

THE CONFLICT OF SOCIAL AND FINANCIAL OBJECTIVES IN A
SOCIAL ENTERPRISE

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1. Introduction

1.1 Introduction

Although social entrepreneurship has been around in academic literature for quite some time, as a concept it has not been widespread in the Netherlands until around 2010 (PWC, 2018). However, in a short period, social entrepreneurship became particularly widespread in the Netherlands, and the number of social enterprises is still growing by around 10% every year (McKinsey, 2016). The rise of enterprises that aim towards a social mission but see market mechanisms as the instrument to achieve financial stability or as a rung towards growing social impact (Mair & Marti, 2006) is not uncommon and fits well in the turbulent timeframe and the situation of the world right now. Without question, social enterprises are going to play an important role in achieving for instance the challenges around the Sustainable Development Goals (SDG) from the Paris Agreement by the United Nations in 2015 (Littlewood & Holt, 2018). This is also why the United Nations urges entrepreneurs to take part in this challenge (United Nations, 2018).

1.2 Research problem and research question

Social entrepreneurship ‘encompasses the activities and processes undertaken to discover, define, and exploit opportunities to enhance social wealth by creating new ventures or innovatively managing existing organizations’ (Zahra, 2009, p. 522). Given the characteristics of social enterprises, complex social issues can be successfully addressed (Ramus & Vaccaro, 2017). Social enterprises achieve their social mission often through commercial activities. As a consequence social enterprises have a so-called dual mission (Saebi et al., 2019).

Managing the tension and equilibrium that is a consequence of this dual mission can be extremely challenging (Smith et al., 2013) and too much focus on either the social or financial part of the mission, so-called mission drift, creates difficult challenges for managers of social enterprises (Fowler, 2000; Jones, 2007; Weisbrod, 2004). Considering the important role social enterprises are going to play in solving some of the great challenges of this time (Littlewood & Holt, 2018) it is needed that management approaches and strategies are researched and developed to tackle the inevitable conflict within social enterprises (Dacin et al., 2011; Ebrahim et al., 2014).

The managing challenge of the tensions between social and financial objectives at the heart of the social enterprises forms the basis of this thesis. How can social enterprises manage these tensions on the different levels of the organizations and which strategies can be adopted to tackle these conflicts?

There has already been much research into the conflict of financial and social objectives and the hybrid nature of social enterprises (Estrin et al., 2013; Bacq & Alt, 2018; Dwivedi & Weerawardena, 2018). But despite the numerous contributions in the field, our knowledge about how social enterprises can align their social and financial objectives and their management approaches, efforts and strategies to achieve this end are still underdeveloped (Gupta, 2020). Many research focused only on one level of the conflict, for instance only on the organizational or the individual level. Because of this, I will look into the conflict and the interrelations of the different levels at the same time: organizational, team and individual level within a social enterprise (Saebi et al., 2019). Why does this conflict emerge at the specific level, or why do some members of the social enterprise do not experience any conflicts at all? Also important in this context is what are the managing strategies that can be adopted to mitigate the possible conflict which makes it possible to manage the social enterprise in such a manner that it prevents the conflict from emerging. The signalling of the conflict between social and financial objectives and the deployment of the correct strategy to tackle conflicts on the different levels of analysis that makes social enterprises able to manage the abovementioned conflict is critical for the long-term survival of social enterprises. This leads to the following research problem: how do social enterprises manage the conflict between social and financial objectives on the individual, team and organizational level of analysis?

This study is guided by the following two proposed research questions:

- ‘How does the conflict of social and financial objectives emerge at the individual, team and organizational level of analysis within the social enterprise?’
- ‘How does the conflict between social and financial objectives interrelate between the individual, team and organizational level of analysis within the social enterprise?’

As stated in the research question, the research will be conducted on different levels, these levels are the individual, team and organizational levels. However, to be able to answer this question it is first important to signal what kind of conflicts emerge at the respectively organizational, team and individual levels. What are the differences in how the different levels

experience these problems and how can we explain these differences. More insights into what kind of conflicts emerge at the individual, team and organizational level could further contribute to the social entrepreneurship literature. In the same line, the different levels of analysis within social enterprises are interrelated and will inevitably influence each other. Therefore, to eventually manage the conflict, the way the different levels of analysis interrelate between each other has to be investigated, based on the proposition of the second research question.

1.3 Research Outline

This master thesis consists of 6 chapters. After the introduction in chapter 1, I will review the literature in chapter 2. This consists of a description of social entrepreneurship and the background of the conflict between social and financial objectives within social enterprises. In chapter 3, the methodology of the thesis is explained and discussed. Chapter 4 contains the analytical findings and the results of the research. Chapter 5 contains the discussion part of this research. In the conclusion in chapter 6, the research questions will be answered and the theoretical implications will be explained.

2. Literature review

The goal of this chapter is to provide the theoretical background used for this research. Therefore the for this thesis relevant literature on social entrepreneurship will be reviewed. First the role of social enterprises and the term ‘social entrepreneurship’ will be defined. After that, I will elaborate on the conflict between social and financial objectives within social enterprises. Subsequently, I will look into the so-called ‘mission drift’, and how mission drift manifests itself on the different levels of analysis of the social enterprise. After that, I will elaborate on how the conflict of social and financial objectives emerges on the different levels of analysis within social enterprises and how these different levels are interrelated with each other. In the last part, I will review the different strategies and management approaches that can be adopted to manage the conflict successfully.

2.1 Social Entrepreneurship

In this thesis the starting point is Zahra’s (2009) definition of social entrepreneurship: this means that social entrepreneurship ‘encompasses the activities and processes undertaken to discover, define, and exploit opportunities to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner’ (p. 522). This means in the first place that two dimensions have to be explained: the social dimension and the financial dimension. After that, these two dimensions will come together in the explanation of the dual mission and the hybrid character of social enterprises. In my opinion, this takes into account the social and economic value creation, which reflects the core characteristics of social entrepreneurship (Saebi et al., 2019; Ebrahim et al., 2014; Doherty et al., 2014; Pache & Santos, 2013; Tracey, Phillips & Jarvis, 2011).

Social dimension

The European Commission emphasizes the social side of social entrepreneurship, and emphasize the organization, rather than the concept of social entrepreneurship. They define the social enterprise as ‘an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders’ (European Commission 2017). This means that a social enterprise operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives. In this way, social enterprises act as a catalyst for social change, and social entrepreneurs do not expect a direct monetary benefit from their social ventures (Barberá-

Tomás, Castelló, de Bakker, & Zietsma, 2019). Next to that, some core social characteristics of a social enterprise are a strong ethical fiber, moral agency, and sociomoral motivation (Bornstein, 2004; Dees, 1998; Nicholls, 2008). Social enterprises differ however from classic nonprofit organizations. The difference is that social enterprises fundamentally repurpose business methods and approaches to solve the world's social problems efficiently and sustainably, whereas classic nonprofit organizations are philanthropic institutions that do not require that degree of efficiency (Haugh, 2006; Rauch, 2007).

One could also argue that commercial entrepreneurs are increasingly recognizing social responsibilities as their ethical obligation (Van de Ven et al., 2007; Garriga and Melé, 2004). Social entrepreneurs can however still be separated from their pure commercial counterparts, as social entrepreneurs are driven by their intentions and motivation for benefiting society, in comparison to for-profit entrepreneurs for whom the starting point is striving for personal gains and fulfilling social responsibilities are just a way of achieving these commercial objectives (Dacin, et al., 2010; Zahra et al., 2009). Thus, social enterprises differ from organizations in the private sector that seek to maximize profit for personal gain by prioritizing social change above private wealth creation and typical social objectives (Dart, 2004; Murphy & Coombes, 2009). Or as the European Commission (2017) states: social impact rather than making a profit of personal gain.

All of the aforementioned social characteristics, objectives and activities come together in how the mission statement of an organization is defined. The important distinction is that the driven intention and motivation for benefiting society has to come forward in their primary mission statement. With social enterprise this mission is aimed at creating social value, whereas with traditional for-profit organizations the central mission is that of generating private economic gains (Bedi & Yadav, 2019; Pless, 2012; Santos, 2012; Mair et al., 2012). Social enterprises have been conceptualized as focusing on value creation for the benefit of society, rather than the value capture that is typical for for-profit enterprises (Santos, 2012).

Financial dimension

Next to the social objective as a key driver in the mission statement of the social enterprise, a social enterprise also requires having a financial objective, not only next to but as an equal part of the central mission, hence enterprise in the terms 'social' and 'enterprise'. Mair and Marti (2006) agree and argue that however the main focus of social enterprises is on social value

creation, one distinctive feature of social enterprises is that they do have an earned income strategy. Next to the central social, mission which is aimed at creating social value, for an organization to qualify as a social enterprise, the income-generating activities must not only be present but also have a strategic long-term orientation with measurable growth and revenue targets (Saebi, et al., 2019). This distinguishes the social enterprise from nonprofit organizations that normally engage in income-generating activities which are typically rather small and tied to the duration of a particular program (Saebi, et al., 2019). Next to the income-generating activities, the social enterprise also has characteristics that are typically entrepreneurial such as a propensity to take risks, innovativeness, ability to recognize opportunities, and resourcefulness (e.g. Austin et al., 2006; Peredo & McLean, 2006; Sharir & Lerner, 2006; Zahra et al., 2009). Furthermore, similar to commercial entrepreneurship, social enterprises engage in entrepreneurial activities, such as opportunity identification, exploitation, resource mobilization, and innovation to achieve their social mission (Saebi et al. 2019; Zahra et al., 2009). The combination of both social and financial components is what differentiates social enterprises from purely philanthropic and purely commercial organizations. This is depicted in figure 1.

Key Indicators	Purely Philanthropic	Social Enterprise	Purely Commercial
Motives	-Appeal to goodwill	-Mix motives	-Appeal to self-interested
Methods		-Mission and market driven	
Goals	-Mission driven -Social value	-Social and economic value	-Market driven -Economic value

Fig. 1 – key indicators of the characteristics of Social Enterprise (based on Thiemboonkit, 2013)

The hybrid character of the social enterprise

However, the explanation of combining both social and financial aspects is not yet complete. From the aforementioned can be derived that first, the social mission has to be a key driver for the social enterprise. To fully comprehend the characterization of social enterprise, the hybrid character and the dual mission of the social enterprise, have to be explained. First is the hybrid character of social enterprises. Social enterprises need to have both a social and financial

component as a part of their core. This is also stated by McMullen (2011, p. 200), who argues that: 'for SE to have economic meaning, it must address a space in which profit is deemed possible but insufficient to motivate entrepreneurial action unless supplemented by moral or social incentives.' This means that when defining the term 'social entrepreneurship,' it is best to look into the social and financial objectives at the same time. Both perspectives come together in combining the social and financial objectives and explain the hybrid character of social enterprises. The hybrid character of social enterprises means that these organizations are neither typical charities nor typical businesses; rather they combine aspects of both (Ebrahim et al., 2014). For these organizations, commercial activities are a means toward social ends. As such, social enterprises are hybrid organizations that combine both social and financial aspects at their core (Battilana & Lee, 2014; Besharov & Smith, 2014; Ebrahim et al., 2014; Galaskiewicz & Barringer, 2012). The hybrid character of social enterprises is depicted in figure 2.

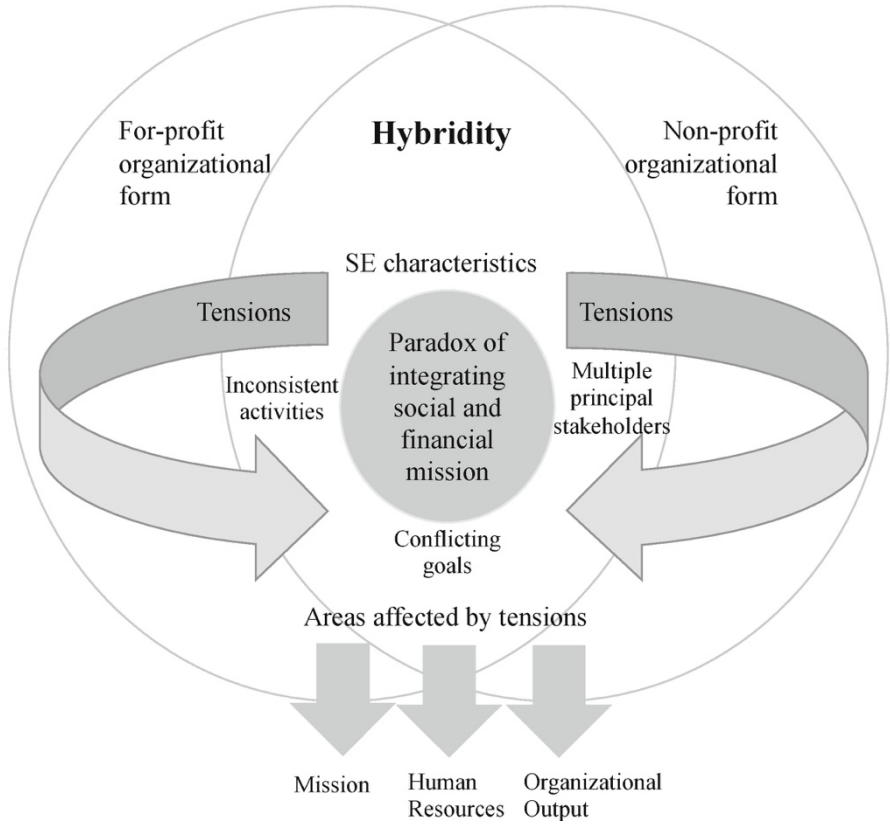


Fig. 2 – Tensions and trade-offs in social enterprises (based on Doherty et al., 2014).

