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**NATURE AND MANAGEMENT OF SOCIAL-BUSINESS TENSIONS: A  
STUDY OF MICRO AND SMALL SOCIAL ENTERPRISES IN  
DEVELOPING COUNTRIES**

**Abstract:**

Using a multiple-case study approach of nine social enterprises operating in Ghana and Ivory Coast, this study looks in depth at the nature of social-business tensions in micro and small social enterprises (SEs) in challenging environments such as those found in developing countries and the strategies that are adopted to manage those tensions. Through our multiple-case analysis, we show that micro and small SEs experience tensions in the areas of mission, acquisition of fundamental resources, legal form, allocation of resources and human resources management. The study also reveals that owner-managers of micro and small SEs adopt various strategies within the aggregate dimensions of “integration and differentiation” strategies to respond to social-business tensions by having a well-defined social mission, image management, leveraging resources from unrestricted sources among others. The study contributes to the growing interest in how hybrid organisations can remain committed to their social mission whilst sustaining effective operations.

**Keywords:**

Social Entrepreneurship; Dual Goals; Hybrid Organisations; Paradox Theory; Mission Drift

## 1.0 Introduction

The social sector has increasingly been under pressure to provide the necessary solutions to the ever-increasing, large-scale, and pressing social and environmental problems that bedevil the world by addressing unique needs that profit-seeking firms and governments have either been unable or unwilling to cater for (Dees and Elias, 1998; Mintzberg and Guilhereme, 2012). Over the past three and half decades, however, the social sector has witnessed an increased rationalisation and marketisation (Hwang and Powell, 2009; Mair and Hehenbeger, 2014) due to issues related to changes in the nature of donor funding and governments' involvement in providing social needs. This has led to non-profit or charitable organisations, whose primary aim has hitherto been to achieve social goals, increasingly adopting practices typical of businesses through the use of market mechanisms (Frumkin, 2002; Tuckman and Chang, 2006). As a result, it has become imperative for operational charities to become more entrepreneurial (Emerson, 2006) by incorporating strict business principles (Pearce, 2003; Nicholls, 2006) into their operations in order to sustain their social missions. Similarly, nascent non-profit organisations or charities are taking a cue from already existing organisations by selecting a social enterprise label in pursuing their goals. In pursuing both social and economic goals concurrently, social enterprises (SEs) are exposed to tensions between the two dual missions which are not aligned and are sometimes contradictory (Battilana *et al.*, 2015; Dees and Elias, 1998; Kannothra, Manning and Haigh, 2017).

Faced with such tensions SEs must adopt strategies to engage in commercial activities while pursuing their social mission, taking care not to prioritise customers who are their primary source of revenue for sustenance over the beneficiaries of their primary social mission – a situation described as a risk of mission drift (Fowler, 2000; Jones, 2007). Though not peculiar to SEs, the risk of mission drift has been found to be crucial for these organisations (Ebrahim, Battilana and Mair, 2014). As in organisations in general, managing such competing demands in SEs is becoming more prevalent and challenging, yet necessary for effective organisational performance and innovation (Cameron, 1986; Smith and Lewis, 2011; Smith *et al.*, 2011). Consequently, in terms of organisational theory and governance, there is little debate among scholars that the question of how SEs effectively manage their social missions and their commercial goals remains a research phenomenon requiring attention (Dacin *et al.*, 2010). Therefore, a small but growing body of literature has been devoted to investigating strategies and skills that SEs can adopt to effectively manage tensions (Smith, Lewis and Tushman, 2013). The extant literature has shown that differentiation and integration are the main strategies with which SEs can respond to tensions (Smith *et al.*, 2013) with recent views (in support of acceptance) challenging those two as the only options for organisations facing tensions (Cornforth, 2014; Hahn *et al.*, 2015; Ramus and Vaccaro, 2014). Despite the merits of previous research however, we still lack comprehensive understanding of how and when these tensions manifest in social enterprises and how they are managed, especially new and small ventures (Pache and Santos, 2013; Mason and Doherty, 2016; Wry and York, 2017). SEs thus offer a fertile ground for research “as they combine not only potentially conflicting goals (social and financial) but also potentially divergent stakeholder interests (Ebrahim *et al.*, 2014, p.3).

Social entrepreneurship is an emergent phenomenon in most developing countries and as such, most SEs are yet to reach medium-sized operations (British Council, 2015). In terms of operational setting, SEs in developing countries are exposed to stakeholder

misunderstanding since the term is not well-known, institutional ambiguity (British Council, 2015; Yu, 2011; Zhao, 2012), and other socio-economic and cultural challenges (Goyal and Sergi, 2015; Yu, 2011). Consequently, SEs in developing countries operate in more challenging and less certain conditions due to their sizes and operational setting compared to their western counterparts. Yet, although all these expose social enterprises in developing countries to different challenges in terms of the nature and management of tensions, aside from a few notable exceptions (i.e., Yin, 2018), there has been little research on tensions within social enterprises in such countries. This has been the case despite the burgeoning interest in how differences in the nature and setting of competing demands may trigger different management strategies (Pache and Santos, 2010). First, the extant literature shows that previous research has focused on medium and large organisations (e.g. Ebrahim et al., 2014; Ostrower and Stone, 2006) with a great majority of publications based on SEs in Europe and North America (Doherty, Haugh and Lyon, 2014) where formal institutions are thought to be effective. However, as the emergence and growth of SEs has been found to be more attributable to institutional contexts than to market failures (Dart, 2004), broader insights into the operations of SEs will require more than simply generalising Western approaches to considering local contexts (Defourny and Nyssens, 2010). Second, most of the studies have tended to explore the strategies of managing social missions as distinct from entrepreneurial ones with little attention focusing on the strategies associated with managing the conflicting demands that emerge from both (Smith *et al.*, 2013). Finally, although some scholarly understanding of how organisational leaders manage tensions in SEs exists, empirical research has been slow to progress. Findings of most of the existing studies are based more on anecdotal evidence than on empirical examination (Smith *et al.*, 2013).

Combining archival data with field evidence from interviews and observations, we respond to the call for more a) research in exploring the differences in competing demands, their environments, and the implications of these differences for managerial responses (Smith *et al.*, 2013) and b) empirical insight into understanding the management of social enterprises (Battilana and Lee, 2014; Mintzberg and Guilhaume, 2012) by exploring the nature and management of tensions in micro and small SEs in challenging environments such as those found in developing economies. Specifically, we address the question “*how do owner-managers of nascent micro and small social enterprises in developing countries manage social-business tensions?*” To do this, we will draw on the lens of paradox theory.

The study makes three main contributions to the literature. First, this study complements existing debates on the functioning of social enterprises (eg Haveman and Rao, 2006; Galera and Borzaga, 2009; Pache and Santos, 2013; Smith et al., 2013). Research has shown that social enterprises are non-unitary and vary across geography and communities (eg Kerlin, 2009; Zahra *et al.*, 2008). This study will therefore further our understanding of how social enterprises (in this case micro and small SEs in developing countries) differ from medium and large social enterprises operating in developed countries in terms of organising (Mair *et al.*, 2012) and managing different types of tensions. Second, the study further contributes more broadly to organisational theory in the sense that by using an existing organisational theory such as paradox theory to shed light on social-business tensions, the study is expected in turn to inform existing theories. Finally, a better understanding of the dynamics of the nature of tensions and how SEs simultaneously manage these social-business tensions effectively will offer insights into how organisations, in broad terms,

combine multiple organisational forms as well as the challenges they face and how, specifically, business ventures can manage their social commitments.

This paper proceeds as follows. First, we explain the nature of SEs by highlighting their distinctive characteristics. Second, we discuss the pursuance of divergent goals and the risk of exposure of SEs to tensions, followed by current debates on the management of social-business tensions within SEs. Third, we explain our methodology, followed by our results and discussion. We conclude with a summary of limitations and future research opportunities.

## **2. Theoretical background**

### **2.1 Nature of Social Enterprises**

The literature shows that there are as many definitions of “*social enterprise*” as there are many disciplines under the social sciences. There is lack of a consensus on what actually constitutes social entrepreneurship (e.g. Peredo and McLean, 2006; Perrini, 2006) resulting in a lack of unified definition (Short *et al.*, 2009) due to the apparent lack of a single legal structure or business term (Bull, 2008). Differences of what constitutes a SE generally differ between the US which emphasises revenue generation and exploitation of business opportunities and Europe which prioritises social value creation and participative management (Defourny and Nyssens, 2010; Kerlin, 2006), with the UK adopting a hybrid view. In spite of all the differences however, a careful look at the variety of definitions reveals that all emphasise the common view that SEs are hybrid organisations that occupy an intermediate position between conventional business and charity (e.g. Robinson, 2006; Sharri and Lerner, 2006). Based on the fact that there is some consensus in the literature about the synonymity between social enterprises and “hybrids” (e.g. Battilana and Lee, 2014; Ebrahim *et al.*, 2014), the terms “social enterprise” and “hybrid” will be used interchangeably as used by other authors (e.g. Santos *et al.*, 2015; Waddock and McIntosh, 2011) throughout this paper. “Hybrids” for the purpose of this study shall refer to organisations that pursue a social mission (social welfare logic) through commercial activities (market logic) by combining multiple organisational forms (Battilana and Lee, 2014; Padgett and Powel, 2012). Per their nature, three distinct but interrelated characteristics can be associated with SEs. First, social enterprises pursue a dual mission comprising social and business goals. They pursue a social mission as their principal goal while engaging in commercial activities (Battilana and Dorado, 2010; Pache and Santos, 2013) as a means of achieving and sustaining their social mission. The social mission is usually to satisfy the needs of their beneficiaries whilst the economic goal is to use commercial activities as their primary source of revenue for sustaining their operations. For this reason, commercial activities are principally a means towards social ends (Ebrahim *et al.*, 2014) which can be achieved through the use of business principles (Kerlin, 2009; Santos, 2012). As such, SEs operate in the form of both charity and conventional entrepreneurship (Austin *et al.*, 2006; Battilana and Lee, 2014; Besharove and Smith, 2014; Mair *et al.*, 2015) and are thus typically neither charities nor conventional entrepreneurial ventures. As a consequence of their pursuance of dual goal, the second characteristic of SEs is that they serve divergent constituents/stakeholders: stakeholders of the social mission represented by beneficiaries and stakeholders of the commercial business represented by clients. Driving from their dual-purpose nature and obligation to two categories of constituents is the third characteristic of social enterprises: the combination of multiple organisational forms, institutional logics, and identities (Battilana and Lee, 2014; Haveman and Rao, 2006; Padgett and Powell, 2012).

