis, I was able to support my theoretical framework by linking pre-existing theories to practical management strategies. This facilitated insightful findings and proper connections. I also address in broad strokes why I chose to collect data from specific types of SEs and why a qualitative approach was best fit for this type of research. Finally, I outline the ethical considerations and research limitations that were presented throughout the research process and explain how I was able to ensure that they didn't negatively affect the research process.

3.2 Research Design

3.2.1 Qualitative Approach to Studying SEs

To effectively address the research problem and integrate the varying components of this study in a logical way, it was best to employ a qualitative approach. Through interviews and secondary data analysis, I assessed the strategic approaches of SEs. This lent credence to the qualitative research approach of "description, interpretation, and explanation" rather than a quantitative approach of "prevalence, generalizability, and calibration" (Bluhm et al., 2011, p.1869). As qualitative data analysis is grounded in subjective interpretations of organizational processes and methods, this approach is better suited to test theory and integrate pre-existing ideas. To impartially analyze how SEs sustain their hybridity, tackle dual goals, and manage the relevant areas of business operations, it was necessary to deductively assess interview responses, based on pre-existing knowledge of the topic. This is best defined as an exploratory process. To distill the data into concrete simplified findings, I had to acknowledge the existence of personal biases and undergo a thorough assessment of the described strategic approaches based on previous research on pre-identified themes. This facilitated a greater understanding of the data, grounded in theory, produced deductively, leading to valuable insights (Bluhm et al., 2011). The qualitative approach best supported the use of proper techniques that yielded pertinent, substantiated findings.

3.2.2 Selection Process

There were several key factors that were considered for the participant selection process. First, it was essential to only consider companies who had a stated dual mission focus. Otherwise, they couldn't be classified as SEs and the insights garnered would be irrelevant to the study. To gain an understanding of the strategic approaches of SEs, I looked for companies that considered social and financial objectives as "co-equals" as this would yield relevant insights integral to the success of the study. Second, the SEs needed to have a proven record of success, be in a growth stage, and have experience addressing concerns regarding their dual objectives. SEs in their first few years who only have a few employees were not

considered as they haven't yet developed a consistent and substantial record of making decisions related to the six areas of business operations. Larger, well-established companies were not considered as they have reached corporate status and don't deal with the growing pains that participant SEs do. By evaluating these types of SEs, it was more likely that they would have perceptive knowledge to share regarding how they approach various areas of business operations. The last aspect of the participant selection process was to choose SEs that represented a variety of commercial sectors. This would help capture a diverse range of strategies and contextual challenges and offer broader insights. All five participant SEs have a dual-mission focus, are similar in size and maturity, and operate in different commercial sectors.

SE1: sells eco-friendly toilet paper, using profits to build toilets in underserved communities.

SE2: sells organic plants and plants, on a mission to restore biodiversity and promote organic cultivation.

SE3: aims to reduce e-waste and promote a circular economy of sustainable waste management.

SE4: zero waste packaging for restaurant takeaway (B2B) and food ordering platform using reusable containers (B2C).

SE5: supports social entrepreneurs on their path to sustainable growth, offering resources, know-how and mentorship.

3.3 Data Collection Methods

3.3.1 Semi-Structured Interviews

I decided to do semi-structured interviews because it allowed for more freedom in the interviewing process. This method also left space to adjust or reword questions to make them more pertinent and understandable depending on who I was interviewing. The questions were formulated in a way that would touch on every area of business operations identified in chapter 2. I prioritized attempting "to understand the world from the point of view of research subjects", as failing to do so could lead to improper assumptions and deductions of the meaning of the words and responses (Kvale, 1996, as cited in Ruslin et al., 2022, p. 23). Additionally, the format facilitated the ability to find "a balance between main questions, follow-ups, and probes" (Rubin & Rubin, 2005 as cited in Ruslin, 2022, p. 24). The questions were categorically structured, based on each area of business operations, to gain insight on the strategic approaches, either integrative or paradoxical, of SEs. If the answers didn't align with my theoretical framework, then I could deduce that the approach of that specific SE didn't fit within the model structured flexibility.

3.3.2 Secondary Data

To support the primary data collected from participant SE interviews, I also utilized methods of secondary data analysis that further solidified the linkages between theory and practice.

Hakim suggests that the use of secondary data “forces the researcher to think more closely about the theoretical aims and substantive issues of the study” (1982, p. 16). Secondary data can also be used to provide “triangulation”, increasing the credibility of research findings using primary data (Cowton, 1998b; Insch et al., 1997).

(in Harris, 2001 p.193)

By combining secondary data with primary data, I strengthen the validity and reliability of the findings, offering multiple viewpoints, a process defined as data triangulation. The secondary data analysis led to a more comprehensive understanding of the research topic and reinforced the consistency of certain trends and approaches identified in the primary data analysis.

