

Business model innovation and social value creation: A multiple case study of social enterprises

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Abstract

This dissertation provides a detailed examination of business model innovation (BMI) within social entrepreneurship, focusing on how social enterprises reconcile business goals with social values. The study specifically investigates the cases of ColorADD and Movimento Transformers, both operating in Portugal. The research explores the processes of creating and remodelling business models to balance social value creation with economic sustainability, identifying key tensions, paradoxes, and strategies involved. The literature review discusses the definitions and core elements of business models and the nuances of social entrepreneurship. Building on these theoretical insights, a multiple case study approach is employed, incorporating semi-structured interviews with social entrepreneurs, direct observations and secondary data to ensure comprehensive data triangulation. The findings highlight that effective BMI in social enterprises involves innovative approaches to social and economic integration, with critical success factors including stakeholder engagement, community involvement and diversified funding models. This research shows the importance of adaptive business models that address both social impact and financial sustainability, offering valuable insights for practitioners and scholars in the field of social entrepreneurship.

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Key words: business model innovation, social entrepreneurship, economic value, social value

Resumo

Esta dissertação apresenta uma análise detalhada da inovação do modelo de negócio (IMC) no âmbito do empreendedorismo social, centrando-se na forma como as empresas sociais conciliam os objectivos empresariais com os valores sociais. O estudo investiga especificamente os casos da ColorADD e do Movimento Transformers, ambos a operar em Portugal. A investigação explora os processos de criação e remodelação de modelos de negócio para equilibrar a criação de valor social com a sustentabilidade económica, identificando as principais tensões, paradoxos e estratégias envolvidas. A revisão da literatura discute as definições e os elementos centrais dos modelos de negócio e as nuances do empreendedorismo social. Com base nestes conhecimentos teóricos, é utilizada uma abordagem de estudo de casos múltiplos, incorporando entrevistas semi-estruturadas com empreendedores sociais, observações directas e dados secundários para garantir uma triangulação abrangente dos dados. Os resultados sublinham que uma IMC eficaz nas empresas sociais envolve abordagens inovadoras à integração social e económica, com factores críticos de sucesso que incluem o envolvimento das partes interessadas, o envolvimento da comunidade e modelos de financiamento diversificados. Esta investigação mostra a importância de modelos de negócio adaptáveis que abordem tanto o impacto social como a sustentabilidade financeira, oferecendo informações valiosas para profissionais e académicos no domínio do empreendedorismo social.

Autora da dissertação: Natalia Kaczor

Título da dissertação:

Inovação de modelos de negócio e valor social: Um estudo de casos múltiplos de empresas sociais

Palavras-chave: inovação do modelo de negócio, empreendedorismo social, valor económico, valor social

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Introduction

The dynamic landscape of contemporary society is marked by continuous transformative changes, driven by significant trends such as digitalization and globalization. These trends compel businesses and industries to adapt, evolving their business models (BMs) to meet new conditions. This adaptation often involves either transforming existing BMs or developing entirely new ones to align with the ever-changing environment (Schallmo, 2013). The complexity of these environments necessitates innovative approaches, particularly within social entrepreneurship, where the dual objectives of social impact and business viability must be balanced (Margiono, Zolin, & Chang, 2017). **Therefore, the study aims to recognize the effective ways to reconcile business goals with social value creation by social enterprises.** In order to fulfil this objective, three following research questions have been formulated:

- 1) *How and why does the process of creating and innovating business model to reconcile social value creation with economic value unfold?*
- 2) *How do the tensions and paradoxes shape this process?*
- 3) *How do the social enterprises ensure their financial sustainability?*

