

Ahead of Different Paths: How Social Enterprises Manage Their Objectives

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Abstract

Title: Ahead of Different Paths: How Social Enterprises Manage Their Objectives

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This study investigates how social enterprises manage their social and financial objectives and the key reasons behind this process. Relying on case studies based on 12 semi-structured in-depth interviews, I found 4 different trajectories that depended on the leaders' understanding of the relationship between the two objectives and their satisfaction with those. First, where the social and financial objectives were considered conflicting, social enterprises changed the latter. Second, where this relationship was hierarchical, they manipulated the social mission. Third, when the objectives were described as paradoxical and leaders at some point were dissatisfied with them, the investigated social enterprises changed both of their objectives. Finally, under the same paradoxical understanding, if leaders were satisfied with their organization's objectives, they did not change any. My work is unique as I introduce a new, hierarchical frame between the objectives, show two different paths of managing them under paradoxical understanding, give examples of maintaining the social mission while being under financial pressure, and show the unique role of performance measurement in managing and defining the dual objectives. The study contributes to the existing literature on social enterprises and more broadly to the literature that investigates how organizations can pursue a social mission while aiming to maximize their wealth.

Keywords: social enterprises, dual objectives, social, financial, paradoxical, hierarchical, contradictory, satisfaction, performance measurement, goal definition.

Abstrato

Título: À frente da atualidade: Como é que os objetivos de Responsabilidade Social são geridos pelas Empresas.

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O presente estudo visa sobre o modo como as empresas gerem os seus objetivos sociais e financeiros, e as razões que sustentam o processo de definição da responsabilidade social. Com base em casos de estudo, levados a cabo através de 12 entrevistas, foram encontradas 4 trajetórias que dependem da compreensão e interpretação pelo líder da empresa sobre os dois objetivos e o nível de satisfação destes. Primeiro, em caso de conflito entre os objetivos, as empresas focadas no impacto social tendem a decidir pela alteração dos seus objetivos financeiros. Seguida, se a relação estiver estabelecida através de uma hierarquia, haveria uma manipulação da sua missão social. Em terceiro, caso ambos os tipos de objetivos fossem descritos como paradoxais e não cumprissem com os critérios de satisfação propostos pelos líderes da empresa, então haveria uma alteração de ambos os objetivos. Por último, se os líderes estiverem satisfeitos com os objetivos da sua organização, a não ocorrência de alterações. O trabalho desenvolvido ao longo da presente análise é único porque introduz uma nova e hierárquica visão acerca dos objetivos sociais e financeiros, mostrando duas perspetivas de gestão e sob um entendimento paradoxal, através de exemplos que demonstram ser possível manter a missão social quando os objetivos financeiros se encontram sob pressão, e pela forma única de os medir e gerir. Apresentamos uma contribuição para a literatura existente sobre as *social enterprises* e, especificamente, para a literatura sobre o modo como as organizações alcançam a sua missão social e aumentam os lucros.

Palavras-chave: social enterprises, objetivos duplos, social, financeiro, paradoxo, hierarquia, contraditório, satisfação, medição do desempenho, definição de objetivos.

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1 Introduction

Social enterprises are seen as a tool for addressing environmental and social issues (Wry & York, 2017) with the potential to change industries (van Abel et.al., 2021) offering multi-billion-dollar opportunities worldwide (Ashoka, 2019). One of the reasons why the relevance of these organizations grew so significantly is that businesses recently have been asked more frequently to have a more proactive and innovative role in tackling societal problems (Ramus et. al., 2018) as governments' involvement has been diminishing in parallel (Stevens et. al., 2015). Although social enterprises are already an important part of the economy for instance, by giving work to 13.6 million Europeans (Borzaga et.al., 2020), they are expected to become even more relevant as organizations are increasingly judged based on their impact on society, transforming traditional business enterprises into social enterprises (Deloitte, 2018). Furthermore, the role of the social economy tends to receive more attention during crises (Doherty et.al., 2014) as it has shown itself to be relatively resilient in turbulent times (Spear, 2014) making it especially relevant to understand social enterprises in the middle of multiple social challenges that we are currently facing.

Although these organizations offer a great opportunity for making a positive environmental and social impact, they are facing challenges as well (Battilana et al., 2014). For example, as the majority operate as small businesses, they are often ignored as well-intentioned but ineffective organizations (van Abel et.al., 2021) making them invisible and unknown (Borzaga et.al., 2020). Another important challenge for social enterprises and the key topic of this thesis, is being able to successfully combine both commercial and social goals (Cornelissen et.al., 2021) as these objectives can have a paradoxical or a conflicting relationship creating different issues to solve (Savarese et.al., 2021). The demonstration of these relationships is possible in the case of TOMS Shoes, a prominent example of a social enterprise that supports communities by giving away one-third of its revenues¹. In this organization, on one hand, if they donate a larger proportion of their income, they will have a more significant impact on a social level since with more investment, they can help more people. However, by doing so, they will simultaneously be less successful commercially, making the relationship of financial and social goals conflicting, with the latter hindering the former. On the other hand, due to its social goal and the impact that the organization has on society, more customers might buy its products. Hence, in this case, the financial goals are supported by the social mission creating a situation where

¹ The official website of TOMS Shoes.

the social goal might support and block commercial success at the same time generating paradoxical circumstances for social enterprises to handle (Smith et.al., 2013).

Consequently, the sustainable combination of social enterprises' goals is a critical question not only for these organizations but for scholars as well (Battilana & Lee, 2014; Busch & Barkema, 2022). To achieve this in practice, research shows that a culture needs to be maintained that balances conflicts between creating social and economic value (Battilana, 2018). However, establishing this culture is difficult as the trade-offs between the dual goals are likely to change over time shifting the importance attached to each objective regularly (Stevens et.al., 2015; Battilana, 2018). Furthermore, as Smith and Besharov (2019) showed, we still lack an in-depth understanding of potential processes or ways how social enterprises can successfully manage their goals.

Hence, with my thesis, I will attempt to fill a gap in this area (Beisland et.al., 2021; Smith & Besharov, 2019) and contribute to our knowledge by providing an answer to the following research question: how do social enterprises manage their objectives?

Apart from describing and providing examples of how the dual goals are managed, I will simultaneously introduce what influences and helps managerial decisions in this process to better understand how different organizations' operations can be maintained over time. I will intend to do this through the cases of 12 social enterprises operating in different fields in Germany and Hungary that represent a diverse set of scenarios.

2 Literature review

As introduced, the role of social enterprises has grown in many areas, and it is expected to become even more significant in the future. Yet, there is still no single definition of these organizations (Wry & York, 2017) as various understandings can be observed in the academic and business world (Ko & Liu, 2021; Guo & Peng, 2020; Galicia-Dorado, 2018; Deloitte, 2018) as well as in different legislative environments (Kerlin, 2006; Defourny & Nyssens, 2008). However, most scholars agree that social enterprises are organizations with a dual mission of social and financial performance (Mair & Marti, 2006; Doherty et.al., 2014) that primarily pursue a social goal (Battilana et al., 2015) while generating incomes from commercial activities (Ko & Liu, 2020). To achieve this dual mission, they combine both charity and business characteristics at their core (Battilana & Lee, 2014; Besharov & Smith, 2014), and merge the passion or mission of not-for-profit organizations with the efficiency or innovation of traditional for-profit enterprises (Battilana et.al., 2012).

2.1 Social enterprises: organizations with dual objectives

As mentioned, social enterprises embed multiple goals within their boundaries (Smith et.al., 2013). By aiming to be commercially successful while creating a positive impact on society, social enterprises serve two different constituents, the customers, who generate their revenues, and the beneficiaries on whom they would like to have a social impact (Battilana et.al., 2015). Thus, these organizations establish two different standards that are used to judge their success (Ebrahim et.al., 2014) and their sustainability depends on their advancement on both ends (Battilana & Lee, 2014).

2.1.1 Financial goals

On one hand, social enterprises are businesses that engage in continuous economic activity (European Commission, 2015) and have a commercial objective, namely, to develop financially sustainable operations that capture enough value to be profitable and thrive (Santos et.al., 2015; Bagnoli & Megali, 2011). Hence, just like for traditional businesses, their commercial goal must be to maximize value and operate by respecting financial and economic efficiency as this enables them to pursue their social goals and thus fulfill their *raison d'être* (Ebrahim et.al., 2014; Bagnoli & Megali, 2011). For instance, in the case of a work integration social enterprise that wants to reintegrate long-term unemployed people into the labor market, an economically

more productive entity can spend more on its beneficiaries, increasing the likelihood of providing a permanent job for them and making the organization successful socially and financially (Battilana et. al., 2015). If there is a negative deviation compared to the original financial plans, the reason behind that should be a social one otherwise it might mean that the organization's operations are in danger as, without commercial success, it cannot pursue its social mission either (Bagnoli & Megali, 2011). However, too much emphasis on financial goals is also dangerous for them as it can mean that the social enterprise's attention shifts away from the social goal threatening its *raison d'être* (Beisland et.al., 2021; Ramus et.al., 2018). As there are different kinds of social enterprises, like non-, and for-profits, their specific quantitative financial goals can be different as well and can also change over time since the trade-offs attached to them usually fluctuate (Battilana, 2018). However, a common characteristic is that the commercial objectives tend to be seen as means toward the social ones (Ebrahim et.al., 2014). As fulfilling a financial objective while pursuing a social mission is challenging (Wry & York, 2017), social enterprises can rely on a mix of resources like voluntary work, donations, or grants offering them help commercially, but their revenues should mainly be generated by the direct sales of goods or services (Borzaga et.al., 2020).

2.1.2 Social goals

While in traditional for-profit businesses it is normally enough to deliver targets in the income statement (Bagnoli & Megali, 2011), social enterprises are also assessed based on social dimensions (Beisland et.al., 2021). They report not only to shareholders but to multiple stakeholders like the community where they operate (Bagnoli & Megali, 2011). Hence, they are expected to have a social impact (Smith et.al., 2013) through a social goal that aims to create value for society in areas where markets and governments are failing (Santos et.al., 2015. p. 38.; European Commission, 2015). For example, in the case of microfinance institutions which are one of the most well-known social enterprises, success is not only about generating profits but also about filling societal gaps and reducing poverty within a community by providing the poor to set up their own business that generates an income (Hermes et.al., 2011). Like the financial, the social objective can vary as well, based on the unmet needs arising on a local or global level (European Commission, 2022). For instance, it can be the integration of disadvantaged people, strengthening civil rights, or creating a system with more solidarity, like fair trade (Borzaga et. al., 2020). Based on their social objective, Zahra, and colleagues (2009)

grouped the founders of social enterprises where social bricoleurs typically solve a local issue with their expertise, social constructionists tend to fill institutional voids, while social engineers seek to develop a more effective system to replace the current one. As the financial goals, due to the fluctuating trade-offs, social goals can change over time as well (Battilana, 2018) and there is also a risk that social enterprises become more socially focused, displeasing some stakeholders of the organization (Ramus et.al., 2018).