3.4 Data Analysis

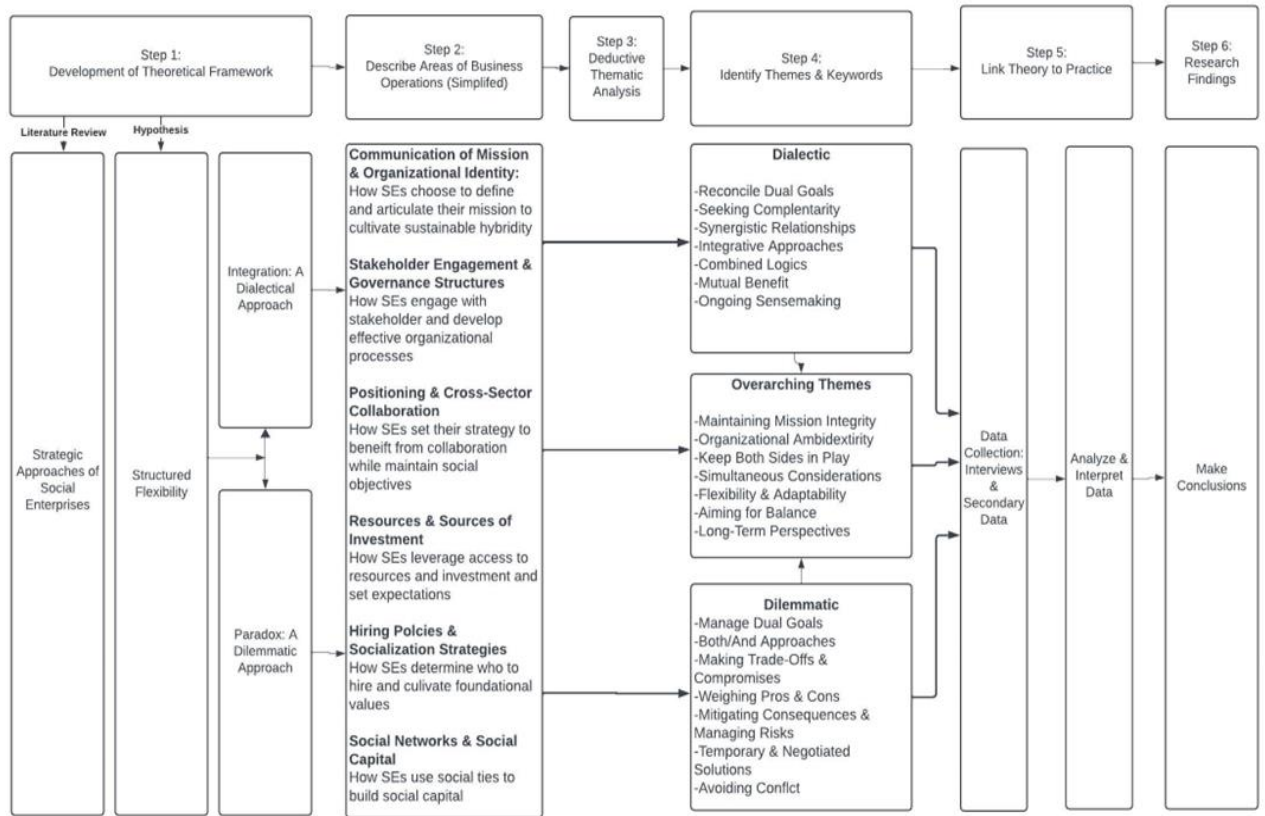
3.4.1 Deductive Thematic Analysis

While structuring and re-structuring my research question, delving deeper into reviewing literature on themes and topics related to how SEs can balance their inherent dual-mission, I realized that there was already a fair amount of academic work theorizing on best fit SE approaches to managing hybridity. Yet, I also recognized that there wasn't a great deal of research on how SEs manage various areas of business operations in practice. This study is “grounded in a pre-existing theory or framework, which guides the coding and theme development” (Braun & Clark, 2006, as cited in Naeem et al., 2023). The interpretation of my theoretical framework, adapted from existing knowledge and perspectives, informed how I identified themes and attached labels to interview responses and secondary data. For these reasons the deductive thematic analysis was the best method to categorize and analyze data. This method looks to “harmonize” interview responses, themes, and groupings with the “study's conceptual framework, paradigm, or research goals” (Saldana, 2016, p. 62). By applying the same set of criteria to all participants of the study, I was able to identify patterns allowing for objective comparison. This systematic method was an effective and efficient way to analyze data and discuss findings.

3.4.2 Conceptual Framework

This conceptual framework summarizes the steps of the research process, provides a blueprint for how this research was designed, and outlines how pre-defined areas of business operations and strategic approaches link theory to practice, best described as a process of deductive thematic analysis. This identification of keywords and themes informed how I interpreted interview responses and evaluated secondary data, ultimately assisting in the discussion and analysis of data (Diagram 1).

Diagram 1: Conceptual Framework



(Author's own creation)

3.5 Research Limitations and Ethical Considerations

When designing my research, I initially had planned to collect data from managers and employees, however, as my research focus and contextualization of the research problem shifted to better respond to the final version of my research question, it became more appropriate to focus on interviewing key decision makers within SEs. This new participant focus ensured that I gathered data from the people who had intimate knowledge and direct influence on setting the agenda of their company. This also meant that the business models of these companies were directly influenced by the approaches of the participants in the study, guaranteeing that the findings were practically significant. The participants in my study had a direct stake in the success or failure of their company and thus I avoided the potential limitation of gathering data from people who had no influence on organizational decision making or culture setting.

As I started reaching out to SEs, it became clear that it would become quite difficult to gain access to many SEs. There were a few factors that hindered the data collection process. Unless I had a personal contact or was previously introduced to someone within an SE, it seemed that my inquiries were largely ignored. For the SEs who did respond to my inquiries, the majority appreciated the research I was doing but also communicated that they just didn't have the time to participate in my study as they had other commitments. As it became clear that I would only gain access to five SEs, I decided to include secondary data as part of the research. The secondary data reinforced the coherence of key insights and trends found in the primary data and added to the substantiality of the study.

I was aware of my positionality as a student and researcher who has personal biases. I did make a concerted effort to interpret responses purely based on how they link to pre-

identified themes and theory. The inclusion of secondary data added an additional level of understanding that would help counter the risks that come from purely relying on primary data that is only interpreted by one person, the researcher. To encourage transparency and ensure confidentiality, I kept the responses of all participants and their companies anonymous throughout my research paper.

Chapter 4 Results

This chapter outlines the results from the interview process. Based on a review of the interview transcripts, overarching themes and common approaches relevant to the study were identified. It is important to note that the findings laid out in the results table (Table 1) are meant as a summary of the key findings from the interviews. In the next chapter I will discuss how the outlined approaches link and create patterns that suggest certain themes that respond to my research question and sub question.

The results table classifies various approaches as either demonstrated dialectical or dilemmatic approaches within each area of business operations. In the methodology chapter, I provided a diagram that laid out how interview responses would be interpreted. This informed how the responses were categorized and coded. While there is more that could be shared from the interviews, I only included findings that correlated with my central and sub research questions. To indicate when a participant SE has shared a specific approach, I've assigned a number that highlights the SEs implementation of the identified strategy. The table has no direct quotes from SEs, rather, it is my interpretation of the underlying meaning of the responses, based on coding done through a deductive thematic analysis. The strategies are simplified here but will be more deeply discussed and analyzed in the proceeding chapter.

Table 1: Table of Results

Area Of Business Operation	Dialectical Approaches	Dilemmatic Approaches
Communication of Mission & Organizational Identity	<ul style="list-style-type: none"> Consider social & financial goals (S/F) as mutually supportive pursuits (1,2,3,4,5) Profit understood as a way to achieve social goals (1,2,3,4,5) Product itself had inherent social & environmental impact (1,2,3,4) 	<ul style="list-style-type: none"> Made temporary trade-offs between S/F goals (1,2,4,5) Acknowledged the need to occasionally manage ongoing tensions between S/F goals (4,5)
Stakeholder Engagement & Governance Structures	<ul style="list-style-type: none"> Stakeholders aligned with long-term social objectives (1,2,3,4) Had governance structures that safeguarded social mission (1,2,3) Integrated stakeholder input into decision making processes (1,2,3,4) 	<ul style="list-style-type: none"> Made strategic decisions to prioritize concern of primary stakeholder over other stakeholders (4) Implement governance structures that encouraged different stakeholder interests (4,5) Structured certain roles to manage either S/F objectives (1,3)

Positioning & Cross-Sector Collaboration	<ul style="list-style-type: none"> • Positioning decisions based on greater social impact rather than survival of company (1,2,3) 	<ul style="list-style-type: none"> • Demonstrated flexibility to adjust to market demands (1,2,3,4,5) • Strategic alliances reevaluated in light of prevailing needs (1,3,5) • Partnered with profit-driven companies to access resources (1,3,5)
Resources & Sources of Investment	<ul style="list-style-type: none"> • Sourced investment with partners who align with mission (1,2,5) • Protected social mission by having clear guidelines on which investors they're willing to work with (1,2,3,4,5) 	<ul style="list-style-type: none"> • Managed investor expectations by curtailing growth and prioritizing certain projects (1,2,4,5)
Hiring Policies & Socialization Strategies	<ul style="list-style-type: none"> • Company attracted employees who were intrinsically aligned with organizational values (1,2,5) • Demonstrated a strategy to train employees to fully grasp social & financial goals (1,2,3,4,5) 	<ul style="list-style-type: none"> • Prioritized hiring people who added direct value regardless of their alignment to organizational culture (1,3)
Social Networks & Social Capital	<ul style="list-style-type: none"> • Leveraged community relationships to expand impact and grow operations (1,2,3,4,5) • Dialogue with social networks helped make sense of organizational mission (1,2,5) 	<ul style="list-style-type: none"> • Adjusted strategies to expand social networks (2,4,5) • Delegated responsibilities internally to separately manage social networks and commercial initiatives (3)

(Sourced directly from my own interviews)

Chapter 5 Discussion & Analysis

This chapter will analyze and discuss the data that was introduced in the results table, responding to the central research question and sub question.