To answer these questions, a multiple case study was conducted. The sources information included: (1) interviews with social entrepreneur; (2) direct observations, and (3) secondary data (companies' reports and presentations, press publications available on the Internet and relevant literature). The findings from the case studies reveal diverse strategies employed by social enterprises to balance their dual objectives. ColorADD, with its innovative colour identification system for the colourblind, exemplifies how social value can be created within a business model that also achieves economic sustainability through licensing and partnerships. Movimento Transformers, on the other hand, demonstrates the importance of community engagement and diversified funding models in sustaining social initiatives aimed at civic involvement and empowerment. The structure of this dissertation is composed of several parts. The initial chapters provide a comprehensive literature review to build a theoretical foundation, comparing various definitions and approaches to the concept of business models. This review synthesizes the core elements of BMs and applies them to the social enterprises studied. The methodology chapter describes the research design and data collection methods. Subsequent chapters introduce the cases and present within-case and cross-case analyses. The discussion chapter integrates the empirical findings with the literature review and highlights common trends and differences in BM innovation among the cases. Finally, the conclusion summarizes the study's key findings, discusses limitations and suggests areas for future research.

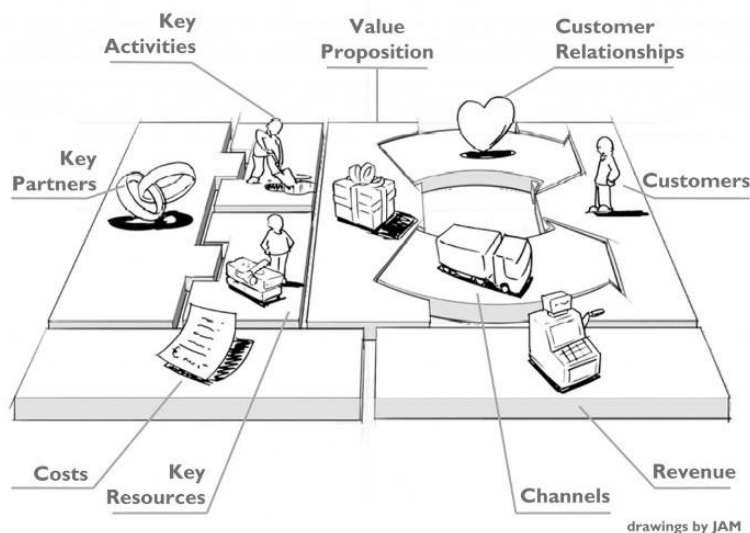
Chapter 1. Business model

In the following first chapter of the literature review the definition and the concept of a business model will be defined based on a structured analysis of the common definition concepts in academic literature. The structure is organized based on the progressively concreteness of analysed definition concepts.

1.1. Business model definition and its core elements

Business model's definition can vary depending on a specific perspective and on assumption of its main components. While analysing theory, there are 3 main approaches that can be followed. Osterwalder and Pigneur (2010) explain that a business describes the rationale of how an organization creates, delivers and captures value. They believe that the model can be the best explained through nine basic building blocks which show the logic path of how an organization aims to make money. The blocks cover the four main areas of a business: customer, infrastructure, offer and financial viability. In other words, "the business model is like a blueprint for a strategy to be implemented through organizational structures, processes, and systems." Moreover, these authors created Business Model Canvas (Figure 1), which is a model created to function as a shared language for describing, visualizing, assessing, and changing business models in organization.

Figure 1. Business model canvas



Source: Sammer, W. (2024). *The Business Model Canvas: Your business model in a nutshell* after Osterwalder, A., & Pigneur, Y., (2010). *Business model generation: a handbook for visionaries, game changers, and challengers*. Vol. 1. John Wiley & Sons Canada. p. 18-19

Daou et al. (2020) further explains that the business model canvas classify businesses' internal activities and processes in nine categories that are interlinked and each presents a building block. The first one shows customer segments, which is the heart of any given business model. It describes different groups of customers or organizations that a company aims to target having the base on the common behaviours and needs. Second building block is value proposition, which answers the question "*why company turn to one company over another?*" this category contains a combination of services and products that create value for a given type of customer. Third one are channels, which defines the means that an organization uses to reach out its clients to deliver a specific value proposition. Various channels are composed of communication, distribution, and sales channels. The fourth block is customer relationships, which concentrate on the type of relationship an organization builds with each of its customer segments. Then there is the block of revenue streams, which shows the earnings - cash a company generates from each customer segment after subtracting costs from revenues to create earnings. The sixth are key resources, which categorizes the most important assets and key resources (such as physical, financial, intellectual, or human) required prior to the business model to make it function properly. The seventh building block are key activities. It involves main activities that shall be implemented in the company and related to the business. The next one are key partnerships, which identify the network of partners and suppliers - the key business' stakeholders and alliances. The last category is cost structure, which describes all costs incurred during operating a business model.