2.2 Managing dual objectives

How divergent objectives can be recombined is a key question for scholars investigating social enterprises (Battilana & Lee, 2014). One of the factors defining this management process is the understanding of the relationship between these objectives (Smith & Besharov, 2019). As Besharov and Smith (2014) showed, dual goals can simply co-exist, or even support each other making organizations more innovative and enduring (Dalpiaz et.al., 2016). However, in social enterprises, this relationship tends to be seen and understood as paradoxical or contradictory due to the different nature of the objectives (Smith & Besharov, 2019; Ebrahim et.al., 2014). In this chapter, first I will introduce these relationships with their implications, then discuss the role of performance measurement which is another key component in how the dual goals are managed (Beer et.al., 2021).

2.2.1 Paradoxical understanding of goals

On one hand, the relationship between the objectives in social enterprises can be at the same time contradictory and interdependent, namely paradoxical (Smith et.al., 2013). What this essentially means is that the goals at the same time prescribe actions in opposite directions making them almost antithetical (Ramus et. al., 2018) but they are also seen as synergistic and necessary for long-term success (Smith & Lewis, 2011). Hence, even though they can be contradictory, they are both considered necessary to achieve long-term success for the organization (Smith et.al., 2013). As a practical implication of this relationship, if these social enterprises face challenges threatening their financial sustainability, rather than sacrificing their social mission, they keep it and try to achieve social success while working on improving financial efficiency, or the other way around (Smith & Besharov, 2019). Thus, goals tend to be managed by working on both sides (Smith & Besharov, 2019). Scholars suggest that due to the interdependencies between the dual objectives, essentially this is the way to manage operations

successfully in the long run, namely, to face the issues, and implement sophisticated paradox practices supporting both objectives (Visnjic et.al., 2021). These practices can be learned via experimenting, and they can involve different hiring practices (Smith & Besharov, 2019), or formalized processes as well (Ramus & Vaccaro, 2017). In short, scholars show that when the dual goals are seen as paradoxical, social enterprises tend to and should take perspectives from both social and financial sides, keep both ends in play and develop a holistic solution for the organization (Cornelissen et.al., 2021) embracing the paradoxes rather than resolving them (Smith et.al., 2013).

2.2.2 Contradictory understanding of goals

The relationship between the dual objectives can also be seen as contradictory (Savarese et.al., 2021) which happens when leaders experience that the goals give incompatible prescriptions for action and where success in one domain is considered a failure in the other (Smith et.al., 2013). This is a dangerous situation for social enterprises as while trying to resolve this conflict, the organization can become too commercially or too socially focused and abandon one of the dual objectives (Ramus et.al., 2018). From these two scenarios, becoming too commercially focused is more probable due to resource dependency (Litrice & Besharov, 2019) since organizations tend to pursue goals with more attention where they expect to obtain assets for their operations (Battilana et.al., 2015). In the case of social enterprises what it means is that they focus more on their customers than on their beneficiaries which might threaten their commitment to accomplish their social goals leading to mission drift (Ramus & Vaccaro, 2017). Mission drift is essentially described as the danger of losing sight of the social mission that might break the fiduciary relationship with socially-focused stakeholders supporting the organization (Ramus et.al., 2018) while trying to generate revenues and fulfill commercial goals (Jones, 2007). It is particularly dangerous for social enterprises as a mission drift endangers their reason to be, namely, to deliver value to the beneficiaries and achieve their social goals (Ebrahim et. al., 2014).

Nevertheless, social enterprises can also adhere too rigidly to their social mission (Santos et. al., 2015) since emotional attachment to the social goals can be dominant in these organizations which might prevent them from reaching financial sustainability (Smith et.al., 2013). Consequently, they might prioritize social performance over financial, and dedicate the majority, or all their resources to pursue social goals (Zahra et.al., 2009). This can displease different stakeholders like customers or investors who support the organization as they believe

that it can be commercially successful (Pache & Santos, 2013). In extreme cases, this phenomenon can endanger the organization's existence (Smith et.al., 2013).

In both scenarios, when the resource allocation consistently favors one of the objectives at the expense of the other there is danger, especially since after facing the challenge of drift once, one goal is likely to gain dominance again (Battilana & Lee, 2014). To tackle the issue of one side gaining dominance and hindering the other's success, scholars tend to describe trade-off practices addressing one goal (Ramus et.al., 2018) which is different than the approach described in the case of paradoxical understanding of goals where both objectives were addressed (Smith & Besharov, 2019). For example, the temporary sacrifice of financial goals to achieve social ones can be one method to tackle the conflict between the dual goals (Visnjic et.al., 2021). As Visnjic and colleagues (2021) discovered, managing the social and financial goals this way does not necessarily lead to organizational demise, but it can function as a less sophisticated short-term guardrail to successfully maintain the operations of the business before learning to implement more sophisticated paradoxical ones.

2.2.3 The role and challenges of performance measurement

Management control systems are used to measure performance and provide feedback for orienting the behavior of the social enterprise to achieve the dual objectives (Bagnoli & Megali, 2011). Measurement practices can also facilitate strategy implementation and alignment, and communication and coordination with stakeholders (Beer et.al., 2021). Hence, such systems essentially work as forms of governance to help social enterprises maneuver between the questions of *for what* an organization is accountable - meaning social or financial goals -, and *to whom* it is primarily accountable (Ebrahim et.al., 2014), namely to financially or socially interested stakeholders. Consequently, they help leaders of social enterprises maintain focus on both social impact and financial viability and monitor the two aspects to see if everything works as planned and the targets are achieved (Beer et.al., 2021). However, this monitoring imposes some challenges on social enterprises due to two reasons.

First, evaluating progress in these organizations can involve qualitative or ambiguous metrics (Smith et.al., 2013). As an example, social performance measurement can be mentioned which is difficult to be undertaken through a practical lens (Beisland et.al., 2021) as the methods to evaluate it lack comparability and standardization (Ebrahim et.al., 2014) and are under-theorized in literature (Ebrahim & Rangan, 2014). As Zahra and colleagues (2009) pointed out the definition and measurement of the social value of clean water in remote communities or the

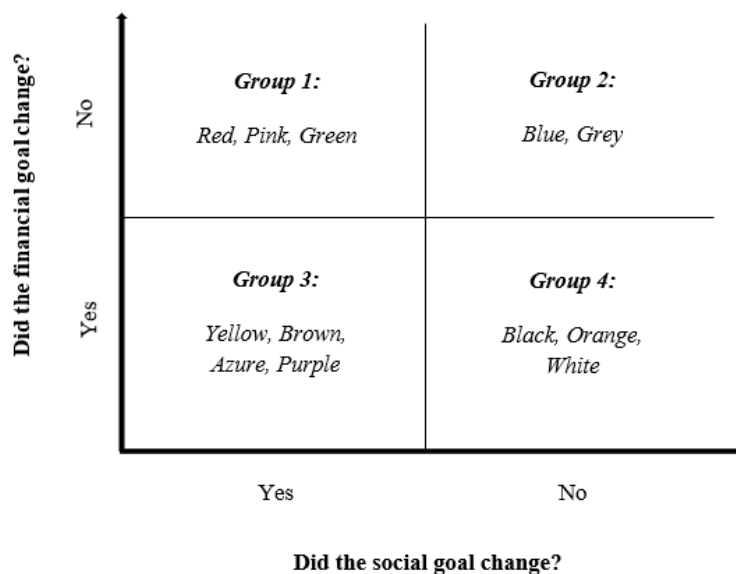
empowerment of women entrepreneurs in oppressive societies can be a demanding task. While measuring social performance is challenging, tracking financial performance is well-established in the literature (Beisland et.al., 2021). Moreover, it is specific, addresses a certain group of stakeholders, is quantitative, and standardized (Smith et.al., 2013). As humans tend to emphasize short-term metrics providing clear indications, the nature of these different metrics can lead to a further challenge. Specifically, to the prioritization of financial goals (Smith et.al., 2013) and financial performance measurement which hinder social enterprises to achieve success on both ends (Ebrahim et.al., 2014).

Second, because of the dual objectives of social enterprises, performance measurement systems often need to involve multiple elements and track not only the specific outputs of their activity like in traditional businesses but the sustainability and performance of their entire value chain (Bagnoli & Megali, 2011). As Ebrahim and Rangan (2010) highlighted, these organizations are usually expected to measure their performance from the number of resources used to undertake their activities, to the long-term impact of their efforts. This imposes a challenge since having to measure all areas of their operations creates complexity and might distract social enterprises from their core activities or make them focused on the easily traceable indicators (Bagnoli & Megali, 2011). To overcome these obstacles, Ebrahim and Rangan (2014) proposed a new framework focusing only on the organizational mission, scope, and scale attached to it, however, they emphasize that the field is still far from a perfect solution. Although the challenges of performance measurement in social enterprises are clear, by conveying the organization's mission they work as guidelines to maintain and balance strategic focus on both social and financial goals, especially as the organization matures (Beer et.al., 2021; Battilana et.al., 2015).

3 Case selection and introduction

The goal of my research is to show how social enterprises manage their dual objectives and discover why their leaders make certain decisions in the process. To provide an answer for this, I analyzed 12 social enterprises whose case studies not only provided me with a method to answer the mentioned *how* and *why* questions (Yin, 1994), but also covered all possible scenarios in terms of balancing the social and financial goals of an organization. Based on these scenarios, the interviewed social enterprises can be divided into four different groups. The first one contains organizations where only the social goal changed over time, the second covers social enterprises that changed nothing, the third where both objectives were changed, and finally, the fourth group represents cases where only the financial goal changed as illustrated in Figure 1 below.

Figure 1: Changes in organizational objectives



Source: own research

As introduced in Table 1 on the following page, I studied a diverse set of organizations from two countries in terms of their size, age, legal status, and activity. This diversity of my sample and the number of interviewed organizations helped me to generalize my findings regarding the key variables of my work, the dual goals, and managers' understanding of them. Moreover, by focusing on multiple organizations with different characteristics I also identified that other factors, like age or sector, do not affect my research question. To overcome language barriers, I changed the names of the social enterprises presented below.