The multiple organisational forms derive from the combination of aspects of the charity and business forms; multiple institutional logics from the social welfare and the business logics; and multiple identities from the identities associated with business and charity organisational forms (Battilana and Dorado, 2010; Greenwood *et al.*, 2011; Smith *et al.*, 2013). The integration of the three interrelated characteristics of SEs gives rise to the existence of multiple and sometimes contradictory demands that arise from the simultaneous pursuit of social and economic goals (Smith *et al.*, 2013).

Based on the degree of integration between the social and economic activities which varies across SEs (Battilana and Lee, 2013), SEs can be grouped into three categories: differentiated and integrated hybrids (Battilana *et al.*, 2012) and work integration social enterprises (Hockerts, 2015). On the one hand, differentiated social enterprises are organisations in which social activities geared towards achieving social missions are decoupled from commercial activities aimed at achieving economic goals or revenue e.g. The Belgian organisation, Mobile School. Integrated hybrids also called '*Base-of-the-pyramid*' (Hockerts, 2015), on the other hand, are those in which social activities and commercial activities are fused e.g. VisionSpring. The third category, work integration social enterprises (WISEs), are those in which the beneficiaries of the social mission produce the goods and/or services for the economic goal e.g. The Big Issue. The degree of integration between the social and economic activities conditions the nature and magnitude of social-business tensions within social enterprises and thus dictates managerial responses to such tensions.

## 2.2 Tensions within SEs and the risk of mission drift

Although founded by both social and economic missions, "*social mission*" is the primary goal of SEs. According to Dees (1998), the primary purpose of a SE is to provide social value for the beneficiaries of its social mission. Social aims thus constitute the *raison d'être* of every SE (Ebrahim and Mair, 2014). It is this centrality of the social mission that distinguishes SEs from conventional businesses (Chell, 2007). As their primary aim, the overall impact of SEs depends on the achievement of their social mission. Yet, per their nature, the social aims of SEs are characterised by some complexities that have implications for their achievement and sustainability. First, the beneficiaries of social enterprises' social mission, are usually the poor and the vulnerable (e.g. Mair and Marti, 2009; Tracy *et al.*, 2011) mostly in rural areas (e.g. Karnani *et al.*, 2011) especially in developing countries (Nicholls and Opal, 2004). These beneficiaries, apart from being at the 'base-of-the-pyramid', are mostly found in areas that pose a challenge to SEs in terms of making products and/or services accessible and/or affordable to them in order to achieve their social aims. Second, social aims involve a broad spectrum of stakeholders (Brickson, 2007) such as beneficiaries, employees, communities, funding members, among others (Haigh and Hoffman, 2012). Finally, social aims are complex in terms of measurement of outcome and impact. Apart from the metrics used in the evaluation of social performance generally lacking standardisation and comparability (Ebrahim and Rangan, 2010), the outcomes of social aims also require a long-time horizon (Hoffman, *et al.*, 2010) creating challenges in terms of measuring and comparing progress towards social aims. Whilst '*social mission*' on the one hand is the primary goal of SEs, '*commercial activities*' on the other hand is their primary revenue source. Social enterprises rely on commercial activities to provide the resources to achieve social goals, sustain themselves, and scale their reach and social impact (Ebrahim *et al.*, 2014; Mair and Marti, 2006; Tracy *et al.*, 2011). In their study of French Work Integrated Social Enterprises

(WISEs), Battilana *et al.* (2015) argued that the ability of a WISE to achieve high levels of social performance is partly dependent on its economic performance. They further showed that an economically productive WISE can gain legitimacy toward external stakeholders such as customers and investors. Legitimacy improves the chances of support from such constituents for such organisations (Suchman, 1995). Another evidence of the importance of economic performance to social enterprises' social mission is the case of most hospitals in the US such as the Hospital Corporation of America and Partners Healthcare that rely heavily on their economic performance for survival (Ebrahim and Mair, 2014). Similarly, Tracy *et al.* (2011) showed how financial failure led to the collapse of ASPIRE and non-sustainability of its social impact. They further found that out of the 800 non-profit organisations in the UK that supported homeless people at the time, around 80% used social enterprise to achieve their objectives. All the above-mentioned examples lend credence to the fact that commercial activities are a means to the social ends that social enterprises pursue (Dacin, *et al.*, 2010; Dacin *et al.*, 2011). However, although commercial activities are a means to social ends, an alternative view is that the relationship can be cyclical; social value creation can impact positively on economic performance (Wilson and Post, 2013) which in turn yields the financial resources to be invested in social projects to achieve the social mission (Dacin *et al.*, 2011) such that long-term success depends on achieving both. For example, there is evidence (Margolis and Walsh, 2003; Orlitzky *et al.*, 2003) to suggest that in the long term, an organisation's social and economic performance reinforce each other. In view of this, SEs must be able to generate enough revenue to gain and maintain competitive advantage (Mason and Doherty, 2015) in order to sustain investment in social projects (Moizer and Tracey, 2010) for social value creation (Mair and Marti, 2006), since social missions and economic outcomes are both mutually beneficial and constitutive (Smith *et al.*, 2013).

The dual-mission nature of SEs means that they operate "at the intersection of social and commercial sectors" (Battilana *et al.*, 2015: 1658). Although this intermediate position gives social enterprises flexibility to pursue both social and economic goals (Galaskiewicz and Barringer, 2012; Pache and Santos, 2013), it is not without consequences. By straddling business and charity, social enterprises combine multiple organisational forms, logics and identities (Battilana and Lee, 2014; Haveman and Rao, 2006; Pache and Santos, 2013) and are thus exposed to tensions. Based on Smith and Lewis' (2011) categorisation of tensions in organisations in general, the four categories of tensions within a social enterprise context include: performing tensions (linked to the divergent nature of goals, measurement metrics, and stakeholders); organising tensions (related to recruitment and socialising, organisational structure, and legal form); belonging tensions (divergent identities between individuals, sub-groups and the organisation); and learning tensions (connected to growth, scalability, and flexibility associated with different time horizons) (Smith and Lewis, 2011; Smith *et al.*, 2011). These paradoxical tensions arise due to the challenges associated with social entrepreneurial organisations' efforts at meeting: a) the different stakeholder interests and/or expectations regarding financial performance and social and/or environmental impact (Ebrahim *et al.*, 2014; Santos *et al.*, 2015); b) the conflicting goals of social impact associated with long-term horizons and financial performance associated with short-term horizons (Smith *et al.*, 2013) and c) the different rules associated with the appropriate distribution of resources between social and commercial missions. Depending on how well or otherwise social enterprises are able to manage these tensions, they are exposed to the risk of mission drift. Though not peculiar to social enterprises, according to Ebrahim *et al.*

(2014), the risk of mission drift is crucial for SEs for two reasons. First, social enterprises' dependence on financially-generating commercial activities to sustain their operations exposes them to the potential risk of prioritising commercial activities – their source of revenue and survival which enables them to achieve their social goals – over their social mission – their *raison d'être*. This is in line with organisational theorists' prediction that organisations that serve multiple constituencies tend to favour the demands of the group on which they depend for fundamental resources (Wry *et al.*, 2013). Second, the risk of mission drift for social enterprises is crucial because it is a threat to the very reason for their existence which is to satisfy the social needs of their beneficiaries. Thus, whilst overemphasising the economic goals potentially leads to the neglect of social outcomes as in the case of most commercial microfinance institutions in recent times (Mersland and Strom, 2010), too much focus on the social mission too can lead to financial failure and subsequent collapse of the SE as was the case with ASPIRE (Tracey *et al.*, 2011). The challenge therefore requires SEs to strike a balance between seeking financial self-sufficiency and driving forward their social agenda. This is important because their sustainability depends on both the advancement of their social mission and on their commercial performance (Galaskiewicz and Barringer, 2012). Thus, even though both are core to social enterprises' sustainability, simultaneously attending to both the social and financial sides might give rise to tensions (Tracy *et al.*, 2011) the management of which is critical for social enterprises survival (Dacin *et al.*, 2010).