2.2 Combining the social and financial objectives: dual mission and mission drift

2.2.1 Dual mission

The next question is how these opposing forces and perspectives are combined. How are the social aspects on the one hand and financial aspects on the other hand managed, and which strategies are adopted to deal with these opposing objectives, characteristics and activities? As mentioned before, however, the social mission of a social enterprise, their mission and activities are also aimed at creating economic value. The goal is not only creating economic value but the creation of economic value next to social value is seen as indispensable to reach those social objectives (Mair & Marti, 2006). The consequence is that social and financial activities become intertwined (Schramm, 2010). This means that the main mission of the social enterprise is defined as a dual mission, which includes both a social and an economic component (Saebi et al., 2019). Thus, by achieving the social mission, the enterprise undertakes market-based commercial activities that generate their source of income (Austin, et al., 2006; Stevens et al., 2015; Dees, 2001; Saebi et al., 2019). And for the survival of social enterprises they cannot remain too idealistic towards their social mission and because they are required to have also a rational and commercial approach next to their social mission (Austin, et al., 2006; Grimes et al., 2013; Smith et al., 2013). The dual mission is therefore not a temporary feature (Battilana & Lee, 2014), but as a consequence of being the mission of the enterprise a permanent state of the organization (Smith et al., 2013) that needs to be addressed and managed effectively to create social value (Eiselein & Dentchev, 2020).

The social enterprise at the same time creates social value but also has the desire and need to be self-sustaining and therefore being economically viable (Dacin et al., 2010, Dacin et al., 2011). The consequence of how a social venture is managed is that it can become more focused on the social objectives it addresses and the number of resources required to achieve this social need (Mari & Marti 2006). Combining these social needs with acquiring shareholder value can lead to difficult challenges because social ventures need to show both financial and social worth (Yunus et al., 2010). Dacin et al., (2011) state that ‘combining for and not for profit can conflict with one another.’ This means there is a need to involve a special kind of shareholders in the enterprise: socially-oriented shareholders who explicitly state they also expect social profit (Yunus et al., 2010). This furthermore points out that the social enterprise is located between profit maximization and non-profit, as investors, in theory, get their money back whereas

philanthropists do not (Yunus et al., 2010). This is also described as the equilibrium where social enterprises find themselves in: between the difficulty of wealth creation and the challenge of whether that can be combined with serving a social purpose (Dees & Anderson 2003). Therefore the social and financial objectives in a social enterprise are not dichotomous. They are enterprises that range from purely social to purely economic and everything in between (Austin et al., 2006). This also affects the impact social enterprises want to create. The complexity lies in the fact that market pressure and investor expectations can harm social value creation, as well as compromise on financial performance (Dees & Anderson 2003, Yunus et al., 2010; Zahra et al., 2009). However, the goal of a social entrepreneur is to maximize both social and financial performance. This is the point where tensions can emerge (Saebi et al., 2019). It can be hard for social enterprises to manage on the one hand commercial opportunity exploitation, but on the other hand, keeping in mind the pursuit of the social mission. (Adams & Perlmutter, 1991; Zahra et al., 2009). Next to that social enterprises find themselves on the thin line of the legitimacy of generating profits, essential for the pursuit of their social mission, however, to withdraw from profit-maximizing (Wilson & Post, 2013) would lead to overemphasizing the financial objectives at the cost of the social objectives. The consequence is that managers of social enterprises, in designing and executing the strategy, have to find ways to successfully pursue both economic and social goals at the same time (Santos, 2012).

The pursuit of social objectives and financial sustainability requires that management maintains the creation of social value and drive, by investing in social projects and driving forward social change, but on the other hand keeps on generating sufficient revenue to invest in business activities (Moizer & Tracey, 2010; Mair & Marti, 2006; Alvord et al., 2004; Steyaert & Katz, 2004). This challenge requires social enterprises to carefully balance between acquiring resources to build and maintain competitive advantage and using resources to engage with their key stakeholder groups (Doherty et al., 2014). The research found that this challenge often results in trade-offs between economic and social objectives (Austin et al., 2006). However, to the contrary Wilson and Post (2013) found that the creation of social value might be closely linked or even integral to the achievement of economic outcomes (Wilson & Post, 2013) that, in turn, generate financial resources to be employed to achieve their social mission (Dacin et al., 2010, 2011). Furthermore, Tracy et al., (2011) found that having dual missions within a single organization can foster novel solutions to seemingly intractable societal problems, while also recognizing the significant challenges social enterprises face in realizing this potential.

2.2.2 Mission drift

The consequence of pursuing a dual mission is that social enterprises also have to manage potentially conflicting social and commercial objectives (Tracey & Phillips, 2007; Miller et al., 2012; Lumpkin et al., 2013). When not managed correctly, this conflict can lead to mission drift. Mission drift is defined as the consequence of pursuing both social and financial at the same time, which forces organizations to create social and commercial value, which in turn forces organizations to pursue competing goals and thus, multiple tensions arise (Jay, 2013; Smith & Besharov, 2017; Klein et al., 2021). These tensions regarding strategic decisions and directions, lead to overemphasizing the values of either the social or financial logic that can cause mission drift (Battilana & Dorado, 2010; Battilana & Lee, 2014; Klein et al., 2021). Therefore Ebrahim et al. (2014) state that preventing mission drift is one of the big challenges and one of the most important dangers for long-term survival for social enterprises. It is therefore critical to pursue both social and financial objectives and prevent overemphasizing one logic over the other. The conflict of social and financial objectives is not an uncommon phenomenon. Other researchers have described that the struggle with conflicting institutional logics of social and economic value creation is a specific characteristic for social enterprises (Doherty et al., 2014; Pache & Santos, 2013). As a result, social enterprises may experience tensions as they try to combine these competing institutional logics (Cooney, 2006; Battilana & Dorado, 2010; Gidron & Hasenfeld, 2012). Combining competing logics can lead to instability, and social enterprises may experience mission drift as a business or market logic takes over, and the social enterprise emphasizes too much on obtaining their financial objectives. On the other hand, too great an emphasis on social goals may weaken the organization and lead to commercial failure (Young, 2012).

An important cause for mission drift is institutional plurality. This means that as social enterprises are subject to institutional pressures from their environment and linked to multiple sometimes competing institutional logics, they drift away from their initial mission. (Thornton & Ocasio, 1999). The consequence of these competing logics is that over time, organizations may come to prioritize one logic over the other, triggering a drift to either financial or social logic (Mair et al., 2015; Ebrahim et al., 2014). The second reason that causes organizations to drift away from their mission is resource dependence. Resource dependence is the consequence of a high reliance on a particular type of resource provider, which makes that social enterprises are unstable and susceptible to mission drift (Cornforth, 2014; Weisbrod, 2004; Jones, 2007). Third, organizational development and growth reshuffles the institutional pressures and also

the resource dependencies, which in turn leads to difficulties in balancing between the social and financial objectives (Jones, 2007; Mersland & Strøm, 2010; Ebrahim et al., 2014; Cornforth & Simpson, 2002).

Although the risks and the reasons for mission drift are not unique for social enterprises, they can result in an immediate threat to the long-term survival of social enterprises. Ebrahim et al. (2014) emphasize the importance of preventing mission drift within social enterprises for two reasons. First, because they are dependent on commercially generated revenue to financially sustain their operations, they are inherently at risk of giving priority to their commercial activities – which enable them to generate revenues and thereby survive – over their social activities which enable them to achieve their mission. Second, the consequence of mission drift for social enterprises is severe as it threatens their very *raison d'être*: if social enterprises lose sight of their social mission, they will fail to achieve their goals of delivering social value to their beneficiaries.

Many researchers have acknowledged the risks of mission drift and have investigated strategies that a social enterprise can adopt to prevent mission drift (Grimes, 2010; Smith et al., 2013). Firstly, a social enterprise is less likely to diverge from its mission if it is capable of controlling internal and external pressures regarding commercial achievements through an organizational design (Binder, 2007), human resources management practices (Battilana & Dorado, 2010), and accounting tools (Battilana et al., 2012) that preserve a socially-oriented culture (Battilana & Dorado, 2010) and multi-stakeholder commitment (Haigh & Hoffman, 2014). Furthermore, other research has emphasized that it is especially important that social enterprises stick to their original mission despite increased competition and diverging commercial pressures. Sticking to the original mission of the social enterprise can be achieved by reestablishing the equilibrium between social and financial performance (Ramus & Vaccaro, 2017).

2.3 Conflicting objectives on the different levels of analysis

In this paragraph, I will elaborate further on how the conflict between social and financial objectives emerges at the different levels of analysis of the social enterprise. I will start with a review of the theory on an individual level. After that, the team level will be discussed. Finally, the conflict will be reviewed on an organizational level.

2.3.1 The conflict on an individual level

On an individual level of analysis, I will look at two different characteristics. The first is the so-called prosocial personality. Subsequently, individuals within social enterprises act based upon a specific set of values. Therefore the personal values of individual members within social enterprises and how they play a role in the emerging of the conflict between social and financial objectives within social enterprises will also be discussed.

Prosocial personality

An important characteristic of social entrepreneurs is a prosocial personality. This is defined as ‘an enduring tendency to think about the welfare and rights of other people, to feel concerned and empathy for them, and to act in a way that benefits them’ (Penner & Finkelstein, 1998). As a consequence, emotions such as empathy, sympathy, and compassion, motivate individuals to pursue social entrepreneurship (Nga & Shamuganathan, 2010; Miller et al., 2012; Ruskin et al., 2016; Waddock & Steckler, 2016). On the other side, you have the characteristics that are typically associated with the financial or commercial side of social entrepreneurship, such as self-efficacy (Bacq & Alt, 2018) but also perceived support (Mair & Noboa, 2006) and prior working experience with social organizations (Hockerts, 2017). Individuals can however dispose of emotions such as empathy, simultaneously with self-efficacy characteristics (Bacq & Alt, 2018).

The conflict on personal values

To further understand the conflict of social and financial objectives on an individual level we also have to consider the conflict of personal values. In the theory of Schwarz (2012), there are two opposing dimensions of values: self-transcendence and self-enhancement (Sosik, 2005). In a social enterprise context, values that are related to self-transcendence refer to the social orientation of the social enterprise, which can also be defined as a focus on helping others. On the other side, there is the social enterprises’ financial focus that is related to self-enhancement which is concerned with their organizational self-sustainability (Eiselein & Dentchev, 2020). According to personal value theory, it can be quite challenging for individuals to mix conflicting values. However, according to Dees (2012) social enterprises need to be capable of integrating both charity and problem-solving cultures as that is part of their core characteristic. Schwartz (2012) also states that it can be hard to combine opposing values at an individual level. The combination of both opposing values can namely imply that no preference exists, which might be a drawback, as individuals in social enterprises would not develop either of

both objectives very well (Haber, 2019; Eiselein & Dentchev, 2020). On the other hand, individuals that have outspoken value preferences can find it hard to combine social and financial objectives. Next to that, as mentioned before for the organizational level of analysis, institutional complexity appears especially challenging in the context of social entrepreneurship, because it requires drawing from both for-profit and nonprofit institutional logic (Dacin et al., 2011). The result on an individual level is that individuals also have to address issues that face both for-profit and nonprofit organizations to be legitimate and in doing so to take into account the interests of stakeholders in both fields. This leads to several operational tensions (Dacin et al., 2011). Given the fact that individuals can find it hard to combine opposing values, a management approach has to be adopted by the social enterprise in such a way that the social enterprise as an organization is capable of pursuing both social and financial objectives. The management approach and strategy that can be adopted to manage this conflict will be discussed in paragraph 2.4.2.

Management approach on an individual level of analysis

As can be concluded from the previous paragraph, conflicts between social and financial objectives on an individual level are the result of conflicting values and the conflict between egoistic and altruistic behaviour. To manage these conflicts literature proposes two important balancing mechanisms: fit of values and communication.