Table 1: Introduction of the interviewed social enterprises

Name	Employees	Foundation	Legal status	Activity	Location
Black	20	2013	Non-profit limited liability firm	Preparation of handmade & agricultural products	Told, Hungary
Red	10	1991	Non-profit public benefit firm	Environmental education via eco-touristic activities	Hajdúböszörmény, Hungary
Blue	530	2011	Non-profit public benefit firm	Labor-intensive wage work & accommodation services	Csömör, Hungary
Yellow	110	2000	Non-profit public benefit firm	Work integration & consulting services	Érd, Hungary
Orange	12	2015	Non-profit limited liability firm	Sales of local food & implementing sustainability projects	Budapest, Hungary
White	75	2007	Non-profit limited liability firm	Restaurant & chocolate manufacture	Szekszárd, Hungary
Pink	6	2019	Non-profit purpose-driven firm	Carbon emission offsetting & reforestation	Berlin, Germany
Grey	6	2009	Non-profit limited liability firm	English education through artistic projects	Berlin, Germany
Brown	70	2012	For-profit public benefit firm	Production of water bottles & accelerator for “clean water” projects	Berlin, Germany
Purple	5	2011	For-profit limited liability firm	Sales of handmade accessories & support of developing communities	Berlin, Germany
Azure	3	2018	For-profit limited liability firm	E-learning courses to increase supplier compliance & improve organizational culture	Berlin, Germany
Green	4	2010	For-profit limited liability firm	Production of, and consulting on cosmetics	Budapest, Hungary

Source: own research

As briefly mentioned before, apart from their characteristics, diversity can also be observed in two key variables of my study, namely the social and financial goals. For instance, while Black's social mission focuses on local issues making it a social bricoleur, Yellow operates as a social constructionist trying to address a market failure, and Orange tries to question the current societal system as a social engineer (Zahra et.al., 2009). Table 2 below contains an overview of these objectives.

Table 2: Summary of social and financial goals

Name	Social goal(s)	Financial goal(s)
Black	Provide work for beneficiaries locally and educate them.	Generate enough money to maintain operations and decrease the need for external funds.
Red	Shape individuals' and mainly children's mindsets on environmental protection and education.	Operate without generating financial losses.
Blue	Improve beneficiaries' lives and have them in the best mental and physical condition possible.	Operate without generating financial losses.
Yellow	Help beneficiaries by providing them work and make society sensitive about people with special needs while spreading the concept of social enterprises.	Maintain operations without relying on the owners' private investments targeting a ~10-15% yearly revenue growth.
Orange	Have events frequently to inspire and educate about an alternative to the current capitalist system.	Generate enough money to maintain operations and decrease the need for external funds.
White	Prove the diversity of beneficiaries' skillset to society by hiring as many of them as possible.	Achieve a high enough revenue to keep all employees who already worked at White before the pandemic.
Pink	Have a positive impact on the environment after every invested euro and educate on environmental issues.	Being able to scale without external capital and maintaining organic growth.
Grey	Provide access to education to children from all backgrounds by improving the relations between stakeholders in the educational ecosystem.	Maintain operations without relying on the owners' private investments.
Brown	Popularize holacracy and provide clean drinking water and sustainable products to everyone without using too many resources.	Earn enough money to pursue the social purpose, pay fair wages, and keep ownership → ~30-40% yearly revenue growth.
Purple	Contribution to social justice focusing on women in local communities by paying fair wages and investing in their education while respecting the environment.	Earn enough money to remain financially sustainable, stay safe, and be able to support local communities.
Azure	Improve workers' well-being and working conditions in developing countries and develop healthy organizational cultures.	Have enough money to pay the employees and to have the opportunity to reinvest in the enterprise to scale the social impact.
Green	Helping women throughout the transition in their careers, counseling new social enterprises, and eliminating misconceptions about the industry.	Generate enough revenues for the founders to live their lives without secondary employment.

Source: own research.

4 Data collection

To retrieve an answer to my research question, I conducted 12 semi-structured in-depth interviews with the introduced social enterprises between the 6th of January and the 17th of February 2022. With this interview type, not only I could better explore the complex dynamics of social enterprises and their goals, but due to its flexibility (Babbie, 2000), I could also let the interviewee explore issues they found relevant (Longhurst, 2003). For example, although I prepared guiding questions² to make sure I cover the most important topics related to my study, depending on the conversation, I also adapted some questions to deeper understand some areas, or ignored some and just listened to my interviewee's line of thought as it provided me with more detailed answers than sticking only to my pre-written questions (Babbie, 2000). The conversations were between the founders of the social enterprises and myself in 9 of the cases, while twice I talked with the general managers responsible for the operations of the organizations. Finally, at one social enterprise, I interviewed the chief communications officer who joined her organization as one of the first employees. I recorded the audio of all discussions that lasted between 45 and 90 minutes.

5 Data analysis

To analyze the retrieved data, I followed the inductive approach (Strauss & Corbin, 1998). Hence, I started by discovering the area of study, collected raw data related to it, and allowed my findings to emerge from the significant themes of my observations (Thomas, 2006). To complete the process rigorously, I chose to follow the Gioia methodology (Gioia et. al., 2012). Thus, I conducted 1st, and 2nd order analyses from the raw data (Gioia et. al., 2012). First, I observed different empirical themes and looked for similarities, and then, in the second stage, tried to see if the emerging themes suggest some concepts that could help me describe what I was observing (Gioia et. al., 2012). Finally, I generated aggregate dimensions to build my data structure and think about my observations theoretically (Corley & Gioia, 2004).³ Consequently, during the data analysis, I did not seek to confirm previous assumptions, but I focused on describing what I observed related to my research question. Therefore, my main interest was to see how the interviewed social enterprises manage their dual objectives and absorb the drivers behind them. By social goal I mean the target to create value for society in areas where markets

² The interview plan is in the Appendix.

³ The data structure is displayed on page 19.

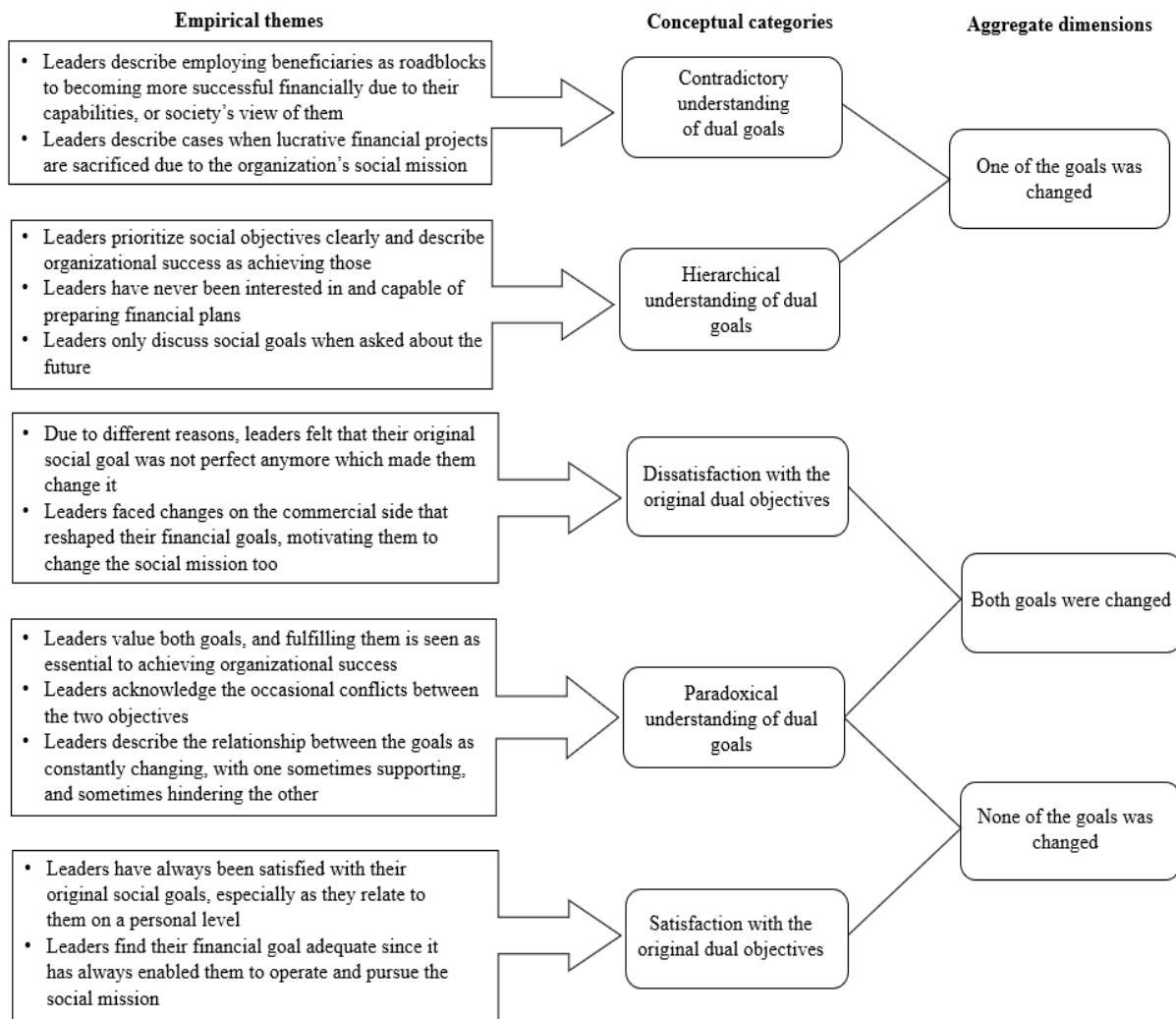
and governments are failing (Santos et.al., 2015. p. 38.) and by the financial goal, I mean the aim to develop commercially sustainable operations that capture enough value to be profitable and thrive (Santos et.al., 2015; Bagnoli & Megali, 2011). After phrasing the definitions, during the 1st order analysis, I identified that some of them decided to change one goal, others modified both, and finally, some organizations never made any adjustments. As I mapped out the interviewed social enterprises, I realized that the main reason behind this dynamic was the understanding of leaders of the relationship between their organization's dual objectives and their satisfaction with those. With this evidence, I arrived to close my 1st order analysis and continued with the 2nd order investigation where I identified my conceptual categories.