Nevertheless, according to Rodrigues and Lopes (2018) it is needed to integrate additional methodologies, tools, and techniques to make the business model canvas more dynamic and overcome the limitations of the practical aspects of integrating environmental and social purposes. For that aim there have been created the Ecocanvas, which is a sustainable business model with added blocks to consider crucial aspects and create value among a broader range of stakeholders, by considering environmental and social agents (Manninen, et al., 2018). Daou et al. (2020) explains that Ecocanvas develops the original Business Model Canvas by introducing three additional blocks that incorporate economic and legal, environmental, and social forces. The first one is in the form of economic and legal challenges, such as regulations and macroeconomic issues, which can pose risks and influence the entire business model, particularly affecting cost structures and revenue streams. It emphasis the need to properly address current and future economic and legal issues. Second is the environmental challenges, which addresses the impact of environmental issues, such as water scarcity or climate on supply chains change, production and logistics. It incentivize organizations to rethink theirs business

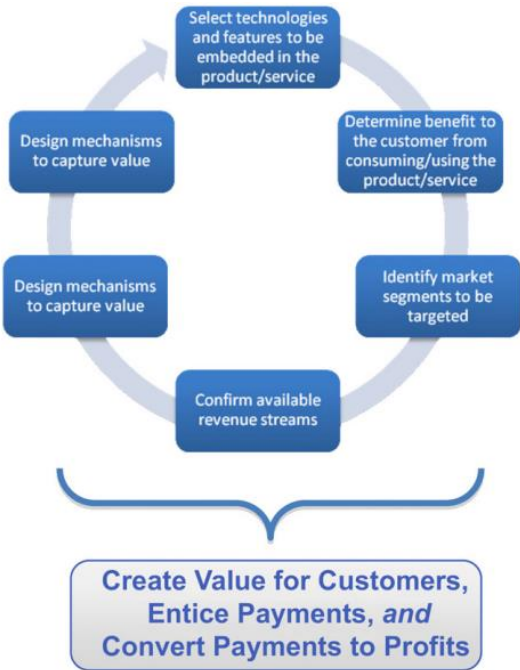
strategies and the way they utilize key resources and partnerships. Lastly, the societal and technological challenges, which considers the effects of digital technology, manufacturing innovations, and cultural shifts on customer values and behaviours, leading to significant changes in stakeholder relationships, channels, sales, and revenue streams. What is interesting, the theory understands value creation as the one created for customers segments, that could be: mass market, niche market, segmented, diversified and multi-sided markets (El-Kassar & Singh, 2019).

The other approach showed Teece in his work on business models (2010). He detects the essence of a business model, defining it as the manner by which the organization delivers value to customers, attracts customers to pay for value, and further converting those payments to profit. Thus, as management's hypothesis it reflects what customers want, how they want to receive it and how the company can organize to best meet those needs, be paid for that and make a profit. The business model is seen as a conceptual, rather than financial. Analysing this approach, 3 core elements can be exposed, that are value creation, value delivery and value capturing activities presented in abstract and reduced form. In other words, it embodies the organizational and financial 'architecture' of a business, that can be well embedded in a business plan, cash flow projections and in income statements. It creates assumptions about customers, the dynamics of revenues and costs, evolving demands of users, and potential reactions from competitors. It sketches the business logic necessary to earn a profit (assuming there's potential for profit) and, once implemented, defines the approach the enterprise 'goes to market, however, it is not completely the same as a strategy. Specific elements of the business model are presented in the Figure 2.