Fit of values

To balance these conflicting objectives, the first mechanism to be discussed is the fit of values. The fit of values functions as a central mechanism, which balances social and commercial objectives at the individual level since it is fundamental to achieve congruency among individual preferences towards conflicting objectives (Eiselein & Dentchev, 2020). This congruency can be achieved through the complementarity of individual profiles, or trade-offs. Especially trade-offs between social and financial objectives are frequent in social enterprises, however, when the right balance can be found, competitive advantage can be achieved (Wilson & Post, 2013). To find these values, and how possible conflicts are perceived or experienced, it is important to communicate. That's why the following mechanism is about communication.

Communication

Because of the tensions between social and financial objectives, there has to be a fit of values amongst the internal and the external stakeholders (Ramus et al., 2018). This also means that

stakeholder identification is important because this exercise forces the organization to rationalize its social priorities and objectives to select the stakeholders to contact accordingly. After identification, the dialogue takes place. This step is crucial in building a shared understanding of social values and beliefs with external stakeholders that can help the social enterprise to mitigate conflicting objectives (Ramus & Vaccaro, 2017). Indeed, dialoguing with social stakeholders about objectives and strategies to perform opens opportunities for reflection about the values and motivations that should be at the core of a social enterprise's mission (Ramus & Vaccaro, 2017). Through a proactive dialogue with external stakeholders, social enterprises can successfully rationalize and reintroduce previously abandoned, socially-oriented motivations and for the development of social initiatives (Greenwood, 2007; Dawkins, 2013).

A proactive dialogue also requires effective communication. And the best way to achieve congruency among possibly conflicting personal values is through these intensive communication efforts (Anheier, 2005; Bull, 2007; Tracey et al., 2011). In this communication, efforts bridge individual differences and preferences and bring back the attention towards a shared common purpose or mission, which is the alignment of social and financial objectives of the social enterprise. Furthermore, communication is not only used to find the alignment between the conflicting objectives but also to make sure that the overall goals of the social enterprise stay clear (Eiselein & Dentchev 2020). Employees, founders and other members of the social enterprise are the people who actively transmit the story of the particular social enterprise. By having a clear narrative, several points of view can come together.

The conclusion is that communication as a mechanism on the individual level makes the alignment in terms of the fit of values possible. When the social enterprise creates an environment in which all stakeholders can openly and transparently discuss and coordinate the activities of the social enterprise, the maintenance, search for a fit of values and the right partners and eventual alignment between social and financial objectives within the social enterprise can be achieved (Eiselein & Dentchev, 2020).

2.3.2 The conflict on a team level of analysis

In the previous paragraph, the conflict on an individual level has been discussed. This paragraph will cover the conflict between social and financial objectives on a team level of the analysis. The conflict will be explained through two dimensions: first the question of whether the team

and its members are subject to the conflicting objectives, and secondly, whether the composition and motivations of the team affect whether the conflict emerges.

However, it is first important to determine whether a team within the social enterprise is subjected to the conflict between social and financial objectives within social enterprises. Dependent on the department within the social enterprise, a team is more or less subjected to the conflict, but also more or less pointed towards the more social or financial mission of the social enterprise. For instance, the communication department of a social enterprise will be more focused on the social mission, whereas the production department will be more focused on cost-efficient production and therefore will be more focused on the financial objectives of the social enterprise. This also means that whether the conflict emerges in one team or department of the organization, does not have to mean that it emerges throughout the organization as a whole.

The next important aspect to emphasize is that the way a team performs is influenced by the dynamics between individuals because a team is composed of two or more individuals (Kozłowski & Bell, 2012). The values of the individual team members in this context are referred to as motivations. The conflict between social and financial objectives on a team level is firstly caused by the different motivations that play a part in a team (Eiselein & Dentchev, 2020). The way a team performs is influenced by the dynamics between individuals because a team is composed of two or more individuals (Kozłowski & Bell, 2012). Conflicts can arise when individuals in a team have opposing values.

How to manage the conflict on a team level of analysis

The fit of values and communication as mechanisms on an individual level are influenced by the team dynamics within a social enterprise. This is where the agile structure of social enterprises and partnerships as mechanisms to managing the conflicts can play an important role, as will be described in the following paragraph.

Agile structure

A mechanism that balances conflicting objectives is agile structures. This mechanism has first been found to balance conflicting balances by Eiselein and Dentchev (2020), however, not yet has been explained how they balance conflicting objectives in large and bureaucratic social enterprises. Agile structures facilitate clear and simple communication towards all stakeholders,

regarding both small wins and losses (Wolf & Mair, 2019). Next to that, it has been found that having an agile structure in combination with a vast partnership of networks offers the social enterprise the possibility to compartmentalize conflicting objectives (Ometto et al., 2019) and to separate core and non-core activities. Overall, agile structures help to manage conflicting social and commercial objectives at the team level by creating a team with clear tasks and creating partnerships that leverage the resources of others. This is in line with the abovementioned literature, where was stated that a rational and commercial approach is required for social enterprises to survive (Austin et al., 2006; Grimes et al., 2013). Furthermore, agile teams can discuss or address objectives, procedures, and responsibilities, thanks to the reduced power distances amongst team members, individuals are actively participating and engaged in achieving both social and commercial objectives (Davis et al., 1997; Hernandez, 2012).

Partnerships

In addition to agile structures, partnerships are a mechanism of managing conflicting social and commercial objectives at the team level. An important aspect in managing these conflicting objectives that were mentioned above is the agile structure. Partnerships can be an addition to that. Partnerships support social enterprises by taking away administrative or operational burdens, which leaves them the possibility to stay flexible, yet resourceful (Reficco & Marquez, 2012; Weber et al., 2012). In this way, partner organizations can operate as complementary extensions of social enterprises and help the small, well-networked teams (with an agile structure). Thus, partnerships can help them to focus on core activities which results in that social enterprises can balance both social and commercial objectives because they benefit from both for-profit and not-for-profit partners' resources, networks and legitimacy (Selsky & Parker, 2005; Montgomery et al., 2012).

2.3.3 The conflict on an organizational level

Contrary to the individual and team level of analysis, on the organizational level of analysis, it is almost impossible to avoid the conflict between social and financial objectives. The impossibility of avoiding conflict is caused by specific characteristics of social enterprise. Both the social and financial part dimension are inevitably part of the core of the organization and pursuing both social and financial objectives is what defines social enterprises and distinguishes them from other types of organization.

Organizational structure and legal form

The first situation which can lead to conflicts arising on an organizational level of analysis is explained by mission drift. Furthermore, conflicts on an organizational level of analysis emerge due to the structure and foundation of an organization. This means that conflicts on an organizational level of analysis can arise due to the lack of a structure or legal form in which social enterprises are operating. The legal structure that is chosen by social entrepreneurs has implications for both the enterprise and its stakeholders (Haigh et al., 2015). Beyond basic for-profit and nonprofit constraints, such as the inability of nonprofits to distribute earnings for private benefit, while for-profits generally do not access grant or philanthropic funding (Kickul & Lyons, 2012). Especially in the context of this thesis, because the research takes place in the Netherlands, these tensions can result in problems because there is still no legal form for social enterprises available in the Netherlands (Rapport BMC 2020).

How to manage the conflict on an organizational level of analysis

The first management approach on an organizational level of analysis is prioritization. This means that, depending on the situation, the organization chooses to avoid conflict by sometimes pursuing the social objectives, while in other situations choosing to pursue financial objectives (Ashforth & Reingen, 2014; Mair, Mayer & Lutz, 2015). The next approach is dividing the responsibility for social and commercial objectives into different functions (Ashforth & Reingen, 2014). On the contrary, social enterprises can choose another approach, which is the choice to balance conflicting objectives, by carefully considering them at the same time (Pache & Santos, 2010). Wolf & Mair (2019) state in this context that a proactive approach at the organizational level, considering “a focus on purpose, commitment and coordinating around small wins” can be a management mechanism for conflicting objectives from a governance perspective. As can be concluded from the aforementioned is that research on the organizational level is fragmented and the observed outcomes are numerous. And as Saebi et al. (2019) state, still little is known at the population level about the common antecedents and actual performance or failure rates of social ventures and whether these differ from those of commercial ventures.

Social entrepreneurship encompasses ‘the activities and processes undertaken to discover, define, and exploit opportunities to enhance social wealth by creating new ventures or innovatively managing existing organizations.’ The social enterprise as an organization,

therefore, combines two dimensions: the social dimension and the financial dimension. The social dimension means that the social enterprise aims at making a social impact rather than making a profit. Social enterprises differ however from classic nonprofit organizations. The difference is that social enterprises fundamentally repurpose business methods and approaches to solve the world's social problems efficiently and sustainably. The next dimension is the financial dimension. For an organization to qualify as a social enterprise, the income-generating activities must not only be present but also have a strategic long-term orientation with measurable growth and revenue. Both dimensions form the hybrid character of the social enterprise. The hybrid character of social enterprises means that these organizations are neither typical charities nor typical businesses; rather they combine aspects of both (Ebrahim et al., 2014). For these organizations, commercial activities are a means toward social ends. As such, social enterprises are hybrid organizations that combine both social and financial aspects at their core. The hybrid character of the social enterprise has a consequence that the social enterprise has to pursue both social and financial objectives at the same time. This is defined as the dual mission of the social enterprise. By achieving the social mission, the enterprise undertakes market-based commercial activities that generate their source of income (Austin, et al., 2006; Stevens et al., 2015; Dees, 2001; Saebi et al., 2019). If they remain too idealistic towards their social mission, or they put too much effort in achieving solely their commercial objectives they can drift away from this dual mission. This drifting away, or mission drift, is defined as the consequence of pursuing both social and financial at the same time, which forces organizations to create social and commercial value, which in turn forces organizations to pursue competing goals, and thus, multiple tensions arise.

The opposing forces and tensions that arise in combining both social and financial objectives are described as the conflict between social and financial objectives. The key to long-term survival is that social enterprises can manage the conflict between social and financial objectives. However, mission drift is just the organizational level of analysis on which the conflict can emerge. The conflict can also emerge on the individual, and team levels of analysis. Because of a prosocial personality and the conflict on personal values, conflicts can emerge on an individual level of analysis. This is because social objectives on the one hand, and financial objectives, on the other hand, require a different set of skills and characteristics within individuals. However when there is a fit of values and clear communication, the conflict can be managed, and tensions will be less likely to arise. This also plays an important role on the team level of analysis, where these values are defined as motivations. An agile structure and

partnerships can function as the management approach to manage the tensions on a team level of analysis. Lastly the aforementioned organizational level of analysis. Here mission drift is the most important challenge to be acknowledged. Next to that, prioritizing or dividing the social and financial objectives can help manage the tensions. However, this may be dependent on the specific contextual factors of the social enterprise. Furthermore, in table 1, the key points of the conflict on the individual, team and organizational level of analysis are summarized, alongside the relevant management approaches, theory and references.

Level of analysis	Conflict	Management approach	Theory	Reference
Individual	Conflicting values	Fit of values Communication	Prosocial behavior theory and theory of personal values	Eiselein & Dentchev, 2020; Koe Hwee Nga & Shamuganathan, 2010; Miller et al., 2012; Ruskin, Seymour, & Webster, 2016; Waddock & Steckler, 2016; Bacq & Alt, 2018.
Team	Conflicting motivations	Agile structure Partnerships	Theory of personal values	Eiselein & Dentchev, 2020; Reficco & Marquez, 2012; Weber et al., 2012; Ometto et al., 2019.
Organizational	Mission drift	Reestablishing the equilibrium; Governance structure; Organizational design; HRM	Theory of personal values	Saebi et al., 2019; Ashforth & Reingen, 2014; Cornforth, 2014; Mair et al., 2015;
	Divergent goals and logics	Divide or prioritize Balance		Dacin, Dacin & Tracy, 2011 Pache & Santos, 2010
	Legal form			Haigh et al., 2015

Table 1 – Explanation of the conflict, management approach, theory and references on the different levels of analysis.

3 Methodology

In this chapter, the methodological approach for this research is described. In paragraph 3.1, I will discuss the data collection procedure. In this paragraph, I will explain why a qualitative method is used, in the form of semi-structured interviews. Furthermore, the overall research objective and research approach used for this research are described. In paragraph 3.2, I will explain the procedure of data analysis. Finally, the reliability, validity and methodological limitations of this research approach of study are elaborated upon.