Among these, the first one I observed was the hierarchical frame which is a new category that I identified compared to the existing literature I studied on the topic. What this hierarchical understanding of goals means is that the leaders of some organizations prioritized their social mission over the commercial objective and did not see the two goals as interrelated. Consequently, my interviewees at Red, Pink, and Green have always focused on the social goal and saw its fulfillment as the definition of organizational success, while not being interested in, or capable of enhancing financial performance. I identified another category at Black, Orange, and White where the relationship between the dual objectives was contradictory, mutually hindering each other (Ebrahim et.al., 2014). Hence, the leaders of these organizations perceive that the commercial and social objectives give antithetical prescriptions for action where success in one domain can be considered a failure in the other (Pache & Santos, 2013; Smith et.al., 2013). I identified the final category in the other social enterprises of my sample, where I observed a paradoxical relationship between the two goals. Namely, these objectives on one hand are considered distinct and contradictory, prescribing alternate courses of action, while on the other hand as interdependent and synergistic where both goals are necessary for long-term success (Smith & Besharov 2019. p. 8.). The difference between Grey and Blue, compared to Yellow, Purple, Azure, and Brown was that the leaders of the former two organizations have always been satisfied with the original objectives. In other words, they have seen both objectives as adequate as the fulfillment of the current financial goal always enabled them to achieve the social one and vice versa. Meanwhile, in the cases of the latter social enterprises the leaders were at some point dissatisfied as they felt that due to some changes on the commercial side, their social mission is not satisfactory anymore.

After identifying the different categories, I made a comparison between them to try to see which actions I can observe regarding how the selected organizations manage their objectives. During

this analysis, I identified processes of change that were dependent on the categories introduced in the previous chapter. I discovered one change and trajectory in the social enterprises, where the relationship between the dual objectives was hierarchical or contradictory as these social enterprises only changed one of their goals. Since being socially focused, the organizations with hierarchical goals only changed their social mission, while on the other hand, the organizations with a contradictory understanding of goals only changed their financial goal to attempt to tackle the conflicting relationship between their objectives. How I observed change in the social mission was that the organizations started to serve an extended group of beneficiaries compared to the one in their original goal and on the contrary when they narrowed down their target group. Finally, also when they added a new set of activities with a clear social goal like education to their portfolio. Meanwhile, I recognized a change in the financial objective when the organization's former revenue target was changed, or when the founder started to think differently about financial success and its importance for the social enterprise. In comparison, I discovered different trajectories in the cases of social enterprises where the relationships between the organizational objectives were seen as paradoxical. This understanding on one hand led to changing both goals when the founders were not satisfied with the original ones, and on the other hand, led to keeping the original objectives when the founders saw them as adequate. I observed change in the goals like how I did in the cases of social enterprises where only one goal changed. The visual representation of the trajectories is displayed in Figure 2 on the following page.

Figure 2: Data structure – Trajectories observed at the organizations



Source: own research

6 Empirical findings

In this chapter, I will introduce my empirical findings regarding my research question by mainly focusing on the key variables of my study, the dual goals, and leaders' understanding of them.

6.1 Red, Pink, and Green: where only the social goal changed

The case of Green embodies an entrepreneurial story where the founder, Victoria was facing a challenge in her life that she decided to tackle by starting her social enterprise. This challenge was finding a new job after pregnancy defining the original social mission of Green, which was to help people, especially women, rejoin the labor market after having a break in their careers.

“I had a promising career as a researcher after my Ph.D. in chemistry and then my children were born whom I wanted to raise. Hence, I was in the situation to reconsider my path and this situation inspired me to start Green. With Green, we wanted to help and empower mainly women to be able to start something new in their careers via our cosmetics courses...especially if there is a change in their personal or professional lives, for example, their baby is born.” (Green)

While the founder's knowledge of chemistry was helpful to start great cosmetics courses and attract people to fulfill Green's social mission, Victoria admitted that typical business tasks like financial reporting and planning have never been on her radar. These characteristics of her determined the financial goal of Green, which has always been about surviving, and as the company has always done well enough financially, she has never planned different goals.

“Our two biggest weaknesses are our lack of marketing and financial planning efforts. This has always been like that; it has never changed but it is because of me because I cannot think of making money as a goal for our social enterprise. I am not a businesswoman, and I cannot think quantitatively. Therefore, we have no financial goals, we just want to have enough to live which was luckily never in danger, and what we care about is our impact.” (Green)

Interestingly, the commercial objective could have changed multiple times as Green has been massively successful over the last 12 years since it was founded. However, it has never happened and mainly because of the same reason which is the founder's attitude towards generating money and financial planning.

“We are winners of the Covid crisis as people got scared and started to look at alternatives for secondary employment. Hence, it is a great period for us financially and now we are technically in a growth crisis where we have so much to do, that I cannot and do not want to think about financials...we also had a well-functioning web store, but there was a shift in the organization's life in 2014 and thank God it does not work anymore. I realized that

I do not like, and I am not good at selling, what I am good at is selling myself and teaching.” (Green)

As described, the commercial objectives have never really interested Victoria and the social mission has had a clear priority in her eyes. Consequently, Victoria tried to leverage Green’s commercial success to increase its social impact which led to a more ambitious social goal that now also involves helping others with consulting services to start their own business in the industry and educating people about products used in cosmetics.

“As we moved forward, we created our organizational mission which is to disprove myths about the industry...Plus, we started consultancy services on founding a company in our segment and also communal shops where other professionals have the opportunity to rent their place for a more affordable price...many of them started their business after our workshops with them.” (Green)

Apart from Victoria’s passion for teaching to disprove misconceptions, another reason why they decided to expand their social goal was the identified market and disruption potential of the segment and the fact that the founder felt that Green could achieve more than its objective.

“More and more students came to attend our courses from other countries as well and in my opinion mainly because there was no similar activity to ours at our neighbors. I wanted to help everyone in every possible way to show that the advertisements of the major cosmetics firms are misleading and with some professional help, anyone can make and sell a better product...and due to our financial success, it became possible.” (Green)

In short, for Victoria, pursuing the social mission and thus fulfilling the organization’s goal on this end always had a priority, and she even changed this goal. Meanwhile, she has never felt that defining and achieving commercial objectives would be crucial for the success of Green.

“We are very successful because we have a good relationship with all stakeholders in the segment, we educate people about cosmetics, and enable others to start their firms.” (Green)

I identified a strikingly similar trend at Red and Pink about how their dual objectives were seen and thus prioritized and managed in the life of the organizations. The original social mission of Red was defined more than three decades ago which was to educate society about ways to protect the environment and to improve the condition of nature in the territory where the founders lived. It was formed due to my interviewee’s interest in the topic and an external request.

“In 1989 I participated in the Assembly of the Hungarian Nature Conservation Association in Budapest as I was always interested in nature and in finding ways to conserve it. Then to fulfill the wish of this association, about 10 people - including myself - founded the local organization...to develop the surrounding area and undertake different educational activities.” (Red)

The social goal of Pink was very similar to Red's as the organization's focus is on protecting the environment as well but with different tools which came from the founder's previous professional experience.

"I worked for another offsetting company before starting Pink, but they were doing this in developing countries and our clients always had questions if they can do something in European countries to reduce their carbon footprint. This gave the idea and social goal of Pink, to enable people to offset their emissions...where their emissions come from."
(Pink)

Just like Green, Red and Pink also changed their social mission as time moved forward. In the case of Red, the external environment changed which made them rethink their goal on the social side. Now, they narrowed their focus and concentrate on shaping mainly the next generation's mindset on environmental protection.

"Until the end of the 2000s, the green movement in Hungary was very strong, and they were responsible for organizing the lives of local communities with the municipalities. Unfortunately, in the last 10 years, this changed as the power of local authorities shrank massively thus our opportunities and expectations became smaller in this area. We accepted the situation, and rather than focusing on educating society, we focus on smaller target groups like local children by taking them on trips related to eco-tourism, for example... This is how we can be the most successful nowadays." (Red)

At Pink, the reason behind the change was the founder's dissatisfaction with the original social goal, setting new standards to track Pink's social performance.

"For offsetting projects to have an impact you need years. And to get to climate neutrality you need more, hence we started reforestation efforts in Germany and plan to expand in Europe." (Pink)

Although they changed them over time, similarly to Green, what these companies have in common is the constant prioritization of social goals that are seen as the determinants of success. On the other hand, also the limited effort invested in the financial part of the dual objectives, which phenomenon never changed at them. In Red, financial goals have been always defined as the ability to operate without losses, while in Pink, it is the ability to maintain organic growth. However, just like in Green's case, the founders did not stress their importance a lot.

"At the end of the year, when we have a meeting with all the important stakeholders, my colleagues and I tend to laugh at the balance sheet as we do not understand what the different definitions mean there. I could not tell you what our budget was in the last year and financial numbers never played an important role for me, I just want to do what I like, protecting nature... so success to me is to maintain this activity and as long as we survive financially, it is fine." (Red)

"Since we started, I wanted to make sure that every cent we spend, has a positive impact on the environment so, from the start, we already bought away emission rights. This is a success to me, namely that with every emission right we take out of the European trading

system, we avoid that 1 tonne of CO₂ gets released in Europe...in terms of money, I just want to have enough to grow without external capital...money has never been a priority.” (Pink)

6.2 Black, Orange, and White: where the financial goal was modified

Orange was founded in 2015 by 6 highly-qualified founders who were all interested in the topic of social enterprises and in the possibility to build social economies with them. Some of them, like the co-founder and my interviewee Orsolya, even researches the topic, thus Orange can be considered as the practical implication of their professional interest. This interest influenced Orange’s social goal and mission which the co-founder described the following way:

“Our social objective is to enable a sustainable...life within Budapest and going one step further, to question and to provide alternatives for the current capitalist system. We do this via our activities, like building communal green spaces in the city, coordinating local gardens’ distribution, or building and popularizing our cargo bike delivery system. What also contributes to this social goal is the way we do our activities, for example, we run the cargo bike system via donations, not by market logic and fixed prices.” (Orange)

This social goal has never changed for Orange and the founders see it as basically the fulfillment of their passion. For example, they do not even receive salaries for their efforts.