Foss et al. (2018) continues to explain Teece's definition of a business model as an architecture of the company's value creation, delivery and appropriation mechanisms, that provides the base for dimensionalisation of the business model and business model innovation structure. Another aspects of Teece's concept that is frequently overlooked or misunderstood is the key idea of "architecture." It should not be interpreted at a simple list of the organization's mechanisms for creating, delivering, and capturing value. The architecture shall work as mapping of the practical relations among those mechanisms and the fundamental activities. Specifically, an architecture outlines how different elements within a system are related, where these relations can be characterized in terms as directionality (for example "*are relations sequentially or reciprocally dependent?*"), strength/complementarity and content (information content, "*is the BM supported by strong or weak information flows? Where?*"). Subsequently, the architecture

can be characterized concerning complexity (Foss & Stieglitz, 2015). Therefore, Santos et al., (2015) claims that a business model is rather about “how is it being done?”, than about what is being done, what is the addressed segment and how the revenue is captured. Therefore, it is more about the activity architecture in charge of a company.

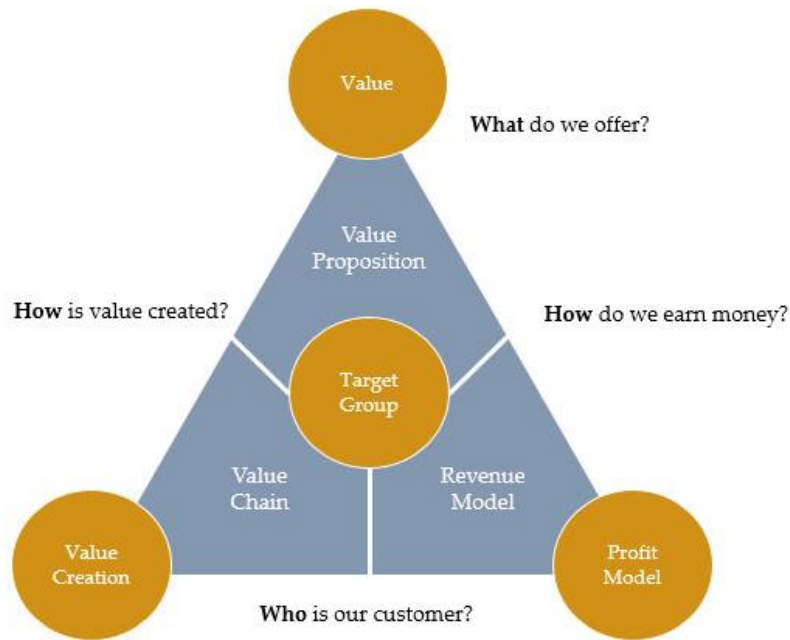
Figure 2. Elements of business model



Source: Teece, D. (2010). *Business models, business strategy and innovation.*, Long range planning, 43(2-3). p. 173

Amit and Zott (2020) understand business model as an activity system that is linked by transactions orchestrated by a company. Its purpose is to capture visualized market opportunity in the way that creates value for all stakeholders. Moreover, Amit and Zott (2020) identified four dimensions of a business model: content (*what* activities compose the business model), structure (*how* these activities are linked to the business model), governance (*who* is the performer of the activities that are enabled by the business model) and value logic (*why* does the business model creates value and *why* does it enable value appropriation by a revenue model). Figure 3 presents visually the “*What, How, Who, and Why*” framework, that better illustrates the business model as a value-cantered activity system to meet market demand.

