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# Untapped Opportunities: An Analysis of Corporate- Social Enterprise Partnerships in Germany

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Dissertation written under the supervision of Prof. Marta Bicho

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## **ABSTRACT**

The benefits that commercial firms reap from collaborations with social enterprises are examined in this master thesis. The study examines the direct advantages of such cooperation from a business perspective, a relatively unexplored topic in prior research. It is accomplished by employing a qualitative research approach. 11 respondents, who represented various businesses involved in collaborations with social enterprises, were questioned in semi-structured interviews. In addition, secondary data sources were used to supplement the interview findings.

The response to the research question, "What benefits exist for multinational corporations that engage in partnerships with social enterprises," may be summed up in five categories. These include employee retention, brand perception, expansion of expertise, opportunities for mutual growth and problem-solving, and the enlargement of market coverage by developing new markets and acquiring new clients.

By addressing this research gap, the study adds to the existing wealth of literature by providing information on the practical advantages of working with social enterprises from a commercial perspective. Additionally, it broadens the theoretical framework by offering a more in-depth comprehension of how businesses view and collaborate with social enterprises. A conceptual process model is set through to help companies to collaborate, make long-term planning more effortless, and pinpoint development opportunities.

The study serves as a valuable resource for companies considering or currently engaged in partnerships with social enterprises. The findings shed light on the advantages, challenges, and potential avenues for maximizing the benefits derived from such collaborations.

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**Keywords:** social enterprises, partnership, corporation, benefits, conceptual process model, CSR, Germany

## **SUMÁRIO**

Este estudo explora os benefícios que as empresas comerciais podem retirar de colaborações com empresas sociais e examina as vantagens dessa cooperação numa perspectiva empresarial, que tem sido um tópico pouco explorado em estudos anteriores. Recorre-se a uma abordagem de investigação qualitativa. Foram realizadas 11 entrevistas, que representavam várias empresas envolvidas em colaborações com empresários sociais, através de entrevistas semiestruturadas. Além disso, foram utilizadas fontes de dados secundários para complementar os resultados das entrevistas.

A resposta à questão de investigação "Que benefícios existem para as empresas multinacionais que se envolvem em parcerias com empresas sociais?", pode ser resumida em cinco categorias: a retenção de colaboradores, o aumento da percepção da marca, a expansão de competências, oportunidades de crescimento mútuo e de resolução de problemas, e a ampliação da cobertura de mercado através do desenvolvimento de novos mercados e da aquisição de novos clientes.

O estudo contribui para a literatura existente, fornecendo informações sobre as vantagens práticas de trabalhar com empresas sociais numa perspectiva comercial. Adicionalmente, expande o quadro teórico ao oferecer uma compreensão mais aprofundada da forma como as empresas veem e colaboram com as empresas sociais. Apresenta-se um modelo conceptual de processo para ajudar as empresas a colaborar, facilitar o planeamento a longo prazo e identificar oportunidades de desenvolvimento.

O estudo é um recurso importante para as empresas que estão a considerar ou estão actualmente envolvidas em parcerias com empresas sociais. Os resultados esclarecem as vantagens, os desafios e os potenciais caminhos para maximizar os benefícios derivados de tais colaborações.

**Título:** Oportunidades inexploradas: Uma Análise das Parcerias entre Empresas Sociais e Corporativas na Alemanha

**Autor:** Maxime-Zoé Martine Knoth

**Palavras-chave:** empresas sociais, parceria, corporação, benefícios, modelo conceptual de processo, CSR, Alemanha

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**GLOSSARY**

CSR	Corporate Social Responsibility
MNC	Multinational Corporation
MNE	Multinational Enterprise
NAP	National Action Plan for Business and Human Rights
NPO	Non-profit Organization
SE	Social Enterprise
UN SDGs	United Nations' Sustainable Development Goals

## **CHAPTER 1: INTRODUCTION**

### **1.1 Background**

“Only after the last tree has been cut down, the last river has been poisoned, and the last fish has been caught. Only then will you find that money cannot be eaten” (Cree Indian Prophecy). Companies around the world understand that focusing on sustainability and social impact, which is no longer just part of their corporate social responsibility (CSR) but is becoming a core function of their business, is incremental to solving today’s most pressing problems. This shift is driven by a growing awareness of the risks associated with inaction in social and environmental areas. A 2014 McKinsey report found that sustainability issues can put a significant portion of corporate profits at stake, between 25 and 70 percent (Bonini et al., 2014). This financial risk is projected to increase as climate change worsens, and it does not even include the potential costs of other issues like economic inequality, political instability, or poor infrastructure that can hinder business success (Zakaras, 2022). The concept of shared value, introduced by Porter and Kramer in 2002, highlights the importance of incorporating social objectives into business objectives. This approach involves creating benefits for the company, society and the environment. To achieve this, partnering with social enterprises can help to leverage the shared value concept and facilitate knowledge-sharing (Barnabas et al., 2020). Social enterprises prioritize social objectives over personal financial profit. While social enterprises have partnered with companies in some areas of corporate social responsibility, they are now becoming an integral part of the corporate value chain. The understanding of the role of social enterprises in for-profit companies is still relatively new. It is essential to understand this role as relationships and networks continue to develop and global issues become more pressing (Jug, 2020).

As a result, the dissertation focuses on investigating “What benefits exist for multinational corporations that engage in partnerships with social enterprises?”. This study aims to comprehensively analyse the current landscape of social enterprise partnerships among the top multinational corporations operating in Germany- an investigation of the prevalence and characteristics of multinational enterprise collaborations with social enterprises. The potential benefits of the factors that promote or hinder these partnerships will be explored using a qualitative research methodology.

The results of this study will not only contribute to the academic literature on business-social enterprise partnerships. They will also provide practical insights for managers and

policymakers on how social impact and sustainable development can be maximised through effective collaboration between the private and social sectors.

## **1.2 Problem Statement**

The main goal of this thesis is to examine the possible advantages of existing alliances between businesses and social enterprises in Germany. The study's conclusions are essential not only to the companies that are currently collaborating but also to any organizations that may do so in the future. In particular, the study will examine the characteristics of these collaborations between leading multinational companies in Germany and identify the implications and guidance for other multinational companies wishing to enter partnerships with social enterprises in the future or wishing to improve their current portfolio of collaborations.

## **1.3 Relevance**

The managerial relevance of this topic is that it can provide insights to managers and policymakers on maximising social impact and sustainable development through effective collaborations between the private and social sectors. By identifying the potential benefits of corporate-social enterprise partnerships, managers can optimize their associations and achieve shared value for the company, society and the environment.

The scientific relevance of the topic is that it can contribute to the existing literature on partnerships between companies and social enterprises. By providing a comprehensive analysis of the current landscape of business-social enterprise partnerships in Germany, this study can provide insights and guidance into the factors that contribute to or hinder the success of these collaborations. The study can lead to a better understanding of the role of social enterprises in for-profit businesses and support future research in this area.

Cross-sector collaboration between social and business enterprises in addressing social problems is an important phenomenon that is gaining increasing attention in academic research. Despite the growing interest in this area, further research is needed to expand the empirical database on such collaborations (Sakarya et al., 2012). One of the gaps that need to be explored is the value of social and professional networks in achieving the social mission of social enterprises (Trivedi & Stokols, 2011). Existing literature has mainly focused on collaboration and social alliances, contributing to issues such as the need for them, the process of their formation, their structural characteristics, and the fit between partners. Factors and circumstances that enable or hinder the value of collaboration, as well as drivers and enablers of collaborative alliances, have also been explored. In addition, success and innovation in social

alliances have been studied, but the direct benefits to businesses from collaborating with social enterprises have not been explored in depth. In addition, the topic of social alliances has not yet been approached exclusively from the perspective of companies. So far, the possibilities and impact have only been considered and investigated from the side of social enterprises (Sakarya et al., 2012).

#### **1.4 Research methods**

The research methodology employed to address the research questions “What benefits exist for multinational corporations that engage in partnerships with social enterprises” and achieve the objectives of this dissertation consists of primary and secondary data. Given the exploratory nature of this approach, which allows for the discovery of additional reasons and immediate benefits that underlie companies' decision to enter a strategic partnership with social enterprises, this thesis adopts a qualitative research method for primary data. Through in-depth interviews, a more nuanced and comprehensive understanding of the phenomenon under study is achieved by allowing key informants to elaborate on their experiences and perspectives. The collected data will be analysed using content analysis, a common qualitative research technique researchers see as a flexible method for analysing textual data.

Additionally, this study collected and used secondary data from various sources such as websites, magazines, sustainability reports and presentations to complement the findings from the 11 interviews. These secondary sources provided additional information and context related to the research topic allowing for a more complete understanding of the issue. By incorporating a range of data from different sources, the study aimed to strengthen the reliability and validity of the findings from the primary interviews, thereby increasing the overall robustness of the research.

#### **1.5 Dissertation outline**

The next chapter provides a review of the relevant literature that forms the basis of the study. The literature review explains and describes the following topics: understanding the social enterprise and business landscape, corporate social responsibility, and social alliance.

The third chapter presents the methodology of the study to answer the research question. This chapter details the constructs that comprise the research approach and the procedure for applying content analysis to the data obtained. The fourth chapter provides an analysis of the findings obtained from the interviews. A conceptual process model created from the results is presented, along with some reflections on these findings' actual meaning and use. The final

chapter deals with the conclusions of this dissertation, its limitations, and suggestions for further research in this area of study.

## **CHAPTER 2: LITERATURE REVIEW**

The nature of capitalism and the repeated failure of governments to solve today's most pressing social problems have led to an increasingly desperate search for a new approach to socio-environmental issues that do not solely rely on the market and government (Trivedi & Stokols, 2011). With the growth of public concern and the increasing attention given by managers to environmental sustainability, corporate environmental responsibility has evolved into a critical part of corporate social responsibility (Chen et al., 2019). Many studies have focused on the economic benefits of environmental responsibility and examined the relationship between corporate environmental responsibility and firm performance (Dögl & Behnam, 2015; Lee et al., 2016; Wang et al., 2016). Research shows that fulfilling environmental and social responsibility helps companies to obtain external financial and social support from stakeholders, enabling them to achieve high profits, reduce operational risk, and achieve long-term growth. However, some companies may not recognize the positive impact of corporate environmental responsibility (Chen et al., 2019). This inconsistency may be due to insufficient consideration of the influence of ecological responsibility on companies' cooperation strategies aimed at their stakeholders. Cooperation strategies help maintain good relationships between companies and their stakeholders and improve companies' opportunities to obtain continuous stakeholder support (Clarke & Fuller, 2010). Therefore, it is vital to consider a company's cooperation strategies when examining the impacts of corporate environmental responsibility (Chen et al., 2019). This study aims to investigate the effects of corporate environmental responsibility on one of the essential cooperation strategies, namely cross-sector partnerships with social enterprises dedicated to collectively addressing social and ecological issues.