“Although we had a lot of internal discussions on different ways to achieve it, our social goal has never changed, and it has always been our desire that we try to fulfill in our free time. In principle, we always wanted to educate people and show them that instead of maximizing profits, there should be other goals in their lives.” (Orange)

While the social goal of Orange stayed the same, the financial goal of the organization changed over time. Initially, it was to be able to operate and survive with a relatively strong reliance on external income so the social enterprise can pursue its social mission. However, as time passed this idea changed and became more ambitious as the founders want Orange to be run with minimal or no external support, relying only on the income from Orange’s activities and the founders’ relationships. This change was supported by the pandemic.

“Our key financial goal was to maintain the ability to pay our rental fee. Initially, it was strongly supported by obtaining some income through different sources. Then, during the pandemic, we had to give up on our office which eliminated our biggest cost, and now we try to operate through our social capital and our income with minimal external support.” (Orange)

Although due to the pandemic, the biggest cost disappeared, the main reason behind the change of their financial goal was not this, but the conflicting relationship the founders had identified among the dual objectives of the organization. Orsolya introduced me to this contrary dynamic

through two significant examples.

“When relying on external opportunities, like tenders, organizations tend to spend a lot of time applying for these tenders and filling out paperwork. In the end, they win 1 out of the 10 tenders, and they could have spent this time doing useful activities. Hence, we operate with a different logic, and first, we have a look at our capabilities, and then we apply if we apply...although we could be on paper more successful financially, during the time of the application we can do multiple other projects that contribute to our social goal.” (Orange)

“I see our social goal as a roadblock to being successful financially as to stick to our values and social goals, there are requests that we must reject. For example, there was a multinational company that wanted to use our cargo bikes at its exhibition, and we said no because in our opinion it was purely greenwashing. This happens many times, many companies just want to display their usual business as green and use us as a marketing activity.” (Orange)

In short, the founder described to me two different scenarios. In the first one, if they put their efforts into achieving financial success, that would block their social objectives. In the second one, while they are focusing on sticking to their social mission, they are also less successful financially. Hence, a conflicting relationship can be observed between the dual objectives, and to react to this, Orange changed its financial goal.

I observed these contradictory dynamics among social and financial goals in the cases of Black and White too, who also changed their financial goals. Although they are both non-profits, the social enterprises set and monitored relatively ambitious commercial targets. Black wanted to make sure that the social enterprise can operate without receiving external money with being run by the beneficiaries, while White wanted to achieve a 15-20% growth in their revenues. However, the financial goal of both organizations changed due to similar reasons. First, I will introduce the case of Black whose social mission has always been to provide jobs for beneficiaries in one of the most underdeveloped villages in Hungary.

“We were aware of the fact that most of the workers have very low competencies... However, when you start you know less, have high expectations, and to fulfill the goal of our program about reducing segregation, we planned to give the social enterprise to beneficiaries without us being involved. Yet, if someone closely experiences the knowledge and social skillset of these people, then it can be quickly acknowledged, that this is not possible within one generation...Hence, we adapted our financial goals and now our target is to use as little external money as possible to maintain operations, with regular employees and experts still fulfilling key positions in Black.” (Black)

When I asked the founder if she saw another way of tackling this conflict between social and financial objectives like changing the social goal, she gave me a straight answer:

“Our real products are not necessarily what we produce, but the people who then can join society due to the skills we teach them. We never wanted to change this.” (Black)

In the case of White, as mentioned, the original goal was an ambitious 15%-20% revenue growth that also became a little less demanding due to similar reasons.

“When we started, we expected at least a 15-20% revenue growth...However, soon we realized that there is a conflict between our goals because due to our social mission, and the disabilities of our colleagues, our target group is smaller which determines us a lower probability of achieving financial success. Hence our goals went down to a 10-15% growth and now, during the pandemic, our situation even got worse, and our goal is to survive or at least not to generate losses...but more importantly...to keep all our employees even though the financial situation is challenging.” (White)

6.3 Blue and Grey: cases where the original objectives were kept

In the cases of Blue and Grey, none of the dual objectives changed over time. First, I will introduce these goals and then discuss the dynamics between them.

The initial driver behind Blue’s social mission was the founder’s family as she has a son who is almost 50 now, but the doctors predicted that he would not live longer than 5 years. As the prediction did not turn out to be right, my interviewee decided to look for possibilities to improve her child’s life which emerged to be the social goal of Blue.

“The doctors told me that my son, Tibor will only live until the age of 5 but very quickly he turned 6, and I realized that I had to do something because probably he will grow up...as there was nothing in the private sector in Hungary for people like my son...I decided to do something on my own, with the social goal to improve their lives physically, and mentally as well. This objective has never changed in the last decades, we just want to make sure that our beneficiaries have a good life. (Blue)

On the other hand, the financial objective of Blue has always been about survival, hence my interviewee considers the financial goal fulfilled if the organization can operate without losses.

“Of course, money is important because we live from money, and we need to pay our employees...and we monitor our performance...However...to be honest, we always just wanted to have enough to survive, and this goal never changed, and its improvement has never been prioritized.” (Blue)

In the case of Grey, the organization’s social goal is to provide all students access to learn English via different forms of education like arts or language exchange and to improve the relationships between stakeholders in the ecosystem. This target was set based on the founder’s previous professional experience.

“Grey was started as a freelancing activity...then we thought about providing the opportunity for other artists and educators as well as about becoming a new player in the

educational ecosystem who would also like to improve relationships between the existing ones, like schools and teachers. We never had a change in our social mission, only in the tactics to get there.” (Grey)

My interviewee, the co-founder Justin defines the organization’s financial goal as the ability to operate without relying on his, and his partner’s investments. It is something they have been trying to achieve from the very beginning, hence the objective has never changed.

“We achieve our commercial objective when the founders can step out of the organization, and it becomes self-sustaining without our support...We do not have any ambitious goals, as long as we are not below zero and there is a surplus it is fine.” (Grey)

Although the social and financial goals of the two organizations are different, how they are managed and seen is quite similar. On one hand, these objectives are considered as sometimes conflicting and sometimes reinforcing each other where both are necessary to achieve success. Justin, the co-founder of Grey, and Elizabeth the founder of Blue described the relationship between the two objectives in the following way:

“It is kind of like a river that points you into the patterns of force and sends you into a certain direction...that sometimes suits you well, and sometimes pushes you into the stormy ocean. To demonstrate this, in the beginning...it was much more important to show our social goals and what we were doing, and why, to help us get some financial support...Then, to reach a larger audience and scale our impact we did a commercially-driven merger where we bought the market leader...Of course, there were tradeoffs and collateral damage of being too financially focused, like mission drift and...the priority of goals might be different in certain periods, but both are components of success.” (Grey)

“It depends. There was a time when we received financial support from the state based on the level of intellectual disability of our beneficiaries...at this point, I would say that our social goals supported the financial ones...However, now we are in an extremely dangerous financial situation and our existence is being threatened as we need to raise the wage of our beneficiaries due to a regulatory change...Although it is not always as important as our social goal, we need the money to have the opportunity to be successful ...and to provide our beneficiaries with a better life. So, to be successful, we need both sides to work well.” (Blue)

On the other hand, the other common characteristic between the two social enterprises is that both founders have in general always been satisfied with the objectives of their organization. This can be concluded from both Elizabeth’s, and Justin’s statements regarding their dual objectives from which I will first highlight their view on social goals.

“For me, the biggest success was when I saw my son who cannot speak going to work independently...I could have never imagined anything else to be a social goal, we just want to improve our beneficiaries’ condition... and if their life improves, we are perfectly happy and achieved the biggest success possible. (Blue)

“We never had a change in our social mission, only in the tactics to get there like migrating from offline to online...To be honest, our organizational mission is also almost

entirely my personal mission, therefore I have always been happy with what we are doing.” (Grey)

In terms of the financial objectives, I identified a similar view in the cases of Blue and Grey.

“To be honest, we always just wanted to have enough to survive, and this goal never changed...Since it enables us to improve the lives of the beneficiaries...we feel that this objective has always been satisfactory for us.” (Blue)

“We are a non-profit organization...we never had, and we do not have any ambitious goal, as long as we are not below zero and there is a surplus it is fine.” (Grey)

In short, the two organizations have never changed their goals. The key reason behind this is that while the founders see the dual objectives as paradoxical as they sometimes conflict and sometimes support each other (Smith et.al., 2013), they have always been satisfied with them over the life of the organization. Next, I will introduce the cases of four social enterprises where the leaders were not pleased with their objectives, and this combined with their paradoxical understanding of goals led them to change both.

6.4 Yellow, Brown, Azure, and Purple: organizations that adapted both goals

Purple’s original social goal in 2011 when it was founded was to contribute to social justice. Specifically, to alleviate poverty in Morocco by providing work opportunities with fair wages for the people there in a way that is respectful to the environment.

“When I went to Marrakesh, I was fascinated by the skills of the people and at the same time shocked by their standard of living, and I just thought it is super unfair that they have these amazing skills I really admire, and they cannot make a living out of them...I felt that I had to do something good for them.” (Purple)

This ambitious social goal and Andrea’s early opinion about the only way to achieve it, naturally brought a bold commercial objective as well that Purple tried to pursue in the beginning.

“If you really want to scale your social impact, you need big money as there is 1 out of 10.000 businesses that manages to grow without external money. So, when I started, I was also looking for venture capital money, and back then, I obviously created a business plan that had the two-digit growth path.” (Purple)

However, as time passed, both organizational goals changed. On the financial side, now, instead of aiming for the growth expected by venture capital firms, Andrea only wants a sustainable organization that can guarantee her financial safety, and the possibility to support the beneficiaries in the local communities where they work. She described the cause behind this change in the following way:

“I was very aware of the social and environmental challenges we face as a society, and I wanted to be a part of solving them. As I did not find people who shared my vision, I just bootstrapped and after 2-3 years, I realized that success is not about two-digit growth for me.” (Purple)

In short, Andrea had to change her financial plan since she was not satisfied with the external circumstances as nobody wanted to support her aspirations and social goal financially. Consequently, after making this decision she could only rely on her own money, her social goal had to be adapted as well. She even desired this change, as she did not find the original social mission satisfactory anymore.

“We did too many things which were challenging financially...and at a certain point, our customers did not understand anymore what we stand for. Basically, we had to learn how to say no, even if people ask for something really good. Now, our clear goal is to support girls and women to be able to make a living.” (Purple)

To briefly conclude, Purple adapted both of its objectives over the life of the organization. In the beginning, Andrea could have sacrificed her social goal to generate a higher turnover as Purple’s social mission was hindering the achievement of greater financial success. However, for her, it was never an option, and she never considered these goals necessarily contradictory as one would think after she was not able to raise money due to Purple’s social mission. She sees these goals as mutually necessary elements of success making them interrelated and that can also support each other.