Figure 3. Business model framework



Source: Bierwisch, A., Huter, L., Pattermann, J., & Som, O., (2021). *Taking eco-innovation to the road—A design-based workshop concept for the development of eco-innovative business models*. Sustainability, 13(16), 8811. p. 5 after Amit, R., & Zott, C., (2020), *Business model innovation strategy: Transformational concepts and tools for entrepreneurial leaders*. John Wiley & Sons Canada. p. 16

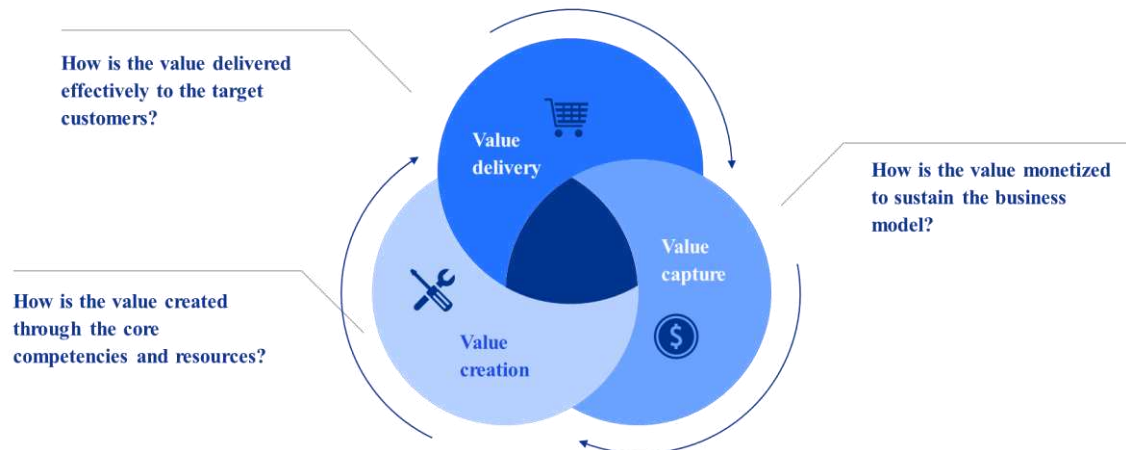
The *What* dimension is about the content and what activities need to be performed to create proper offering to the customer. The set of activities may evolve over time and be a source of a business model innovation. One of the examples is Apple, which in early 2000s introduced an innovative activity – music downloads through iTunes. The *How* dimension helps to define how the offerings to the customers are created. For example, are there core activities that are heart of the business model or the peripheral activities? Or how the activities are connected to each other, including the mechanisms that link them and the order in which they are linked, which shows value delivery. The example can be shown on the computer manufacturer Dell that successfully came up with a highly innovative business model. They were the first company with the direct-to-customer approach for selling computers, and were known by their build-to-order model, as Dell assembled their computers using components created by suppliers. The prioritization of the activities and sequencing enabled the company to avoid the retailer markups and stocking costs (Lakshmi, 2018). The third dimension prepared by Amit and Zott (2020) is the *Who* dimension, which identifies which stakeholders perform which activities in the

business model (governance), which can also pose as a source of competitive advantage and innovation. The real-life example is LetGo, which is a mobile marketplace launched in 2015, where a person can buy and sell anything nearby with the app. Its platform is provided by a digital firm, due to which some of the stakeholder activities, like sellers place ads, remains the same, however the governance at the level of the platform is different regarding key activities, such as listing, are done by users themselves, rather than by the companies owning and running these platforms. Finally, the *Why* dimension, that refers to the value logic, for instance how it helps creating and capturing value. It is linked with the concept of revenue model, understood as the modes in which a business model allow revenue generation. Hilti is a professional-grade tools provider mainly for the construction industry. The enterprise is one of the most successful B2B direct vendors in the industry, which is also a credit of renting their tools, that shows the company's shift in the revenue from one-time transactional sales to recurring rental income.