### **2.3 Management of Social-business Tensions**

Previous studies have revealed that tensions that arise from SEs pursuing social goals through the use of market mechanisms manifest in multiple forms (e.g. Smith and Lewis, 2011) and have used paradox theory to examine such tensions (see Cameron, 1986; Lewis, 2000; Smith *et al.*, 2012). Faced with these tensions, their management is vital for social enterprises' fate (Bradford *et al.*, 2004; Dacin *et al.*, 2010; Quin, 1998) because their outcome can be beneficial or detrimental to social enterprises' success depending on how they are managed. Viewing and choosing paradoxical tensions as alternatives has been found to have the potential to expose SEs to mission drift or intractable and protracted conflict due to vicious cycles (Smith *et al.*, 2012; Sundaramurthy and Lewis, 2003). In contrast, a simultaneous approach to paradoxical tensions leads to novel innovations (e.g. Eisenhardt and Westcott, 1998; Smith and Lewis, 2011) leading to long-term sustainable organisational success (e.g. Cameron and Levine, 2006; Lewis, 2000; Smith *et al.*, 2011). For instance, the focus on performance which is associated with pursuing commercial viability and that on passion which is associated with the pursuance of social goals can provide new and better solutions to existing and/or more challenging new problems (Smith *et al.*, 2012). Although these tensions can be difficult to manage, literature has shown that organisational leaders, more broadly, are capable of managing them effectively. More specifically, prior studies have used the lens of paradox theory to address how hybrids manage the competing and conflicting tensions between social and commercial goals. Paradox theory (Lewis, 2000; Smith and Lewis, 2011) thus offers us a lens with which we can broaden our understanding of the nature and management of these multiple types of tensions in SEs. A small, but growing body of research that investigates the nature of and organisational responses to tensions offers varied but often challenged approaches (Battilana and Dorado, 2010; Battilana *et al.*, 2012; Pache and Santos, 2010). The extant literature has mainly identified integration and differentiation/separation as the strategies with which SEs manage tensions (Smith *et al.*, 2013). Whilst integration seeks to address

social-business tensions simultaneously with the aim of generating synergies between them (Battilana *et al.*, 2015; Battilana and Dorado, 2010; Jay, 2013; Smith *et al.*, 2012), differentiation strategies, in contrast, involve tackling tensions that serve the market and the social welfare logics one-by-one by decoupling them either in space and/or time (Battilana *et al.*, 2015; Jay, 2013). Differentiation strategies keeps competing goals independent and therefore avoids prioritising commercial goals over social goals, but it also intensifies stakeholder conflicts among different groups and adversely affect organisational efficiency (Tracy and Philips, 2007). Integrating goals by imbedding economic objectives into the social mission reduces the risk of prioritising one over the other (Fiol *et al.*, 2009). Recent studies have however disputed integration and differentiation as the only options with which organisations can manage tensions by suggesting that tensions can be recognised but deferred to be addressed in the future when the opportunity avails itself (Hahn *et al.*, 2015). For instance, Battilana and Dorado (2010) emphasise leadership and managerial discretion as strategies to managing competing demands. They show how the approach of employing candidates with either a banking or social work background and socialising them to support an integrated mission of operational excellence led to the sustenance of both social and commercial welfare logics. Other studies emphasise the creation of specific metrics for measuring social performance (Ebrahim and Rangan, 2010) as a strategy of managing social-business tensions. Finally, in their study of French WISEs, Pache and Santos (2013) revealed that social enterprises can sustain social and commercial welfare logics over time by selectively coupling practices associated with both logics rather than decoupling them or trying to find compromises between them.

Research on paradoxical tensions further suggests that the way and extent to which social businesses address social-business tensions vary (Battilana and Lee, 2014) because SEs are non-unitary and vary across geography and communities (e.g. Kerlin, 2009; Zahra *et al.*, 2008). For instance, Pache and Santos (2013) assert that competing demands are more pronounced in organisations operating in fragmented and somewhat centralised settings and that efforts to address such demands are dependent on whether they are means- or ends-related as well as their internal representation. Similarly, Pratt and Foreman (2000) have suggested that multiplicity of identities and the synergy between competing demands affect the nature of managerial response to such demands. Thus, recent scholarship in the management literature has not only debated the effectiveness of integration versus differentiation strategies but have also challenged the simple dichotomy between social and economic goals and have called for more insight into strategies that enable organisations to effectively manage tensions (Smith *et al.*, 2013; Doherty *et al.*, 2014). In line with this, the question of how the nature and the environment of social-business tensions may differ and the effect of this difference on alternative management strategies (Smith *et al.* 2013) has begun gaining attention. Yet, we lack comprehensive understanding of the nature and management of social-business tensions in micro and small social enterprises, in contexts other than those in the West and the implications of these differences on managerial responses. This is so because most of previous studies on social enterprise management were focused on medium and large organisations and in Australia, North America, Europe, and parts of South America (Doherty *et al.*, 2014; Short *et al.*, 2009). Thus, although global understanding of the nature and management of paradoxical tensions in SEs is becoming increasingly compelling, knowledge of the nature and management of tensions in social enterprises especially micro and small firms and in countries and contexts that relatively little



is known about, such as African countries, China, Middle Eastern countries and Russia (Doherty *et al.*, 2014) is woefully limited.

Taken together, the literature mostly focuses on how SEs, mainly medium and large social entrepreneurial organisations: 1) through their governing boards or management teams; 2) in institutionally-developed settings; and 3) that are more likely to drift towards economic goals; manage social-business tensions. But the literature is silent on how micro and small SEs which are owner-managed, are operating in challenging environments, and are more likely to focus on their beneficiaries (at least during the early stage), as opposed to their customers per the popular theoretical prediction, manage tensions. To fill these gaps, this study sheds light on the nature of social-business tensions in micro and small social enterprises in institutionally underdeveloped or challenging settings such as those found in Africa and the strategies with which these tensions are managed.

### 3. Methods

The study adopted both an inductive and a deductive qualitative method to examine how micro and small social enterprises in developing countries manage social-business tensions. Qualitative methods are justified for “*how or why?*” questions (Yin, 1994) in situations that the researcher has little or no control over (Yin, 2003), and for exploring complex phenomena which we know little about and/or require novel understanding of (Strauss and Corbin, 1998). Social-business tensions are complex in general and, for SEs as an emerging phenomenon in developing countries, have yet to be explored in depth. The study employs an exploratory multiple-case study design since it is suitable for building more robust, generalisable, and parsimonious theories than single cases (Eisenhardt and Graebner, 2007). In keeping with this aim, the study adopts a comparative case study design (Eisenhardt, 1989) following a replication logic (Yin, 2008) allowing for cases to be treated as a series of independent experiments that confirm or disconfirm emerging theoretical insights (Eisenhardt and Graebner, 2007; Yin, 2013).

The research setting is nascent SEs operating in Ghana and Ivory Coast. Ghana represents an ideal setting for the following reasons. In Ghana, just like most developing countries, social entrepreneurship is fairly a new phenomenon with most SEs yet to reach medium-sized operations (British Council, 2015). As a new phenomenon, there is both public and media misunderstanding of the concept: whilst media reports mistake “*social enterprise*” for “*CSR*” thereby perceiving private business entrepreneurs as “*social entrepreneurs*” and regarding regular businesses that have CSR projects as “*social enterprises*” (Yu, 2011), the public tends to associate “*social enterprise*” with “*charity*”, and with “*NGOs*” – not business models (British Council, 2015). Economically, though they risk prioritising social goals over economic goals due to the heavy reliance on donations and grants in the beginning, significant growth of the market economy may lead SEs to eventually prioritise economic goals over social objectives in the long run. Legally, there is no specific legal designation for SEs (British Council, 2015) and this exposes them to numerous organising challenges. Culturally, consumers tend to favour foreign imported products over locally produced ones due to lack of confidence in the quality of locally-produced products and services and this makes it difficult for social enterprises to increase sales and confidence among consumers. This is contrary to the case of medium and large firms (in developed countries) which have been the focus of previous studies.

The sample of the study is micro and small social enterprises operating in Ghana and Ivory Coast. In terms of sampling strategy, a theoretical sampling technique (Denzin, 1989; Eisenhardt, 1989), widely recommended for analytical induction (Bansal and Roth, 2000), was used in selecting the respondents for this study on the basis of their origin (founded by a double or triple bottom line). The selection criteria used in choosing the respondent firms included both purposive (Kumar *et al.*, 1993) and snowball (Mills and Huberman, 1994) sampling. First, potential candidates (micro- and small-sized enterprises) were selected from the Registrar Generals Department databases, which provides accurate data on all registered businesses. In order to meet the criteria for selection, a SE had to be owner-managed, and micro or small in size (i.e. must have not more than 19 employees based on UNIDO classification of SMEs in developing countries). From an initial number of twenty-four suitable SEs, we sent emails to them and followed up with phone calls to invite them to participate in the research. The emails sought to explain the purpose, implication of the research and the promise of anonymity to potential respondents. Fifteen SEs indicated their willingness to be interviewed and observed. In the course of the interviews, we used the snowball method (Mills and Huberman, 1994) of asking already identified social enterprises to further identify other potential participants, and then these managers identified others, as needed. In all, nine SEs were interviewed and observed (see Table 1: Description of cases). In order to broaden the exploration of the research question (Ozanne *et al.*, 2016) and to meet Patton's (1990) criterion of maximum variation, we ensured maximum diversity in our sample in terms of organisational location, impact sector, age and size (see Table 1: Description of cases). The informants for the study were founders and managers of SEs and officials of social enterprise support organisations. These informants were selected based on their idiosyncratic comprehensive knowledge of the nature and strategies for managing social-business tensions in the organisations.