“I definitely do not see social and financial goals always to be conflicting, if you look at Patagonia, they are a large organization that managed to grow its customer base and differentiate due to its social mission. Recently we became B. Corp certified where I also see other large organizations like them. And to be honest, if we would not believe that it is possible to achieve success on both ends and that goals can also support each other, we as a world are in trouble.” (Purple)

Although for Andrea working without abolishing one of the goals was never an option, she also found it important to highlight that next to the positive examples mentioned above, there are scenarios when the two goals hinder each other - like her fundraising story - and balancing them is a constant challenge.

“I am always a little bit torn because of course, with more money, you can have a bigger impact. But for our sales, we send packages from Germany to Ethiopia which is not exactly sustainable, and we still work with leather that I try to use less and less but should I then try to throw away a community’s tradition? You cannot be perfect.” (Purple)

This view, that these objectives can be seen as sometimes hindering, and sometimes supporting the other was a common characteristic that I recognized in the other three organizations as well that changed both of their goals while navigating their social enterprise towards success. In addition to this, another trait I identified in all social enterprises was the fact that the leadership

staff at some point was not pleased by the original social goal which phenomenon was initially triggered by some change on the commercial side. Subsequently, this made leaders rethink their social objectives like in the case of Purple.

An example of the first common trait and the paradoxical understanding is the case of Yellow where the original social goal was to create inclusive and integrative employment opportunities for disadvantaged groups of people in society. As the general manager, Edit described it, this social goal sometimes supported them in achieving or even surpassing their initial financial goals which were to make sure that the organization can survive.

“Since 2010 the financial support targeting the rehabilitation of employees with disabilities is more strongly supported by the state making organizations more interested in hiring them...This increases the demand for our services, as we can help companies with headhunting, or consulting services regarding the integration of the employees. Before this, cooperation with companies did not exist and this phenomenon significantly increased our revenues.” (Yellow)

However, just like at Purple, the leaders of Yellow also acknowledged that the dynamics between their dual objectives cannot always be seen positively. This includes Edit, my interviewee, and the general manager of the social enterprise.

“Fulfilling our financial objectives has some drawbacks as well. Partly due to our growth, I see that the proportion of our tailored services for our beneficiaries decreased for what we need to find a compromise as this contradicts the goal behind the foundation of the organization and conflicts success from a professional, not a financial perspective. Still, although it can be sometimes challenging, we need to achieve success on both sides.” (Yellow)

Her paradoxical experience, namely that there have been some situations for the social enterprise when the social and financial goals supported, and others when they hindered each other (Smith & Besharov, 2019) was shared by my interviewees from Brown and Azure. Moreover, also the fact that even though this relationship can lead to some challenges, both goals are seen as necessary to achieve organizational success.

“On one hand they enhance each other, and on the other hand they conflict with each other because of course you need financial success...to achieve social goals, but it can also danger them. With the creation of the organization, our goal was to show that these goals can be followed parallelly, and achieving dual success is possible...but choosing projects in our company is an ongoing debate...it happens quite often that we must have a discussion and judge each case.” (Brown)

“For me, social and financial goals go totally together. The more customers you have who are willing to invest in their supply chain, the higher the impact...the more we earn. Of course, the more money you have...the more your customers will buy, and the less sustainable you might be for the environment. But it is a balance you need to find since as a social entrepreneur, you need to achieve both goals.” (Azure)

As mentioned before, apart from the paradoxical understanding of goals, what Yellow, Brown, and Azure also have in common with Purple is that at some point the leadership staff of the organization was not satisfied with their social goal anymore due to some economic change that led to rethinking their social mission. In the case of Azure, the dynamic was very similar compared to Purple. Sonja, the founder of the social enterprise faced the challenge of not being successful enough commercially and she realized that redefining the social mission is an option to tackle this challenge, especially since she felt that her impact could become bigger than planned before.

“When you start...you have ambitious double-digit growth goals but then you experience that things move slower than you thought...and I had to redefine my plans...that are now...targeting stability and the ability to reinvest...Then I always thought that as an entrepreneur you need to be open to opportunities and...now, we have requests for our software that multinational companies want to use in their factories in Germany...They want to improve the organizational culture and give training to their workers on different topics like gender equality or human rights...Even though I was hesitating to accept these requests first...I felt that I could contribute more to society and I would feel more accomplished as a social entrepreneur by expanding our target group and the services we offer.” (Azure)

The process leading to changing the social goal due to the partial dissatisfaction with the original one was present in the cases of Brown and Yellow as well. However, in their cases, commercial success was the trigger event instead of different challenges. For example, as Brown managed to become financially successful surpassing the original, 25% revenue growth targets, they aimed for financial growth of 30-40% each year and the company started to reevaluate its social mission, which was to produce a great product in a plastic-free, environmentally sustainable way.

“In the beginning, we were only thinking about how we can make a shift towards sustainability by producing a good product. Then when we had enough money, we started to see what else we could do since we are never happy enough with our impact. After 3 years of operations, we became a certified B Corp. supporting projects like...providing access to...drinking water with Viva Con Agua. In 2019, we also started our incubator program to support other products fighting the environmental crisis.” (Brown)

At Yellow, as mentioned earlier, there was a beneficial external change, the increasing external support from the state that started a process like at Brown and made the social mission more ambitious. By having more resources, they could formulate a social mission which was described by my interviewee in the following way:

“First our financial goals were not ambitious, the founders aimed to make sure that the organization can survive...as time went by and we performed well financially... we targeted a 10-15% revenue growth...Also, we changed our social goal which is... not only about proving job opportunities for the beneficiaries but also about making society more

sensitive about these disadvantaged groups and spreading the concept of social enterprises. For example, we work together with groups of researchers at one of the universities in Budapest...We simply had the feeling that we can and should do more...”
(Yellow)

Hence, based on my findings, the organizations that reinterpreted both of their dual objectives have a paradoxical understanding of social and financial goals which is also found by Smith and Besharov (2019). A key contributor to these changes was the fact that leaders of the organizations were not satisfied with their original social goals. This is in contrast with the social enterprises mentioned in the previous chapter where the relationship between the dual objectives was also seen as paradoxical, however, those dual objectives were never doubted.

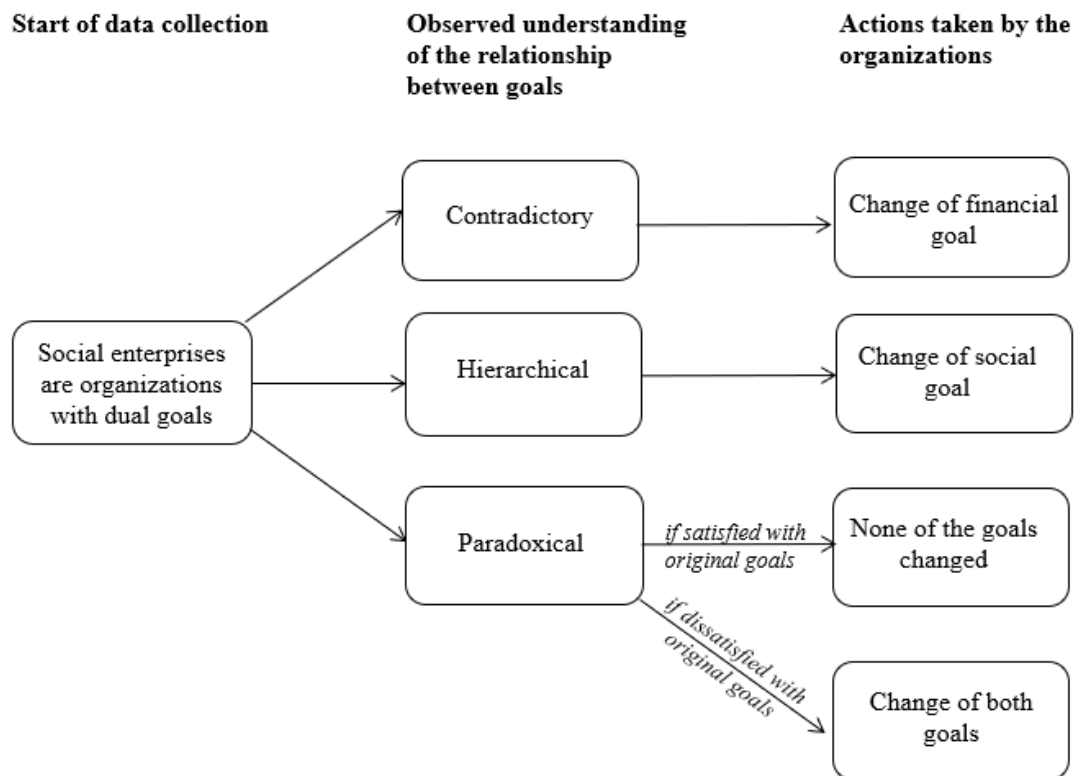
7 Discussion

Social enterprises are organizations addressing social problems with their ventures (Battilana & Lee, 2014) and have increasing relevance worldwide (van Abel, et.al., 2021). Managing their social and financial missions successfully is a key challenge for them (Battilana et. al., 2015) and we still lack an in-depth understanding of ways to do so (Smith & Besharov, 2019). In this thesis, I investigated the cases of 12 social enterprises to see how they manage their dual objectives and to discover the key drivers behind this process. In answer to this, I identified different trajectories⁴ to balance goals depending on the understanding of their relationship and the leaders' satisfaction with them.

A common characteristic of social enterprises is that they have two goals, however, the relationship between them can be seen differently, for example, as conflicting. As Litrico and Besharov (2019) showed, if there are conflicts between the dual objectives, it is a common phenomenon in social enterprises to make a compromise on the social mission. In my research, where the dual goals were seen as contradictory the opposite happened, and the founders changed their initial commercial objective and made it less ambitious to keep the original social mission. As a theoretical contribution of my work, I identified a new hierarchical frame and relationship between the goals, where one side is prioritized over the other. There were three organizations where I observed that the leaders showed a strong preference for social goals and no interest in achieving commercial success. However, to make their organization successful in their eyes, leaders adapted their social mission. In short, if the goals were seen as contradictory the financial, if as hierarchical, the social goal changed in these organizations.