5.1 Identity Formation and the Prevailing Need

To understand the motivations behind how SEs communicate their primary mission and build their organizational identity, I assessed how they perceive dual goals in relation to each other. Based on the data collected, a key trend emerged, that SEs view profits as fundamental to achieving social objectives. This was best demonstrated by the fact that all participants viewed social and financial goals as mutually supportive pursuits. By interpreting dual goals like this, SEs formed identities through cohesive approaches of organizational sensemaking.

“In our case, it all goes hand in hand. (SE1)

“Our primary goal is biodiversity recovery. Supporting that is the need to be a healthy organization. The priorities are clear... So, they’re not separate; one supports the other. Our challenge in finance is figuring out how best to support our mission. We’re profitable, but we still aim to be as efficient as possible. Every euro we don’t spend goes towards our mission.” (SE2)

“For us, the impact and financial gain are intertwined. (SE3)

These insights convey that SEs see financial gain as a tool for supporting the social mission. This ethos is embodied through a dialectical process of organizational sensemaking. Through constitutive and complementary solutions, SEs cultivate integrative identities.

All but one of the SEs sold a product that had social or environmental impact baked in. SE1 manufactures a sustainable, eco-friendly toilet paper, SE2 centers their mission around restoring biodiversity through organic plant cultivation, SE3 developed a circular method of reducing e-waste, and SE 4 replaces single-use packaging with recyclable and reusable take-out containers. Such products foster a natural alignment of mission and unification of organizational identity.

We use the money we make from selling toilet paper to build toilets, so it’s one cohesive solution.” (SE1)

We don’t have to balance them because they’re the same thing... externally it makes things easier because our proposition directly leads to waste reduction, which is commercially beneficial.” (SE3)

Because of the product they offer, SEs can build safeguards that protect their impact initiatives. In these cases, social and financial goals are inherently intertwined logics. SE5, on the other hand, is a consultative organization that advises and supports SEs on their path to greater impact and maturity. Their added social value isn’t from the direct impact of their product but on their unique impact related expertise.

“Because we focus on social impact, we’re kind of a meta-organization. So we hope the people we support also have a positive impact in their communities.” (SE5)

SE5 does have a different method of achieving impact, yet they similarly maintained their hybridity by considering the “social need and the opinions of the efficacy of social initiatives that have been implemented in order to address it” as the primary driving force (White et al., 2022, p. 508). The case study of Toast Ale provides a similar case study of this organizational mindset. Toast Ale is a craft beer that reduces food waste by using surplus bread to brew their beer. They generate profits by selling a product that has baked in social and environmental benefits and see financial gain as a way increase social impact (Connolly, 2019). In all these examples the product is the tool for social change, dialectical processes of sensemaking reconcile dual goals and foster cohesive solutions, and integrative understandings of organizational identity are achieved

SEs avoid identity related tensions by embodying an ethos of holistic sensemaking, however, the data also revealed that SEs retained flexibility in their day-to-day decision-making. This didn’t seem to affect how SEs cultivated cohesive identities, but it showed that SEs took proactive, iterative, and reflexive approaches to handle the trade-offs inherent to hybridity management.

“If we spent too much time measuring every aspect, we wouldn’t have time to make real impact. So, we don’t focus too much on measurement or strategizing; we’re more doers.” (SE2)

SEs shared that they made intentional decisions to prioritize social objectives.

“We don’t splurge on things like fancy coffee machines. That money could be better spent on our mission. Every business decision we make keeps that in mind.” (SE2)

And are open to curtailing sustainability initiatives for the sake of immediate financial relief, without losing sight of long-term social goals.

“It wasn’t financially or environmentally sustainable.... It’s a trade-off, but it’s also the right decision. We’re upfront with our customers about it, and it opens up conversations about the realities of our journey.” (SE4)

“Last year was financially rough for us, and we had to focus on keeping the company alive, which meant delaying some of our social goals like building more toilets... The trade-off was figuring out when we could afford to build toilets while keeping the company alive.” (SE1)

The insights shared highlight that SEs perceive pressing challenges as dilemmas, social and financial considerations exist on a spectrum, and prioritization is based on the current, prevailing need.

SEs develop systems that cultivate complementarity of social and financial objectives. These foster unified and cohesive approaches to organizational sensemaking and influence how the mission is perceived externally. Additionally, SEs try to be organizationally ambidextrous to manage prevailing needs. SEs were open to making trade-offs in the short-term if it ensured the survival of the company and a continued ability to deliver on social goals. Through ongoing dialogue with staff and stakeholders, SEs ensure that when trade-offs are made, it doesn't affect their cohesive identities and long-term goals.

5.2 Governance Safeguards and Mutually Reinforcing Stakeholder Relationships

Effectively incorporating and managing an array of stakeholder interests is essential for the long-term success of any company and particularly challenging for SEs. They not only need to make a profit to survive but are also accountable to their social objectives. This complicates their approach to developing effective stakeholder engagement strategies and governance structures. SEs consistently shared that they recognize that nurturing stakeholder alignment was a priority, however, the methods varied. SE1 cultivated stakeholder alignment through explicit contractual agreements that embedded commitment to long-term goals within their structure.

“All our shareholders are aligned with our social and sustainable mission. They sign contracts that include these missions, such as donating 50% of profits to the foundation. This helps ensure alignment from the start.” (SE1)

By setting up two legal entities, one for profit and the other nonprofit, SE1 created a structure in which the foundation inherently protected the social mission (Battilana, 2012). This ensured that investors were bought-in to the long-term goals of the enterprise. Similarly, SE2 set up a steward-owned model which guaranteed that the value they created “cannot be extracted by the shareholders. Profits are reinvested, used to cover capital costs or donated” (Purpose, n.d.).

“There are no financial incentives for our board members to push certain decisions.” (SE2)

The control of profits in this model are structured to safeguard the enterprise's mission, assuring socially oriented stakeholders that the social mission is the primary mission. This removed tension between profit and impact driven objectives. SE3 fostered alignment by advertising the simplicity, necessity, and built-in sustainability of their service.

“What we do doesn't have an alternative. Our customers can't suddenly change the sustainability performance of the products they're buying—they need our services. It's the same in the Global South. We deal with end-of-life devices, so there isn't much else they can do except use our service. That simplicity makes it easier to align stakeholder needs.” (SE3)

These three strategic approaches are integrative as they minimize or eliminate the conflicting demands stakeholders have by reconciling seemingly contradictory objectives. Organizational safeguards against stakeholder misalignment were developed through mutually reinforcing solutions. This was accomplished through a dialectical process of resolving diverging interests by harmonizing motivations, leading to commonalities in stakeholder priorities.