This chapter presents a theoretical framework that underpins the research questions and study purpose. The topics are explored with the support of previous research and a summary of empirical evidence from various academic journals. The initial section of the literature review concentrates on comprehending the social enterprise and corporate landscape and offers theoretical insights into the primary distinctions between these two forms of enterprises. This is followed by an examination of the concept of corporate social responsibility and its present status in Germany. Lastly, the chapter concludes by addressing the issue of social alliances.

## **2.1 Understanding the Landscape of Social Enterprises and Corporations**

### **2.1.1 Social Enterprises**

The terms 'social enterprise', 'social entrepreneurship' and 'social entrepreneur' were not commonly used until the 1990s but have since become increasingly popular around the world. While much of the literature has emerged in Western Europe and the United States, interest is growing in other regions, including Central and Eastern Europe, Southeast Asia and Latin America (Defourny, 2009).

The concept of social enterprise, which originated in Italy, is closely linked to the cooperative movement, which first appeared in Europe in 1990 (Defourny, 2009). For-profit, non-profit, or hybrid organizations that mainly aspire to innovate for the social good are referred to as social enterprises (Jug, 2020). They are created with the intention of resolving a particular social or environmental issue while making money by marketing products and services that public institutions are unable to offer (Smith, 2010). According to Jug (2020), social enterprises are frequently well-ingrained in their local communities and have developed networks through cordial interactions. Social enterprises address two groups of consumers: customers and beneficiaries, with social goals mediated through their activities and the products they offer (Doherty et al., 2014). While customers seek products and services at a competitive price and quality, beneficiaries are fulfilled by the social mission of the enterprise (Doherty et al., 2014). Social enterprises are controlled by members and put people at the centre. They aim to maintain economic and social cohesion within a particular community or society, and the benefits are often non-monetary (Trivedi & Stokols, 2011). Scholars define social enterprises as ventures that focus on addressing long-standing social and environmental problems, building community capacity, collective wisdom and experience, creating knowledge and networks, and promoting sustainable positive social change (Martin & Osberg, 2007; Trivedi & Stokols, 2011).

### **2.1.2 Business Enterprise**

According to Friedman (2007), an enterprise is a "commercial business, profession, or trade operated for the purpose of economic value creation through the provision of a product or service." These enterprises can take on different legal forms ranging from sole proprietorships to corporations and limited liability companies. Capital corporations and companies aim to create economic value for the maximization of personal wealth and interests (Friedman, 1970). These entities are typically founded due to perceived economic opportunities (Trivedi & Stokols, 2011). This work focuses primarily on multinational enterprises (MNEs), also called multinational corporations (MNC), multinationals, or international companies, which produce

goods or services in more than one country. They are headquartered in one or, rarely, in several countries but also operate in other countries, the host countries. Multinational enterprises can range in size from small businesses to large corporations and are typically involved in international trade, foreign direct investment and cross-border production and distribution. A multinational enterprise is an organisation that engages in commercial or economic activities intending to make a profit. These activities may include manufacturing, the sale of goods or services, investment in other enterprises or the provision of professional services (Eurostat, 2023).

### 2.1.3 Fundamental differences between SE and Corporates

Corporations and business enterprises are formed to create economic value for maximizing personal and stakeholders' prosperity, as described by Friedman (1970), and they are usually formed because they have identified an economic opportunity. In contrast, the concept of social enterprise is complicated, and there is little agreement in the literature on its definition and characteristics. However, three common themes can help to distinguish social enterprises from corporations: (i) social goals take precedence over economic profit; (ii) social entrepreneurs play a role as social activists; and (iii) economic profit is generated and utilised as a tool to overcome social problems rather than as an end in itself. The main objective of social enterprises is to identify and address pre-existing, unsolved social problems, differentiating them from non-profit organisations that do not address them (Mair & Martí, 2006; Martin & Osberg, 2007). As a result, social enterprises differ from other non-profit organisations and businesses in their strategy, operations, structure, standards and values and represent a significant new development in the non-profit sector. Contrary, business enterprises concentrate primarily on the identification and satisfaction of unmet market needs that may have existed for a long time but whose growth potential is critical (Trivedi & Stokols, 2011). One of the defining characteristics of social entrepreneurship is the presence of a social problem at the heart of the enterprise. While a commercial enterprise is driven by economic opportunity, a social enterprise focuses on social and environmental issues. Although social entrepreneurs concentrate on addressing fundamental and enduring social and environmental issues, commercial entrepreneurs aim to generate and fulfil new needs and wants. Commercial entrepreneurs need to see increasing market size or demand for a business opportunity to be viable. In contrast, social entrepreneurs are motivated to pursue social goals by recognising social needs to solve market failures and socio-environmental problems (Trivedi & Stokols,

2011). Below in Table 1 are the primary distinctions, presented in a concise and simplified tabular format for enhanced clarity and ease of reference.

*Table 1 Main Differences between Social Enterprises and Business Enterprises*

	<b>Business Enterprise</b>	<b>Social Enterprise</b>
<b>How social and environmental issues related to organizational objectives</b>	<p>Social and environmental issues are approached when two factors are present:</p> <ol style="list-style-type: none"> <li>1. Availability of additional resources such as time, money, and personnel that an organization can allocate to addressing social and environmental issues without compromising its core business.</li> <li>2. A strong business case must be identified for addressing social and environmental issues.</li> </ol>	<p>Designing the business model to address explicit social and environmental issues takes precedence over the organizational scope and the business case, which are secondary considerations.</p>
<b>Relationships with suppliers, employees, and customers</b>	<p>The relationship is primarily functional and transactional, with cost factors taking priority.</p>	<p>The relationship is centred on reciprocal benefits and sustainability results, with costs considered only after social and environmental goals have been met.</p>
<b>Interaction with competitors, industry institutions and market</b>	<p>The industry's activity is based on three premises:</p> <ol style="list-style-type: none"> <li>1. Creating markets for traditional goods and services</li> <li>2. Appropriating and protecting competitive advantages</li> <li>3. Changing industry standards for its benefit</li> </ol>	<p>The industry's operations are based on three premises:</p> <ol style="list-style-type: none"> <li>1. Creating markets for hybrid goods and services</li> <li>2. Competing effectively with traditional businesses</li> <li>3. Changing industry standards to serve both the enterprises and the social and environmental environments in which they function.</li> </ol>

*Note. Adapted from Haigh et al. (2011).*

**2.2 Corporate Social Responsibility**

Human development, poverty reduction and global climate change remain significant societal challenges. In addition to government efforts, various national and international initiatives work independently and together to improve well-being and living standards. There has been an

increase in the provision of services through non-state channels and the implementation of programmes aimed at addressing global issues in the economic, cultural and political spheres (Sakarya et al., 2012).

Corporate involvement in society has a long history. Moral and internal drivers, the industrial revolution and the rise and fall of the welfare state have all influenced how companies have engaged with society over time (Gallardo-Vázquez et al., 2021). The integration of the social sector into corporate strategy is gaining momentum as awareness grows of the need to integrate corporate strategy and social responsibility policy (Sakarya et al., 2012). In many European nations, the idea of corporate social responsibility (CSR) is commonplace. CSR is incorporated into state policy in some nations, including Denmark, France, Finland, Germany and Sweden. Still, in others, like Greece, Ireland, the Netherlands, and Slovenia, businesses are solely accountable for socially responsible business practices. The primary function of CSR in the EU is to assist sustainable business development, which promotes ethical corporate practices, better labour market conditions, higher-quality goods and services provided by businesses, and sustainable development in general (Hakobyan et al., 2019). Thus, the CSR concept is based on five pillars: environmental, social, economic, stakeholder and volunteers. A definition encompassing these elements is offered by the European Commission: CSR is a "concept whereby companies integrate social and environmental concerns in their business operations and their interactions with their stakeholders voluntarily" (Dahlsrud, 2008). By strategically deploying CSR, companies aim to support their core activities and contribute to the more efficient fulfilment of their mission. Strategic CSR programs can lead to greater customer loyalty, new products and productivity improvements, better reputation and image, and more sustainability (Sakarya et al., 2012).

Companies must recognize and eliminate gaps in abundance to address sustainability issues. This means that they must organize themselves in a way that creates mutual wealth and prosperity in the business, social, and environmental systems rather than just reducing harm. The latter is insufficient compared to the former, although both are possible (Haigh & Hoffman, 2011).

### 2.2.2 The Significance of CSR for Corporations

In 1984, Freeman introduced a stakeholder approach, asserting that social and economic activities were inextricably linked. He contended that businesses needed to satisfy not just shareholders and stakeholders but also employees, the community, and the public (Falkenberg & Brunsæl, 2011). Corporate social and environmental responsibility has emerged as a critical

factor that can enhance corporate performance in response to stakeholders' growing environmental and social preferences (Jo et al., 2015). Prior research has shown that corporate environmental responsibility can significantly enhance the long-term value of businesses, decrease capital costs, and promote profitability (Chen & Bouvain, 2009). In most European countries, CSR affects the competition of businesses and the government as a collective, as almost all current studies confirm the influence of CSR on business performance (Hakobyan et al., 2019). Companies that adopt CSR practices benefit from a 3% increase in return on sales, a 4% increase in assets, and more than a 10% increase in capital and equity (Petrushenko et al., 2019). In addition, internal socially responsible activities strengthen employee loyalty (Hakobyan et al., 2019). Some businesses begin defensively and eventually find innovative ways to address consumer demands through CSR, resulting in enhanced practices, goods, or services (Antal et al., 2009). Given the increasing regulation and social pressure on environmental issues, stakeholders grant legitimacy to environmentally responsible companies aligning with social expectations and values (Marquis & Qian, 2014). Previous studies indicate that businesses that embrace environmental responsibility by minimizing pollution and adopting eco-friendly practices receive more support from stakeholders, such as consumers, investors, the government, and non-governmental organizations (Marquis & Qian, 2014), which can ultimately contribute to better corporate performance. In contrast, companies that fail to take environmental responsibility may face legitimacy threats, leading to stakeholder backlash (Chen & Bouvain, 2009).