I identified different dynamics when the relationship between the two objectives was considered paradoxical. In this case, as literature shows, it is a common phenomenon that both goals are adapted over the life of the organization to successfully maintain operations (Smith & Besharov, 2019). In my study, also both objectives were changed but only when the founders were not satisfied with their original goals, in my case more specifically with the social goals due to some change on the commercial side. However, the paradoxical understanding of goals also led to keeping both original objectives when the leaders were satisfied with those as they fulfilled their organization's needs. Hence, although, the actions were different, the objectives were seen as interrelated and managed together under the paradoxical frame.

⁴ The detailed illustration is on the next page.

Figure 3: How did the interviewed social enterprises manage their goals?

Source: own research

8 Contributions

With my thesis, I am attempting to answer how social enterprises can manage their goals and discover the influencing factors behind that. In this chapter, I will briefly introduce my findings regarding this question and compare them with our current knowledge on the topic.

The first contribution of my work is related to the cognitive understanding of the relationship between the dual objectives – namely frames (Smith & Besharov, 2019) - as I found that they influence leaders' behavior when managing organizational objectives. We already have some knowledge on this topic as Smith and Besharov (2019) showed that paradoxical understanding of goals leads to a parallel manipulation of the dual objectives or as Ebrahim and colleagues (2014) highlighted, a contradictory frame tends to mean that the social goal is sacrificed. Yet, my study offers various new contributions to the field. To begin with, I identified a new, hierarchical frame in the interviewed social enterprises where the dual objectives were not seen as interrelated but the social goal was prioritized overshadowing the financial one. Consequently, this understanding meant that leaders only focused on the social goal which they changed to make the organization more successful. Furthermore, my work shows that a contradictory understanding of goals can also lead to changing the goal on the commercial side to avoid sacrificing the social mission whereas in literature the opposite dynamic tends to be highlighted (Ebrahim et.al., 2014). The difference between the two findings is that the situation described by Ebrahim and colleagues (2014) is a mission drift where the financial goal becomes dominant, and the social enterprises change their social goals in parallel. Meanwhile, in my study, the opposite happens. The reason behind this difference might be that my investigated organizations were not facing mission drift but simply saw the goals as contradictory, and to tackle the problem they changed the commercial goal as they still saw the social mission as more important. Finally, I found that when goals were understood as paradoxical, all social enterprises saw them as interrelated and if leaders decided to change one goal, they changed the other in parallel. This finding is aligned with the article of Smith and Besharov (2019), however, how my thesis adds new knowledge to the field is that I dug deeper by introducing a new variable, namely, leaders' satisfaction with goals, and showed that changing both goals is not the only possible path within the frame. For example, if leaders are satisfied with their original objectives, it happened that they did not change any of them and they only changed both, when at some point they were not happy with the original objectives and felt that they had

to make a strategic move (Visnjic et.al., 2021).

Second, I found that frames have an impact on how social enterprises initially define and measure their dual goals. As a new contribution to literature, when I identified a hierarchical relationship between the two objectives, I observed that leaders never really worked on defining and keeping track of their commercial objectives. However, they invested a significant amount of effort in defining the most adequate social goal and monitoring performance on this end, as achieving the social mission was seen as the only indicator of success. Meanwhile, when the dual goals were seen as contradictory, I observed that social enterprises measured performance on both ends, like in the cases of Black, Orange, and White. Regarding the definition of the goals at these organizations, my work shows that since the goals were mutually hindering each other, to alleviate this conflict, leaders defined less ambitious financial goals. How my work contributes to existing knowledge is that it proves that this understanding does not necessarily lead to defining more ambitious commercial goals and shifting more attention to measuring financial performance as it is often described by literature (Litrico & Besharov, 2019). When I observed paradoxical frames, the organizations also constantly measured their performance on both ends and aimed to define goals that mutually enable the other. This finding is aligned with the one from Smith and Besharov (2019) but my work adds new knowledge related to this frame as well. Compared to the existing literature on the topic, my work shows the goals under a paradoxical frame are not necessarily redefined regularly to ensure successful operations but they can also be initially defined and then never changed depending on leaders' satisfaction with them.

My third contribution is related to performance measurement which also influences how the dual goals are managed. More specifically, I found that different indicators are relevant for social enterprises to help leaders to make a decision if changing their organization's objectives is necessary. What makes my work unique is that while the literature on performance measurement at social enterprises focuses on orienting the organization toward achieving its goals (Bagnoli & Megali, 2011), assessing its efficiency (Beisland et.al., 2021) and providing ideas for these (Ebrahim & Rangan, 2014), I show its crucial role in managing the social and financial mission adequately. For example, at Brown, the founders saw that the organization outperformed its previous revenue targets, which made them feel that since they are overdelivering their original financial goals, they should adapt, and make their social mission more ambitious. Meanwhile, at Azure, as the founder was not completely satisfied with the organization's commercial performance, she decided to extend the social mission, to be able to

stay successful on both ends. Finally, as the examples of Grey and Blue showed, it can also mean for the social enterprise that as long as their targets are achieved according to their performance indicators, they should not change any of their goals. In short, I found that different indicators can function as signals for leaders on when they should adapt their objectives and I introduced multiple scenarios through different case studies.

Finally, I identified that performance measurement supports leaders to make their organizations' objectives more specific and operationalizable. As partly mentioned before, research on performance measurement practices mainly focuses on their role in improving organizational and individual performance (Beer et.al., 2021). In this case, my finding contributes to the existing literature because rather than focusing on its role in maintaining and enhancing efficiency, I show the relevance of performance measurement tools in defining the organization's objectives. Hence, I demonstrate how these tools were used to narrow down different missions helping the organizations to operationalize their goals. For instance, Orange's social goal is to question the current capitalist system and educate society about alternatives which can also be considered their long-term mission that is basically impossible to achieve. However, by introducing some performance indicators they managed to operationalize this objective as they measure how many new green communal places they built in the city, or how many educational events they have. Another example is Purple, where first the social goals were blurry making the organization unsuccessful. However, now by measuring the number of women helped by their activities in developing countries, the founder knows which steps she needs to take to achieve her social goal. In short, performance measurement tools enable managers to better operationalize and more easily manage their objectives.

9 Limitations and potential for future research

My work also has some limitations. First, due to the scope of my study and lack of time, I did not have the opportunity to interview multiple informants within the organizations hence the data triangulation of my work is limited (Jonsen & Jehn, 2009). In future studies, this could be tackled by observing the organizations for a longer time frame involving multiple interviewees (Hartley, 1994). Second, I only investigated the cases of social enterprises whose scope could be extended to other organizations with dual goals. As even traditional businesses are soon expected to have multiple objectives (Visnjic et.al., 2021), it offers an area to research with great potential. Third, as Smith and Besharov (2019) highlighted, social enterprises can often reinterpret their goals and simultaneously their understanding of them. However, in my study, I only focused on one frame per organization and did not include the potential implications of different understandings on managing goals within the same organization, which offers another topic to investigate. Finally, next to the key variables of my work like leaders' understanding of, and satisfaction with the dual goals, I did not include factors regarding the executives' characteristics. Yet, as Wry and York (2017) showed, experience or competencies might also have an impact on managing social enterprises' goals offering another research opportunity.

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Appendix 1: Evidence on the understanding and management of goals

Black

<i>How were the goals understood?</i>	“The goals are definitely contradictory...we were aware of the fact that most of the workers have very low competencies, most of them never worked before, and a few of them are even illiterate. However, when you start you know less, have high expectations, and to fulfill the goal of our program about reducing segregation, we planned to give the social enterprise to beneficiaries without us being involved. Yet, if someone closely experiences the knowledge and social skillset of these people, then it can be quickly acknowledged, that this is not possible within one generation...”
<i>How were the goals managed?</i>	“Financially, first we set a target that the organization should be able to operate without relying on external funds and... we planned to give the social enterprise to beneficiaries without us being involved but... if someone closely experiences the knowledge and social skillset of these people, then it can be quickly acknowledged, that this is not possible within one generation...Hence we adapted our financial goals and now our target is to use as little external money as possible to maintain operations with regular employees and experts still fulfilling key positions in Black...Our social mission never changed...we always prioritized the people...as our real products are not necessarily what we produce, but the people who then can join society due to the skills we teach them. We never wanted to change this.”

Red

<i>How were the goals understood?</i>	“At the end of the year, when we have a meeting with all the important stakeholders, my colleagues and I tend to laugh at the balance sheet as we do not understand what the different definitions mean there. I could not tell you what our budget was in the last year and financial numbers never played an important role for me, I just want to do what I like, protecting nature... so success to me is to maintain this activity and as long as we survive financially, it is fine that is why we say yes to any project and ignore financials.”
<i>How were the goals managed?</i>	“Our social goal changed as until the end of the 2000s, the green movement in Hungary was very strong and they were responsible for organizing the lives of local communities with the municipalities. Unfortunately, in the last 10 years, this changed as the power of local authorities shrank massively thus our opportunities and expectations became smaller in this area. We accepted the situation and rather than focusing on educating society, we focus on smaller targets groups like local children by taking them on trips related to eco-tourism, for example as due to the circumstances, this is how we can be the most successful nowadays. Our commercial targets never changed...as financial numbers never played an important role for me...I do not understand them, and I never wanted to do it either...financial success has always been about survival for us.”

Blue

<i>How were the goals understood?</i>	“It depends... to be successful, we need both... There was a time when we received financial support from the state based on the level of intellectual disability of our beneficiaries...at this point, I would say that our social goals supported the financial ones. However, now we are in an extremely dangerous financial situation and our existence is being threatened as we need to raise the wage of our beneficiaries due to a regulatory change. We will not be able to do this unless we spend less on the people that we do not want. I find the situation extremely unfair that we are treated like traditional firms...”
<i>How were the goals managed?</i>	“Our mission is to have our beneficiaries in the best possible condition...with the social goal to improve their lives physically, and mentally as well. I could have never imagined anything else to be a social goal, we just want to improve our beneficiaries’ condition...I cannot even think of anything else as an objective for us... For me, the biggest success was when I saw my son who cannot speak going to work independently...Financially...of course, money is important because we live from money, and we need to pay our employees...and we monitor our performance...However...to be honest, we always just wanted to have enough to survive, and this goal never changed, and its improvement has never been prioritized.”