3.1 Data collection

As we have seen in the literature, social entrepreneurship, and specifically the conflict between social and financial objectives, has received growing attention in the literature in the last decades (Gupta, 2020). The purpose of this research is to investigate how the conflict between social and financial objectives emerges at the different levels of the organization. To investigate this conflict, this research has focused on the analysis of why the conflict between social and financial objectives emerge, and what the difference is between the different levels of the social enterprise. This difference is best described by analyzing the experiences of different persons on those different levels. Therefore the used methodology is a qualitative approach because qualitative research is used to understand and explain human experience (Philip, 1998). Furthermore, qualitative research is conducted to understand what the influence and the process are of certain concepts. In this research, it is important to understand the experience of participants on the different levels of the organization and the consequences that the conflict between social and financial objectives has on these participants. Qualitative research approached with in-depth interviews is furthermore chosen to allow the development of on the one hand gaining new insights, and simultaneously strengthening and building forward upon prior established concepts.

The research method will be a qualitative approach with semi-structured interviews. Semi-structured interviews allow asking open questions to a small sample and explore individual experiences, opinions and beliefs (Bryman, 2012). These experiences, opinions and beliefs are among other things important to obtain the retrospective and real-time accounts of people experiencing the phenomenon of theoretical interest (Gioia et al., 2012) and are therefore in that context the best method to conduct this research. This research furthermore follows the principle of case diversity in qualitative research (Eisenhardt, 1989).

Then the research setting. For this research, I have reached out to social entrepreneurs around the Netherlands and within my network. Furthermore, I have reached out to people who are working with or advising social entrepreneurs. Several interviewees then introduced me to other social entrepreneurs within their network. In total I have conducted 12 interviews. In appendix 1 you can see a list of the people that were interviewed for this research. As can be seen in more detail in the appendix there, the profiles of the interviewees are the following: founders, board members, employees and self-employed advisors/consultants. All of them are either owning, managing, working, or advising a social enterprise in the Netherlands. Next to that, almost all of them were working in a team, so they were able to share their experiences concerning the context of the different levels of analysis of the conflict between social and financial objectives within social enterprises in the Netherlands. Next to that, the interviewees were assembled using the snowball sampling method. This led to a collection of key stakeholders that were interviewed - founders, board members, management, employees and advisors. Next to the 12 interviews, I also read numerous reports and did two observations at two of the interviewees' social enterprises. The specific reports can be found in appendix 4.

3.2 Data Analysis

The next step is data analysis. In this paragraph, I will first explain the steps that were followed to analyze the data. After that, I will explain the quality indicators for the qualitative research that were conducted in this research.

In qualitative research, coding is defined as: “how you define what the data you are analyzing is about” (Gibbs, 2007). This means that coding is an important step in qualitative data analysis (Yin, 2015). In this research, the researcher chose to transcribe the obtained data into extensive written summaries instead of full transcripts of the interviews. Thus, the first step of coding was to write extensive summaries of all the things the interviewees had mentioned during the interviews. The next step involved reading the interview transcripts, alongside the interview notes and all the other relevant documents that were gathered during the interviews. The reading of all these transcripts, notes and documents allows the researcher to be fully acquainted with all the data that is gathered in this research (Gibson & O’Connor, 2003). The next step is the grouping of the information that has been gathered from the interviews alongside the interview guide and the theoretical concepts that were used for this research. These theoretical concepts

as Bryman (1995) states, provide the researcher with a set of general guidelines, which help the researcher to delineate important variables, suggest relationships among them, and direct interpretation of findings. Based on the prosocial personality theory and the theory on personal values and motivations this interview guide was set up. This led to the final step: dividing the data into different topics, or codes. The different codes consisted of three analytical levels: how does the conflict emerge, what is the interrelation between the different levels of analysis and how is the conflict managed on the different levels of analysis. After this coding, the data were further categorized into different levels of analysis. This means that per analytical level, the data were categorized into either the individual, team or organizational level of analysis. On the interrelation analytical level, it means that per level of analysis, the influence on the other levels was categorized. This led to the following categorization: the interrelation between the individual and team level of analysis, the interrelation between the individual and organizational level of analysis, and finally, the interrelation between the team and organizational level of analysis.

Validity

Lincoln and Guba (1985) state that trustworthiness is important to evaluate a research study's worth. To ensure the high quality of this research, continuous evaluation of trustworthiness is essential throughout the research process. First is the validity. Validity is described by Maxwell (2013, p. 122) as: 'the correctness or credibility of a description, conclusion, explanation, interpretation or any other sort of account.' Additionally, it is linked to credibility, which is described by Anney (2014) as the confidence that can be placed in the truth of the research findings. In this research the primary data sources are interviews. Interviews have a downside that only relying on interviews would decrease the validity of the research. This is why triangulation of the data is required. Combining sources of evidence, while shifting between analysis and interpretation, denotes the principle of triangulation (Yin, 1994; Denzin, 1978). Employing the triangulation principle contribute to research validity by providing multiple sources of evidence (Yin, 2015). Therefore, secondary data has been included to compensate for this decrease (Yin, 2015). This secondary data is gathered by analyzing and reading relevant reports and online lectures on social entrepreneurship. Next to that, I did two observations at social enterprises.

Reliability

Reliability is referred to by Bernard (2017) as: ‘whether or not you get the same answer by using an instrument to measure something more than once.’ Therefore reliability is referred to as the consistency measure of the research. This means that if the research would be repeated, the same knowledge can be produced at another time. While maintaining flexibility, the selected interview method with interview guide ensured reliable, comparable qualitative data (Bernard, 2017).

Next to that, the semi-structured interview follows a general script that covers a list of topics based on an interview protocol. The interview protocol ensures that the interviewer covers the necessary areas and the questions in separate interviews are being asked in a similar way (Bernard, 2017). However, because the interview is semi-structured, the interviews allow for flexibility (Cooper & et a., 2006). This flexibility contributes to the interview that if necessary follow-up questions are possible. As such, semi-structured interviews are conducted to keep the research flexible and open to change depending on the collected data (Yin, 2015).

Moreover, the interviews were, with the permission of the respondents recorded to ensure reliability. If the recording of the interview was not permitted, a summary of the answers has been sent to the observed respondents. That summary gave those respondents the possibility to refine and/or review their answers. This also provides an additional reliability measure (Yin, 2015). However the recorded interviews were not coded, there are extensive summaries of all interviews. These summaries were based on written notes during the interviews and relistening to the interviews. If needed in case of haziness, follow-up contact with the interviewees has been conducted to clear up some uncertainty.

Generalizability

Lastly the generalizability. Generalizability indicates whether the research findings can be extended into a wider context. Case studies through interviews make analytical generalizations that link specific findings to a broader theory (Yin, 2015). It is important to emphasize that this study focuses on a limited case context. The aim of this research has not been to investigate everything there is to know about conflicting objectives in social enterprises, but much more on how within the researched social enterprises, on different levels this conflict emerges (or not). Diving deep into these specific cases made it possible to comprehend the full picture, understand deeply whether conflicts have emerged, or not and what the adopted mechanisms and strategies were, and whether they worked or not.

4 Results and Analysis

In this chapter, the results of the in-depth interviews are presented. These results are a representation of the opinion of the interviewees on the conflict between social and financial objectives within social enterprises on the different levels of analysis. This allows answering the research questions. In paragraph 4.1, I will discuss the results concerning whether or not, and where and how the conflict between social and financial objectives emerged. Furthermore, the difference between the different levels of analysis are presented: what is the opinion from the interviewees on how the conflict emerges at the organizational, team and individual level of analysis within social enterprises. In paragraph 4.2 the interrelation effects between the individual, the team and the organization are presented.

4.1 How and where does the conflict emerge?

In the following paragraphs, I will discuss the results concerning whether or not, and where and how the conflict between social and financial objectives emerged on the individual, team and organizational levels analysis. The interrelation between the different levels of analysis will be discussed from paragraph 4.2.

4.1.1 The conflict on an individual level of analysis

In this paragraph, I will discuss the results concerning the conflict on an individual level of analysis. This means that interviewees regarded that they experienced a conflict between social and financial objectives. The reason that came forward during the interviews is that interviewees found it hard to combine opposing objectives. This is explained by the fact that interviewees regarded, not specifically the social or financial aspects of their tasks or objectives difficult, but they found it hard to combine them both at the same time. Next to that, interviewees regarded the lack of tools and quality that are being made available from the organization, which makes it impossible to achieve both the social and financial objectives at the same time. In this example, social return and commercial quality are expected, where sometimes this is impossible to achieve, which in turn causes the conflict to emerge on an individual level of analysis.

Interviewee 6 states:

'Dan wordt er van bovenaf (management) te makkelijk gedacht over social return en moet ik tegelijkertijd zowel sociale als commerciële doelen behalen, terwijl dit in specifieke gevallen

niet mogelijk is omdat daar de specifieke kwaliteiten of tools niet voor aanwezig zijn. Dat komt meestal doordat ze van bovenaf teveel gericht zijn op het behalen van sociale doelen waardoor de vereiste kwaliteit niet geleverd kan worden.'

Furthermore, several interviewees mention the lack of transparency and clarity as a reason for the conflict to emerge on an individual level of analysis. The most important cause in this context is that it is not always clear what the organization wants from me, how the social and financial goals have to be achieved, and most importantly: why are we doing what we are doing as an organization. However, interviewees regarded this also as an obligation for employees of the social enterprise, they have to speak out when things are unclear. But subsequently, there also lies a challenge for the organization, because they have to create an environment in which employees feel safe to speak out against uncertainty regarding the social mission of the organization. This is all stated clearly by interviewees 3 and 2:

Interviewee 3:

Ik mis af en toe duidelijkheid en transparantie: waar zijn we mee bezig, wat willen we bereiken als organisatie en waarom. Als met name de zichtbaarheid van het management en de sociale missie ontbreekt ontstaat onduidelijkheid en kan er twijfel ontstaan binnen de organisatie.

Interviewee 2:

'Als er binnen een organisatie geen cultuur bestaat waarbinnen werknemers zich durven uit te spreken, ontstaan er conflicten. Dit kan worden voorkomen door een zogeheten walk-the-talk. Over en weer moeten werknemers en organisatie zich uit durven te spreken. Als een dergelijke cultuur ontbreekt ontstaan er conflicten binnen de organisatie.

However, on the contrary, some interviewees regarded that on an individual level they found that they experienced no conflict between social and financial objectives. The first reason here is that interviewees found themselves able to combine both social and financial tasks and activities because of their background. In particular on the higher management level, the interviewees found themselves capable of combining both social and financial activities and achieving both social and financial goals at the same time. Next to that, they explain that people like themselves in high-level management positions have experience in both areas, and therefore did not experience a conflict between social and financial objectives. This can be explained by the reason that those people are selected for these positions have backgrounds in

both pure social and financial workplaces, for example like NGOs for the social part and consultancy for the financial part.

Interviewee 10:

'Heeft zelf dubbele achtergrond; eerst gewerkt bij o.a. Grote 4 Consultancy in commerciële functie. Later als directeur bij NGO in een duidelijke sociale rol. Nu als directeur van een sociale onderneming dus juist de combinatie. Doordat ik met beide bekend ben is er bij mij persoonlijk geen sprake van een conflict.'

Next to that, several interviewees explained that they found it rewarding and inspiring to be working, or to be active to achieve both social and financial objectives in their professional life. Therefore, several interviewees tried to embrace both aspects as much as possible. Furthermore, they experienced no conflict on an individual level of analysis between social and financial objectives.

Interviewee 2:

'Ik probeer mij in mijn persoonlijke rol zoveel mogelijk met beide aspecten bezig te houden, daar liggen de kansen en daar haal ik mijn inspiratie uit.'

Interviewee 6:

'Ik vind het dankbaar werk om juist ook sociaal bezig te zijn al was dat geen reden om voor deze organisatie te kiezen. Dit terwijl mijn oorspronkelijke werkzaamheden vroeger altijd puur commercieel waren.'

The last reason that on an individual level of analysis, interviewees experienced that no conflicts emerge is mainly focused on people in a management position. Interviewees in a management position within social enterprises regarded that recruitment and selection for these positions made sure that everyone on management-level positions was able to combine both social and financial objectives on an individual level because that is the whole reason that they are selected for that position. This results in that they did not experience a conflict on an individual level of analysis.

Interviewee 7:

'In eigen team zitten eigenlijk alleen mensen met beide (zowel sociale als commerciële) capaciteiten.'

4.1.2 The conflict on a team level analysis

In this paragraph, I will look into whether or not, and where and how the conflict between social and financial objectives emerges on a team level of analysis. The reason a conflict emerges on a team level of analysis that came forward during the interviews is when the composition of teams is not balanced between the different qualities. This means that the specific team of the interviewee within the social enterprise was not in balance with both social and financial qualities or knowledge. This is not a problem when the teams are separated, however, when the social enterprise is for whatever reason obliged to compose teams that consist of both social and financial qualities, conflicts can emerge when there is no balance between the social and the financial part of the social enterprise.