The goal of aligning stakeholder interests to long-term social objectives was a consistent theme seen in the data collection process. However, SE 4 and 5 didn't have the same built in safeguards that protected their social mission when engaging stakeholders. Therefore, these SEs implemented paradoxical strategies to manage misalignment risks. SE4 was clear which stakeholders they prioritize.

"Our primary stakeholder, however, is not the consumer—it's the key players in our ecosystem who are impacted by the transition to reusable packaging... I'm confident in our direction, even if it means investors will have to wait longer than they'd like." (SE4)

While SE5, relied on pragmatic decision-making to respond to varying stakeholder concerns.

"I can imagine we'll eventually have both a foundation and a cooperative in our group, to have better governance, alignment, and more checks and balances. But for now, we're very pragmatic and rely a lot on our own decision-making." (SE5)

By emphasizing longevity and accountability to stakeholders most impacted by their product, SE4 transmitted to other stakeholders that the social mission is a non-negotiable, even if comes at the expense of short-term growth. SE5 desired adaptability and reactivity to manage stakeholder expectations but also foresaw a future alteration of their governance structure so that they better safeguard their business against the pull of profit-motives. Fundamentally, this highlights that the guiding motivation of SEs in my study is the social mission. However, because SE4 and 5 don't have the same governance safeguards they create "new factors (i.e., the benefits) of a paradoxical situation. In so doing, this accords with the general principle advanced by paradox research, that they are interoperable" (Mason & Doherty, 2016, p. 465). Interoperability means SEs mitigate conflicts by ensuring stakeholders that social and financial goals are synchronous and don't undermining one another. Social and financial logics coexist and even benefit one another, rather than being opposing forces. SE 4 and 5 accepted that persistent contradictions existed between stakeholder motivations, yet they managed paradoxes by adapting and adjusting to prevailing needs. They did this by negotiating dilemmas while keeping long-term survivability in mind.

The stakeholder engagement strategies of Fairphone, a smartphone with ethical production processes, mirrors many of the previously outlined strategic approaches. They are tasked with balancing the interests of a wide array of stakeholders from investors to consumers and advocacy groups (Fig. 4). Fairphone faces governance and stakeholder challenges due to the inherent tension of staying true to their social mission while also growing their business. Fairphone builds partnerships with impact investors who consider mission

integrity the number one priority. This demonstrates a strategic approach that embeds social values within their governance structure. Fairphone relies on consumer feedback that keeps them privy to their evolving challenges. Fairphone engages with diverse groups of stakeholders who have competing priorities and expectations. Through continuous and collaborative sensemaking Fairphone reconciles differences and builds consensus (Hobson et al., 2018). The participant SEs and Fairphone seem to perceive that the “effectiveness of stakeholder cooperation depends on everyone's desire to actively engage and make a commitment to sustainable practices” (Waseem, 2024, p. 19).

Fig. 5: The Stakeholder Engagement Strategies of Fairphone

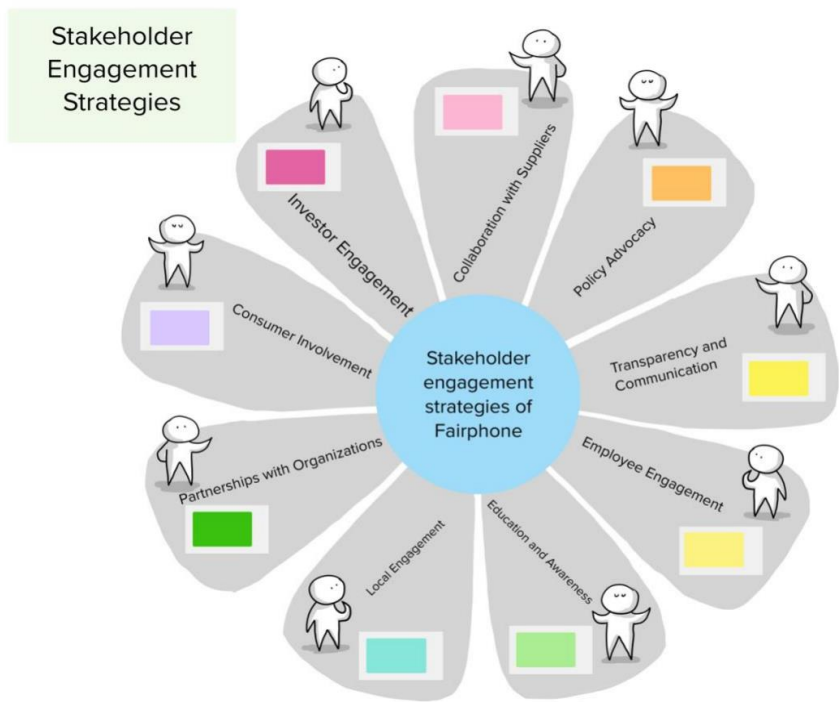


Figure 2: Stakeholder engagement strategies of Fairphone

Source: Waseem, 2024

Like SE 1, 2, and 3, Fairphone has implemented strategies that foster stakeholder alignment and created conditions that facilitate mutually reinforcing solutions for dual goals. Like SE 4 and 5, Fairphone accepts that occasionally compromises will have to be made on which stakeholders to prioritize, and that this is best managed by iteratively weighing pros and cons based on the situation. Yet, the overarching theme that emerged as I assessed the approaches SEs take to align stakeholder expectations was that they believed that the social mission should always have primacy regardless of diverging stakeholder motivations. By setting this expectation, SEs foster stakeholder alignment on social goals and can tackle emerging tensions in collaborative rather than competitive ways. For those SEs that haven't fully developed these types of governance structures, it benefits them to remain structurally flexible to ensure that financial and social goals can coexist. These insights are well summarized in the following passage.

“The issues, as well as the paradoxes and management approaches, are changeable and interoperable, depending on the assessment of moral legitimacy, creating a situation of manageable complexity. The strength of social mission appears to have, at a rhetorical level at least, powerful sway over how key actors work through issues”

(Mason & Doherty, 2016, p. 465).

5.3 Guiding Principles and Adaptable Positioning Approaches

SEs positioning strategies can have negative consequences if their approach is ill-considered. This can result in SEs being pulled in harmful directions, threatening organizational purpose. Data revealed that SEs don't ignore their social mission when making decisions related to how they position themselves. This is like the findings from the previous section. SEs shared they would go even further and take “a perspective that the social objective of the SE is pre-eminent... and allow the SE's success in developing the market for social good trump its demise as an individual organization” (White et al, 2022, p.510). When asked if they would be okay with being pushed out of the market if it meant a widespread shift in industry practices, SEs shared a general agreement although with varying takes on the proposition.

“Our mission will be complete if everyone uses toilet paper that supports farmers and builds toilets... We'll always be the first to do it, and that gives us a unique position. If a company like Unilever were to buy our company and scale it, that would be great too, as our goal is to change the toilet paper industry.” (SE1)

“Yes, but we feel that the way we pursue our mission matters too.... So even if they fulfill the plant part of the mission, we believe there's still work to be done on the economic or system change but probably this will keep us forever relevant and maintain our pioneering role.” (SE2)

These stances highlight that SEs perceive the achievement of the social objective as the pre-eminent motivation. This mindset influences the businesses and sectors they collaborate with and affects their strategies for positioning themselves in the market. This underscored that SEs want to work with collaborators that align with their principles. Through collaborative and transparent partnerships, integrating both social and financial logics, synergistic partnerships can be found and formed. The SEs long-term social impact is the priority, even above its own existence. SE3 shared that they felt they created a system where competitors would have to adopt their methods to be considered credible and reliable. In this way they ensured that while they could get pushed out of the market, it could only occur if traditional companies adopted their methods, thus protecting against the dissolution of their principles.