Yellow

<i>How were the goals understood?</i>	“It depends...since 2010 the financial support targeting the rehabilitation of employees with disabilities is more strongly supported by the state making organizations more interested in hiring them which increases the demand for our services, as we can help them with headhunting or consulting services regarding the integration of the employees. Before this, cooperation with companies basically did not exist and this phenomenon significantly increased our revenues... however, fulfilling our financial objectives has some drawbacks as well. Partly due to our growth, I see that the proportion of our tailored services for our beneficiaries decreased...although it can be sometimes challenging, we are a social enterprise, and we need success on both sides...but it always presents dilemmas for the founders.”
<i>How were the goals managed?</i>	“Both of our goals were changed...First, our social goal was...providing work to groups of potential employees who cannot enter to labor market on their own due to different reasons like lack of qualifications, long-term unemployment, or disabilities...As time went by and we performed well financially, we changed our social goal which is...not only about proving job opportunities for their beneficiaries but also about making society more sensitive about these disadvantaged groups and spreading the concept of social enterprises, for example, we work together with groups of researches at one of the universities in Budapest. We simply had the feeling that we can and should do more... First, our financial goals were not ambitious, they aimed to make sure that the organization can survive...then we targeted a 10-15% revenue growth as stagnating organizations do not exist...since 2010 and the financial support targeting the rehabilitation of employees with disabilities.”

Orange

<i>How were the goals understood?</i>	“I see our social goal as a roadblock to being successful financially as to stick to our values and social goals, there are requests that we must reject. For example, there was a multinational company that wanted to use our cargo bikes at its exhibition, and we said no because in our opinion is purely greenwashing. This happens many times, many companies just want to display their usual business as green and use us as a marketing activity...”
<i>How were the goals managed?</i>	“Our social objective is to enable a sustainable, or at least a more sustainable life within Budapest and going one step further, to question and to provide alternatives for the current capitalist system...this has never changed as for us, the 6 co-founders...it has always been our desire that we try to fulfill in our free time...and for some of us it is relevant in our professional lives as well as researchers of the topic...On the financial side, our goal has been always to maintain the ability to pay our rental fee...and survive but...Initially, it was strongly supported by obtaining some income through different sources but...we found that often it is better not to get funds. When relying on external opportunities, like tenders, organizations tend to spend a lot of time ...filling out paperwork...and many companies just want to display their usual business as green and use us as a marketing activity...so our financial goal now is to achieve survival by relying on our own resources.”

White

<i>How were the goals understood?</i>	“When we started, we expected at least a 15-20% revenue growth from ourselves to be able to hire more people or raise our employee’s wages. However, soon we realized that there is a conflict between our goals because due to our social mission, and the disabilities of our colleagues, our target group is smaller which determines us a lower probability of achieving financial success.”
<i>How were the goals managed?</i>	“In terms of our financial results when we started, we expected at least a 15-20% revenue growth but...due to our social mission...our target group is smaller which determines us a lower probability of achieving financial success. Hence our goals went down to a 10-15% growth and now, during the pandemic, our situation even got worse and our goal is to survive or at least not to generate losses...Our social mission, on one hand, is to provide work for our beneficiaries and to make them happy people who feel like useful members of society...and to make society more sensitive...This never changed, our founder and CEO always made sure that we follow this mission.”

Pink

<i>How were the goals understood?</i>	“Honestly, in terms of money, I just want to have enough to grow without external capital and I do not really focus on our financial performance, I want to focus on our impact, hence the money has never been a priority... Since we started, I wanted to make sure that every cent we spend, has a positive impact on the environment so from the start we already bought away emission rights. This is a success to me, namely that with every emission right we take out of the European trading system, we avoid that 1 tonne of CO2 gets released in Europe.”
<i>How were the goals managed?</i>	“Our social goal changed as I was a bit impatient since we only did offsetting projects, and for those projects...to have an impact you need years. And to get to climate neutrality you need more, hence we started reforestation efforts in Germany and plan to expand in Europe... in terms of money, I just want to have enough to grow without external capital, but it has never been a priority.”

Grey

<i>How were the goals understood?</i>	“It is kind of like a river that points you into the patterns of force and sends you into a certain direction. You can try to steer and counter-correct and maybe find some side paths, but you are constantly dependent on the winds that sometimes suit you well, and sometimes push you into the stormy ocean...we constantly need to find a balance between chasing an opportunity to boost our revenue and trying to stick to our mission. It is an ongoing negotiation.”
<i>How were the goals managed?</i>	“We never had a change in our social mission, only in the tactics to get there like migrating from offline to online...I think it has a personal reason as we started as a ...freelancing activity that my partner and I were doing that we transformed into a social enterprise... Then, we thought about providing the opportunity for other artists and educators as well as about becoming a new player in the ecosystem by teaching all kinds of children in creative ways... Thus we started helping others in our shoes...and we have always been satisfied with this... Our commercial goal is that...the founders can step out of the organization and it becomes self-sustaining without our support...since we are a non-profit, we have never asked for more...as long as we are not below zero and there is a surplus it is fine.”

Brown

<i>How were the goals understood?</i>	“On one hand they enhance each other, and on the other hand they conflict with each other because of course you need financial success and money to achieve social goals, but it can also danger them. With the creation of the organization, our goal was to show that these goals can be followed parallely, and achieving dual success is possible.”
<i>How were the goals managed?</i>	“Regarding our social goal, in the beginning, we were only thinking about how we can make a shift towards sustainability by producing a good product. Then when we had enough money, we started to see what else we could do...After 3 years of operations, we became a certified B Corp. supporting projects like providing reasonable access for disadvantaged communities to clean drinking water with Viva Con Agua. In 2019, we also started our incubator program to support other products fighting the environmental crises...Initially, financially we set a 25% revenue growth target but quickly it became 30-40% that we could achieve...and we changed our commercial objective.”

Purple

<p><i>How were the goals understood?</i></p>	<p>“I definitely do not see social and financial goals always to be conflicting...I am always a little bit torn because of course, with more money, you can have a bigger impact. But for our sales, we send packages from Germany to Ethiopia which is not exactly sustainable, and we still work with leather that I try to use less and less but should I then try to throw away a community’s tradition? You cannot be perfect...if we would not believe that it is possible to achieve success on both ends and that goals can also support each other, we as a world are in trouble.”</p>
<p><i>How were the goals managed?</i></p>	<p>“Purple’s goals changed on both ends... if you really want to scale your social impact, you need big money as there is 1 out of 10.000 businesses that manages to grow without external money. So, when I started, I was also looking for venture capital money... as I did not find people who shared my vision, I bootstrapped and after 2-3 years, I realized that success is not about two-digit growth for me...and I just want to make enough, to stay safe and support our social mission...On the social side, was very aware of the social and environmental challenges we face as a society, and I wanted to be a part of solving them. In the beginning, we did too many things ...and at a certain point, our customers did not really understand anymore what we stand for. Basically, we had to learn how to say no, even if people ask for something really good. Now, our clear goal is to support girls and women to be able to make their own living...and over time, we have become a little bit more activists, and clear on what our values are.”</p>

Azure

<p><i>How were the goals understood?</i></p>	<p>“For me, social and financial goals go totally together. The more customers you have who are willing to invest in their supply chain, the higher the impact, and the more we earn. Of course, the more money you have...the less sustainable you might be for the environment, but it is a balance you need to find since as a social entrepreneur, you need to achieve both goals.”</p>
<p><i>How were the goals managed?</i></p>	<p>“Both of our goals changed...On the social side first I just wanted to improve the terrible working conditions of people I saw in Asia...as we became more well-known in the industry I always thought that as an entrepreneur you need to be open to opportunities and...Now, we have requests for our software that multinational companies want to use in their factory in Germany to give training to their workers on different topics like gender equality or human rights... and we are going to do those courses, extending our original social goal...Financially, when you start, especially as a first-time entrepreneur you have ambitious goals but then you experience that things move slower than you thought, and it is fine...we have less demanding targets now but being a social entrepreneur is not only about money and I accepted it.”</p>

Green

<i>How were the goals understood?</i>	“Our two biggest weaknesses are our lack of marketing and financial planning efforts. This has always been like that; it has never changed but it is because of me because I cannot think of making money as a goal for our social enterprise. I am not a businesswoman, and I cannot think quantitatively. Therefore, we have no financial goals, we just want to have enough to live which was luckily never in danger, and what we care about is our impact...We are very successful because we have a good relationship with all stakeholders in the segment, we educate people about cosmetics, and enable others to start their firms.”
<i>How were the goals managed?</i>	“Our financial goals never changed...and it is because of me, I am not a businesswoman...we just want to have enough to live and what we care about is our impact...On the social side...we wanted to help and empower mainly women to be able to start something new in their careers via our cosmetics courses...As we moved forward, we created our organizational mission which is to disprove myths about the industry as we found it extremely scary that people gather their information on different blogs and portals. Plus, we started consultancy services on founding a company in our segments and also communal shops where other professionals have the opportunity to rent their place for a more affordable price to help them overcome the highest entry barrier of the segment.”

Appendix 2: Interview guide

1. Warm-up question

a.1.: Please introduce yourself and the organization briefly!

2. Main questions (adapted if necessary)

b.1.: When would you say that your organization is successful?

Follow-up questions of *b.1.:*

- What are your key organizational objectives?
- What are your organization's mission and vision?
- Do you prioritize financial objectives over social objectives or vice versa?
- Do you see financial and social goals as conflicting, or as goals that reinforce each other?

b.2.: Why do you define organizational success in the described way?

b.3.: How has your view about organizational success changed over time? Why?

b.4.: How do you measure performance at the organization in terms of some indicators?

b.5.: Why do you choose to use these indicators to measure performance?

b.6.: How have your indicators changed over time, in terms of composition and relative importance? Please think about both social and financial indicators.

b.7.: If they changed, why did they change?

b.8.: Have your financial and social goals changed over time? If yes how and why, if no, why not?

b.9.: Is the company successful according to your standards? If yes why, if no, why not?

b.10.: If the previous answer is no, what actions do you take to make the organization more successful?

3. Follow-up questions (asked if necessary)

c.1.: What is the main activity of the social enterprise? Did it change over time? If yes, why, and how?

c.2.: Who are the most important external stakeholders of the company in terms of their contribution to the organization's success?

c.3.: How does the enterprise depend on these stakeholders?

c.4.: How have these external stakeholders influenced the definition of your priorities?

c.5.: How have these stakeholders influenced your objectives?

c.6.: What is your educational background?

c.7.: In which positions did you work before?

c.8.: How were your performance indicators created?

c.9.: As a founder:

- based on which indicators does your board hold you accountable at the end of the year?
- What are your key indicators to evaluate your employees' performance?