This is clearly stated by interviewee 4:

'Het is belangrijk om er bij het samenstellen van een team de kwaliteiten te scheiden, dat wil zeggen zorg voor een teamsamenstelling waarbij beiden kwaliteiten aanwezig zijn en niet teveel van dezelfde soort. Als dit niet het geval is ontstaan er in mijn ervaring conflicten. Maar laat de persoon die commercieel sterk is zich daarmee bezig houden en personen die sociaal sterk zijn zich richten op het sociale.'

The next reason conflicts can emerge on a team level of analysis is the lack of diverse teams. Interviewee 7 considered it essential for teams that want to achieve both social and financial objectives that these teams are composed in a diverse way considering multiple cultures and backgrounds. Diverse teams are therefore better able to achieve both objectives at the same time, making it a useful management measure in managing the conflict between social and financial objectives on a team level of analysis. If on the contrary, teams are not diverse, they are also not capable of tackling important social challenges.

Interviewee 7: Teams en daardoor organisaties die te weinig inclusief of divers zijn hebben een blinde vlek ten aanzien van belangrijke sociale vraagstukken en kunnen deze dan dus ook niet duurzaam oplossen.

However, several interviewees regarded that their team did not experience the conflict between social and financial objectives. There were two reasons that the conflict did not emerge on a team level. The first reason was, as described in the paragraph discussing the conflict on an individual level, that the team consisted of people that were able to combine both social and financial capacities. Due to heavy recruitment and selection, only particular people were chosen who had backgrounds in both the social (NGO) and financial, (i.e. consultancy) field and this is only possible in high management teams. This was also recognized by themselves because the second reason that interviewees found that there was no conflict on a team level of analysis was that the core activities were separated between different teams across the organization. This means that different teams were either fully active with achieving social objectives and likewise activities or teams were occupied with fully financial objectives and activities. However, this was only possible in organizations that were big enough to separate these core activities across various teams. In organizations that were not able to separate these core activities, tensions and sometimes conflicts did arise, as will be discussed in the next paragraph.

Interviewee 10:

De organisatie is groot genoeg om de sociale en commerciële activiteiten te scheiden en in te delen in verschillende teams, hierdoor vindt op teamlevel ook geen conflict plaats tussen sociale en commerciële activiteiten en doelstellingen. Op management niveau worden door middel van de werving en selectie van mensen alleen mensen gekozen die in staat zijn zowel het sociale met het commerciële kunnen combineren. Op het management (team) niveau vindt er dus ook geen conflict plaats.

Interviewee 2:

Als organisatie groot genoeg is, zoveel mogelijk mensen op de werkvloer/binnen dagelijkse praktijk in werkzaamheden scheiden en in hun kracht laten werken. Dus commerciële mensen houden zich bezig met commerciële doelstellingen behalen en sociale mensen houden zich bezig met sociale doelstellingen behalen. Als organisaties te klein zijn hiervoor dan moet je opzoek naar synergie; van belang is dan om al bij werving en selectie mensen te selecteren die in beide goed zijn.

4.1.3 The conflict on an organizational level of analysis

In this paragraph, I will look into whether or not, and where and how the conflict between social and financial objectives emerges on an organizational level of analysis. Firstly, the conflict

between social and financial objectives emerges on an organizational level because of the (lack of) a coherent structure. As interviewee 2 explains, the structure and governance, and therefore a lack of a good basis is a reason that causes the conflict to emerge on an organizational level of analysis.

Interviewee 2:

'Hangt er voor belangrijkste deel vanaf hoe de governance is geregeld binnen organisatie: richten, inrichten, verrichten. Bij een goede structuur en duidelijke missie en doelstellingen wordt het conflict voorkomen. Bij het ontbreken van deze governance komt het conflict eerder voor en zorgt het dan ook voor problemen.'

The second reason for the conflict to emerge is also a consequence of the lack of a good structure, however, this is explained differently by interviewees because it originates in the current laws and regulations in the Netherlands. Several interviewees stated that a fitting legal structure is still not available in the Netherlands. The problem that causes the conflict to emerge is that laws and regulations are not set to lay the foundation for a working combination of both social and financial objectives, because according to the current law an organization has the choice for either being an NGO (social) or being a so-called BV (financial). This causes the conflict to emerge on an organizational level of analysis.

A clear example is stated by interviewee 3:

Een probleem is dat de wet- en regelgeving niet in is gesteld op goeie werkzame combinatie van beiden. Of je bent een stichting/NGO, of je bent een BV, maar hoe hou je een BV eraan dat die niet zich gaat richten op puur verwezenlijken van commerciële activiteiten en andersom?

The next reason the conflict emerges on an organizational level of analysis is the lack of a clear business model. The root of this cause lays in the aforementioned failed structure and lack of laws and regulations in the Netherlands. Because the fitting laws and regulations are missing, it is also harder to build a sufficient business model which is essential to manage the conflict. This is stated most clearly by interviewee 5.

Interviewee 5:

Doordat de juridische vorm ontbreekt, kan er ook in veel gevallen geen goed businessmodel gebouwd worden. Hierdoor kan een conflict ontstaan want je ziet als er een goed business model is dat het conflict gemanaged kan worden.

Furthermore, conflicts emerge on an organizational level of analysis because the social enterprise failed to integrate both a social and financial component in both the central mission statement and/or in the central strategy of the organization. Several interviewees regarded this as the first question to be asked for social entrepreneurs. And however most social entrepreneurs are well aware of the importance of having both the social and financial components as equally important aspects of the mission and strategy, it is also often the starting point that conflicts emerge at social enterprises, as stated by among others interviewees 1, 4 and 9.

Interviewee 1:

‘Conflicten ontstaan als er niet in de centrale missie en de centrale strategie van de organisatie zowel een sociale als commerciële component is opgenomen. Zowel het sociale als het commerciële moet integraal onderdeel zijn van zowel de centrale missie als de centrale strategie.’

Interviewee 9:

‘In mijn rol is altijd mijn eerste vraag: welke missie heb je als organisatie? Als de centrale missie onduidelijk is of zelfs ontbreekt dan is dat een belangrijke indicatie voor het ontstaan van conflicten.’

Interviewee 4:

‘Voor iedere organisatie is het vereist dat de centrale missie zowel een duidelijke commerciële als sociale component heeft welke ook integraal onderdeel is van de strategie. Als dit niet het geval is, ontstaan er conflicten tussen sociale en financiële doelen.’

Another reason that came forward causing the conflict to emerge on an organizational level of analysis occurs when the interests of the shareholders do not align with the social impact the social enterprise wants to realize. When organizations have a mixed mission, with both financial and social characteristics, the social mission mustn't be diluted due to distribution of profits or change of ownership.

As mentioned by interviewee 9

‘Een conflict die ik vaak tegenkom is het conflict tussen het aandeelhoudersbelang en de missie. Ook al hebben organisaties een gemengde missies met zowel een heel duidelijke sociale als commercieel aspect, doordat winst wegvloeit of de aandelen worden overgenomen verwaterd de sociale missie.’

The final reason conflicts can emerge relates to the visibility of the impact a social enterprise makes. Not only was this regarded on an organizational level because it serves as a sign that a social enterprise achieves its targets both socially and financially, but it was also deemed as one of the points most social enterprises forget within their organization. However it is not the most important reason conflicts emerge within the organization, in combination with a lack of for instance a clear mission statement, a lack of a well-operating communication team has as a consequence that the impact is not visible, thus causing the conflict to emerge. This is clearly stated by interviewee 7:

Interviewee 7:

‘Vaak wordt vergeten een goede communicatieafdeling samen te stellen die het mogelijk maakt om sociale impact tastbaar te maken. Het gebrek hieraan leidt ertoe dat sociale impact niet zichtbaar is en er dus conflicten kunnen ontstaan’

Where on the individual and team level of analysis, many interviewees did not experience a conflict, on an organizational level only one interviewee regarded that there was no conflict. According to the experience of interviewee 10, this was due to heavy laws, regulations and licenses the organization had to oblige to. These laws and regulations set a very strict framework in which the organization was obliged to operate, and also set a mandatory structure the organization had to put in place. Therefore, according to interviewee 10, the conflict did not emerge.

Interviewee 10:

‘Er is eigenlijk geen sprake van een conflict omdat door dusdanig strenge wet- en regelgeving en vergunningen alles is ingekaderd. Het is daardoor eigenlijk niet mogelijk dat er een conflict ontstaat omdat we ons op basis van deze wet- en regelgeving nou eenmaal een bepaald percentage in tijd, geld en kwaliteit bezig houden met enerzijds sociale en anderzijds financiële doelen en activiteiten.’

4.1.4 Summarized analysis of the results on the conflict on the different levels of analysis

Table 2: Why does the conflict emerge, or not, on the different levels of analysis

Level of analysis	Reason for the conflict to emerge	Reasons for conflict not to emerge
Individual	Lack of transparency and clarity Individuals found it hard to combine opposing objectives	Inspired by the combination of working on both social and financial objectives Capable of combining both objectives at the same time
Team	Lack of balance between the social and financial capabilities in the team	Social and financial tasks and objectives separated among teams Recruitment and selection
Organizational	Structure and business model not suited for combining both social and financial objectives Shareholders' interests became over time more important than the social impact Mission drift	Laws and regulations

First is the individual level. The reason the conflict emerges on an individual level of analysis was caused by the fact that individuals found it hard to combine opposing objectives, especially when both objectives had to be achieved at the same time. This is explained by the fact that interviewees state that they found it hard to balance both social and financial tasks and activities in achieving their objectives. However contrary to what was expected many interviewees regarded that especially on an individual level of analysis they experienced no conflict. The first reason was that interviewees stated that they were more or less inspired by working on both social and financial objectives within their social enterprise. Next to that between the individual and team level of analysis some overlap can be discerned. In both levels of analysis, interviewees experienced no problem because they regarded that recruitment and selection made sure that no conflict could occur on either the individual level or the team level of analysis. Also subsequently, because recruitment and selection caused that members of a team were able to combine both social and financial capabilities, no conflict was experienced on both the individual level and team level of analysis.

The conflict did however also emerge on a team level of analysis. On a team level of analysis, interviewees regarded that the lack of balance within their team was a reason for the conflict to

emerge. This means that in the situation that a certain team is composed of both social and financial oriented members, it is important that both aspects are in balance. Also specifically for the team level, several interviewees regarded that no conflict emerges when the teams were separated into fully focused social teams and fully focused financial teams. However, this was regarded to only be possible for large social enterprises.

This means that, based on how the conflict emerges on the individual and team level of analysis, there seems to be disagreement among interviewees. On the one hand, people want to be inspired by both social and financial objectives, and they value their team members for also being able to combine these opposing objects. But on the other hand, several interviewees state that separation of tasks and teams is an important reason that the conflict does not emerge.

Lastly the organizational level of analysis. Many conflicts seem to emerge from the lack of a strong organizational foundation. Most mentioned examples thereof are the particular the lack of a business model, structure and legal form. Next to that, interviewees stated that conflicts emerged due to a slumbering change of the interests and pressure of shareholders. Over time they tend to prevail above the social impact that the social enterprise is trying to make. As a consequence, mission drift is experienced because financial objectives are becoming more important than the social objectives social enterprises want to achieve. The final reason for conflicts to emerge was caused by the lack of creating visibility of the social impact that the social enterprise is making.

4.2 The interrelation between the different levels of analysis

In the following paragraphs I will discuss the views of the interviewees on the effect of the conflict throughout the different levels of analysis, in particular, how do the different levels of analysis are interrelated with each other. These results make it able to answer the question of how the different levels of analysis are interrelated within the social enterprise.

In the following paragraphs, I will subsequently look from a different interrelation. In paragraph 4.2.1 I will discuss the results and the views from the interviewees on the interrelation between the individual and organizational level of analysis. Paragraph 4.2.2 shows the results concerning the interrelation between the individual and team level of analysis. Paragraph 4.2.3 discusses

the interrelation between the organizational and team level of analysis. I will end in paragraph 4.2.4 with a concluding analysis.

4.2.1 The interrelation between the individual and organizational level of analysis

In this paragraph, I will look into the views of the interviewees on how the conflict between social and financial objectives influences the individual and organizational level of analysis. How can the interrelation between the individual and organizational level of analysis be described and analyzed, and how do both levels influence each other, according to the results from the interviews.