While much research has highlighted the significance of ecological and social responsibility, there has been relatively little attention given to their impacts on companies' cooperation strategies with stakeholders or other business partners. Corporate cooperation strategies are designed to establish a close relationship that facilitates the joint creation of social value. By engaging in collaboration, as mentioned earlier, companies can assume greater responsibility for their conduct, address more critical environmental and social issues, and attain sustainable competitiveness through more substantial stakeholder backing (Kivleniece & Quelin, 2012). It is therefore crucial to directly address the question of what specific advantages cooperations between companies and social enterprises brings in terms of environmental responsibility. The legitimacy perspective is expanded to address this gap, and the thesis explores the role of environmental and social responsibility in cross-sector partnerships between business and social enterprises.

### 2.2.3 CSR in Germany

Over the years, Germany has gained respect for its high standard of manufacturing, employment and working conditions, employee involvement, public services, and environmental preservation. These stringent criteria laid the foundation for the nation's economic growth within and outside its borders. German companies were expected to "do well by doing good," which meant adhering to socially responsible practices through the institutional mechanisms that embedded business in society. Over the past decade, significant changes have taken place in Germany that challenge the conventional way of approaching the role of business in society. Changes in the global context and increased complexity of problems have complicated issues such as undeclared work, migration and epidemic diseases (Antal et al., 2009). These issues require the resources and skills of multiple actors to be addressed effectively. The obligations of social actors must alter since the state can no longer be expected to fulfil all of society's requirements. As a result, the lines between the public and private sectors are becoming increasingly blurred, and companies are expected to contribute (Antal et al., 2009). In addition to political action and civil society commitment, it is, above all, responsible companies at home and abroad that make a decisive contribution to solving social problems.

In Germany, the government is primarily in charge of social issues. This does not imply that it is solely accountable for them; it simply means it uses its authority to keep other social actors, particularly companies, accountable. For example, enacting laws on employee or environmental protection defines implicit standards of responsibility and obliges companies to comply with these rules (Hiß, 2009). For many years, the German government has promoted CSR as part of its policy. However, in the wake of the economic and financial crisis, calls for more responsible corporate behaviour have increased. These requests were also made at the G8 Summit hosted by Germany in 2007 in Heiligendamm. With the National CSR Forum, the ministry created a body in which various stakeholders work together on the issue of corporate responsibility. In developing a national CSR strategy, the forum has been instrumental in assisting the German government. Based on the forum's advice, the German government adopted the CSR Action Plan in 2010. It was implemented in the following years and has further spread CSR in Germany (BMAS, 2023).

In addition, the implementation of the CSR Directive 2014/95/EU in Germany requires certain large companies and groups to publish additional information on sustainability aspects. To this end, the management reports of large companies are to be expanded to include non-financial reporting. On the other hand, the corporate governance statement of the companies concerned should be extended to include information on diversity (Fink & Coenenberg, 2017). Following

a series of tragic disasters at the production sites of Western companies in emerging and developing countries, society increasingly expects companies to act responsibly. The National Action Plan for Business and Human Rights 2016-2020 (NAP) was approved by the Federal Cabinet in 2016. With the NAP, the German government has, for the first time, defined the responsibilities of German companies along their supply and value chains. The corporate due diligence in supply chains act establishes a legal framework for German businesses' obligation to uphold human rights in international supply chains. The law underwent parliamentary approval and was published in 2021 (BMAS, 2023). Corporate responses to CSR implementation fall into two categories: defensive CSR, which aims to fend off criticism and avoid external regulation, and proactive CSR, which aims to set the agenda and take advantage of new market opportunities and enhanced management procedures. Most major corporations have realized they cannot afford to ignore CSR (Smith, 2003).

### **2.3 Social Alliance**

Partnerships have become increasingly popular mechanisms for addressing complex collective action problems and common challenges, with interchangeable terms such as collaboration, partnerships, social alliances, and networks being used to describe these cooperative agreements for addressing multifaceted social and environmental issues (Jamali et al., 2011). These partnerships have gained prominence in recent years, with the United Nations Office for Partnerships alone partially funding around 500 cross-sector projects worth more than one billion US dollars in 2009 (UN, 2009). This thesis predominantly uses the term "social alliances," which can be defined in two ways. On the one hand, partnerships between companies and NGOs in the context of CSR have been referred to in various ways but mainly refer to specific types of partnerships that transcend the boundary between for-profit and non-profit organizations and include non-economic goals, i.e., goals related to social welfare (Berger et al., 2004). On the other hand, social alliances are a form of cross-sector partnership, voluntary cooperations between companies and social enterprises to alleviate social problems, and they emerge as instruments for tackling complex, indivisible social issues that individual organizations alone would struggle to address (Waddock, 1991). Unlike other forms of cross-sector collaboration, they pursue non-economic objectives centred on enhancing social well-being (Sakarya et al., 2012). Given the compelling normative and cognitive pressure from various interest groups to be good corporate citizens, companies are taking on roles that go beyond those of purely economic actors and engaging in social activities that have a positive

impact on the societies in which they operate (Brown et al., 2010). In line with this definition, the term social alliance is used to refer to partnerships between businesses and social enterprises for CSR or, in general, social and environmental issues. Social alliances have taken on different forms or manifestations, ranging from purely philanthropic to more collaborative and integrative variants (Jamali et al., 2011). Some companies have successfully moved away from simple philanthropic partnerships and transitioned to a new paradigm of "social business innovation," where the needs of the community and environment are seen as an opportunity to address core issues and problems of the company as well. A recent study by the World Business Council for Sustainable Development also shows that "sustainability-oriented innovation" is on the rise and being adopted by a growing number of companies seeking to create new markets and derive tangible benefits from their partnerships and sustainability initiatives (Direction, 2006). However, the existing literature has some limitations, such as the topic of social alliances has not yet been approached exclusively from the perspective of companies. Up to this point, the possibilities and impact have only been considered and investigated from the view of social enterprises. Furthermore, cross-sector collaboration between social enterprises and MNE addressing social issues is an increasingly important phenomenon (Sakarya et al., 2012), and further research is needed to expand the empirical database on such collaborations.

## **CHAPTER 3: METHODOLOGY**

The methodology is employed to address this study's central research question: “What benefits exist for multinational corporations that engage in partnerships with social enterprises?”. Additionally, the justification for employing a qualitative methodology to tackle the problem, collect data, and select an analysis approach is presented. The paucity of research on partnerships between social and business enterprises highlights the need for further investigation in this domain. Consequently, given the exploratory nature of this approach, this thesis adopts a qualitative research method that allows for the discovery of additional reasons and primary benefits that underlie the decision of companies to opt for a strategic partnership with social enterprises. The distinctive attributes of qualitative research illustrate why this methodology is most appropriate. The research approach involves the collection of both primary and secondary data and endeavours to achieve a thorough comprehension of the problem by considering multiple perspectives and factors. Moreover, acquiring information from diverse sources necessitates systematic gathering, review, interpretation, and classification to understand the phenomenon under investigation.

### **3.1 Research Approach**

Given the limited information available and the novel nature of the topic, namely partnerships between MNCs and social enterprises, this study uses a qualitative approach to answer the research question (Ko & Liu, 2021; Sakarya et al., 2012; Trivedi & Stokols, 2011). The purpose of this study is not to confirm preconceived hypotheses about the observed quality and impact of these partnerships but rather to develop a deeper understanding of the benefits they provide to participating companies. For this purpose, a qualitative research method was deemed most appropriate, conducting in-depth interviews with participants from a variety of multinational companies in Germany to explore the still poorly understood benefits of these partnerships (Creswell, 2014; Strauss & Corbin, 1990). Qualitative research is a method of exploring and understanding the perspectives of individuals or groups, in this case, employees, involved in partnerships with other companies (Creswell, 2014). This approach can help ensure that outside opinions do not influence research findings. Interviews were chosen as the preferred data collection technique as they provide control throughout the discussion and ensure that all questions are answered (Creswell, 2014). In addition, interviews can uncover interviewees' underlying opinions, motives, and beliefs, making them an effective tool for collecting qualitative data. Semi-structured, face-to-face interviews are conducted because they promote

interaction, minimize bias from socially desirable responses, and allow the interviewer to provide further clarification when needed. In addition, the personal component promotes empathy between the interviewer and participant, which creates greater interest in the research topic. In-depth interviews were used to obtain primary data specific to the research question because they are also one of the primary data collection methods in qualitative research (Hox & Boeije, 2005). The exploratory nature of the interviews aimed to contextualize the topic and guide the next steps of the research. The primary data were also used to determine the main theoretical concepts and to collect secondary data for further analysis. Secondary data was gathered, including any previously obtained by others or for another original purpose (Hox & Boeije, 2005), including specific examples such as websites, magazines, sustainability reports and presentations.

**3.2 Data Collection**

3.2.1 Secondary Data

Secondary data refers to all information that has been previously collected for a different original purpose and has been compiled by third parties (Hox & Boeije, 2005). In addition to the primary data collected through interviews, this study also utilized secondary data during the data collection phase. The purpose of including secondary data was to provide additional insights into the research topics and to support the responses obtained from the interviews. The collected secondary data was sourced from publicly available materials, such as social organization websites and magazines, as well as from the participants themselves, such as presentations and sustainability reports. The use of secondary data adds richness and depth to the study, as it allows for a broader and more comprehensive understanding of the research topic by providing additional perspectives and insights. The specific types of secondary data utilized in this study included are presented in Table 2.

Type of Secondary Data	Number of Files
Presentations	4
Magazine	2
Webpages	18
Sustainability Report	11
<b>Total</b>	<b>35</b>

*Table 2 Secondary Data*

### 3.2.2 Primary Data

Primary data refers to data collected first-hand by the researcher. This data type is typically gathered through interviews, focus groups, or participant observation (Hox & Boeije, 2005). For this study, primary data was collected through interviews conducted with professionals working in multinational companies in partnerships, CSR, sustainability, business development or strategy. The interviewees were selected through purposive sampling, which involves capturing specific experiences or expertise and is also known as critical case sampling or key informant sampling (Miles et al., 1994). The interviews were conducted in April and May 2023 in a semi-structured format and lasted between 30 and 41 minutes. They were conducted via Zoom or Microsoft Teams and recorded simultaneously to avoid interviewer bias or error and to capture the full range of participants' responses. The interview guide was developed to ensure that all important topics were covered and to allow the researcher to focus on the interviewees' responses. Topics covered in the manual included personal background, partnerships, motivation and benefits. The sample included four female and seven male participants, with work experience ranging from 5 to 35 years. In terms of educational level, the sample included various degrees, from bachelor's to master's degrees. The appendix contains a table that displays the position of each participant and the company's characteristics. To maintain confidentiality, all names have been altered (see Appendix 1). It should be noted that the quotes in the results section have been translated as accurately as possible, as all interviews were conducted in German.