Table 1: Case Description

Name	Year Established	Number of Staff	Impact Sector	Main Activities	Geographical Reach
SE 1	2012	15	Education and services	Software training and solutions for skills development in technology	International
SE 2	2013	8	Agriculture and services	Processing of oils, Basketry, and Cloth weaving	Ghana
SE 3	2010	5	Agriculture	Agroprocessing, Packaging of agricultural produce, and marketing of craft	Ghana
SE 4	1997	10	Manufacturing	Art and craft	Ghana
SE 5	2008	9	Justice	Child protection, rehabilitation for juvenile offenders	Ghana
SE 6	2013	37	Health	Stitching and sale of football, running educative health programmes	International
SE 7	2008	13	Services	Mobilisation and organisation of talent	International
SE 8	2011	4	Health	Providing spectacles at low cost or free	Ghana
SE 9	2013	15	Clean tech, Energy	Provision of clean energy to off-grid consumers	Ghana

Source: Author's construct, 2019

### 3.1 Data Collection

The study employed multiple rounds of data collection, multiple informants, and a variety of sources: 1) interviews 2) observations, and 3) secondary archival data. The use of multiple data sources was considered because of its benefit of ensuring convergence and triangulation of findings (Jick, 1979) both of which increase the external validity and robustness of findings (Yin, 2008). First, in line with previous research on the nature and management of tensions in SEs (Siegner et al., 2018; Smith et al., 2013), semi-structured interviews (the primary data source) were conducted with individuals that had a managing function within SEs and social enterprise supporting organisations (i.e., managers of social enterprise and officials of social enterprise support organisations). The use of multiple informants is ideal for reducing informant bias (Eisenhardt and Graebner, 2007) and producing more accurate and trustworthy models (Dougherty, 1990). An interview protocol containing some predetermined questions thought to be key in achieving the research questions was developed and used. This protocol was based on reviews of relevant literature on the nature and management of social-business tensions in SEs and informal inquiries from experts in the field. Interviews were face-to-face and were conducted in multiple sessions in order to generate trustworthy findings (Glesne and Peshkin, 1992). We started off by conducting three pilot interviews with owner-managers of SEs who could shed light on social-business tensions. The main phase consisted with two main rounds of interviews. We began with an overview interview (Hallen and Eisenhardt, 2012) with managers of SEs to elicit background information about the firms and nature of tensions (whether and how they experienced tensions related to their social and economic missions; focusing on mission, legal form, acquisition of tangible resources, and human resources/recruitment). The second round of interviews focused on obtaining detailed descriptions of strategies adopted in managing social-business tensions. This was achieved through the use of more detailed and broad-focused follow-up open-ended questions with prompts used to further elicit the views and opinions of participants (Creswell, 2003). The use of semi-structured interviews was ideal to; 1) allow for the researcher to ask probing questions on interesting themes and answers to further elicit the views and opinions of participants (Creswell, 2003) as they emerged during interviews; and 2) offer respondents the opportunity to fully express themselves (Kreina *et al*, 2006) in order for us to be able to make sense of the nature and management of tensions in the organisations. In addition to the semi-structured interviews, telephone follow-up interviews were carried out on interesting themes that emerged after the personal interviews and warranted follow up questions. These served as additional data to confirm or compliment some of the findings. The second source of data was observations. We supplemented interview data by spending one and half weeks (on average) at each organisation during their working hours to observe their operations. Finally, we collected secondary archival data on case organisations from a variety of sources such as websites of those who have, Facebook and twitter accounts of those who do not have websites, policy reports, practitioner articles on social-business tensions, etc.

In all, we conducted a total of 27 in-depth interviews between December 2018 and March 2019 (see Table 2: Overview of data). Each interview lasting between 30 and 60 minutes long, was all audio-taped, transcribed verbatim within 24 hours and subjected to coding and further analysis as discussed under *data analysis*. For data that required clarification we sent emails and/or made follow-up phone calls and conducted additional interviews. As a result, some informants were interviewed more than two times. Following Siegner et al (2018) we asked each respondent two overarching questions to stimulate their narrative response: "What was

your experience like in getting this business established and what has your experience of running it been like?”. We used these questions as the ice-breaker with the assumption that participants’ responses to these questions would provide the opportunity for probing questions that would transition into the nature and management of tensions within the organisations. To ensure transparency (Witzel, 2000), informants who were available and interested were given access to the interview transcripts.

Table 2: Overview of Data Sources

Source	Number
<b>Primary data: semi-structured interview</b>	
<b>Social enterprises</b>	25
<b>Policy makers</b>	1
<b>Experts</b>	-
<b>Managers social enterprise support organisations</b>	-
<b>Managers social enterprises’ association</b>	1
<b>Total number of interviews</b>	<b>26</b>
<b>Secondary data</b>	
<b>Social enterprises’ websites</b>	6
<b>Organisational documents</b>	1
<b>Publications on social enterprises</b>	8
<b>Total number of secondary sources</b>	<b>15</b>

Source: Field data, 2019

### 3.2 Data Analysis

We began the data analysis by creating individual case descriptions (Eisenhardt, 1989) for each of the SEs based on the interview data, secondary archival data, and observation notes. These within-case descriptions detail key attributes of social enterprises such as year of establishment, number of staffs, impact sector, core intended impact(s), geographic locations of operations, legal status and nature of tensions. The triangulation among the three data sources helped to generate a more accurate and reliable (Jick, 1979) account of the nature and management of tensions within each SE. The analysis proceeded in two stages: within-case and cross-case analyses (Eisenhardt and Graebner, 2007; Yin, 2003).

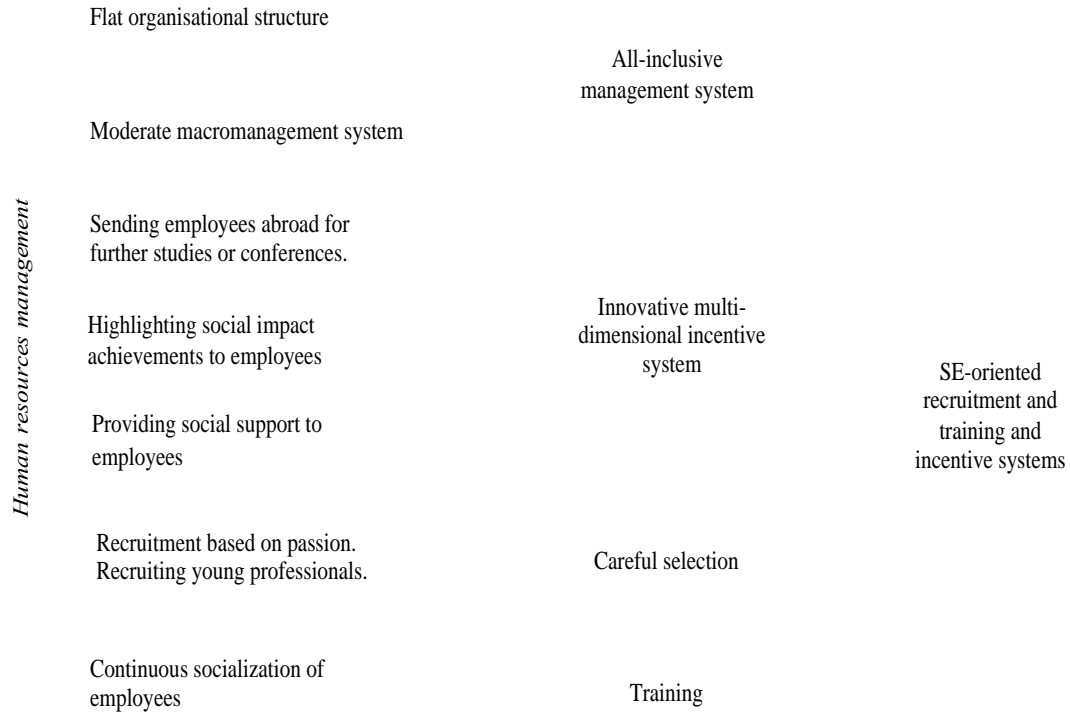
First, we used the individual case descriptions to conduct within-case analysis. Our initial focus was on identifying the nature of tensions within each SE. We then proceeded to link these tensions to management strategies adopted by each SE, using replication logic. The within-case analysis sought to develop “generalisable constructs and unique patterns” (Eisenhardt and Bingham, 2005, p. 12) emerging from each SE. Following the within-case analyses, we proceeded with a cross-case analysis by comparing cases across the different categories of data to identify cross-case patterns and differences (Eisenhardt, 1989) in order to ensure potential generalisability of the findings. We made use of use of charts, tables, and other cell designs (Miles and Huberman, 1994) to facilitate overall case analysis.

With regards to nature of tensions, we relied on Smith et al.'s (2013) categorisation of social-business tensions and the identification of areas where tensions mainly manifest themselves in SEs by other authors (e.g., Battilana and Lee, 2014; Child, 2015) as an analytical framework. Informed by the relevant literature, we identified themes (areas of tensions) that related to any of the four loci of tensions: performing, organising, belonging, and learning. After identifying the nature of tensions, we further analysed the ways in which each SE responded to these tensions. In terms of strategies for managing tensions, we used open coding process to examine the data to identify initial concepts and group them into first-order categories (Gioia et al. 2012). This was not based on any theoretical preunderstanding, but analysis and codes emerged from informants. To achieve this analysis, we relied on manual coding. We then proceeded to collapse the first-order codes into second-order themes and, finally, aggregate dimensions by identifying connections between and among the open codes through a process of axial coding (Straus and Corbin, 1998), which constitute the strategies that SEs employ to address social-business tensions. The entire process was iterative – traveling back and forth among the case data, emerging theoretical arguments, and the extant literature – and continued until theoretical saturation was reached (Eisenhardt, 1989; Gioia et al. 2012). The iteration process is expected to significantly improve the internal validity and generalisability of our findings. Following the within-case and cross-case analysis, we extracted the following key themes that are discussed in the following section. Figure 1 shows our data structure, indicating the various categories and themes from which we derived social enterprises' strategic responses to social-business tensions. Table 3 contains additional supporting evidence of the strategic responses and is keyed to Figure 1.