The interrelation between the individual and organizational level of analysis is that the choice of how from an organizational level of analysis, tasks, activities and objectives are adjusted directly influences employees on an individual level of analysis. In paragraph 4.1.1 came forward that one of the reasons that interviewees regarded the contradictions between social and financial activities and objectives not as a conflict because they felt inspired by working on both social and financial objectives. A positive aspect that came forward during the interviews was that interviewees get a lot of gratitude from working in a social enterprise. As it turned out, working on both social and financial objectives gives several interviewees gratitude and inspiration in their work and gave them the motivation to work for the particular organization. This motivation is why almost every interviewee stated that on an individual level, the conflict is not only not described as a conflict, instead, the interviewees were all happy with being able to be active in both social and financial tasks, activities and combining to achieve both objectives. This means that from an organizational level of analysis, employees on an individual level are directly affected by the way tasks, activities and objectives are adjusted.

Interviewee 6: Vind het dankbaar werk om ook sociaal bezig te zijn al was dat in eerste instantie geen reden om specifiek voor deze organisatie te kiezen. Het kan erg vermoeiend zijn maar het geeft veel voldoening als het lukt om de combinatie van doelen te bereiken.'

Interviewee 2:

'Ik probeer me in mijn rol altijd met een combinatie van beiden bezig te houden. Juist daar liggen de uitdagingen en kansen in deze tijd. Naast dat het erg inspirerend is om uitdagend werk te doen, is de voldoening groot als het lukt om voor elkaar te krijgen dat uitersten elkaar vinden in een goed werkende combinatie.'

On top of that, interviewees state that they want to achieve social goals just as much as financial goals and it is considered a unique and enduring combination. Next to that, interviewees found that working in a social enterprise, was a reflection of society and that therefore the combination made them grateful to work in such an organization. Furthermore, many interviewees got a lot of gratitude on a personal and individual level of analysis from working on achieving social objectives. For instance the abovementioned interviewee 6; the fact that the social component was not the reason for interviewee 6 to be a member of the social enterprise he worked for, the benefit his work brought for society gave interviewee 6 a lot of gratitude. And finally, interviewee 7 states that it can feel like a victory when they can combine both social and financial worlds and therefore create a unique and sustainable business model. This is where another influence of the organizational level of analysis on the individual level of analysis can be noticed: organizational structure decisions can create inspired and motivated employees, and in return, the organization receives the possibly unique input of these employees.

Interviewee 7:

‘Het kost veel tijd en inspanning, maar als het lukt om beide werelden samen te laten komen is de combinatie van sociaal en economisch uniek en creëert het daardoor ook een duurzaam businessmodel.’

Interviewee 6:

‘om te werken in de visie die een afspiegeling is van de maatschappij’

4.2.2 The interrelation between the team and individual level of analysis

In this paragraph, I will look into the views of the interviewees on how the conflict between social and financial objectives is interrelated between the team and individual level of analysis. How do these levels influence each other will explain how these levels are interrelated with each other and these results will be presented in the following paragraph.

In paragraph 4.1.2 the results showed that conflicts can emerge on a team level of analysis when the team is not balanced between social and financial capabilities. This is the first example of how the team level and the individual level influence each other. Several interviewees regarded that their organizations deemed balance as an important factor in the composition of their teams. Next to that social enterprises acknowledge the importance of balance, they are therefore also

actively seeking employees who bring balance to the teams of the organization. The individual can affect the team by adding the missing link from either a social or financial perspective and can add his knowledge of capabilities to the team.

And interviewee 8:

Omdat er binnen het team sprake is van een goede samenstelling van beide componenten, ziet ik eigenlijk geen conflict. Dit betekent dat op bepaalde core kwaliteiten wel geselecteerd wordt, dus als de een wat commerciëler is, op zoek naar balans in de richting van het sociale.

A clear example is interviewee 3:

‘Mijn taak is als hoofd social return om de sociale component onder de aandacht brengen binnen het team.’

Next to that, it was regarded by interviewees that another benefit from a balancing team for individuals is that they can work on their specific strengths. So not only does the team benefit because conflicts can be prevented, individuals benefit from the balance in their team because they can focus more on achieving either social or financial objectives, whatever their specific strength is. On the other hand lack of balance in a team can also have a negative effect. Firstly because as mentioned before in paragraph 4.1.2 conflicts can emerge, but next to that, when there is no balance in a team, members of that team cannot fully exploit their capabilities because they cannot fully focus on their strengths. This last example of influence between the team and the individual level of analysis and why this is important is most clearly stated by interviewee 4.

Interviewee 4:

‘Het is belangrijk om er bij het samenstellen van een team de kwaliteiten te scheiden, dat wil zeggen zorg voor een teamsamenstelling waarbij beiden kwaliteiten aanwezig zijn en niet teveel van dezelfde soort. Als dit niet het geval is ontstaan er in mijn ervaring conflicten. Daarnaast maakt een dergelijk team het mogelijk dat de personen van het team die commercieel sterk zijn zich daarmee bezig houden en personen die sociaal sterk zijn zich richten op het sociale.’

4.2.3 The interrelation between the team and organizational level of analysis

In this paragraph, I will look into the views of the interviewees on how the conflict between social and financial objectives is interrelated between the organizational and the team level of

analysis. How can the interrelation between the organizational level and the team level of analysis be described, and how do both levels influence each other, according to the results from the interviews.

The interrelation between the team and organizational level of analysis is explained through recruitment and selection. However it has been mentioned before in the context of a reason why the conflict does not emerge on an individual and team level of analysis, recruitment and selection is in the context of interrelation applicable to the team and organizational levels of analysis. The statement that recruitment and selection affect the ability of organizations to tackle their challenges means that the different teams, or in this context different departments of the organization directly affect each other, and therefore affect the organization. When for instance HR is not able to compose the teams that have the right mix between social and financial capabilities, this will directly affect the organization. But problems can also arise when teams do not have the right mix of inclusivity and diversity. According to interviewee 7, teams that are composed with the right mix of all the aforementioned are capable of tackling challenges both socially and financially. And in return teams that are not composed well, can have great problems in tackling these problems, which makes it very hard for social enterprises to operate.

Interviewee 7:

'In mijn eigen team zitten eigenlijk alleen mensen met beide capaciteiten. Ik ben mij er wel van bewust dat sprake is van bubbel, dus ik kan me voorstellen dat het bij andere organisaties waar de teamsamenstelling niet zodanig is, lastiger is. Naast de sociale en commerciële capaciteiten begint het bij het formeren van teams bij een goede mix; inclusiviteit en diversiteit om blinde vlekken te voorkomen. Als meer aan die randvoorwaarden op gebied van samenstelling wordt voldaan wordt het ook gemakkelijker om sociale vraagstukken commercieel in te steken. Bij het ontbreken van die goede mix kan ik me voorstellen dat het erg lastig is om tegelijkertijd sociaal en commercieel te opereren.'

However, contrary to the abovementioned, can social enterprises also choose to separate teams into social and financial activities and the achievement of social and financial objectives. Interviewees regard that in particular for large social enterprises it can be the better choice to separate the teams. The consequence is that only on the management team level the team has to be balanced between social and financial capabilities. However, when organizations choose

to separate the teams, positive outcomes, for instance, gratitude, can only be noticed between the individual and organizational level of analysis. Between the individual and team level of analysis, the positive effects will, when organizations choose for separation, only be noticed on the high management level of the organization.

Interviewee 10:

'In onze organisatie worden sociale en commerciële activiteiten strikt gescheiden; alleen op management niveau kwaliteiten bij elkaar gebracht.'

Interviewee 2:

Ik zie zelf inderdaad ook de paradox: Paradox: als organisatie groot genoeg is, zoveel mogelijk mensen op de werkvloer in werkzaamheden scheiden en in hun kracht laten werken. Dus commerciële mensen houden zich bezig met commerciële doelstellingen behalen en sociale mensen houden zich bezig met sociale doelstellingen behalen.

4.2.4 Summarized analysis of the interrelation between the different levels of analysis
Firstly the individual and the organizational level of analysis. Several interviewees on an individual level stated that working on both social and financial objectives has a positive influence on themselves. Not only did the results show in paragraph 4.1.1 that being active in both social and financial activities worked as a remedy against the conflict to emerge on an individual level, working on both social and financial objectives can also have a positive influence on both the individual and organizational level of analysis. Several interviewees stated that being able to work on both aspects creates inspiration and motivation. Thus, if a social enterprise makes their employees able to work on both social and financial goals and activities, the results show that a positive effect on the inspiration and motivation of their employees can be created. In return, the organization has more inspired and more motivated employees at their disposal, which also makes them a better reflection of society.

Then the interrelation between the individual and team level of analysis. Here the keywords are balance and the composition of the team. When the team is balanced, this makes the individual able to work on their specific qualities. A lack of balance in a team can cause conflicts on a team and individual level of analysis, and forces that people are not working on their strengths.

Finally the interrelation between the team and organizational level of analysis. A consequence of a well-balanced team is, according to several interviewees, crucial to tackle the challenges that lie ahead of social enterprises both socially and financially. This is however partly disputed by other interviewees, who stated that social enterprises should strictly separate teams into social and financial teams. Nonetheless, this makes recruitment and selection and the choices that are made in composing the teams the direct influences on both the team and organizational level of analysis because that will inevitably influence how the conflict is handled across the organization as a whole and how the different teams throughout the organization can handle the conflict.

5. Discussion

This chapter will contain the discussion part of this research. Therefore, in paragraph 5.1 I will discuss the practical implications of this research. After that, I will discuss the limitations and future research avenues of this research in paragraph 5.2.

5.1 Practical implications

Firstly, the practical implications of this research. On the individual level of analysis, this research confirmed that the opposing characteristics of social and financial objectives can cause conflict to emerge. However especially on this level of analysis theory concerning the possible management approaches were confirmed, which emphasizes the importance of a fit of values and communication on an individual level of analysis. Communication and fit of values also lay the foundation of the connection with the team level of analysis. The right management choices, in particular, structural choices for the composition of the team and collaborations in the form of partnerships are important in managing the conflict on a team level of analysis. And as a result of these choices, the members of a team are more likely to place the long-term best interests of a group ahead of personal goals that serve an individual's self-interest. On the organizational level of analysis, the importance of preventing mission drift was confirmed and recognized as a risk by the interviewees. This is why several approaches to prevent mission drift were already established, such as sticking to a central mission and strategy and the instalment of an organizational design that is capable of preventing mission drift.

Next to that the conflict emerges differently and is managed differently on the individual, team and organizational level of analysis, managing the conflict on one level can have implications for another level. Therefore most important practical implications of this thesis are the outcomes that preventing the conflict from emerging on one level can result in consequences for another level(s) of analysis. For instance, making the structural choice on an organizational level to divide teams into social and financial teams can help manage the conflict. However, balanced teams that are composed of both capabilities might be better able to tackle challenges specifically for social enterprises. Next to that, individuals tend to perform better if they can work on their strengths, whether that is the social or financial objectives. However, people also state that it's the combination of both social and financial objectives that inspires them in their day-to-day work lives. In short: choices have consequences, and more importantly to be aware that the choices on one level have consequences for the other levels of analysis.

5.2 Limitations and future research avenues

Inevitably this research has its limitations. This is caused in the first place by the limits that are inevitably linked with using a qualitative research method in the form of semi-structured interviews. The first limitation is that a consequence of the semi-structured interviews method is that the results of the interviews might be biased. This is caused by the phenomenon that respondents tend to give answers that they think are the answers that the interviewer wants to hear (Alshenqeti, 2014). This is also well explained by Hammersley and Gomm (2008): “what people say in an interview will indeed be shaped, to some degree, by the questions they are asked (...) by what they think the interviewer wants; by what they believe he/she would approve or disapprove of” (p. 100).

Furthermore, this research has a qualitative nature which has as a consequence that the subjectivity of the researcher is inevitably involved in the interpretation of the data. To solve this subjectivity as much as possible, the researcher has tried to reduce the risk of researcher subjectivity by staying as close as possible to the transcripts. This resulted in an objective analytical process with limited bias in the results. Next to that, because only a limited number of experts were interviewed, 12 in total, it is not possible to derive conclusions that can be generalized to a larger population. In addition to that, all the interviews have been conducted in an online environment. Because of Covid19 safety measures, there were just two possibilities of observing social enterprises. Another consequence was that the majority of the interviews had to take place online instead of face-to-face. As a result, this research is merely based on the subjective opinions of interviewees only. Furthermore, the results of this research are only applicable to the Dutch context because only people linked with social enterprises in the Netherlands were interviewed for this research.

Next to that has the qualitative nature of this research the inevitable consequence that the results of the conflict between social and financial objectives within social enterprises are not quantifiable. This does not imply that the chosen research method was not suited in this particular research because the approach was aimed at getting a better understanding of the contextual factors of the conflict on the different levels of analysis.