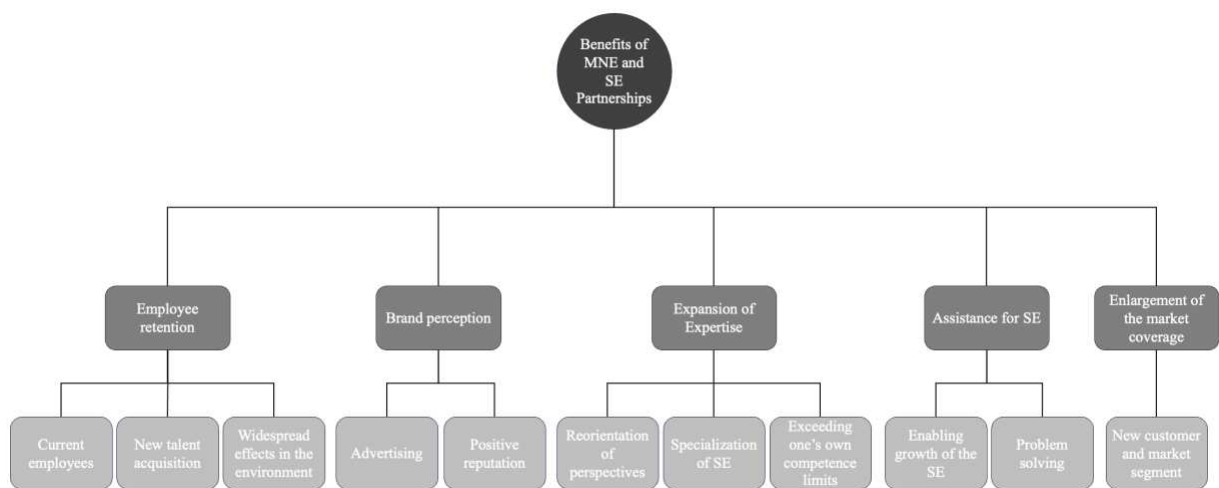
### 3.3 Content Analysis

Content analysis is a common technique in qualitative research, considered by researchers as a flexible method for analysing textual data. Different analytical approaches range from impressionistic, intuitive, and interpretive analysis to systematic, rigorous text analysis. The choice of content analysis type depends on the researcher's theoretical and content interests and the problem under study (Hsieh & Shannon, 2005). Increasing comprehension of the phenomenon being studied is the purpose of content analysis (Downe-Wamboldt, 1992). In this context, qualitative content analysis is defined as a research method that uses the systematic classification process of coding and identifying categories or themes to subjectively interpret the content of textual data (Hsieh & Shannon, 2005). This entails identifying themes in interview transcripts and making an effort to confirm, validate, and qualify them by looking for corresponding meanings. At each stage of the analysis, raw data from verbatim transcribed interviews are further abstracted to create categories or themes (Erlingsson & Brysiewicz,

2017). In this work, the data are managed manually, although computerized software is also used to support qualitative data analysis. The program used in this study is NVivo. However, it is essential to note that the program does not "analyse" the data but merely assists in managing it (Burnard et al., 2008).

## CHAPTER 4: FINDINGS

The interviewees, who held various positions in different companies, offered unique perspectives on the advantages of partnering with social enterprises. Nevertheless, they expressed a range of similar viewpoints on the potential benefits that such partnerships could yield. These shared benefits included employee retention, enhanced brand perception, knowledge-building opportunities, and social enterprise support. The specific details and supporting quotes for each benefit are provided below. Table 1 summarizes the key themes from the interviews with illustrative quotes. Following is a summary of the most important benefits which emerged from the interviews (Figure 1).



*Figure 1 Illustration of Themes and Subthemes*

### 4.1 Employee retention

A company's performance depends on the performance of its people. When a company's employees have unique skills, it stands out from its competitors. In this competitive environment, retaining talented employees is an essential task for HR managers in addition to recruiting (Hongal & Kinange, 2020). The interview findings reveal that social enterprise partnerships significantly impact employee retention in participating companies. This is also supported by secondary data, based on one company's experience measuring overall impact and one social enterprise, which shows that these partnerships increase employee engagement, retention and growth. Social partnerships play a crucial role in increasing employee retention and loyalty by connecting employees to the company through a shared sense of purpose and the opportunity to contribute to social causes.

*Yes, actually, many of the projects we have done with SE also help to increase staff retention.*

(Charli)

*Especially the employees [...] it binds them even more to the company.*

(Hotel)

*[Partnerships with SE] are also a vital retention factor, that [employees] also see that something positive concerning social and environmental issues is happening within the company.*

(Foxtrot)

The sub-theme of attracting new talent shows that social partnerships draw new valuable talent into companies by appealing to their social consciousness and desire to work for a good cause.

*It also makes it attractive for new employees or job seekers, [...].*

(India)

*First and foremost, social partnerships help us to attract new, valuable talent to the company because they are enticed by the social aspect [...].*

(Juliet)

It also has a far-reaching effect on the environment. Employees are pleased with their company's social activities that they not only talk about the collaborations within the organization but also want to spread the good news to those around them. They feel compelled to discuss these initiatives not only with their colleagues but also with friends and family.

*[Partnerships with SE] are a fundamental topic, where people also like to talk about it among friends or with business partners [...].*

(Golf)

For companies, high turnover means an increase in the cost of resources, recruitment, and time to fill vacancies. Hiring a new employee costs between half and 200% of the departing employee's salary. A company that understands workforce diversity, talent quality and relationship development are critical to workplace stability and must develop strategies to address these issues and become an employer of choice. Partnering with social enterprises seems to be the right step to avoid high employee turnover (Cloutier et al., 2015). Today, the

talent of an organisation is its most important source of competitive advantage. Managing talent is a very demanding and crucial task, and proper talent acquisition strengthens business strategy. Given that talent can make or break a company's future, talent management must be prominent in the organisation. When a company is successful in the effective execution of its strategies, it increases employee engagement, which in turn improves business performance. The higher the employee engagement, the higher the productivity (Hongal & Kinange, 2020).

#### **4.2 Brand perception**

What consumers have experienced, learned, witnessed, and heard is what they associate with a brand. This information affects consumers' thoughts and behaviour toward the brand and vice versa. Consumers' responses to brand-related stimuli, such as a brand product, a brand user, or a category, are influenced by their knowledge about a given brand. Therefore, a vital responsibility of the brand manager is to manage brand knowledge. Partnerships with social enterprises can serve as a secondary source of advertising for businesses.

*For both sides, it had a boost of awareness [...] in a positive way.*

(Echo)

*Positively as a flagship [...] to show we are [...] on the road with the SE and do not close ourselves off to new approaches. It helps our brand perception to be seen in a more positive light.*

(Delta)

When customers hear about a company in connection with a good cause, or a social or environmental project that a company is pursuing, this can attract customers' attention. A company's reputation can be positively influenced when a socially and environmentally conscious customer reads about positive partnerships.

*Additionally, [...] the brand perception has increased positively.*

(Charli)

*So directly, our customers or our ecosystem rate our reputation positively.*

(Kilo)

Increasing competition in advertising is making it more and more challenging to capture and hold the attention of consumers and leave a strong memory of the advertised brand. Standing out from the clutter of competing advertising is becoming increasingly difficult. It can be all

the better when partnering with a SE makes advertising a self-runner and puts the company in a good light (Pieters et al., 2002). Brand perception as a benefit for MNE is an advantage that was obvious to start with. Advertising and brand perception is the central aspect of a MNE, and they have many people in the company for the pursuit of the big goal to be represented in a positive way in the minds of the consumers. This is a strategic move of the MNE and should not be the primary driver when partnering with SEs. This is perhaps where the main difference between an MNE and an SE becomes most apparent. Basically, MNEs are mainly interested in standing out and being remembered by the customers who buy or might buy their products. For SEs, on the other hand, brand perception is critical and appealing only because it allows them to help more people in need.

### **4.3 Expansion of expertise**

By partnering with social enterprises, companies can broaden their scope of expertise. This is possible through the reorientation of perspectives, the specialisation of the SE and the crossing of one's own competence boundaries. From secondary data, a global Sustainability Director says: “We need more partnerships that help achieve the SDGs and bring together diverse perspectives, knowledge and approaches to tackling the world’s biggest development challenges” (Unilever, 2022). The interviews revealed that the reorientation of perspectives is the first significant sub-theme of the expansion of expertise. Being open to adopting new viewpoints and functioning methods is crucial in today's ever-changing environment. True creativity and growth can only flourish when viewed through the prism of diversity and the fusion of distinctive individuals and their ideas.

*We are experiencing new perspectives on something and adopting new ways of working to a certain extent.*

(Delta)

*So what is important here is diversity in general, different people bringing different ideas together.*

(Foxtrot)

In any industry where they are provided, SE services are more effectively catered to the client's demands or the nature of the issue. They are also created harmoniously with all other systems, including the human race, the environment, and society. Social enterprises are effective because they can extend their impact to small and medium-sized levels by innovating in production and service delivery and developing innovative development models where economic sustainability is not the result of collective action but a prerequisite for social sustainability (Tortia et al.,

2020). The SE specialises in a particular problem and has in-depth knowledge. Secondary data shows that in providing critical services that affect social and economic growth, SEs can fill the gaps that the public or private sector cannot.

*We work together with [SEs], and they, in turn, work with many local initiatives for our benefit.*

(Charli)

*[...], [SEs] have a fresh, unbiased and specialised approach to things.*

(Delta)

The process of going beyond what is already known or familiar in order to develop new skills, knowledge or abilities is referred to as pushing the boundaries of one's own competence. It may involve exploring uncharted territory and looking for opportunities for growth and development. Through partnerships with social enterprises, it is possible to push the boundaries of corporate competence in order to solve global problems that cannot be tackled alone.