**Figure 1: Data Structure**

	<i>First-order categories.</i>	<i>Second-order themes.</i>	<i>Aggregate dimensions</i>
<i>Mission</i>	“Everything we, everything that happens, social [mission] guides us”	Social goals taking primacy	Well-defined social mission
	Every decision must meet the other criteria of social/environment impact		
	Leader’s judgement of what is important.	Values of the leader	
<i>Legal form</i>	Declining businesses not in line with vision	Dual registration	Image management
	A for-profit entity required to be able to make profit as a SE.		
	A legally represented social organisation (not-for-profit) required to do and benefit from doing social work.		
	Running several tests during interviews.		
	Relevant staff training, rewards and motivation		
<i>Acquisition of fundamental resources</i>	Benefiting from volunteers from some international NGOs.	Partnerships/ Collaborations	Leveraging resources from unrestricted
	Receiving technical support and training from global technology and academic institutions		
	Business strategy innovation	Innovation	
	Content innovation	Affiliation	
	Borrowing resources from parent not-for-profit organisation and leveraging its goodwill to garner external resources		
<i>Allocation of fundamental resources</i>	Accessing information and knowledge from member associations or unions	Membership of associations/unions	Merit- and need-based allocation strategies
	Concentrating on social or business mission one at a time	Temporarily focusing more on social or economic mission	
	Finding a balance between the two missions.	Focusing on both social and economic missions	

Figure 1(cont'd)



Source: Author's construct, 2019

*Table 3: Data Supporting the Identification of SEs' Strategic Response to Tensions*

Second-order themes and First-order categories	Representative data from interviews
<i>Overarching dimension:</i>	
<i>Well-defined social mission</i>	
1. Social goals taking primacy	<p>"I try not to let it [economic mission] destruct me. ...I try to make sure that at the end of the day social [mission] is still what our main thing is".</p> <p>"Because it's SE you are not looking at only profit though you have to be sustainable and so based on that there are some business decisions that you could take that will get you more money. But you always have to ask the question 'does it meet the other criteria of social impact/environmental impact? So, at every stage, you are forced to slow down in the things you are doing because you have to really think through before you take any step".</p>
2. Values of leader	"I say that it depends on you the leader; what do you believe in? do you want the money, or you want to keep your values? Which direction do you want to go?"
<i>Image management</i>	
3. Dual registration	<p>"I registered it as a limited liability... . And then later on, for tax reason and also just even the legal structure, I couldn't just be doing social work without having a legally represented social organisation. I had to then register another organisation which was limited by guarantee".</p> <p>"...we realized that it [not-for-profit] didn't, legally and business-wise, put a professional touch to it. And for me, there is no point in operating a SE without profit... . And so there was a need to put in that professional look to it [registering as for-profit]".</p>
4. Quality control	<p>"One of the things we do is that we run several tests: there are several stages of the interview process based on the role that you are coming to perform".</p> <p>"... in a year we try to organize at least two staff trainings for our staff".</p>
<i>Leveraging resources from unrestricted sources</i>	
5. Partnerships/collaborations	<p>"With our skills assessment for digital jobs, we are building that in partnership with MasterCard... . MasterCard is supporting us build a tool that is going to give women skills to get digital jobs".</p> <p>"We have benefited a lot from getting professional advice pro bono... So, all of that makes up for the fact that we may not necessarily hire somebody with higher expenses".</p>
6. Affiliations	"Because we are fortunate that we are affiliated to WOM [parent non-profit], sometimes we borrow some resources like vehicles (because Atarrah doesn't have its own vehicles yet) and all that from WOM to be able to do activities of Atarrah".
7. Membership of business associations	"We have had to register with [member] associations in Accra so that by virtue that we contribute dues and membership fees, we are able to get information on opportunities available that we can access".
8. Innovation	<p>"Another thing we are thinking about is...in the garden, we want to have like a little eatery, which will also drive traffic to the academy".</p> <p>"we created this event called the showcase where we let upcoming entrepreneurs.....we create this as a popup shop so that they come and sell their products here like a fare. And so, we are always thinking".</p>



*Table 3 (cont'd.)*

Second-order themes and First-order categories	Representative data from interviews
<i>SE-oriented recruitment and training techniques and incentive systems</i>	
9 All-inclusive management system	<p>“And here we work as a team. ...decision making, strategy and everything happen through team discussions. It’s important that they feel part of whatever it’s that we are doing. So, they get a lot of input”.</p> <p>“There is no micromanagement here. I prefer that you make a mistake and we all learn from that as opposed to having to tell you what to do all the time. I want innovation to strife, and I don’t believe that it can if you are put in a box”.</p> <p>“...we do try to put in place certain controls but it’s still very open”.</p>
10 Innovative multi-dimensional incentive system	<p>“Because the nature of the business is giving [supporting the needy], how can they help somebody else in need if their needs are not addressed. So, it goes without saying that when somebody has a problem, you just walk in, tell us what that problem is, and we see how we can help”.</p> <p>“...as much as possible, we try to document success stories from the women we are working with about how our business is impacting their lives to serve as a motivation to the people working with them”.</p> <p>“One way of motivating people is through these foreign travels they get to go to learn about what someone else in a different country is doing. ...all expenses-paid- trip to a foreign country to learn some of these things”.</p>
11 Training	<p>“Sometimes we create the opportunity and encourage people to read our human resource manuals... . The other thing is that, over the last four years we have been privileged to be in partnership with some academic institutions that have been successful in organizing social entrepreneurship trainings and based on that our staff have been able to benefit”.</p>
12 Careful selection	<p>“Where we have to recruit from the educational institutions, we will dwell more on passion and vision rather qualification”.</p> <p>“Most of the people that we hire are either fresh from school or have worked but haven’t worked for a very long time and that has helped us mould the culture that we want”.</p>
<i>Merit- and need-based allocation strategies</i>	
13 Temporarily focusing more on social or economic mission	<p>“For me, it’s not possible to focus on both [social and economic missions] equally all the time. Sometimes, you will concentrate on one more depending on what is available”.</p> <p>“Sometimes to ensure that the business is sustainable, you might make decisions to favor one leg of it, but it doesn’t necessarily mean that you are ignoring the other”.</p>
14 Focusing on both social and economic between missions	<p>“...we try to figure out how to merge the two... It can be a challenge, but we try as much as possible to balance it out”.</p>

Source: Author’s construct, 2019

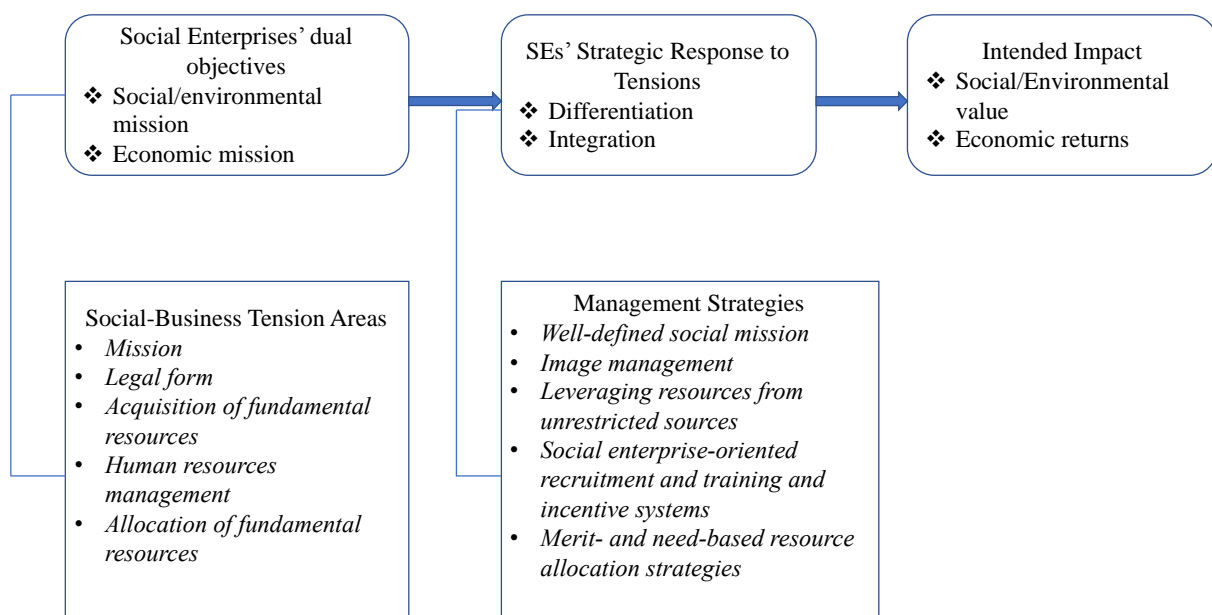
## 4.0 Findings

In accordance with our data analysis strategy, we used a two-phase approach in processing the data in the form of interview transcripts, observations and documents into our findings. The first phase focused on strategies employed to manage tensions at the individual level (captured by within-case analysis). The second phase involved moving between the case data and extant literature on paradox and social enterprises to identify second-order themes and synthesize them into aggregate dimensions, which constitute the strategic responses of social enterprises to social/environmental-business tensions.