Finally the future research recommendations. In the first place, future qualitative research could further explore the conflict in a different context or other organizational settings. Because this research was done in a Dutch context, it could be valuable to also investigate whether the findings of this research resemble other countries. Especially because social entrepreneurship is not just a Dutch phenomenon and since the importance of social entrepreneurship is emphasized by the United Nations. Furthermore, it could be interesting to investigate how the management approach on a team level of analysis could be explained. Next to the fact that the team level of analysis as a context within social entrepreneurship is a relatively newly studied topic, this research showed that there were very different approaches between relatively similar social enterprises. It could be interesting to investigate what the turning point is for social enterprises to switch from mitigating the tensions into separating the teams between social and financial objectives, tasks and activities.

Next to that, it could be interesting to repeat this research to social enterprises that were less successful because in this research mainly experts working in rather successful organizations were interviewed. It could for instance be interesting to investigate social enterprises that had drifted away from their mission. How did the conflict emerge, and which management approaches were (not) in place at those social enterprises to manage the conflict could be an interesting future research avenue. Finally, this research could be repeated in a quantitative research setting. The conflict between social and financial objectives on the different levels of analysis is something all social enterprises will have to manage, which makes a better understanding on a larger scale helpful for management that has to deal with the phenomenon.

6. Conclusion

In this chapter I will contain of the conclusion of this research. Firstly, I will answer the research questions. After that, I will explain which management approaches can be adopted, based on the answers on the research questions and the theory. Finally I will end with the theoretical implications of this research.

6.1 How does the conflict of social and financial objectives emerge at the different levels of analysis within social enterprises?

The first research question was: *'how does the conflict of social and financial objectives emerge at the individual, team and organizational level of analysis within the social enterprise?'* I will answer this question per level of analysis. First the individual level, after that the team level and finally the organizational level of analysis.

The individual level of analysis

First is the individual level of analysis. On this level, the results showed a clear example of the conflict to emerge as a result of combining both social and financial objectives. Especially the expectation that individuals had to achieve social return, while simultaneously delivering the same quality and effectiveness led to conflicts on an individual level of analysis. It turned out to be hard to combine opposing values at an individual level (Schwartz, 2012). This is in line with the theory of self-transcendence and self-enhancement (Sosik, 2005). However, on an individual level of analysis, many interviewees experienced no conflict because they found themselves able to combine the opposing objectives and were even inspired by the combination. This can be explained by the so-called prosocial personality (Penner & Finkelstein, 1998) that is often found with social entrepreneurs and thus also people that are working at social enterprises. Another important reason for the conflict to emerge is caused by a lack of clarity and transparency concerning the communication of the central mission, strategy and culture of the social enterprise.

Team level of analysis

On a team level of analysis, conflicts emerged because the composition of the team resulted in a disbalance between the social and financial qualities. It is interesting to point out that the results show that this is not an example of the aforementioned collision of values (Schwartz, 2012), or motivations, but especially a disbalance in qualities that led to the conflict to emerge

on a team level of analysis. This means that in the situation that a certain team is composed of both social and financial oriented members, it is important that both aspects are in balance. Also specifically for the team level, several interviewees regarded that no conflict emerges when the teams were separated into fully focused social teams and fully focused financial teams. However, this was regarded to only be possible for large social enterprises. This means that, based on how the conflict emerges on the individual and team level of analysis, there seems to be disagreement among interviewees. On the one hand, people want to be inspired by both social and financial objectives, and they value their team members for also being able to combine these opposing objects. But on the other hand, several interviewees state that separation of tasks and teams is an important reason that the conflict does not emerge.

Next to that, the results show the conflict did not emerge because members of teams can combine opposing characteristics. However, in a team context, it was extra important to select the right people that were able to combine opposing values, but also bring balance to the team as a whole. It was expected that motivations and values would also be an important cause for the conflict between social and financial objectives to emerge on a team level of analysis, however contrary to the individual level of analysis, the qualities that the individuals bring to the team is in this context the most important reason for the conflict not to emerge.

The Organizational level of analysis

Lastly the organizational level of analysis. First, it is remarkable to notice that several interviewees experienced no conflict on the individual or team level, but did experience a conflict on the organizational level of analysis. Hence why there are also the most different reasons for the conflict to emerge on the organizational level of analysis. Many conflicts seem to emerge from the lack of a strong organizational foundation. In particular, the lack of a business model, structure and legal form are mentioned as reasons for the conflict between conflicting objectives to emerge. Next to that interviewees experienced conflicts to emerge on an organizational level of analysis due to that the interests and pressure of shareholders over time prevails above the social impact that the social enterprise is trying to make. This means that in several cases, mission drift directed to the financial objectives over social objectives is experienced. The final reason for conflicts to emerge was caused by the lack of visibility, especially of the social impact that the social enterprise is making.

6.2 How do the different levels of analysis influence each other regarding the conflict between social and financial objectives within social enterprises

The second research question to be answered was: *'How does the conflict between social and financial objectives interrelate between the individual, team and organizational level of analysis within the social enterprise?'* The different levels of analysis within social enterprises are inevitably interrelated with each other. Therefore I also investigated the influences of the different levels on the other levels of analysis. Unlike the previous sub-question, this question will be answered per interrelation. First the individual and organizational, then the individual and the team and finally the team and organizational interrelation.

The interrelation between the individual and organizational level of analysis

The individual and organizational levels of analysis can influence each other if the organization makes it able for individuals to be active on both social and financial objectives. This is a remarkable conclusion because prior research stated that people often experience difficulty working on opposing objectives. However, this research indicated that people are influenced positively if they can work on both social and financial objectives and that as a result, they are more inspired and motivated to work at that social enterprise. In return, which explains the influence the levels have on each other; the organization has access to inspired and motivated employees. However, it is not clear if employees that combine opposing objectives are more motivated and inspired than employees that work at social enterprises and have their objectives divided into achieving either social or financial objectives.

The interrelation between the individual and team level of analysis

The interrelation between the individual and the team level of analysis is described from the balance and composition of the team. An individual that works in a well-composed and well-balanced team can work on their specific qualities and preference. This makes them able to develop personal objectives as well as team objectives (Haber, 2019; Eiselein & Dentchev, 2020). Therefore, the interrelation is best described in terms of that in a well-composed and well-balanced team an individual can flourish, but in return, individuals can add certain specific characteristics to add quality to balance the team and thus adding the missing link to the team. However, this contradicts the previous paragraph on the interrelation between the individual and organizational level of analysis. This is explained by the paradox of the size of social enterprises. Small social enterprises are obliged to combine tasks and activities as they are not big enough to divide people into either social or financial teams. This obligation does not

necessarily mean that conflicts don't arise if managed correctly, but they can put together the opposing objectives. And subsequently, if they can compose and balance the team, they can have a positive influence from combining these opposing objectives.

The interrelation between the team and the organizational level of analysis

Finally the interrelation between the team and organizational level of analysis. The influence of the organizational level on the team level of analysis can be described as a consequence of the previously described interrelation. If an organization can recruit and select and compose a well-balanced team they can profit from the positive effects of balanced teams. Teams that are well-balanced and composed of both social and financial characteristics and capacities are most likely to successfully tackle the challenges that social enterprises have to deal with, thus organizations with well-balanced teams are the organizations that will have a possible competitive advantage over their competitors which makes them viable for the future. On the contrary, a team that is in disbalance will have trouble handling the conflict between social and financial objectives. This trouble will inevitably lead to mission drift on an organizational level to either the social or financial side, possibly threatening the long-term survival of the social enterprise.

6.3 How do social enterprises manage the conflict between social and financial objectives on the different levels of analysis?

All that is mentioned before makes it possible to formulate a conclusion on how social enterprises can manage the conflict between social and financial objectives on the individual, team and organizational level of analysis. Therefore, I will describe the management approaches that can be adopted on the different levels of analysis. Next to that, because the different levels of analysis interrelate with each other, I will also explain the possible consequences that actions and strategies have on one level, and their possible implications for other levels of analysis.

The individual level of analysis

It turned out to be hard to combine opposing values at an individual level of analysis. Therefore the first important management approach is to divide the tasks between social and financial objectives. By doing this, the conflict is avoided on the individual level of analysis. The downside of this approach is, however, that the organization might miss out on the positive

effects that the combination of achieving both social and financial objectives can offer. Because this research also showed that people are inspired by the combination, you might need to find other ways to inspire your employees if you decide to manage the conflict by dividing tasks and achieving social and financial objectives.

Next management approach on an individual level of analysis communication. Constant communication of the mission statement helped tackle the lack of transparency and uncertainty which are important reasons for the conflict to emerge. Furthermore, clear communication can create visibly on the work floor, which creates a culture in which both objectives can be achieved on an individual level. Clear communication subsequently can create a culture in which you can speak out and keep individuals, teams and the organization itself clear towards their shared fit of values, mission and strategy. This can be linked with a fit of values. When the mission, strategy and objectives are clear, people know what is expected of them and when these objectives fit with their values, they can manage potential conflicts between social and financial objectives on an individual level of analysis. Remarkable to mention is that, contrary to prior research, the fit of values is more of a management approach than that it is a cause for the conflict to emerge at the individual level of analysis.

The team level of analysis

On a team level of analysis, there are two opposing approaches. On the one hand, research shows that you should separate teams and objectives into social and financial teams whereas others stated that you should not separate but instead should create a unique selling point by mitigating the tensions between the social and financial objectives. This research showed that the main reason conflicts emerge on a team level of analysis is because of a lack of balance between the social and financial composition of the team. This lack of balance can be solved by dividing or prioritizing the teams into social and financial-oriented teams. The downside of these approaches is that often small enterprises do not have the luxury to choose for either dividing or prioritizing because of their size in their day-to-day activities. However for large social enterprises, because people and teams find it hard to combine opposing objectives, it can be a solution to divide or prioritize between social and financial tasks and activities. It is rarely possible in a social enterprise to be 100% active in only financial or social tasks, some interviewees found it a solution in managing the conflict to be active in just social or just financial tasks and therefore avoid most of the tension. When choosing a management approach that divides or prioritizes, organizations have to keep in mind that individuals also are inspired

by the combination of achieving both social and financial objectives and they might miss out on opportunities and solutions that are the results of the combination.

When teams cannot be divided, it is key to create a balance between the social and financial tasks and objectives. In the first place because this turned out to be the main reason conflicts emerged on a team level of analysis, but next to that, interviewees regarded the composition of the right balance between social and financial objectives even more important on the team level than a fit of values. This can be done by creating the right mix within a team or finding people that can balance both competencies within themselves. This is why it is very important to give a lot of attention to selecting and recruiting the right people for the job. Also in this context, it is very important to monitor the teams of the organization; are they still balanced, for instance after some time, or changes in the team composition.

Another approach is to vary between the social and financial objective options. By sometimes choosing the more social option, and another time a more commercially attractive option the social enterprises can balance both social and financial objectives and tasks. Making a clear choice for one or the other organizations can avoid the conflict between social and financial objectives, but also create clarity for the team and its members. The final management approach is to use partnerships. Because often teams lack balance or certain specific capabilities, partnerships with other parties can be the solution to fill just the missing link to restore balance.

The organizational level of analysis

The first management approach on an organizational level of analysis is to set up a central mission statement and a central strategy. It is required that both the mission statement and strategy contain an equally important social and financial component. However the research shows that social enterprises acknowledge the importance of having a central mission and strategy, it turned out to be the main cause for the conflict to emerge on an organizational level of analysis. The central strategy helps to control internal and external pressures (Battilana & Dorado, 2010). Next to that, strategy sessions help to refocus on that central strategy, which, in turn, helps to re-establish the equilibrium between social and financial performance (Ramus & Vaccaro, 2017). Both can be an important measure to prevent the organization from drifting away to either the social or financial objectives, thus preventing mission drift. Accounting tools help stick to the right objectives and the central mission, which preserve a socially-oriented

culture (Battilana & Dorado, 2010; Battilana et al., 2013) and can prevent organizations from drifting away from their mission.

The next important aspect is the structure of the social enterprise. This research showed that many conflicts between social and financial objectives are still caused by the lack of a clear structure for social enterprises. This is also a responsibility for the Dutch legislator, who still does not have a clear and fitting structure for organizations that want to combine for-profit characteristics, with social, or NGO characteristics. This lays a great responsibility on the organization itself, which is not always capable of designing the right structure that is resistant to future changes making the organization capable of long-term survival. A solution here could be to adopt Steward Ownership. Steward Ownership can build a strong foundation for social enterprises, making them capable of controlling the pressures because especially drifting away towards the financial objectives can be prevented. Therefore it can be a useful management approach in handling the conflict on an organizational level of analysis.