Everything we cannot do, the SEs help us with.

(Alpha)

*[...] that we work with partners, like Social Enterprise, [...] to tackle fundamental problems that we cannot solve independently.*

(Foxtrot)

*[...] we know the areas we are good at. In other areas, we are not; those are areas where we need partners like social enterprises. In the end, where we do not have core competencies.*

(Hotel)

#### **4.4 Assistance for SE**

The potential contribution social enterprises, in particular, can make to tackle global problems is neglected. Given this untapped potential, it is asserted that social investors are essential to ensure a higher flow of funding to newly established and expanding social enterprises in developing nations. Social entrepreneurs in both developed and developing countries can build

their business models and plans through partnerships with commercial enterprises to obtain the funding needed to grow and achieve their intended positive social impact (McWade, 2012).

*It is a significant impact that you make [...] through such partnerships; the SE can develop the work, expand into other cities, and help more and more people.*

(Echo)

*[The cooperation] has brought something to pave certain risks and rocky roads for [SEs] to grow faster.*

(India)

Through partnerships with SE, the benefit for a business enterprise is to assist the SEs in solving regional or global problems, which the SE is following through its social mission. These organisations typically face business challenges and require support in areas such as strategy formulation, developing business processes and building networks. To fulfil their social mission and solve global problems, these organisations can learn business strategies and skills to improve organisational efficiency and management practices in partnership with the private sector. At the same time, it provides an opportunity for businesses to make a meaningful and sustainable impact by helping organisations to address social challenges that they would not be able to tackle regularly (Galer, 2022).

*Then yes, ideally also effective in regions where we ourselves have a presence to help them and solve their problems.*

(Bravo)

Many social partners indicated that improved programmes and services, as well as improved systems and internal capacity, would enable them to serve their beneficiaries better (Donovan, 2022). Social enterprises face several challenges due to their unique business model, but they also have enormous potential to bring about positive social change. Social enterprises often operate in markets dominated by incumbents with significant resources and economies of scale. This can create a challenging competitive environment for social enterprises. To survive and thrive, they must find a way to balance their social mission with the realities of the marketplace. At the same time, social enterprises must navigate a complex legal and regulatory environment that is not always designed to support their mission-driven approach. Given these challenges, it is vital that social enterprises receive the support they need to succeed. This can take the form of partnerships with like-minded organisations, government programmes or for-profit companies (McWade, 2012). Many of the companies interviewed did not mention the more

obvious added value their partnerships with social enterprises should have: helping people in need and helping the environment. Nevertheless, this is precisely what our planet and society need most, a concerted effort by companies to address and solve social and environmental problems.

#### **4.5 Enlargement of market coverage**

Co-developing products with social entrepreneurs create opportunities for companies to reach new customers and market segments. An example given by interviewees was extending financial services to unbanked communities, increasing the functional distribution of social enterprises in the financial sector and encouraging the development of broader initiatives (Masha et al., 2023).

*There has been an opportunity [through the partnership] to reach previously untapped markets. The SE's in-depth knowledge of local communities and their needs enables us to develop tailored offers and target new customer segments.*

(Juliatt)

According to secondary data, most companies serve only 30% of the world's population, leaving about 6 billion people unbanked. These people are often below the poverty line or live in geographically challenging areas. These markets, however, offer opportunities for the long term (Zakaras, 2021). Social enterprises help companies reach these markets with their connections to local networks. While helping companies achieve their goals, social enterprises offer deep insights into the needs, aspirations and behaviours of potentially profitable markets. These social enterprises also provide in-depth knowledge of the legal, regulatory and political aspects of the market. In this respect, social enterprises offer immense strategic value. They have developed business models that work at the bottom of the pyramid and understand the economics of the first and last miles of global supply chains (Hope, 2022).

Themes	Subthemes	Illustrative Quotes
<b>Employee retention</b>	Current Employees	<p>First of all, [the partnership] helps, [...] but also at the same time it binds, because they say it's not just the quick Marmon, we're not just working for the money, not just profit-oriented, but we're also doing something good. (Bravo)</p> <p>That's the relevant axis, we have a very high staff retention and loyalty [through the partnerships] [...]. The staff are very involved in these issues. (Golf)</p> <p>[...] that is also important for our employees to see that we are making a positive contribution. (India)</p>
	New talent acquisition	[...] I hear this more and more often [that it is] more attractive for young people to work in a company that makes moves for a good cause. (Kilo)
	Widespread effects in the environment	[...] have also ensured that, for example, many family members or friends talk about it. (Echo)
<b>Brand perception</b>	Advertising	<p>[...] but also certainly for us with the advantage of being seen and heard. (India)</p> <p>[...]is of course always a good marketing tool when you also work with SEs. (Echo)</p> <p>A consequence is also positive publicity for the company. (Foxtrot)</p> <p>[Through the partnership] we generate publicity in the broadest sense. (Hotel)</p>
	Positive reputation	<p>A very popular advantage with investors is, [the partnerships] have also increased the credibility a bit. (Juliett)</p> <p>With the social partnership, it's already the case that it's an advantage either in the evaluation by auditors or also in the positive perception. (Bravo)</p>
<b>Expansion of expertise</b>	Reorientation of perspectives	<p>[...] because then you automatically have different perspectives on the existing tasks, which can lead to completely different results than ever thought. (Alpha)</p> <p>The breaking up of existing structures and ways of working, [...]. (Delta)</p> <p>[Partnerships] lead to [...] highly standardised processes, but we haven't even thought about the point when we check again because of the SE's request. (Juliett)</p>
	Specialisation of SE	<p>[...] to work with social enterprises to understand the local people better. (India)</p> <p>Through [SE], solutions can be developed that you wouldn't come up with if you were sitting in Frankfurt or Lisbon, because you have to be there. (Kilo)</p>
	Exceeding one's own competence limits	<p>But the big questions that are not just global but go to regulations and new standard norms, there are many advantages to cooperating with SEs, you can't do that alone. (Golf)</p> <p>It's a problem that we can't address in our own remit, because if we can do it on our own, we'll do it on our own. (Juliett)</p> <p>The partnership is beneficial when all the possibilities I see for myself have been exhausted in my own field my own business. (Alpha)</p>

Themes	Subthemes	Illustrative Quotes
<b>Assistance for SE</b>	Enabling growth of the SE	[...] [Certain social enterprise] started small a few years ago and now it's a huge partner, through our help. (Kilo)  [...] we are involved in a SE and we see that their membership is increasing so others are involved in the same topic from the same peer group. (Bravo)
	Problem Solving	We supported a good cause and that was incredibly helpful for the SE and also for the area where they work in. Without it having a direct impact on us. So I think that the context in which we do something good makes a lot of difference (Alpha).  Eliminating tetanus or equipping schools with new materials. These are concrete results that we had in mind and have implemented accordingly. In other words, primarily that a solution is created and that this problem is then completely eliminated. (Hotel)
<b>Enlargement of market coverage</b>	New customer and market segments	Working with social enterprises has already opened up new customer and market segments. We have been able to address the needs of these target groups by developing joint products and services. (Golf)  Together, we have the ability to be innovative in the development of distribution channels and the maximisation of our business potential. The partnership has enabled us to extend our reach and take advantage of new market opportunities. (India)

*Table 3 Themes, Subthemes and Illustrative Quotes*

#### **4.6 Discrepancies and disadvantages**

While many identical benefits were mentioned, some inconsistencies and disadvantages were mentioned in relation to partnerships with SEs.

Firstly, respondents had different perspectives on how their partnerships with social enterprises had affected the company's ability to innovate or develop new products and services. This issue did not arise naturally; instead, the question about innovation was posed directly: 'How have your partnerships with social enterprises affected your company's ability to innovate or develop new products or services? Three respondents abstained from answering, stating that they could not answer this question directly in the affirmative or negative.

Four other respondents answered in the affirmative, confirming that partnerships with SE have led to new innovations that they have brought to market. This included, for example, new sustainable packaging options, the renewal of standardised processes or the creation of entirely new innovative products. Three respondents of the four also stated that it is not always directly measurable whether the partnership has led to new innovative solutions from the MNE. As social enterprises are at the forefront, corporations can profit from innovation while observing it from a distance. SE are experimental and risk-taking by nature. Through partnerships, when entering new and geographically challenging markets, social enterprises can equip businesses with knowledge of what works and what might not (Hope, 2022).

*Yes, that led us to [...], we had incredibly highly standardised processes, but we had not even thought about specific points. So we were able to optimise our processes. The wheel has also spun further and further into new products.*

(Alpha)

*So what is generally important is diversity, different people bringing together different ideas. This is, of course, a factor that confronts us with the sides of society as they are and brings new ideas and new people to the table, which of course, influences us to be innovative. Can you measure that directly? Difficult, but does it have an impact on our thinking and our ability to innovate? Definitely yes.*

(Foxtrot)

In contrast, four respondents denied that they had become more innovative and developed new products or services as a result of the partnership with SE.

*You cannot approve the statement. So I think it would be too far-fetched to say that this partnership has increased our ability to innovate. New products have not yet emerged.*

(Charli)

*I would say no; actually, we mostly just find things that we already have; the synergy has not yet arisen, and we have developed something new as a result.*

(Echo)

When asked why this was the case and what the reasons might have been, the unanimous response was that the partnerships were primarily within industries that did not match those of their MNE and therefore did not lead to solutions that would have been interesting for their customers. Another important reason was that the partnerships were only helping people in need and reversing some pollution and environmental damage.

It is unfortunate that the most prominent and vital reason multinationals should work with social enterprises was only mentioned in five out of eleven cases. This is the opportunity to solve and eliminate global problems, help many people in need worldwide, and combat climate change. Some companies interviewed rarely mentioned this benefit, while others mentioned it a little more often and talked about helping to solve problems.

*[...] that our active partnerships in other countries, also have a positive impact there. The positive influence is already an advantage for us. The communities will be, for example, cleaner or more educated.*

(Charli)

*From this example, something has emerged that has a positive impact on local life, in terms of the social aspect but also the environmental aspect.*

(Kilo)

A disadvantage of the partnership is the scalability of the social enterprises because, for multinational companies, the ability to scale is an essential component. If the existing business model is scalable, it will be easier for the company to expand and serve a larger market. However, if the business model is not scalable, the company will miss out on potential revenues. This is exactly what companies have experienced when partnering with SEs.