### 4.1 Nature of social-business tensions

Our findings reveal that social-business tensions in micro and small SEs manifest themselves in five areas as presented in **Figure 2**. From the cross-case analysis, we identified five strategies that micro and small social enterprises use to address social-business tensions: adherence to a well-defined social mission; image management; leveraging fundamental resources from unrestricted sources; merit- and need-based resource allocation strategies; and social enterprise-oriented recruitment and socializing techniques and incentive systems.

Fig 2: Nature and Management of Social-Business Tensions within SEs



Source: Author's construct, 2019

### 4.2 Strategies Employed by Micro and Small SEs to Manage Social-Business Tensions

The extant literature on paradox theory suggests two main ways in which SEs manage tensions: integration and separations (Smith et al. 2013) albeit recent studies have disputed these two as the only options. The analysis of our multiple-case study reveals that micro and small SEs in developing countries employed various strategies, captured within the two main

aggregate dimensions of differentiation and integration, to address the tensions that we observed.

#### 4.2.1 Well-defined social mission

In pursuing both social and/or environmental and economic goals concurrently, SEs are exposed to tensions between the two dual missions. The dual-mission nature means that SEs must adopt strategies in balancing the double or triple bottom line involving social and/or environmental value creation and economic returns (Tracy and Phillips, 2007). We found that the SEs used their social mission, driven by the leaders' values, as a guiding principle by relying on a well-defined social mission in terms of the target group.

*Social mission a guiding principle:* Our analysis revealed that, adopting a separation strategy, SEs managed tensions in the area of mission by relying on their social and /or environmental mission as a guiding principle, as evidenced by the following excerpts from interviews.

...for us, social change is a bigger factor than generating money. And I say this because of certain decisions that we take. I try not to let it [economic mission] destruct me. You know, we live in a very materialistic world that it can be quite destructive. So, I try to make sure that at the end of the day social [mission] is still what our main thing is (Interview, SE 1).

Because it's SE, you are not looking at only profit though you have to be sustainable. And so, based on that there are some business decisions that you could take that will get you more money, but you always have to ask the question 'does it meet the other criteria of social impact/environmental impact? [...] So, at every stage, you are forced to slow down in the things you are doing because you have to really think through before you take any step (Interview, SE 2).

The analysis of the multiple-case data further revealed that the SEs were so committed to their mission as instances were cited when they had to actually turn down businesses that did not fall in line with their mission. For instance, the manager of SE 1 cited an instance when her organisation had to decline a grant because it was not aligned with the organization's mission:

...we have had to actually turn down an approved grant of 50,000 dollars because it didn't serve our mission. [...] And it's not because we didn't need the money. In fact, that money would have helped us do more of our baobab gardens which we have always wanted to do. But it didn't fit into our model. One thing that has helped us this far is that we have been able to restrict who we take money from such that people don't interfere in our vision. Because, once you start taking money from everybody, and start saying 'yes' 'yes' to everybody, they will definitely interfere with the vision. And so, we, as much as possible, make sure once in our discussions and everything the consensus is that the conditions of a particular grant do not fall in line with our vision, we decline (Interview, SE 1).

This sentiment was re-echoed by the manager of SE 5 who explained that: “*And we can actually turn away certain businesses if we feel that it’s not in line with helping us move to where we need to go*”.

*Values of the leader:* The strong focus of SEs on the social/environmental mission was found to be driven by the leaders’ values. For instance, the manager of SE 1 stated that: “*I say that it depends on you the leader; what do you believe in? Do you want the money, or you want to keep your values? Which direction do you want to go?*”

Though the SEs acknowledged primacy of the social and/or environmental mission, they underscored the role of the economic mission as a driving force for the organisations’ mission (Dacin, *et al.*, 2010; Dacin *et al.*, 2011). For instance, one manager noted, “*...I try to make sure that at the end of the day social [mission] is still what our main thing is. But we should be self-sustaining*” (Interview, SE 2).

Corroborating the founder of SE 2, the founder of SE 1 also explained the significance of the economic mission by stating that:

[...] The fact that right now we are not doing baobab gardens, somebody might say ‘oh, You have neglected your environmental component’. But not necessarily. It’s a prong approach which we are starting with one to get to another. So, sometimes you would rely on one end more. And in all these things if your economics is not right the business will collapse and so you also have to think of the economics (Interview, SE 1).

Taken together, we found that, by relying on a well-defined social mission in terms of the target group, the SEs had a strong focus on their social mission driven and/or reinforced by their personal values, making sure that the business model remained consistent with the social and/or environmental goal.

#### **4.2.2 Leveraging resources from unrestricted sources**

SEs by virtue of their combination of multiple organisational forms acquire their fundamental resources from divergent constituents: donors who are aligned to the charity form and investors who are aligned to the economic mission. Research bridging institutional theory and resource dependence literatures suggests that organisations are more likely to comply with the demands from external constituents on whom they acquire their fundamental resources and to resist the demands of constituents on whom they do not depend (Wry *et al.* 2013). In line with this argument, SEs face the risk of drifting towards either of their missions depending on which constituents they depend more for their key resources, the consequence of which is that they must operate in accordance with the rules and expectations of such constituents. The analysis of our data revealed that micro and small SEs managed tensions involving acquisition of fundamental resources by leveraging resources from unrestricted sources through partnerships/collaborations, innovations, affiliations, IGFs and membership of business associations/unions.

*Partnerships/Collaborations:* The findings show that SEs used their social networks to solicit resources (Baron and Markman, 2000; Levy and Scully, 2007) from partnerships and

collaborations without undermining any of their dual missions. We noted that several of the SEs in our study received professional services for free or at a low cost. SE 1 and SE 2 explained how they do benefit from pro bono support:

We have gotten people with amazing backgrounds from different organisations to come and support us on pro bono basis. So, we have had a team from google, I was involved in a programme where we had advising from Mckensy, we had an HR consultant from Western Union come help us, we had an executive team from SAP [Software] help us, and other top consulting companies. So, we have benefited a lot from getting professional advice pro bono... So, all of that makes up for the fact that we may not necessarily hire somebody with higher expenses because we are open to those opportunities (Interview, SE 2).

...they equally offer us the technical support. For instance, the academic institutions sometimes will provide us with master's students who come to help us probably do our marketing research and strategies where we actually tell them what we are thinking, and they support us do documentation so that we have a working document that we can use. Because, it's difficult, with our limited resources, to engage the services of consultants (Interview, SE 1).

Consistent with previous research, SEs were also found to leverage their social skills to acquire resources (Baron and Markman, 2000; Levy and Skully, 2007) through cross-border collaborations. The managers of SE 3 and SE 2 shared their experiences of holding activities in collaboration with other SEs and MasterCard respectively:

There are times we even partner in certain projects. We have partnered with Trade Aid before; and with WOM. So, sometimes we partner in our activities. We also partnered with a project called 'empower' [a Canadian project] (Interview, SE 3).

With our skills assessment for digital jobs, we are building that in partnership with MasterCard... MasterCard is supporting us build a tool that is going to give women skills to get digital jobs (Interview, SE 2).

Finally, we found that SEs also depended on in-kind support provided by volunteers or interns. According SE 3, "*We partnered with GIZ, partnered with International Service [a UK based NGO with a branch in Ghana] where they sent volunteers to us*".

Overall, we found that broader social networks of founders were instrumental in gaining human resources, technical support and training from both local and global technology and academic institutions in ways that sought to mitigate the risk of undermining any of their missions.

*Innovations:* Faced with resources shortages, lack of awareness and trust coupled with hyper competition from conventional businesses, SEs tried to acquire fundamental resources without undermining their *raison d'être* through innovative ways. We find that social enterprises' commitment to dual goals in the presence of resource scarcity and low acceptance led to them seeking efficient acquisition and utilisation of resources through business strategy and content innovation:

And now, another thing we are thinking about is like, maybe outside, in the garden, we want to have like a little eatery, which will also drive traffic to the academy. So, social guides us but we don't drop the ball on business (Interview, SE 2).

So, there is one thing that we did, all this space that we have, we created this event called the showcase where we let upcoming entrepreneurs.....we create this as a popup shot so that they come and sell their products here like a fare. And so, we are always thinking (Interview, SE 2).

*Affiliations:* Peculiar to social enterprises: after conception (Smith et al., 2010), we also found that these organisations sometimes acquired tangible resources by relying on the preexisting non-profit organisations which existed for some time before the incorporation of the for-profit entities. For instance, SE 1 was able to acquire resources restriction-free from its parent non-profit organisation whilst SE 4 leveraged the goodwill of its non-profit leg to garner necessary external support:

Because we are fortunate that we are affiliated to WOM [Widows and Orphans Movement] that is an NGO, sometimes we borrow some resources like vehicles (because Atarrah doesn't have its own vehicles yet) and all that from WOM to be able to do activities of Atarrah (Interview, SE 1).

Because it's building on, if you like, the goodwill of trade aid, that capital is there. Because, it's building on the several years of work of trade aid. So, it's very easy for us to link it that way and get the needed support. So that has been key to our growth because it's largely due to this that we get some of the resources that we get (Interview, SE 4).

*Membership of Business Associations:* The multiple-case analysis also show that SEs also acquired fundamental resources such as knowledge and information through membership of business associations or unions. SE 1 explained how they are able to acquire vital information on opportunities by virtue of registering to become a member of [various] associations:

We have had to register with associations in Accra so that by virtue that we contribute dues and membership fees, we are able to get information on opportunities available that we can access. And because we are contributing membership fees, they owe us that duty of giving us prompt information. For instance, last year, based on those subscriptions we attended a trade fare in south Africa (Interview, SE 1).