1.2. Modularity of the business model and its key elements

Modularity in a business model refers to the degree to which a system's components can be separated and recombined, resulting in a system composed of subsystems. This deliberate design allows for flexibility and adaptability within the business model. The benefits of modularity include substitution, product variation, increased efficiency due to the division of labour, recombination, and the ability to experiment. A business model viewed as a modular system typically includes three key elements, that are value creation, value delivery, and value capture as presented in Figure 4 (Aversa, Haefliger, Rossi, & Baden-Fuller, 2015). Value is a fundamental concept in business, essential for attracting customers and driving profitability and success. Value creation addresses what value is provided to the user and who pays for it, value delivery focuses on how customer groups, value creation, and monetization are interconnected, and value capture involves understanding when, what, and how money is raised. These elements can be independently modified to innovate and adapt the business model efficiently. A business model narrates how an organization creates, delivers, and captures value. Therefore, before considering business model innovation, an organization must first understand its current processes for creating, delivering, and capturing value (Kaplan, 2012).

Figure 4. Modularity of a business model



Source: own work based on Aversa, P., Haefliger, S., Rossi, A., & Baden-Fuller, C., (2015). *From business model to business modelling: Modularity and manipulation*. Business Models and Modelling, 33. p. 167

1.2.1. Value creation

Value creation is an essential part of a business model as the framework for the processes of value creation (Teece, 2010). Sjödin et al. (2020) confirms this definition stating that value creation is “*the processes aimed at increasing value generation*”. As an example, transitioning from the business model to outcome provisions involves both the provider and the customer in creating value answering the customer's specific needs. This process relies heavily on combining the provider's expertise with the customer's knowledge of their own operations for the customer's operational efficiency over time, as highlighted by (Chatain, 2011). Such focus on value as it is used by the customer (referred to as value-in-use), rather than the value at the moment of transaction (value-in-exchange), poses a critical distinction. The emphasis on value-in-use also suggest that companies adopting this approach may gain a more sustainable competitive advantage by ensuring their services are more closely aligned with customer needs.

The concept of value creation includes activities that enable the continuous realization of increased value by both suppliers and customers as stated by Chesbrough et al. (2018). Climent and Haftor (2021) explains value creation through four business model themes. Firstly, the novelty-centred business model that is based on creating new techniques of doing business, meaning that the components, processes, and exchanges that make up the structure of the business model are unique or arranged in a manner that diverges from those of competitor models. An illustrative case of this is eBay', which revolutionize the auction market by introducing widespread customer-to-customer auctions. This allowed even items of lower value to be traded effectively, thus creating a new, expansive market (Lei, et al., 2003).

Second is the efficiency-centred business model, based on emphasizing efficiency and it operates with a focus on minimizing the use of resources among one or more of the parties involved. This approach to resource efficiency was one of the growth drivers in the expansion of the streaming music service Spotify. It provided users with the ability to access a virtually unlimited selection of music from any location at any time, a convenience that was significantly more user-friendly compared to more burdensome options like Apple's file downloading method (Schmid & Romey, 2022).

The next one is the complementarity business model theme, which depends on the integration or coordination of products or services, activities, or assets, including technology innovations (Amit & Zott, 2020). According to Kulins et al. (2016), this theme focuses on how a business model's various offerings complement each other, with the key being the creation of synergies where one element adds more value in conjunction with another than it would alone or with a different element. An example of complementarity can be seen in the role of intermediaries like travel agencies, which link related travel services together (for instance, multiple transportation options, accommodations, insurance, travel guides, and advice).

The fourth theme in business models is known as lock-in, which aims to prevent participants within a business model, such as customers, intermediaries, partners, and suppliers, from switching to competitors. Lock-in can be achieved through mechanisms like sunk costs, exemplified by cases where suppliers tailor their product development to the unique needs of a specific customer, making these products less applicable to others (Climent & Haftor, 2021). Another example is the activation of network effects (Boshuijzen-van Burken & Haftor, 2017), as seen with platforms like Facebook, where the platform becomes more valuable as more people use it, thereby discouraging users from moving to a different service.