“Anyone could push us out of the market... We conceptualized this with that in mind. We made it simple so that others can't cut corners, and third parties ensure that the process remains credible. We've already seen some competitors follow our process, which is encouraging.” (SE3)

These approaches highlighted that SEs take steps to tie their commercial operations to greater systemic social goals. However, the decision-making processes SEs implemented to fuse dual goals are better considered as strategic decisions that are temporary in nature and revisited over time rather than one consistent integrative solution. For example, SE2 and SE4 adopted deliberative and intentional approaches to sector collaboration.

"We are open to collaboration but cautious... We won't water down our principles just to get along with bigger parties." (SE2)

As for collaboration, we all know each other in this space, and for the most part, the relationships are friendly... when it comes to students or partners who genuinely want to help us improve, we're very open to collaboration. (SE4)

These insights highlighted a desire to "insulate the niche market from the influences of mainstream businesses and to expand it to a point where it would be able to challenge the norms and practices of international trade" (Huybrechts et al, 2017, p. 14). SEs collaborated only with companies that shared their vision of how to do business and remained steadfast to their social commitment regardless of if it led to losing out on financial benefits. SE3 saw potential in working with more traditional companies and public organizations, as long it didn't risk tarnishing their credibility. To ensure that their legitimacy wouldn't be questioned they communicating to stakeholders that NGOs and credible third parties have their support.

"Governance is partly about ensuring we work effectively but also positioning ourselves as a credible partner for larger brands and public organizations. We work with third parties, NGOs, and researchers who assess how we work and provide suggestions for improvement. As long as we can communicate externally that we have their support, it strengthens our credibility." (SE3)

The positioning approaches of SE2, 3, and 4 can better be described as strategic alliances that are temporary in nature and reevaluated over time, a persistent process of weighing the pros and cons of each partnership. This guarantees that they have a business model which is adept at adjusting to prevailing needs.

SEs achieve impact goals by leveraging the resources and capabilities of larger brands. This leads to access to new markets, operational support, and greater brand visibility (Austin et al., 2006). These approaches can be considered paradoxical. SEs seem to engage with partners who mirror their values, yet they also embrace the trade-offs that are made due to contradictory logics. This mindset permits them to double down on their vision while also effectively balancing dual goals. This is achieved through an iterative process, dilemmas considered and reconsidered in light of the prevailing conditions (White et al., 2022, p. 510)

Dr. Bronner's, a fair-trade body care product, embodies many of the strategies mentioned. It serves as a prime example of a company that effectively positions itself in the industry while still retaining their social impact ideals. They also embrace trade-offs

between social mission and financial motive to remain sustainable long-term. This passage best describes the strategic approach of Dr. Bronner's.

“The term “moral calculus” was described as a strategic direction for the company in terms of corporate culture that adheres to forward-thinking long-term viability and growth through conservative financial management, the ability to adjust to market demands, and flexibility in making supply chain operations sustainable... Dr. Bronner's was able to meet the growing demand and expand the company's reach in terms of new markets, sales, and overall financial growth. This, in turn, benefited the workforce, furthered the company's mission, and ensured long-term viability. Ultimately, the moral calculus strategy has helped Dr. Bronner's become a more resilient organization.”

(Stolze et al., 2024, p. 205)

To flourish long-term, Dr. Bronner's, like the participant SEs, were willing to negotiate short-term deviations. The positioning approaches of SEs do slightly vary, yet making a social impact is at the core of each strategy. SEs shared that they embrace a paradox perspective to nurture strategic alliances that benefit their market position while strategically avoiding cross sector collaborations that would negatively affect their ability to achieve social impact goals.

5.4 Investor Buy-In and Balancing Profit and Purpose

Securing financial resources is vital for the stability of an SE, yet “even among those SEs that court external equity investment, evidence from social investors suggests that they are not a source of pressure for profit that should conflict in any way with a SE's social mission” (Mcwade, 2012 in White et al, 2022, p. 511). The data corroborated this viewpoint as SEs made a concerted effort to attract investment from investors who support their social impact goals and avoided investors who didn't align with their vision.

We select investors who believe in our social mission. We're not looking for investors who just want to make money fast, as we donate 50% of our profits to the foundation. Our shareholders are really about making an impact.” (SE1)

“It's very unlikely that we'd get funding from an organization that doesn't share our mission.... It's about being open to learning from others while maintaining your integrity.” (SE5)

“If we ever needed financing, we could go to the bank, but we're not interested in working with venture capitalists (VCs). They would create tension between our mission and financial goals.” (SE2)

“I've never had to say no to money, but I wouldn't accept funding from someone I couldn't work with.... I fear the pressure that comes with being a publicly traded company or going through Series A and B funding rounds, where revenue becomes the top priority. That pressure can compromise the vision, and I don't want to deal with that.” (SE4)

These insights conveyed that alignment on organizational values and investor synergies are preferred. SEs believed that if they failed to nurture these types of partnership, it could lead to dual goals no longer coexisting together. SEs felt that bringing in investors who prioritized short-term profits, were purely in it to make financial gains, and didn't fully buy in to the social mission. These profit-seeking investors would then create operational tensions that inhibited their ability to build their social impact initiatives. However, a few SEs were open to making temporary trade-offs if it didn't affect the legitimacy and credibility of their social goals and still sat within the continuum of what they saw as organizationally acceptable decisions. These strategic decisions were made with longevity of the business in mind and signified that they were open to managing risk.

"Sometimes we make decisions to prioritize certain projects that we wouldn't prioritize in an ideal situation, if we could afford not to... We have a range of what's acceptable, and we don't cross those boundaries. We have conversations about that." (SE5)

"We've made strategic decisions that turned out to be right, which is why we're still here while others have run out of cash. Investors may not be thrilled with the slow growth, but we're focused on longevity." (SE4)

Participant SEs approached investor relations through their own unique lens and seemed hesitant to accept resources from investors that constrained their ability to achieve long-term social goals. With that being said, a few SEs did make compromises to mitigate their immediate financial risk and avoid short-term losses. This empowered these "social enterprises to balance both objectives through trade-offs and focus at the main goal of social enterprises" (Eiselein & Dentchev, 2020, p. 439).

Divine, a farmer-owned fairtrade chocolate company, had similar guidelines that influenced their approaches to investor relations and resource attainment. For Divine to gain a competitive advantage, they understood they had to make compromises on cost to adapt to current industry price standards, showing they were willing to make trade-offs to adjust to the mainstream business environment (Doherty & Tranchell, 2007). Like SE4 and 5, Divine accepted that to achieve desired social objectives and change the mainstream paradigm they would have to seek a form of organizational ambidexterity to attract further investment and expand income generating activities. These examples convey that SEs do face dilemmas and accept that certain compromises will have to be made to manage and balance profit and purpose related activities. While this mindset reflects a paradox perspective to decision making dilemmas, it doesn't seem to influence the overarching belief that they should look to attract investors who buy into the cohesive nature of their integrative identity in which dual goals are considered complementary and constitutive, rather than separate and contradictory. SEs prioritized working with investors that aligned with their values and some set up business models that safeguarded against greedy investors shifting organizational priorities. SEs demonstrated the wherewithal and structural flexibility to make much needed tradeoffs to manage immediate risks, yet their approach towards investor relations was integrative at its core. Participant SEs valued the collaborative nature of their partnerships and were intentional about accepting investment from sources that viewed social and financial goals as intertwined and complementary objectives. The data revealed that, through a dialectical process, SEs created systems that fostered intrinsic synergies in their investor relations.