### **4.2.3 Image Management**

Social enterprises' combination of two forms –charity and business – exposes them to challenges in terms of relating to the external environment because of the important role that institutionalized forms play in conferring resources and legitimacy (Battilana 2014). Legitimacy improves the chances of access to resources and is awarded to organisations that fit institutionalized expectations (Suchman, 1995; Kraatz and Block, 2008). SEs, thus, face the challenge of gaining legitimacy since they do not fit a single specific established

form. They therefore face challenges in acquiring the recognition and endorsement of external stakeholders due to their violation of the established boundaries of charity and business (Ruef and Patterson, 2009). Our analysis revealed that micro and small SEs faced [organizing] tensions in the area of legal form and responded to them through image management: dual registration and “quality” control.

*Dual registration:* Our analysis revealed that, in the absence of a specific legal designation for SEs, micro and small SEs tried to use their multiple identities to appeal to different external stakeholders and gain the attention and approval of multiple constituents (Minkoff, 2002; Townsend and Hart, 2008) through dual registration. Three of the SEs in our sample started as non-profits and later incorporated for-profit entities for tax purposes and to gain legitimacy from regulatory authorities.

Explaining her decision to register as both a non-profit and a for-profit, the founder of SE 2 had this to say:

I registered it as a limited liability [...] And then later on, for tax reason and also just even the legal structure, I couldn't just be doing social work without having a legally represented social organisation. And so, I had to then register another organisation which was limited by guarantee. And then now come to find out that had I not done this I couldn't have made money because based on the social welfare setup, you cannot generate profit if you are running an NGO... So, had I not set up another entity, I couldn't be “a pure social enterprise” and what the definition is (Interview, SE 2).

In the view of the founder of SE 1, the decision to incorporate a for-profit entity was all about the convenience of appealing to different external stakeholders and being able to raise funds for organisational sustainability:

...we realized that it [not-for-profit] didn't, legally and business-wise, put a professional touch to it. And for me, there is no point in operating a SE without profit. It should be profitable because it has to be sustainable or else the social/environmental components will not be sustainable. And so, there was a need to put in that professional look to it [registering as for-profit] (Interview, SE 1).

*“Quality” management:* As a new phenomenon, SEs operating in developing countries are challenged by little public understanding of the concept, with many often confusing “social enterprise” with “charity and NGOs (British Council, 2015) whose services they think should be free. Apart from that, they also face stiff competition from well-established business competitors, as well as lack of awareness, confidence and trust in the quality of their products by the BoP who culturally prefer imported products to locally produced ones, due to their interests in quality and value for money and unreadiness to risk buying products based on social, ethical patriotic reasons alone (British Council, 2015). The trust deficit created by the socio-economic and cultural characteristics of potential customers/clients requires that SEs take necessary steps to gaining the awareness and confidence among the target segment. Our analysis revealed that SEs addressed their liability of newness and/or smallness and the associated adoption and acceptance barriers (Goyal, 2015) by trying to gain trust and loyalty of customers through developing rigorous procedures to ensure good quality of their products and/or services:

One of the things we do is that we run several tests: there are several stages of the interview process based on the role that you are coming to perform (Interview, SE 6).

Every year we organize staff training for them: in a year we try to organize at least two staff trainings for our staff (Interview, SE 1).

One other thing that we do is we do a lot of on-the-field testing. What we do is once we hire you, we take you straight to fieldwork and observe how you behave. [...] And fieldwork is tedious so it's not for somebody who didn't come with passion. So, fieldwork actually weeds out a lot of people because in our part of the world it's [fieldwork] always an uncomfortable situation. So, that's what helps us (Interview, SE 2).

#### 4.2.4 SE-oriented Recruitment, Training and Incentive Systems

By straddling between charity and business sectors, SEs, ideally, require employees whose skills and dispositions align with their hybrid work context. Unfortunately, however, the majority of potential employees are socialized either in social or business backgrounds thereby making it hardly possible for SEs to get people who espouse both their charity and business forms (Battilana2014). Consequently, the combination of multiple organisational forms, institutional identity, and logics provide conflicting requirements on member recruitments. Social welfare-oriented and commercial-oriented activities involve divergent cultures and human resource practices. For instance, the business identity, which strives on performance, requires employees who can best serve the economic goals whilst the social service identity demands that SEs recruit members who have training in social work and/or are most in need. Our findings revealed that micro and small SEs were hardly able to get “*hybrid individuals*” (Battilana and Lee, 2014) and therefore had to devise ways to ensure that prospective employees with distinctive backgrounds in either sector worked together effectively, without raising organizing tensions in the area of human resource management: who to recruit and how to socialize employees. Our analysis further revealed that SEs responded to this tension by adopting a “SE-oriented recruitment, training and incentive system” through all-inclusive system of management, innovative and multidimensional incentives, and training.

*All-inclusive system of management:* The analysis shows that SEs adopted management systems that would allow employees to “walk in the shoes” of founders” in a bit to foster the alignment of organisational members’ individual skills and dispositions with their hybrid nature. Adopting a flat organisational structure and giving staff the opportunity to be part of policy and strategy, micro and small SEs ensured that employees espoused both of their multiple identities. For example, SE 2 had this to say:

...here we work as a team. So, decision making, strategy and everything happen through team discussions. I am still the final veto, but we talk together, and we get everybody's opinion. So, it's important that they feel part of whatever it's that we are doing. So, they get a lot of input (Interview, SE 2).



The results also reveal that SEs also tried to achieve alignment of organisational members' individual identities with the social-business identity through the practice of a moderate macromanagement system. The founder of SE... explained her organization's management style as "*There is no micromanagement here*":

...when somebody makes a mistake, it can sometimes be difficult. But I prefer that you make a mistake and we all learn from that as opposed to having to tell you what to do all the time. I want innovation to thrive, and I don't believe that it can if you are put in a box. So, here it's open. We do try to put in place certain controls but it's still very open (Interview, SE 2).

*Innovative Multidimensional Incentives:* One other way through which SEs sought to reconcile discrepancies between their hybrid identities and individual identities was through motivation. Our analysis revealed that SEs used innovative multidimensional incentives as a means to provide adequate compensation to induce subordination.

SEs get so involved with their staff in a sense that it's not just business as usual. Because the nature of the business is giving [supporting the needy], they believe their members cannot help people in need if their needs are not addressed? So, it goes without saying that when somebody has a problem, you just walk in, tell the leader what that problem is, and they see how we can help (Observations).

[...]. Some of these little things motivate the staff: that I'm making an impact in somebody's life. Irrespective of how small the intervention is, but the fact that I have been able to impact. So, as much as possible, we try to document success stories from the women we are working with about how our business is impacting their lives, to serve as a motivation to the people working with them (Interview, SE 1).

One way of motivating people is through foreign travels they get to go to learn about what someone else in a different country is doing. ...all expenses-paid-trip to a foreign country to learn some of these things (Annual reports)

I ask every person that joins us what their personal goals are and then we try and figure out how we can make it happen within the organisational goals. Maybe, you came with the hope that you are going to make enough money to further a particular course (continue with your education, start something for yourself, etc.). So, that also helps because it's like you feel like this is a place that is going to help you get to where you need to go and so as much as you do your part to get us, as an organisation, to where we are going, you will also benefit as an individual (Interview, SE 2).

*Careful selection:* Mindful of their resource constraints, SEs also tried to defuse potential misalignment of individual identities with organisational identities through carefully selection processes. Our analysis showed that micro and small SEs carefully selected employees based on two criteria: 1) employees who share the organizations' values, by focusing on passion and vision and 2) employees who could easily be socialized, by recruiting young professionals. SE 1 and SE 2 shared their views on their selection criteria:

For me, you don't necessarily need a certificate in social entrepreneurship in order to be able to understand the concept. It's more about the passion and your vision. So,

where we have to recruit from the educational institutions, we will dwell more on passion and vision rather qualification (Interview, SE 1).

Interestingly enough, we haven't really hired anybody who has worked in a charity before. [...] Most of the people that we hire are either fresh from school or have worked but haven't worked for a very long time and that has helped us mould the culture that we want. But the key thing is you must be willing to work for social enterprise Interview, SE 2).

*Training:* SEs also responded to tensions manifested in the area of human resource management "through the deliberate socialization" (Battilana and Lee, 2014, p.416) of employees by providing relevant extra training.

Sometimes we create the opportunity and encourage people to read our human resource manuals: where they don't understand, where they need clarifications, where they think there is the need to revise, we look at these areas as a group for further understanding. The other thing is that, over the last four years we have been privileged to be in partnership with some academic institutions that have been successful in organizing social entrepreneurship trainings and based on that our staff have been able to benefit (Interview, SE 1).

... as I said we do fieldwork. Fieldwork takes people out of the bubble of their own immediate surroundings. Because, if you have never done any charity work, you might be thinking that everyone is as privileged as you are. But when you see the other side of life, everybody gets a shock to see the disparity. It's so shocking. And fieldwork is a really good tool of helping us to getting people to walk in someone else's shoes. And like I said, fieldwork can be very challenging. So, even after you have spent a day experiencing what somebody else is going through, it sends you back home to really reflect upon it (Interview, SE 2).