*Scaling is a disadvantage; often, social enterprises are just not scalable or too small. We have had to terminate partnerships where the SE could not keep up with the jointly planned and expected goals because they underestimated their size and capabilities. The business model at the time was only scalable up to a certain point.*

(Foxtrot)

*The fact is that partnerships with social enterprises are not always easy to scale. While these organisations often do great work in certain niche areas, they may not be able to offer the same scalability as we can as an established company. This can lead to challenges when it comes to expanding engagement to larger markets or on a global scale.*

(Juliet)

It is backed up by secondary data showing how entrepreneurs around the world are developing intelligent solutions to global challenges. They are building businesses that provide critical services, such as improving women's access to healthcare, providing clean water and sanitation, and transforming the use and reuse of plastics, but what is lacking is the capacity to scale these businesses (Unilever, 2020). Sometimes the business model of an SE does not allow it to serve a more significant number of people in need and to respond quickly to demand. The conditions and resources of MNEs are often not commensurate with those of SEs. MNEs, by their very nature to remain competitive and to be the first and the best on the market, want to achieve a

lot and quickly to help as many people as possible or to tackle climate change. An SE can hardly keep up, especially in the early stages.

## **CHAPTER 5: DISCUSSION**

The partnership between an MNE and a social enterprise is a collaboration in which organisations should work together in a transparent, balanced and reciprocal way towards a sustainable goal that helps the environment and people in need, where the partners agree to commit resources and share the risks as well as the benefits (Kwaterski & Vidaurrazaga, 2011). A partnership may need to cover a range of activities to be most impactful. It is important to have a clear understanding of the strategic intentions and to align these with the overall goal and values of both parties.

The following is a conceptual process model (Figure 2) with guiding principles commonly cited as essential for successful partnerships, developed from the findings, theory and secondary data to guide MNEs through the process of identifying and engaging in a cooperation with social enterprises.

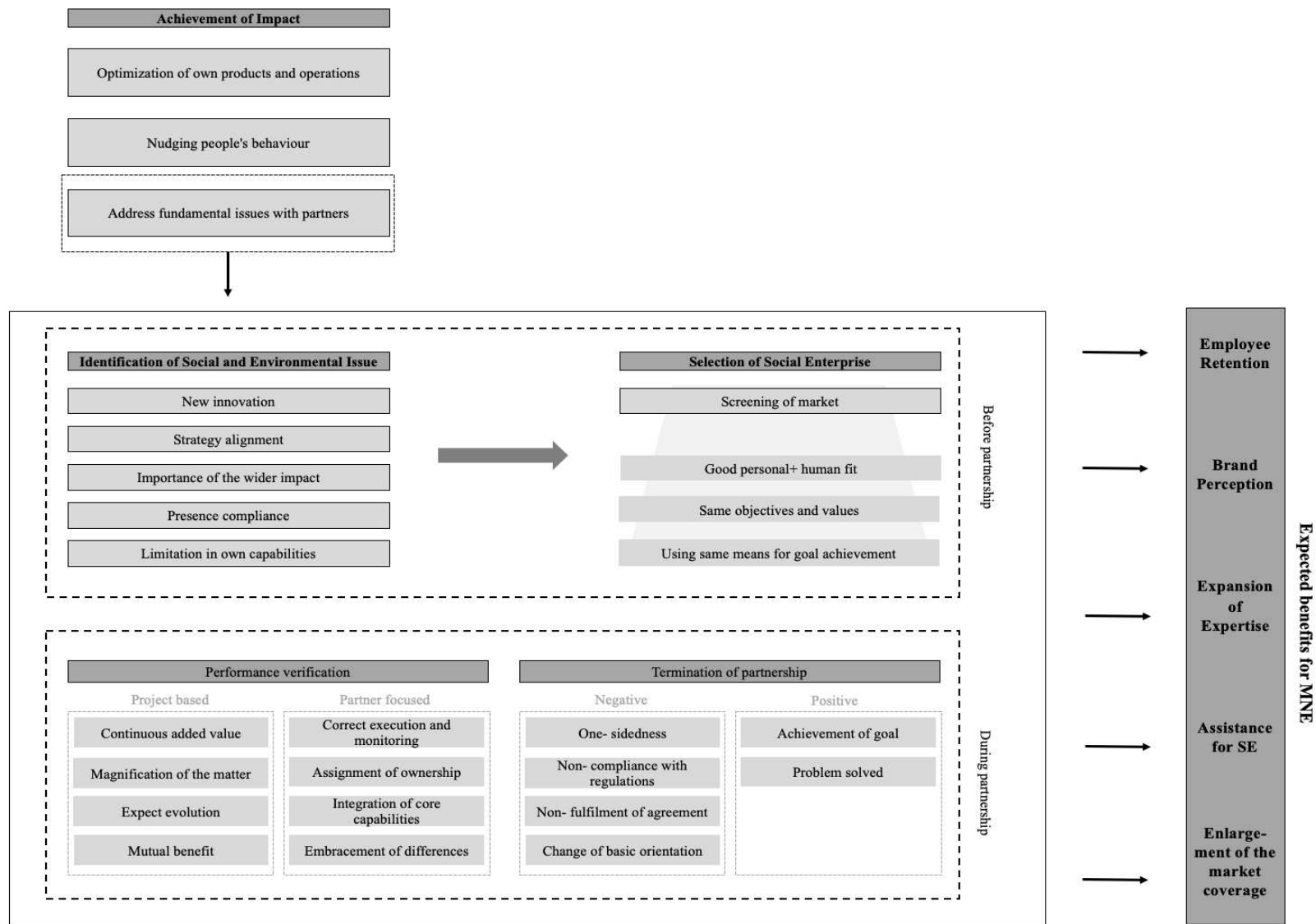


Figure 2 Guidance for a Business Enterprise to Partner with Social Enterprises

4.6.1 Achievement of Impact

Companies can effectively address environmental and social issues in three ways, first, by improving their products and operations. Second, they can be effective by nudging the behaviour of the people they refer to as consumers in a better direction. This means enabling people to reduce their environmental footprint by offering better solutions. People are provided solutions that help them live more environmentally conscious, climate-friendly and water-saving way. The third way to influence environmental and social issues is to work with partners, such as social enterprises, to address fundamental problems that cannot be solved alone (Foxtrot, 2023). The last option is the most important for this research and the following explanation of the model.

4.6.2 Identification of Social and Environmental Issues

The model is structured in two parts: The first part describes the steps that should be taken before establishing a partnership with a social enterprise, and the second part deals with the conditions and aspects to be considered during the implementation of the partnership. The first part describes the process from identifying the social and environmental problem to finding the right social enterprise before implementing a partnership.

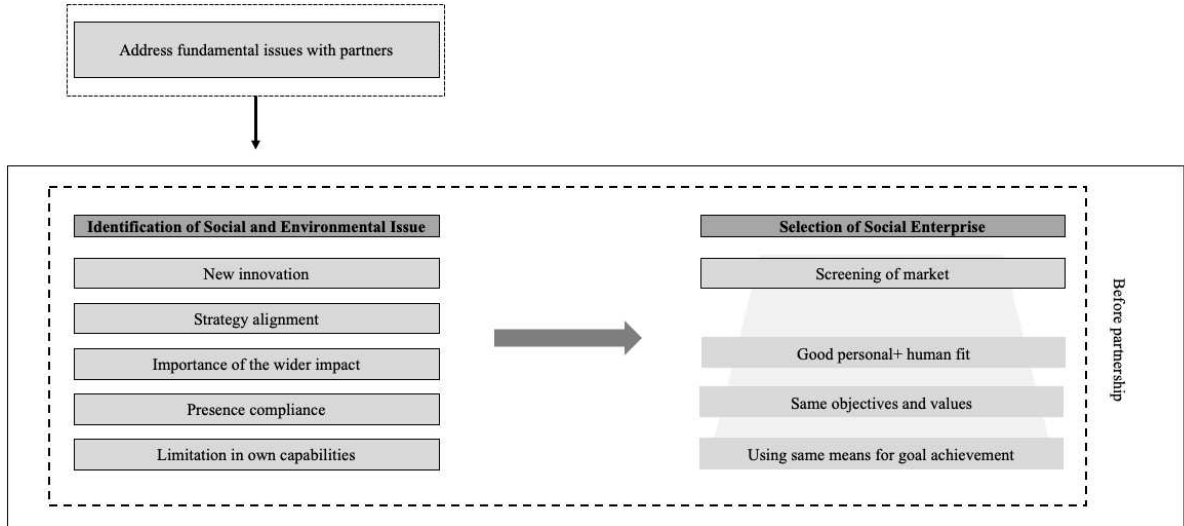


Figure 3 Excerpt from the Conceptual Process Model: Before Partnership

The first step is to identify the social or environmental problem to be addressed based on the decision to achieve impact through a partnership with a social enterprise. Firstly, the company can generally look for an innovation that solves a specific problem, resulting in a new or improved product or service. Secondly, the problem may fit into the company's overall strategic

direction and be consistent with its overall social and environmental objectives. An example would be a company that produces much plastic through the products it sells and therefore has a strategic goal to offset the plastic waste it has produced in the past. Many interviews stated that their partnership with SE came from their overall strategy to engage more people and communities. This is mainly due to the fact that nowadays, the expectation of customers is for companies to be more sustainable and show engagement towards social and environmental issues.

The third way to identify an issue the company wants to address is through presence compliance. Becoming aware of the regions where the MNE is already present and determining how the local people and the environment can be supported. The final point is the limitation of one’s capabilities, i.e., a problem goes beyond one’s area of competence, and the company wants to get involved in new and different areas, which is best done through a partnership with a SE that specialises in solving a particular problem.