Another management choice concerning the structure of the social enterprise is the choice an organization makes regarding the separation and dividing of teams into achieving social and financial objectives or mitigating the tensions within one team is a decision that is made from an organizational level of analysis perspective. Research shows that making use of the tensions and turning them into a unique selling product was almost as often used as separation. Both can result in the successful management of the conflict between social and financial objectives. This is not a surprise as dividing the responsibility for social and commercial objectives into different functions is described by Ashforth & Reingen (2014) and to the contrary balance conflicting objectives, by carefully considering them at the same time is advocated by Pache & Santos (2010). Wolf & Mair (2019) state in this context that a proactive approach at the organizational level, considering “a focus on purpose, commitment and coordinating around small wins” can be a management mechanism for conflicting objectives from a governance perspective. However also some prior research stated that simultaneously attempting to achieve opposing objectives can be a drawback (Haber, 2019; Eiselein & Dentchev, 2020), whereas others stated that tensions should be mitigated to successfully manage the conflict (Ramus & Vaccaro, 2017).

The next management approach is when an organization decides to use the tension that almost inevitably exists between social and financial objectives. According to several interviewees, their organization was able to gain a competitive advantage because the combination of

pursuing both social and financial objectives gave their organization a so-called unique selling point. Next to this research showed that members of organizations are inspired by combining social and financial activities and objectives. This is why organizations could also choose to use of that combinations. Instead of separating opposing characteristics, you can use the combination and create a competitive advantage that results in the situation that consumers choose your products above that of competitors. When you can find that combination, making a social impact can empower commercial objectives and vice versa. Think of both as empowering forces instead of opposites that create a conflict within an organization.

6.4 Theoretical implications

The findings of this thesis have multiple theoretical implications. There had been a lot of research into the conflict between social and financial objectives on the organizational and individual levels of analysis. However, not much research had been done to the team level of analysis. This research adds to the theory regarding the conflict that there are differences between the different levels of analysis in how the conflict emerges and how the conflict on the different levels of analysis should be managed. But moreover, this thesis adds a new dimension to the theory regarding the conflict between social and financial objectives that also the interrelation between the different levels of analysis should be taken into account. This means that the different levels interrelate with each other and that actions and strategies on one level, have possible implications for other levels. Thus, this means that organizations have to take into account that the conflict is not a one-dimensional phenomenon, but influences throughout the organization as a whole.

Furthermore, this research confirmed that the conflict between social and financial objectives does not necessarily only have negative influences on the organization. On the contrary, the combination of both social and financial objectives can inspire people on an individual level, bring balance on a team level. Lastly on an organizational level of analysis, the tensions can be mitigated turning a conflict into a unique selling point and a competitive advantage.

Another new finding of this research is that laws and regulations can provide a legal framework in which social enterprises in the Netherlands can operate. This is because the results show that on the one hand, a lack of laws and regulations is causing the conflict to emerge, but for social enterprises for which laws and regulations are already in place, the conflict does not seem to

emerge. This is explained by the different sectors of those social enterprises, however, if social enterprises could fall under one legal framework in which both the profit and the social impact can be regulated, the conflict can be managed. In addition to this point, there is work to be done for legislators (in the Netherlands). As said before, a legal form in which social enterprise can operate is still not available. Steward ownership can be a solution, however, a legal form would make it easier for social enterprises to construct a clear structure, which also benefits the strength of the business model. Furthermore, it would help solve the indistinctness between the for-profit and non-profit characteristics that social enterprises now find themselves navigating through, but also help them gain the advantages from both the social and financial side of being a social enterprise.

However, the findings in this research also resulted in some new questions. The conflict is much less experienced on an individual and team level of analysis, than on an organizational level of analysis. So the question is how this difference can be explained. It might be explained by the fact that people can more easily see problems within their colleagues and the organization than within themselves. However, this could also be easily explained by the situation that there are just more problems on an organizational level, than there are on an individual and team level of analysis. Another question raised by this research is how it can be explained that some interviewees, contrary to prior literature have opposing views on combining social and financial objectives in their tasks and activities. On one hand, people themselves want to be inspired by the combination of both social and financial objectives, but on the other hand, those same interviewees that are inspired by the combination, state that teams should be separated and tasks should be divided when the social enterprise is big enough. However, the truth might be dependent on the context, what exactly is big enough? And therefore, I would encourage social entrepreneurs to, when in doubt, keep on pursuing inspiration, which often lies in the combination between social and financial objectives.

7. References

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8. Appendices

8.1 Appendix 1: Interview protocol

NB: Because the interviews of this research were held in Dutch, the following interview protocol will be also in Dutch

Het conflict tussen sociale en commerciële doelstellingen binnen de sociale onderneming

Binnen een sociale onderneming is het vaak onmogelijk te voorkomen dat er op een of andere manier een conflict plaatsvindt tussen aan de ene kant de sociale doelstellingen en aan de andere kant de commerciële doelstellingen van de sociale onderneming. Een belangrijke oorzaak van dit conflict is gelegen in de unieke missie van sociale ondernemingen: het verwezenlijken van sociale impact door middel van het ontplooiën van commerciële activiteiten. Een kenmerkend verschil met bijvoorbeeld goede doelen, welke voor het grootste deel gefinancierd worden door middel van donaties.

De verwachting is dat sociale ondernemingen een belangrijke rol kunnen gaan spelen in het oplossen van de maatschappelijke problemen van deze tijd. Denk hierbij bijvoorbeeld aan klimaatverandering, de circulaire economie, honger en gelijkheid. Niet alleen in Nederland, maar over de hele wereld kunnen sociale ondernemingen hierbij een verschil maken doordat zij sociale impact combineren met het maken van winst, om deze winst zoveel mogelijk te herinvesteren ten behoeve van die sociale missie.

Het tegelijkertijd najagen van zowel sociale als commerciële doelstellingen heeft tot gevolg dat er bij sociale ondernemingen sprake is van een duale missie. Dit betekent dat noch de sociale, noch de commerciële doelstelling tijdelijk van aard is, beiden bepalen permanent de missie van de organisatie, beide zijn onderdeel van de *raison d'être* van de sociale onderneming. Het combineren van karakterologisch verschillende doelstellingen kan echter op verschillende niveaus binnen sociale ondernemingen conflicten opleveren.

Zo kan bijvoorbeeld druk van de markt of verwachtingen van investeerders een negatieve impact hebben op het verwezenlijken van de sociale doelstelling waardoor de sociale onderneming teveel aandacht geeft aan de commerciële kant van de missie en de sociale missie in het gedrang komt. Aan de andere kant dient de sociale missie het behalen van commerciële

doelstellingen niet te overschaduwen omdat het behalen van deze commerciële doelstellingen (lees: eigen inkomsten) vereist is om de sociale impact te kunnen maken. Een predominantie ten aanzien van de sociale of juist de commerciële doelstellingen is dan ook een potentiële bedreiging voor de lange termijn overleving van de sociale onderneming. En juist de combinatie van sociaal en commercie is wat de sociale onderneming uniek maakt.

Het doel van dit onderzoek is op drie niveaus van de sociale onderneming te onderzoeken hoe er wordt omgegaan met het conflict tussen sociale en financiële doelstellingen en hoe de interactie tussen de verschillende niveaus plaatsvindt. Deze niveaus zijn: 1) het individuele niveau, 2) het teamniveau en 3) het overkoepelende niveau: het organisatieniveau. Op basis van mijn onderzoek tracht ik uiteen te zetten hoe dit conflict succesvol gemanaged kan worden en juist in het voordeel van de sociale onderneming kan worden ingezet.

Bijdrage geïnterviewde

Hoe u aan dit onderzoek onder meer een bijdrage kan leveren is inzicht verschaffen in hoe het conflict tussen sociale en commerciële doelstellingen zich al dan niet openbaart binnen sociale ondernemingen. Daarnaast kunt u denken aan de manier waarop de interactie, communicatie en samenwerking tussen de verschillende niveaus binnen sociale ondernemingen plaatsvindt. Ook ben ik erg benieuwd naar uw gedachtes over de manier waarop sociale ondernemingen kunnen inspelen op het conflict tussen de sociale en commerciële doelstellingen.

8.2 Appendix 2: Interview questions

NB: Because the interviews of this research were held in Dutch, the following interview questions will be also in Dutch

Vragen Interview

Algemene zaken

- U heeft het Interview protocol gelezen, dus u heeft als het goed is een idee van het onderzoek.
 - o Heeft u naar aanleiding daarvan nog vragen?
- Heeft u bezwaar tegen opname van het interview? Opnames en data worden vertrouwelijk behandeld, dat betekent dat alleen ik en mijn begeleider de data in kunnen zien. Daarnaast zal ik de resultaten anonimiseren, dus alleen ik weet u naam, maar deze zal niet in het onderzoek gepubliceerd worden.
- U kunt het interview natuurlijk stoppen op welk gewenst moment dan ook en mocht u vragen hebben, dan hoor ik het graag.

Introductie:

Wat is uw functie?

Werkt u in een team?

Inhoudelijk

Doel:

How does the conflict between social and financial objectives emerge on the individual, team and organizational level of analysis and what is the relation between these levels within social enterprises?

Deel 1:

'How does the conflict of social and financial objectives emerge at the individual, team and organizational level of analysis within the social enterprise?'

Vraag 1: is er sprake van een conflict tussen sociale en commerciële doelstellingen in uw organisatie?

Vraag 2: Hoe openbaart het conflict zich op de verschillende niveaus binnen de organisatie?

- *Wat is het verschil tussen de verschillende niveaus?*

Vraag 3: Waarom denkt u dat het conflict zich wel binnen de ene individu/team/organisatie openbaart maar niet bij de andere?

- *Oftewel: waarom op het ene niveau wel en op het andere niveau niet. Hangt ook van het antwoord af.*

Deel 2:

'How does the conflict between social and financial objectives interrelate between the individual, team and organizational level of analysis within the social enterprise?'

Vraag 1: Hoe gaat u om met het conflict?

Vraag 2: Hoe gaat uw team om met het conflict?

- *Eventueel vervolg: en wat is uw invloed/invloed van uw team op het conflict*

Vraag 3: wat merkt de organisatie volgens u van het conflict?

- *Oftewel heeft het invloed/wat is het effect van het conflict op de organisatie als geheel?*

Deel 3:

'how does the social enterprise manage the conflict between social and financial objectives on the different levels of analysis?'

Vraag 1: heeft uw organisatie maatregelen genomen om de gevolgen van het conflict zoveel mogelijk te beperken?

- *Eventuele uitleg: Wat is de keuze die is gemaakt: scheiden van het sociale en het commerciële of juist samenbrengen en elkaar laten versterken/mitigeren van spanningen.*
- *Vervolgvrage: is dit een integraal onderdeel van de strategie?*

Vraag 2: heeft u zelf maatregelen genomen om de gevolgen van het conflict zoveel mogelijk te beperken?

- *Eventuele uitleg: houdt u zich bijvoorbeeld voornamelijk bezig met sociaal/commerciële rol/taak → probeert u zich zoveel mogelijk bezig te houden met een van de twee, of probeert u juist van beide ziden rollen aan te nemen OF is het onmogelijk en wordt u automatisch geconfronteerd met beide rollen.*

Vraag 3/conclusie: zijn er binnen uw organisatie naar uw mening verbeterpunten ten aanzien van hoe er wordt omgegaan met het conflict?

Afsluiter

Heeft u zelf nog vragen of opmerkingen waarvan u denkt dat die in het kader van het conflict tussen sociale en commerciële doelstellingen binnen sociale ondernemingen relevant zijn of die ik wellicht heb gemist?

Heeft u nog relevante informatie zoals boeken, artikelen, rapporten of documenten?

8.3 Appendix 3: Overview interviewees

Interview #	Function	Type of SE	Member of a team
1	Advisor/Consultant	-	No
2	Advisor/Consultant	-	No
3	Member of MT	Small/medium size	Yes
4	Social entrepreneur	Small/medium size	Yes
5	Advisor	-	Yes
6	Employee	Small/medium size	Yes
7	Member of MT	Small/medium size	Yes
8	Member of MT	Small/medium size	Yes
9	Advisor/consultant	-	No
10	CEO	Large size	Yes
11	Social entrepreneur	Small size	Yes
12	Employee	Small/medium size	Yes

8.4 Appendix 4: reports and other

Reports

Dupain, W., Pilia, O., Wunsch, M., Hoffmann, P., Scharpe, K., Mair, J., Raith, M., Bosma, N. (2021), “The State of Social Enterprise in Europe – European Social Enterprise Monitor 2020-2021”. Euclid Network.

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Observations at social enterprises in the Netherlands

Observation 1

Observation 2

Other

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<https://www.youtube.com/watch?v=Sp1opfcgEIs>

Porter, M. (2013). Why business can be good at solving social problems?
<https://www.youtube.com/watch?v=0iIh5YYDR2o&t=28s>

Stoll, A. (2013). How to be a social entrepreneur. *TEDxUIowa*.
<https://www.youtube.com/watch?v=N8LVa9pb-n8>