5.5 Socializing Alignment and Retaining Flexibility

SEs recognized that prospective employees often have intrinsic motivations to apply and work for their company. This factor influenced the hiring policies and socialization strategies of SEs. SEs benefitted from attracting employees who exhibited characteristics that were in line with their cultural values and who believe in the societal benefits of their product. This encouraged a self-fulfilling socialization process as hirees were bought into the social mission even before being hired. Battilana & Dorado (2010) conclude that for a hybrid organization to be sustainable they should “develop a common organizational identity that strikes a balance between the logics the organization combines. Such a common identity will prevent the emergence of subgroups whose different identities emphasize the tensions between the logics combined” (p.1435). To create common organizational identities, SEs leveraged the fact that many people already have intrinsic motivations to work for their company.

“During the hiring process, we also assess how candidates react to our vision and company culture. It’s important that they believe in our mission. We once had a great salesperson who didn’t believe in what we were doing with the foundation, and that didn’t work out. So, alignment with our mission is crucial.” (SE1)

“Alignment with our values is essential. If someone doesn’t have that intrinsic motivation to be part of what we’re doing, they’re not a fit.” (SE5)

SEs shared that they have explicit socialization strategies to develop shared understanding of the mission, organizational alignment, and staff complementarity. SE2 shared that they integrate the mission directly into the recruitment process.

“It’s important that new hires already understand our mission. That’s a better indicator of success than just hiring someone with the right skills.” (SE2)

SE3 and 4 made concerted efforts to socialize employees to their organizational values once they’d been hired. They prioritized direct value-added professional skillsets, looked to set clear expectations on what the role of the employee was, and hoped to create adherence to mission over time.

“The best hires we’ve made are those who are professional, committed, and willing to learn. It’s easier to coach them on the mission than to hire someone who’s overly committed to their own version of the mission. The sweet spot is high competence with enthusiasm for the mission.” (SE4)

“We want people who are pragmatic and willing to work with the industry instead of pointing fingers at it. We have a diverse team—some people are experts in e-waste, while others know all about sales and customer engagement. Both sides have to adjust a bit, but that’s what makes it fun.” (SE3)

The methods SEs used to socialize employees to the organizational mission varied, yet SEs consistently shared that they expect employees to eventually fully buy in to their mission. SEs facilitated organizational synergy and complementarity by socializing

employees to seek solutions to their dual goals that are mutually reinforcing. A key organizational approach emerges here, that of structured flexibility, in that these SEs can bring “together carriers of different logics to form a single integrated group committed to the same supordinate goal, the hybrid goal of the organization” (Battilana & Dorado, 2010, p. 1435).

There was differentiation in how SEs organized and coordinated projects. While SEs embedded mission alignment through their socialization strategies, they were also willing to restructure their business and alter employee tasks if there were pressing needs that needed attending to. SE1 and 3 shared that they look for specific skillsets and will restructure if they see organizational inefficiencies. This highlighted their inclination to adjust to prevailing needs. These SEs utilized dilemmatic approaches to better adapt to paradoxical challenges.

“We restructured our organization recently. We used to have double the staff in the Netherlands and many managers. But we realized we didn’t need so many layers of management, so we focused on hiring people who add direct value to the operation, like sales and creative marketing staff, rather than managers. That is what our focus became, adding direct value.” (SE1)

“We focus more on skills... but we don’t want people who think they’re going to save the planet with us. We’re doing something practical that’s good for the environment, but it’s not Greenpeace.” (SE3)

These were negotiated and temporary decisions that equipped companies to grow commercially while also expanding their social impact. This illuminated that certain trade-offs could be made without compromising the core social mission, while also enabling more financial gains.

In Eiselein & Dentchev (2020) comparative case study they dive into the hiring policies, socialization strategies, and fit of values of three Belgian SEs. They find that “values congruence is relevant between individuals and job description, but also between individuals and the overall social enterprise organizational values. Therefore, individuals with different personal values can collaborate, as they support the overall organizational goal. Individuals sharing the same set of values create a sense of trust and cooperation not only among team members but also with external stakeholders” (Eiselein & Dentchev, 2020, p.434). In other words, if there is employee alignment in support of the organization goal, regardless of personal values, collaboration is possible. However, if individuals share the same set of values, then trust can be built internally and externally with stakeholders. In their interviews with the Belgian SEs, they found that:

“Finding a fit of values within individuals does not seem to be a challenge, as in two out of three cases (A and B), respondents remarked there is a growing number of talented people, both graduated and experienced ones, who are attracted to the values of the social enterprises [2], joining because of intrinsic motivation:”

(Eiselein & Dentchev, 2020, p. 439)

This comparative case study solidifies the trends that I found in the data collection process. SEs seek to cultivate a workforce that is aligned with the overall goals of the

organization, whether by filtering out bad culture fits in the hiring process or trusting that through clear socialization policies, employee values can be aligned. This approach avoids internal conflicts and nurtures workplace environments that foster cohesive and integrative organizational identities. SEs manifested this through a dialectical process of sensemaking. They leveraged the combined skillsets of their employees to identify cohesive solutions supportive of both social and financial goals. SEs that recognized when they had inefficient organizational structures restructured their businesses to prioritize roles that added direct value. This human resources ethos reflects an adaptable and flexible approach to managing SEs.

5.6 Leveraging Embeddedness to Build Social Capital and Decentralizing Operations

A consistent theme that emerged during data collection was that SEs viewed their connections with local communities and foundational stakeholders as aiding their brand identity and strengthening their credibility. SEs leveraged the difference between their product and others to gain a competitive advantage.

“To leverage their embeddedness in the current marketplace when broadening their networks. Because their push into more socially focused goals and activities did not constitute a dramatic reorganization of their existing relationships, they were able to use their existing levels of trust and reputation”

(Kistruck & Beamish, 2010, p. 744).

SE1 shared that their long-term partnerships had been mutually beneficial.

“We want to work with the community in a way that’s beneficial for everyone. For instance, we’re not just buying bamboo from farmers once; we’re staying in the community and building long-term partnerships. They start to trust you, they start to see that you do what you promised. In the Netherlands, we work with social workplaces, like one where people with a distance to the labor market wrap our toilet rolls. We’ve been working with them since the start, and now we even have our own branded warehouse within their facility. This long-term partnership builds trust.” (SE1)

SEs indicated that by basing operations in the communities they purport to help, they legitimize their mission, build credibility, and expand community access.