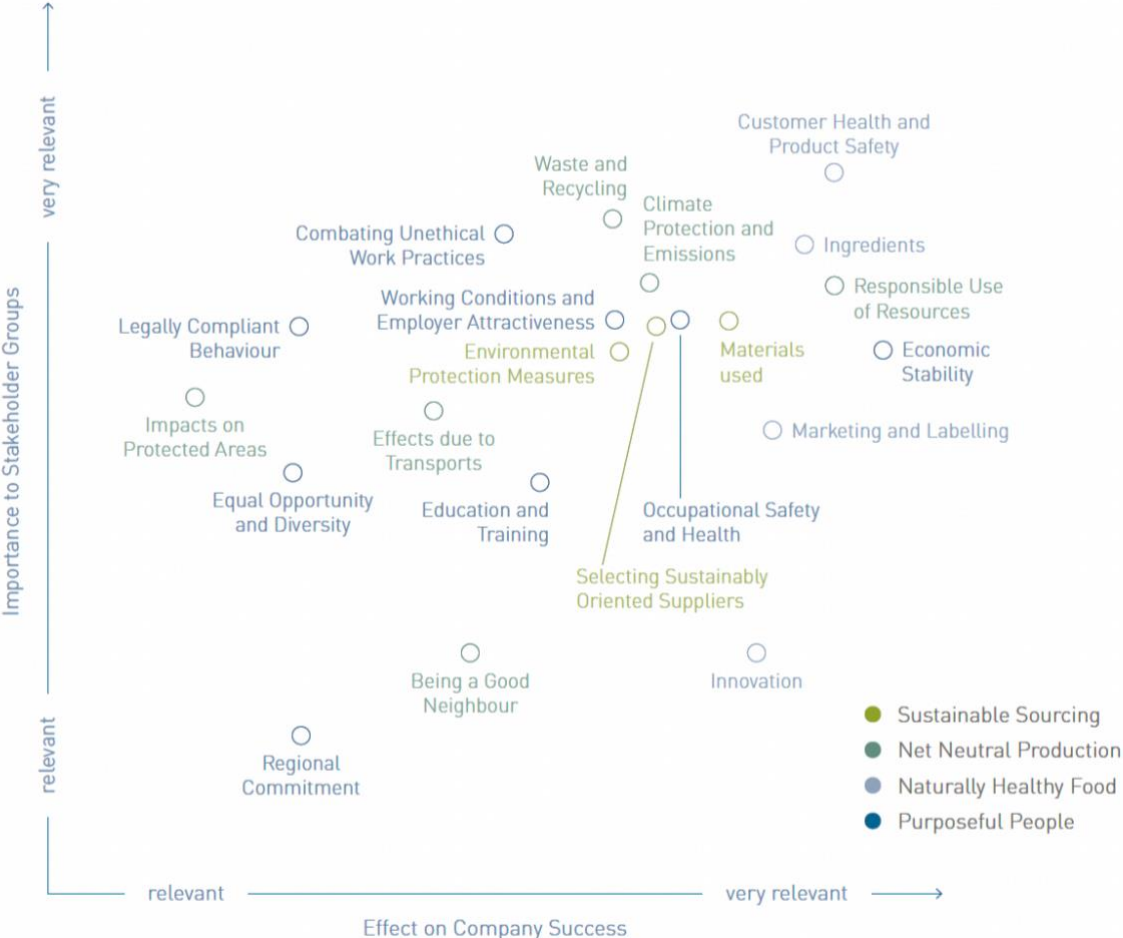


Figure 4 Reflection Matrix of Issues for a Company, (Schwartauer Werke, 2021)

Additional guidance in identifying which issues to address came from secondary data when one company stated in its sustainability report that companies need to approach sustainability issues

where the impact of their business activities and their influence on the environment and society are greatest.

The extent to which the relevance of different aspects has changed concerning business activities, but also with regard to environmental and social impacts, was discussed and assessed. This resulted in a matrix reflecting the sustainability issues that are most important to them (Figure 4).

#### 4.6.3 Selection of Social Enterprise

Once the particular social or environmental problem is selected, the next step is to find a social enterprise to tackle the chosen issue. In order to do so, it is necessary to get a general idea of the market. Screening the market, in this case, means a process of evaluating different social enterprises according to their compatibility with the company's overall competencies and business objectives. Secondary evidence indicates that social or impact washing, or greenwashing, poses one of the most significant potential risks for companies looking to cooperate with social enterprises. Companies need to know that their partners are credible and verified social enterprises. This has been challenging to demonstrate because legal systems and definitions vary from nation to nation. SAP has collaborated with the Social Company World Forum and Good Market to develop a global social enterprise authentication mechanism in order to address this problem (van der Ploeg, 2023). After screening the market, the selected SE should fit with the company's team on a personal and human level in order to work well and effectively together. At the same time, the same values and ethics should be present as an essential basis for overcoming obstacles to cooperation (Gröbner, 2022). Partners should share an explicitly stated, clearly understood vision of how they hope to achieve a goal. A shared vision is usually complemented by shared values (Kwaterski & Vidaurrazaga, 2011). At the same time, when selecting social enterprises, it should be ensured that they use similar methods and approaches to achieve their goals. If there is a specific goal, one should look for a social enterprise that has the same type of objectives to attain the goals with the same means. This does not necessarily mean that the social enterprise is doing precisely the same thing that the company would do, but it does mean that it is using similar methods and means to achieve the goal. It is important that the social enterprise chosen shares similar basic vision and values and has the same orientation towards working together to achieve the goal.

#### 4.6.4 Performance Verification

There are two key points to consider once the right SE has been identified, selected and partnered with. One is the performance review, and the other is the reasons for terminating a partnership. The performance review of a partnership can be divided into project-related and cooperation-related conditions.

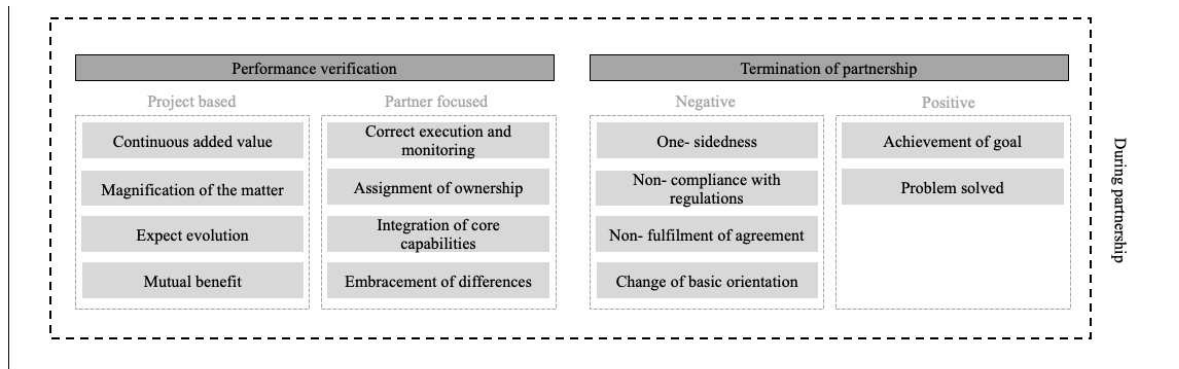


Figure 5 Excerpt of the Conceptual Process Model: During Partnership

Project-related conditions are continuous added value, magnification of the matter, and expected evolution. Continuous value creation refers to an ongoing improvement process that ensures that the value created by the partnership is constantly increasing. In other words, it is not enough to achieve a certain level of value and maintain it over time. Instead, the focus should be on ongoing improvement and innovation to create even more value for beneficiaries or the environment. There is always something to be achieved, and even if the added value remains the same, the project should be reoriented; otherwise, the signals and influence will weaken (Bravo, 2023).

In terms of scaling up, this means that when solving problems, companies constantly strive to really increase efficiency and get the best out of it. The overall value of problem-solving is improved by using the ongoing learning process from the project and the partnership (Foxtrot, 2023).

MNEs should expect evolution when working with SE; they should plan for the partnership to evolve over time. External circumstances, interests and perspectives will change. These changes may sometimes mean that the relationship has exhausted its utility. Businesses must be ready for these developments and adaptable to them. Reflection can be incorporated into the process through routine meetings with both sides to discuss the advantages and potential of the collaboration (Pearce & Doh, 2005). Mutual benefit describes the process of clearly identifying the expected benefits for each party, which is essential to understanding what motivates and

sustains joint action. As all partners are expected to contribute, they should share proportionately in both the benefits and the costs (Kwaterski & Vidaurrazaga, 2011).

The second pillar of the performance verification of a partnership between an MNE and an SE is based on the partners involved. The first condition is correct execution and monitoring. Evaluation of a partnership is essential in order to determine its impact and whether the benefits of the partnership outweigh the costs for all partners. Evaluation is a learning process for improvement and can lead to more excellent validation and commitment. It can also be used as a basis for estimating and adjusting the correct execution if necessary.

Secondly, it is essential that roles are assigned and agreed upon. There should be an appropriate level of structure and formality for the partner organisations and individuals within the organisations, commensurate with the complexity of the partnership and the distribution of tasks (Kwaterski & Vidaurrazaga, 2011). A lead person from the own organisation should be appointed and given authority and decision-making power. As partnerships with SE are a novel strategy, it takes a strong leader to get things done and enable an individual or team to concentrate on the partnership. (Pearce & Doh, 2005).

Social enterprise core capabilities ought to be included in the main line of business. Instead of remaining a separate area, partnerships should be gradually incorporated into the duties of business divisions and roles. Partnerships are most successful when each participant contributes their resources and employs their core abilities in accordance with standard business practices. Additionally, if each other's abilities are genuinely acknowledged, and they collaborate on an equal basis, change and impact can be hastened through partnerships. The corporation must recognise and value the differences between its own business and the SE in order to accept variances. Without these distinctions, there would not be a compelling incentive to work together. Different perspectives can sometimes make cooperation difficult. However, they are of great value as the knowledge, experience and skills of both sides complement each other (Pearce & Doh, 2005).

#### 4.6.5 Termination of Partnership

While in partnership with a social enterprise, MNEs need to keep in mind some reasons why a partnership should be terminated to counteract ineffectiveness. There can be positive and negative reasons.

On the negative side, the reasons are one-sidedness, non-compliance with regulations, non-compliance with agreement and change in basic orientation. One-sidedness explains the need for all partners to commit sufficient resources in line with the expected impact and the scale of

the partnership itself. In a good and successful collaboration, it is not possible for one party to do everything and for the other to benefit from it without contributing resources. The work should be shared equally to achieve the most significant impact (Huybrechts et al., 2017).

Non-compliance comes from the fact that an important issue for MNE, in general, is compliance, and then, of course, the organisation has to fulfil and deliver. If this cannot be delivered, then there are problems for both parties and a partnership should be terminated or put on hold. There are compliance criteria that apply to everyone, and these are often defined by the company in such a way that they are met internally, so it would be contradictory to work with a social enterprise that does not meet these compliance rules itself (Hotel, 2023).