#### **4.2.5 Merit- and Need-based Allocation Strategies**

The dual-mission nature of SEs requires that they divide organisational resources between social welfare-oriented and commercial-oriented activities. The combination of charity and business forms may therefore lead to tensions in the allocation of limited resources (Moizer and Tracy, 2010) in the form of financial and attentional resources. How well SEs are able to devote their resources to both of the missions is vital for the success of these SEs because competing demands for resources may lead to interpersonal conflicts (Fiol et al., 2009) and a lack of consensus on how to handle tradeoffs may lead to complex conflict and decision-making paralysis between organisational members aligned to different forms (Pache and Santos, 2010). Our multiple-case analysis revealed that SEs managed tensions in the allocation of resources by adopting a "merit- and need-based" approach, in an attempt to reduce the possibility of constantly favoring either charitable or business objectives at the expense of the other in order to prevent the risk of mission drift.

*Merit-based Approach:* For those SEs that favored a separation approach, they adopted a merit-based approach in their allocation of limited resources between the dual goals.

Depending on what is available or is not, they tried to allocate resources on the basis of which goal is more deserving at a particular time than the other:

...it's not possible to focus on both [social and economic missions] equally all the time. Sometimes, you will focus on one more depending on what is available. Say if I have donor funding to take care of wall designing or to bring the women to train them, my concentration will be on that to ensure that I carry out the activities well. But when there are no funds to carry that out, I also think of where I will get money to keep the organisation running in order to achieve and sustain the social objective (Interview, SE 4).

...there are times that you will be forced to concentrate on one (economic or social/environmental) but that doesn't necessarily mean that you are forgetting the other. And at the appropriate time you bring on board the other one that was left behind. ...sometimes to ensure that the business is sustainable, you might make decisions to favor one leg of it... . (Interview, SE 1).

*Need-based Approach:* A need-based resource allocation approach was used by SEs that supported an integrative approach. To these SEs who favored an integrative approach, they were of the view that both of their goals needed their resources and so they focused on both social and business missions:

...imagine that you have a paid-for class, you want to offer scholarship, but you have only one class left. Do you give scholarship, or do you give to the client who is paying? So, that can be hard sometimes, ...what we try to do is we try to figure out how to merge the two. So, it can be a challenge, but we try as much as possible to balance it out (Interview, SE 2).

For us, I think that we place equal importance on both our economic and social missions, particularly with our background in fair trade. [...] So, we have equal eye on both (Interview, SE 3).

## 5. Discussion and conclusions

The aim of this study was to explore the nature and management of social-business tensions in SEs in challenging environments such as those found in developing countries. Specifically, we sought to address the question of "how owner-managers of micro and small SEs manage social-business tensions". Although previous research indicates the types of tensions in SEs and how organisational leaders respond to them (e.g., Battilana and Lee, 2014; Smith et al., 2013), we lack comprehensive understanding of the nature of social-business tension in smaller SEs in less-popular and challenging settings and what strategies (within the broad dimensions of integration and separation) are used to address such tensions. To achieve this agenda, we relied on a multiple-case approach and through the lens of paradox theory (Smith and Lewis, 2011) to look in depth at 9 SEs operating in various sectors in Ghana. Through our multiple-case analysis, we found that owner-managers of micro and small SEs adopt various strategies within the aggregate dimensions of "integration and differentiation" strategies to respond to social-business tensions. In terms of tensions around "mission", we found out that SEs adopt a separation of dual missions,

relying on a well-defined social mission and ensuring that the social mission remained the guiding principle for all transactions. The acknowledgement of the primacy of social and/or environmental goals corroborates the findings by Yin (2018) and is in line with the view that “social mission” constitutes the *raison d'être* of SEs (Chell, 2007; Dees 1998; Ebrahim and Mair, 2014). Interestingly, however, despite the severe resource constraints found in this area, no single SE admitted to the business goals being more salient – in line with what Yin (2018) found in China. This is contrary to the findings by Smith et al. (2010) where the business identity was found to be more salient in the case of social enterprises: at conception and posed the risk of potentially overshadowing or superseding the social mission in the case of social enterprises: after conception. A second finding was that SEs addressed tensions manifesting in the area of “legal form” through image management. In line with previous research (Battilana et al., 2012; Bromberger, 2011; Pache and Santos, 2013) we found that in the absence of any specific designation for SEs, SEs register as both non-profits and for-profits in order to acquire a “hybrid” legal form that would accord their double or triple bottom line the needed formal recognition. Further analysis revealed that SEs enterprises try to mitigate their liability of being small and/or new and social by instituting stringent quality control measures aimed at acquiring a credible image among their external stakeholders, through the production or provision of quality products or services. A third finding was that, faced with resource constraints, SEs try to acquire their fundamental resources efficiently without undermining any of the dual missions by leveraging resource (financial, human, social capital) from unrestricted sources. To achieve this, they depend on partnerships/collaborations, continuous innovation, affiliations with parent pre-existing non-profits for 1) internal resources belonging to the parent organisation and 2) external resources by leveraging the goodwill of the parent organisation, and membership of business associations. Further, our explorative study revealed that SEs adopt divergent responses ranging from differentiation to integration when it comes to tensions relating to the allocation of limited resources. Those that favour separation strategy adopt a merit-based allocation strategy where resources are allocated favouring one goal at a time. For those SEs that support an integrative approach, they use a need-based method based on a two-pronged approach. The findings suggest that those that favor a merit-based approach seem to support the alternative view that the relationship between social and economic mission can be cyclical: social value creation can impact positively on economic performance (Wilson and Post, 2013) which in turn yields the financial resources to be invested in social projects to achieve the social mission (Dacin et al., 2011) and the vice versa, such that long-term success depends on achieving both. Finally, it was revealed that SEs sought to reconcile any discrepancies between their hybrid identity and individual identities through social enterprise-oriented recruitment, training, incentives, and management systems. Akin to the principle of subordination of individual interests to the general of Henri Fayol's *administrative theory of the 14 Principles of Management* (Wren et al, 2002) and the methods that have been proposed for achieving it, we found that SEs use methods that would lead to individuals abandoning their personal identities in favour of the organisations' identities by espousing the social and business forms. Methods used include careful selection of employees who fit into the organisations' values, deliberate socialisation of members, using innovative and multidimensional incentives to induce subordination of individual identities to organisations' identities, and carefully designed management systems.

First, our multiple-case study provides the nature and management of social-business tensions by micro and small SEs in challenging environments. Although some scholarly understanding of how organisational leaders manage tensions in SEs exists, there is lack of comprehensive empirical understanding of the topic (Smith *et al.*, 2013) especially for new ventures. This study contributes to the literature on paradoxical tensions and on social entrepreneurship. First, whilst previous research indicates the types of tensions in SEs and how organisational leaders respond to them (e.g., Battilana and Lee, 2014; Smith *et al.*, 2013), there is little understanding of the nature of social-business tensions (Moizer and Tracey, 2010). We contribute to research exploring the differences in competing demands, their environments, and the implications of these differences for managerial responses (Smith *et al.*, 2013) by outlining the areas where tensions are manifested in micro and small SEs and how these tensions are managed. To the literature on SEs, we add to the limited work on the management of SEs (Battilana and Lee, 2014; Mintzberg and Guilhaume, 2012) especially in settings other than Europe and North America (Doherty *et al.*, 2014), by providing broader insights into the operations of SEs by elaborating the strategic responses (within the broad dimensions of integration and separation) of micro and small SEs to social-business tensions in challenging environments. Last, our understanding of the nature of social-business tensions and how SEs address them offers us insight into how business ventures can manage their social commitments, especially in settings where there is an increased demand for social responsibility from traditional for-profits and CSR is considered a moral obligation.

Our study is not without limitations. First, the use of self-perception in building our final sample may have resulted in a sample with inherent idiosyncrasies and as such may not be generalisable to all social enterprises. Although we tried to ensure a broader exploration of the research question (Ozanne *et al.*, 2016) and maximum variation (Patton, 1990) through the selection of cases based on their diversity in terms of organisational location, impact sector, age and size, and coverage area as well as probing further into responses to acquire generalisable conclusions, caution is needed in any attempt to generalise our findings until further studies are conducted. Moreover, the small sample size coupled with the fact that the study is situated in the West African sub-region, means that the findings may not readily be generalisable to other contexts. Second, research has shown that the level of integration between hybrids' social and commercial activities is likely to affect the nature and degree of tensions and the associated managerial responses to such tensions (Battilana and Lee, 2014). Therefore, our findings may be laced with some fundamental shortcomings as our approach inherently assumes and treats SEs as a homogeneous class of organisations. This approach falls short in helping to understand the dynamics of the nature and management of tensions within the different cleavages of SEs such as integrated SEs and differentiated SEs. Finally, the focus on the executive level of the organisations we studied might provide further limitations to our findings. Our informants were the managers of micro and small SEs. This means that our findings are limited to the sense-making perspective of the managers.

Nevertheless, the study has opened up directions for future research. First, further studies with an expanded sample population is required to test the replicability of the strategic responses identified in this research. Second, future research could include other managerial staff, and other relevant external stakeholders to gain a more comprehensive

view of the issues. Finally, additional research should compare differentiated SEs and integrated SEs to find out how different entrepreneurs of both manage tensions.

Overall, we believe this study has important implications for theory, practice and policy. Regarding its theoretical implications, the study provides insights into the nature and management of paradoxical tensions by revealing how tensions manifest in micro and small SEs and how managers address these tensions. In terms of practitioner implications, the study reveals the nature and management of social-business tensions in micro and small SEs operating in challenging environments. It is thus an eye opener to external stakeholders who might be interested in the areas where tensions are manifested in SEs and how these SEs address such tensions and it also serves as a guide to business ventures on how they can manage their social commitments. In the area of policy level implications, this research highlights the importance of development partners, funding agencies, or policy actors understanding the specific needs of social enterprises' business models and adopting a business focus that meets the needs of both the private sector and philanthropy.

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