“The local teams provide access to the communities” (SE5)

“We don’t want to be seen as a European company operating in Ghana; we want to be a Ghanaian company operating in Ghana.” (SE1)

By capitalizing on their social ties, SEs found ways to communicate to customers that their product integrated social benefits into their commercial operations. This fostered mutually beneficial relationship between SEs social capital and commercial expansion. By combining social and commercial principles in their activities, SEs build social capital, embody dual logics, and resolve hybridity tensions. Through dialogue with their stakeholders, SEs identify integrative and collaborative solutions. SEs emphasized that communication with their social networks helped them adjust business strategies to meet market demands.

“We stay in close contact with our growers, who are a key part of the chain, and with our customers. It’s all about balance. If there’s not enough supply, we adjust our marketing. We’re constantly in touch with both sides to maintain that balance.” (SE2)

Feedback and open dialogue with stakeholders enabled SEs to dual goals in a dynamic balance. This can be considered a dialectical approach to working with their social networks. SEs “expressed the importance of ensuring that their relationships with the locals were bidirectional at the outset to avoid the establishment of unidirectional ties” (Kistruck & Beamish, 2010, p. 744). SEs prioritized two-way communication with their stakeholders to help set expectations and build trusting relationships. However, a few SEs shared that they did split departmental responsibilities to remain accountable to stakeholder expectations and respond to commercial expansion opportunities without fully sacrificing one logic for the other.

“We split responsibilities. My co-founder handles everything in Africa—collection, shipping, and working with local partners—while I focus on engaging with customers, investors, and prospects. If you try to handle both, one side will likely be undervalued. It’s hard to be good at both the commercial side and understanding the informal sector in emerging markets. By splitting it up, we ensure continuous discussion within the organization to prevent a one-sided view of how things should be done” (SE3)

“We’ve adopted a kind of franchise model” (SE5)

By dividing responsibilities between local initiatives and global operations, SEs acknowledged that to effectively manage the entirety of their business, they might need to make trade-offs and hand-off responsibilities to local teams. This manifested in a process of decentralization. SEs that felt stretched too thin were willing to delegate responsibilities between those that managed commercial operations and those that focused on social impact related initiatives. This approach enabled SEs to adapt to changing business environments and network demands while retaining their integrative identity.

Jaipur Rugs (JR) produces hand-knotted rugs and carpets and is classified as an SE as they work with local artisans, primarily women from a lower-caste. Their commercial activities are intertwined with their social objective as they create pathways of economic development for artisans (Pankay & Seetharaan, 2021). To leverage their social capital, JR implemented strategies to balance their local embeddedness with greater commercial growth. JR employed a dilemmatic approach to delegating organizational responsibilities as “JR’s operations run on a decentralized ecosystem where assets, skills, and decision making is distributed, fragmented, and sparsely situated across spatially dispersed locations (Pankay & Seetharaan, 2021, p. 9). To scale operations, JR assigned responsibilities, creating a

decentralized system of resource sharing like that of the franchise-model of SE5 and the split task approach of SE3. SEs that run decentralized operations, which can run the risk of alienating their existing social networks, will better be able to stay responsive to the needs of their social networks when they permit employees to focus on certain tasks and structure their organization in a way that remains attentive to both social and financial goals. This type of approach allowed SE 3 and 5, as well as JR to manage risks that come from being spread too thin, while also maintained the integrity of their mission and credibility in the eyes of their stakeholders.

Certain business contexts induce dilemmatic approaches to avoiding hybridity related tensions. However, the main takeaway from the data analysis is that SEs approach leveraging their social capital as a process of integrating dual goals into unified solutions and communicating this strategy to their stakeholders. JR employs such an integrative approach when they collaborate with partners, consumers, and artisans. Through continuous dialogue and alignment on goals, SEs integrated social and financial objectives, creating mutually supportive and complementary solutions. Pankay & Seetharaan (2021) found that “the actions performed by these social and material agents in the context of SE are able to produce a network of valuable processes which sustain because of the shared meaning among the agents and hence materialization of the relationships. Both of these require smooth flow of information...Without this capability (smooth flow of information), any SE like JR would encounter challenges in managing a spatially dispersed organization with a diverse set of internal and external stakeholders, many of whom are rural artisans” (p.9)

Data collected, and the secondary case study revealed that through ongoing dialogue with their social networks, SEs better kept dual goals in a dynamic balance and leveraged their hybrid nature to gain competitive advantages. This validated the pursuit of integrative solutions. Data also revealed that SEs will divvy up internal responsibilities to better leverage their local knowledge and potentially access new markets. In these cases, it is best suited for SEs to consider these challenges as a paradox where trade-offs are necessary, dilemmas are internally negotiated, and hybridity tensions are managed rather than fully reconciled.

5.7 Substantive Takeaways

Based on this discussion and analysis of the key excerpts from the interview transcripts and the inclusion of secondary data, I will provide here a thematic summary of the above sections.

SEs had clear intentionality to create complementarity between their social and financial goals and made strides to communicate this as part of their mission. This was achieved by seeking strategies and business models that considered profit making activities as a vehicle to cultivate greater social impact. Through this, SEs safeguarded the mission from the possible negative effects of a profit-motive. This also benefitted their ability to cultivate cohesive organizational identities and led to integrative solutions to dual objectives in that they were mutually supportive in nature. While this approach to managing SE hybridity informed how employees and stakeholders perceived the overarching mission, the day-to-day decision-making processes highlighted that SEs were prepared to adapt to respond to predominant concerns. This manifested in a variety of ways, based on the unique contexts of each SE. To encourage pragmatic decisions, SEs were open to making trade-offs between social and financial objectives, ensuring that they remain financial sustainable

while also not losing sight of their larger social impact goals. Short-term adaptability supported the proactive, iterative nature of SE identity-making.

SEs implemented stakeholder engagement strategies that reinforced the social mission. Stakeholder alignment was either achieved structurally, through contractual agreements and steward ownership, or through concerted efforts to protect the social mission by harmonizing motivations. Whether through formal or informal processes, SEs considered the achievement of their social mission as a non-negotiable, creating clear guidelines for stakeholders and guardrails against possibly divergence of mission. However, SEs also accepted that they would have to, at times, prioritize the concerns of one stakeholder over another. To manage this, SEs considered the concern of each stakeholder, weighed the pros and cons, and made decisions that could temporarily dissatisfy a stakeholder group but didn't risk the continuing coexistence of social and financial objectives. These systems of manageable complexity take stock of stakeholder motivations without losing sight of the primacy of the social mission.

Like their approach to engaging with stakeholders, SEs see the advancement of the social mission as the guiding principle for deciding how they position themselves in the marketplace, even being willing to be pushed out of the market if it meant achievement of their stated social goals. This mindset informed how SEs selectively engaged with partners. These decisions were made on a situational basis demonstrating the flexible nature by which SEs make strategic alliances. Through iterative processes, SEs remained attentive to their guiding principles while allowing slight deviations to ensure flexibility.

SEs shared that they are intentional about attracting investment from investors who support their social impact goals. SEs recognized that failing to cultivate such partnerships might threaten the harmonious coexistence of social and financial goals. The legitimacy and credibility of synergistic investor relationships fostered trust and protected SEs from exploitative investor activities. As their investor relationships didn't constrain the achievement of long-term social goals, SEs permitted themselves to make short-term tradeoffs in the form of prioritizing certain projects.