Before entering into a partnership, specific objectives are set to solve a particular problem. Criteria are also agreed upon that must be met, but if they are not met, and if they are not completed on time, there can be severe consequences. When an agreement is not fulfilled, it means that one of the parties has not fulfilled its contractual obligations. If arrangements are increasingly not kept, conflicts and disagreements can arise. This can strain the partnership and become a problem for the whole project. Therefore, it is essential to communicate the causes and consequences when an agreement is not kept or to end the partnership if it occurs too often (India, 2023).

Changes in the fundamental alignment of values and beliefs can have a significant impact on business partnerships. In the past, specific characteristics or behaviours may have been positive because they were consistent with one's values and goals. However, if there is a change in the fundamental alignment of values and beliefs, the same characteristics or behaviours may no longer be considered desirable or in line with the goals of the company. This shift in fundamental alignment may also have a negative impact on how the goal is achieved or the problem is solved (Pearce & Doh, 2005). Ultimately, these changes in alignment can lead to the end of a partnership if the partners are no longer able to work together effectively due to differing values and goals.

Positive reasons for ending a partnership include goal attainment, the process of achieving a specific, desirable goal. In addition, the problem could be eliminated, so the process of determining a problem, identifying the source of the problem, identifying and choosing between alternatives for a solution, and implementing a solution while achieving the objective (Webster, 2023).

In summary, identifying social and environmental issues and finding the right partner are key steps in building a successful partnership. It is also important to consider performance

requirements and potential reasons for termination to ensure that the alliance remains productive and beneficial for all parties.

If these steps are followed, partnerships can deliver a wide range of benefits. For example, partnerships can help companies retain employees by creating a sense of purpose and engagement among employees. Partnerships can also enhance a company's brand perception by demonstrating a commitment to social and environmental issues. In addition, partnerships can help companies gain expertise in areas outside their core competencies and can provide opportunities for an SE to increase its impact by partnering with a larger organisation.

Ultimately, partnerships can be a powerful tool for achieving social and environmental goals and can benefit both companies and SEs in many ways. By following best practices and keeping in mind the potential benefits and challenges of partnerships, organisations can maximise the positive impact of these collaborations.

## **CHAPTER 6: CONCLUSION AND LIMITATIONS**

### **6.1 Conclusion**

The aim of this work was to identify the benefits for companies of partnering and working with social enterprises. To this end, a qualitative study was conducted using semi-guided interviews with 11 respondents. All 11 interviewees were from different companies, and were involved in partnerships with social enterprises. Secondary data was also used to support the findings from the interviews.

The answer to the research question "What benefits exist for multinational corporations that engage in partnerships with social enterprises" identified five main benefits. These are the positive impact on employee retention, brand perception and expansion of expertise. There is also the opportunity for companies to assist SE in its growth and to work together to solve global problems and help the environment and people. The fifth benefit is the enlargement of market coverage through the acquisition of new customers and the development of new markets.

This study fills a gap in the existing literature by examining the direct benefits of partnering with social enterprises from a business perspective, which has been largely unexplored in previous research. Adopting a qualitative approach contributes to the understanding of the topic and extends the theoretical framework. The study provides insights into how companies perceive and engage in partnerships with social enterprises and offers a conceptual process model that can guide companies in their collaborations and facilitate long-term planning and improvement. In essence, this conceptual process model is a practical guide for multinational companies interested in building meaningful partnerships with social enterprises. By adhering to the guiding principles outlined in the model, multinational companies can make the partnership process more effective, maximise their social impact and contribute to the sustainable development of communities and societies as a whole while deriving a positive benefit for their company. The study acknowledges its limitations, including small sample size and potential bias in qualitative research. The response rate for interviews was low, which may affect the generalisability of the findings.

### **6.2 Managerial and Academic Implications**

As new actors, such as social enterprises, become increasingly important in the international business environment, they must be considered in future research agendas for global management (Chen et al., 2019). In response to the difficulties that traditional non-profit

organisations (NPOs) face today, scholars suggest that they can develop commercial revenue streams by transforming themselves into social enterprises. However, traditional NPOs must deliberately modify their existing operating models and adopt new business functions to ensure the effective implementation of practices that generate commercial revenue streams (Ko & Liu, 2021). This underscores the need to explore the benefits to multinational corporations of engaging in partnerships with social enterprises.

Overall, the academic relevance of the study lies in its contribution to the field of intersectoral collaboration between social and business organisations addressing social issues, particularly in the areas of social alliances and the benefits of partnerships between social organisations and multinational corporations. In doing so, it expands the empirical base and improves the understanding of the dynamics and results of inter-sectoral cooperation.

The success and innovation of social alliances have been studied, but the direct benefits to companies working with social enterprises have not been explored in depth. In addition, the topic of social alliances has not been approached exclusively from a corporate perspective, and the opportunities and impacts have only been considered and explored from a social enterprise perspective (Chen et al., 2019; Sakarya et al., 2012; Trivedi & Stokols, 2011).

In this sense, qualitative research takes a more comprehensive approach to the issue by analysing the direct benefits for a business of partnering with social enterprises. As such, it significantly contributes to theory by adding a new perspective to the literature. The study also helps to show how companies perceive partnerships with social enterprises.

By establishing a conceptual process model, it allows business enterprises to gain a better knowledge of the process, which could help them to understand their role and possible areas of intervention, as well as provide them with tools for stability and long-term planning by giving them guidance on how to proceed in partnership with social enterprises. It also enables companies that already have a partnership with an SE to understand and identify possible areas for improvement to gain more benefits and discover untapped opportunities.

### **6.3 Limitations and Further Research**

The study has some limitations. The sample size was limited, which may raise concerns about the generalisability of the findings and may not capture the full range of experiences and perspectives across diverse industries and regions. After 55 LinkedIn requests by message and 31 requests by email, 11 interviews were conducted. Many did not respond, were unable to comment on the topic or did not have time.

In addition, the validity and reliability of the results of qualitative research may be affected by the bias and interpretation of the researcher. Interpretation of results is severely limited by personal interpretation, and different conclusions may be reached if other researchers re-evaluate the data.

There are constraints in terms of contextual aspects and dynamic nature in relation to the creation of the conceptual context model. The model may not fully capture the context-dependent factors that affect relationships between MNEs and social businesses. Variables like legal frameworks, cultural norms, and economic conditions can strongly influence the dynamics and results of this cooperation.

The model only captures a specific time frame in the collaboration process and may not accurately reflect how MNE-social enterprise ties change over time. New opportunities and problems may occur as relationships develop, necessitating continual adaptation and modification.

Further research could elaborate on the opportunities and benefits for multinational companies integrating SEs into their supply chain. Any research on the benefits of partnerships could also be conducted from the perspective of social enterprises or the global perspective of MNEs, not just companies operating in Germany.

## APPENDICES

### Appendix 1: Interview Participants

Interviewer	Gender	Position	Company	Industry
Alpha	male	Strategy Director	- Revenue: 1,28bn. € - Operating in 13 countries	Food Manufacturer
Bravo	male	Director Sustainability	- Revenue: 88,4bn. € - Operating in 60 countries	Mobility Solutions and Industrial Technology
Charli	male	Head of Business Development	- Revenue: 11bn. € - Operating in 72 countries	Consumer goods and adhesives industry
Delta	male	Head of Realisation and Sustainability Consulting	- Revenue: 1,3m. € - Operating in 17 countries	Paper and packaging
Echo	female	Corporate Social Responsibility Manager	- Revenue: 125,6m. € - Operating in 15 countries	Fashion
Foxtrot	female	Managing Director Communication and Sustainability	- Revenue: 79,2bn. € - Operating in 180 countries	Consumer goods
Golf	male	Lead of Corporate Social Responsibility	- Revenue: 30,87bn. € - Operating in 130 countries	Enterprise software
Hotel	female	Sustainability Strategy	- Revenue: 33,8bn. € - Operating in 169 countries	Aviation
India	male	Head of Business Development and strategic partnerships	- Revenue: 5,6bn. € - Operating in 33 countries	Aviation Engineer
Juliett	male	Global head of Social Commitments	- Revenue: 7,5bn. € - Operating in 60 countries	Consumer goods
Kilo	female	Partnerships and Social Sustainability	- Revenue: 60,1bn. € - Operating in 190 countries	Consumer goods

### Appendix 2: Interview Protocol

#### 1. Introduction

#### 2. Background

- What is your highest degree?
- What is your professional experience? Where have you worked before and in which department?
- What is your current role in the company?
- For how many years are you now in the company and how many employees work there?
- What is the company's approach to social responsibility and sustainability?
- Do you know about the concept of social enterprises?
- How would you define a social enterprise, what is your understanding of the concept?
- What is your experience with social enterprises?

### 3. Partnerships

- How many Partnerships does your company have with social enterprises?
- Can you tell me about a specific partnership between your company and a social enterprise?
- How did your company identify and select this particular social enterprise partner?
- In your opinion, what were the main benefits of this partnership for your company?
- Were there any challenges or obstacles that your company encountered in this partnership?
- Was there any occasion when you ended a partnership and what were the main reasons for that?

### 4. Motivations

- How did your company initially identify the need or opportunity for partnering with social enterprises?
- What motivated your company to start engaging in partnerships with social enterprises?
- How does your company determine which social issues to address through these partnerships?
- Can you share an example of a successful partnership that aligned with your company's motivations for engaging in these collaborations?
- Have you noticed any trends or changes in the social enterprise landscape in recent years, and how have they affected your company's approach to partnering with social enterprises?

### 5. Benefits

- How does your company evaluate the success of these partnerships?
- Can you share some specific outcomes or benefits that your company has experienced as a result of these partnerships?
- In your opinion, what are some potential benefits that companies can gain from collaborating with social enterprises?
- Have you noticed any changes in your company's reputation or brand as a result of your partnerships with social enterprises? Can you provide specific examples?

- How have your partnerships with social enterprises impacted your company's bottom line? Can you provide specific examples of cost savings or revenue growth from these partnerships?
- How have your partnerships with social enterprises impacted employee engagement or morale? Have you noticed any employee behavior or attitudes changes due to these partnerships?
- How have your partnerships with social enterprises impacted your company's ability to innovate or develop new products or services? Can you provide any specific examples?
- In your opinion, what are the key elements of a successful partnership between a multinational enterprise and a social enterprise?

## 6. Conclusion

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