SEs had hiring policies and socialization strategies that ensured cultural complementarity within their organization. SEs recognized that prospective employees had intrinsic motivations to work for them and leveraged this to build a workforce that believed in the importance of the social mission. For new hires that were chosen for the direct value they added to the company but didn't yet align with the prevailing organizational identity, SEs made concerted efforts to train them on organizational values. To foster complementarity and pursue cohesive solutions, while also promoting adaptability to effectively manage pressing business needs, SEs understood that it was of vital importance that employees were committed to the hybrid goals of their organization.

SEs recognized that their social networks bolstered their brand credibility and identity. SEs used their social ties to create further opportunities to expand commercial operations and leveraged their social capital to differentiate themselves from competitors. The feedback SEs got from their social networks also informed how they could hold dual goals in a dynamic balance. SEs developed relationships that were mutually beneficial in nature. However, SEs also recognized that to remain responsive to changing business environments and network demands they would have to either divide internal responsibilities or decentralize their operations if necessary. This recognition meant SEs could better address social and financial objectives without sacrificing their core mission.

This chapter went into depth analyzing the findings from the data collection process. The identification of main themes and patterns was made possible by deductively assessing interview responses and secondary data and linking it to the study's theoretical framework. The next chapter will reflect on how this assessment of SE strategies links to the theoretical framework and responds to the central research question. These conclusions will highlight the practical significance of the findings, placing the research in a larger context.

Chapter 6 Conclusion

The long-term legitimacy, credibility, and abundance of SEs in the competitive capitalistic landscape signals that there is a way to transcend the traditional for-profit logic of companies and move towards a holistic business landscape which produces goods and services that are truly sustainable, ethical, and beneficial for society at large (Laszlo, 2015). For current and future SE practitioners to understand how they can most effectively retain their foundational principles while navigating the challenges that come with having an inherent profit-motive to survive, it was essential to study the approaches SEs had taken to balance their social and financial objectives. This research paper provides new insights into how SEs strategically approach managing their hybridity and adds to existing literature on SE management. The interpretation and analysis of the data, through a deductive thematic analysis, reveals that SEs maintain their viability and credibility by embodying structured flexibility. These findings aligned with the theoretical underpinnings of the study.

The central research question that guided this research paper is: *How do social enterprises strategically approach supporting social and financial objectives within their essential areas of business operations?* This research question was answered in chapter 5 but is further dissected in the following paragraphs by linking the theoretical elements of this paper to the empirical findings.

The “structured flexibility model reorients research away from focusing on either stable or adaptive approaches to sustaining hybridity toward understanding their interaction, with implications for scholarship on hybridity, duality, and adaptation more broadly” (Smith & Besharov, 2019, p.1). This study lays out a theoretical model that places two strategic approaches soundly within a framework of structured flexibility. By assessing the ways that integrative and paradoxical approaches are employed and the dialectical and dilemmatic processes by which participant SEs sustain their dual objectives over time, I provide new insights into the interactive nature of SE hybridity and make empirical connections between the theoretical underpinnings of this study and real-world practice.

The insights provided form the empirical basis by which SEs embody structured flexibility and reveal two main theoretical implications. First, that SEs find stability and develop cohesive identities through the reinforcement of their social mission, the alignment of their social and financial logics, and the nurturing of a shared purpose. This integrative approach is manifested through a dialectical process of sensemaking. The following approaches that participant SEs implemented mirror this integrative dialectical theory of organizational sensemaking. SEs minimize conflicting demands and find mutually reinforcing and complementary solutions that streamline their managerial efforts and create stakeholder alignment. SEs resolve contradictory elements of their hybridity by safeguarding their social mission from the negative effects of a profit-motive. SEs build formal and informal governance structures and guardrails that harmonize stakeholder motivations and remove residual tensions between profit and purpose driven stakeholders. SEs communicate that company survival is less important than solving the larger social issues which sets clear positioning standards. SEs partner with investors that align with their foundational principles. SEs leverage the intrinsic motivations of prospective employees to cultivate workforces that are committed to dual goals. And finally, SEs value feedback driven relationships with their social networks to develop solutions that permit dual goals to be held in a dynamic balance. SEs find stability and cement their organizational credibility and legitimacy through a dialectical process of integration. This “cognitive understanding” of SE

sensemaking helps support the collaborative and complementary relationship of social and financial goals (Smith & Besharov, 2019, p.1).

However, to sustain hybridity and maintain their structural flexibility, SEs also incorporate paradoxical approaches as they enable adaptable decision-making to adjust to prevailing needs and to manage dilemmatic situations, this is the second theoretical implication of this study. The following approaches that participant SEs employed reflect a paradoxical dilemmatic process of managing complex SE challenges. To support the holistic and cohesive incorporation of dual goals, SEs retain a form of short-term adaptability to manage temporary trade-offs without losing sight of the primacy of their social mission. To continue to cultivate stakeholder alignment, SEs acknowledge the need to adapt to effectively respond to evolving stakeholder concerns. To maintain a competitive advantage in the marketplace, SEs recognize the need to selectively engage with partners and make strategic alliances. To expand income-generating activities, SEs demonstrate a willingness to prioritize certain projects. To respond to pressing business needs, SEs will change employee tasks and restructure organizational hierarchies. And finally, to fully leverage the mutually beneficial relationship with their social networks, SEs will decentralize their operations and split responsibilities so that they remain attentive to the communities they serve. These approaches highlight that SEs “portray competing demands as persistent and pervasive, inviting leaders to live with rather than resolve tensions” (Smith & Besharov, 2019, p.27). This implies that SEs recognize that social and financial goals can’t always be fully reconciled and, when needed, will make trade-offs to ensure the long-term survival of their company and retain their social impact related purpose.

The combination of these integrative and paradoxical approaches reflects theoretical perspectives that mirror structured flexibility. This research paper is meant to reveal important insights into how SEs can maintain the long-term legitimacy and credibility of their companies in a competitive capitalistic landscape. It serves as an empirically grounded guidebook for SE practitioners. The practical implications of this study emphasize that SEs should develop business models that facilitate the broad alignment of stakeholders while also valuing short-term adaptability as a method to navigate the myriad of tensions that arise because of their hybridity. The approaches that participant SEs implemented should serve as a helpful example for future SE practitioners to manage the hybrid nature of their business and effectively balance their social and financial objectives. This study expands on SE hybridity literature and hopefully will be utilized by academics as a source of information for further research into the role of SEs in the development of the private sector.

This study only provides a small sample size of SEs and was conducted over a short time which limits the generalizability of the study. Therefore, it is suggested that future research could implement the methodology on a larger scale and over a longer period to extend upon the findings and further corroborate whether structured flexibility enables SEs to hold dual goals in a dynamic equilibrium and avoid mission drift. While the participant SEs did represent a variety of different commercial sectors with a similar size and maturity, it would be recommended for future research to also assess more areas of business operations, include companies that aren’t defined as SEs, and evaluate whether cultural norms affect SE strategies. Finally, little is known about whether an exponential increase in the prevalence and abundance of SEs would alter the mainstream paradigm of business. As a development studies student with a particular interest in private sector development, I believe that SEs can change how we do business, creating a new commercial paradigm that serves the best interests of the planet, not the bottom line. This research paper offers structured flexibility as a viable approach for social enterprises to sustainably and positively affect the development of the private sector.

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