Value creation is a multifaceted concept explored through various traditional theories and is further refined by business model innovation. Schumpeterian innovation presents new value creation through entrepreneurial innovation, rewarding those who undertake significant risks with Schumpeterian rents. Described approach shows the dynamic process of creative destruction, where novel products and processes continuously disrupt existing markets, driving economic growth (Śledzik, 2013). The resource-based view focuses on the importance of controlling valuable, rare, inimitable, and organizationally rooted (VRIO) resources rather than just owning them. This perspective wants to underscore that sustainable competitive advantage arises from leveraging these unique resources effectively (Barney & Clark, 2007). Value Chain Analysis examines the importance of each activity in creating value, especially how digital business models support key activities and transactions in complex information flows.

However, it falls short in explaining the comprehensive role of service industry activities, where interactions are often less tangible and more dynamic (Zamora, 2016). On the other side, Strategic Network Theory shows the advantages of network effects, such as increased efficiency, learning, and reduced risks, by leveraging the size and heterogeneity of ties among participants. This theory highlights how value creation comes from improved communication, content exchange, and the structuring of revenue models and also governance (Shapiro & Varian, 1999). For instance, platforms like Groupon gain value from connecting consumers with businesses through deals and coupons, giving an example how network size and user interaction contribute to business success (Amblee & Bui, 2012). Business models complement these theories by considering the total value created for all stakeholders, not just the firm, and by incorporating complex activities and transactions unique to digital and service-oriented industries. They provide a framework for understanding how innovative configurations of resources, activities, and partnerships can create and capture value in increasingly interconnected and competitive markets. Thus, integrating traditional value creation theories with modern business model innovations allows for a more comprehensive and adaptable approach to sustaining competitive advantage in today's dynamic business environment (Teece, 2010).

1.2.2. Value delivery

Value delivery can be defined as the process of delivering value that meet or surpass customer expectations to ensure they are satisfied with the return on their investment. The key part is maintaining customer satisfaction by consistently providing value. This involve creating the product, packaging it, promoting it, and distributing it to customers. (Hinterhuber, 2008).

Value delivery, as conceptualized by Teece (2010), is a key component of business models, involving the topic of how a company creates value for its customers, convinces customers to pay for that value, and converts those payments into profits. The process encompasses more than just a financial transaction: it represents a complex architecture that defines how a company goes to market. Thus, the business model reflects management's hypothesis about what customers want, how they want it, and how the company can best meet those needs, get paid for it, and achieve profitability. Moreover, the business model development begins with an understanding of the customer and the competitive landscape. In today's global economy, characterized by advanced communications technologies and open trading systems, customers have more choices and their needs are more diverse. This shift

requires companies to adopt a more customer-centric approach, re-evaluating their value proposition to adapt to lower costs of providing information and solutions. Accordingly, the business model must define the revenue, cost and profit architecture associated with value delivery (Li F. , 2020).

The essence of a business model is its ability to define how a company delivers value to its customers. This includes detailing the target customer segments, the channels through which value is delivered, and the relationships established with customers. According to Teece (2010), a good business model must provide attractive value propositions, favourable cost and risk structures, as well as meaningful value capture for the company. The model must also be designed to withstand competitive pressures by being differentiated enough to deter imitation. Other important insights is the interdependence between business model design and the broader competitive environment. Successful business models are not just based on superior technology or products, but on a coherent structure that integrates these elements into a sustainable value delivery system. For example, companies that have succeeded in delivering value, such as Dell and Wal-Mart, have done so by developing business models that are difficult for competitors to replicate. These companies have structured their operations in a way that maximizes efficiency and customer satisfaction while minimizing costs and risks (Alsharari, 2021).

Developing an effective value delivery system requires detailed planning and evaluation of each business unit. It starts with a clear and simple company plan designed with the requirements and preferences of the target market in mind. Companies must deliver value at various organizational levels to ensure that customer needs are met and customer satisfaction is enhanced. At the organizational level, delivering value involves achieving company goals while recognizing and meeting customer needs. This requires providing the right tools, processes and support to ensure customer satisfaction. A company that effectively delivers value at this level demonstrates its ability to understand and meet customer preferences, which is critical to long-term success (Bhasin, 2023).

Within departments, delivering value means that each unit, such as sales, customer service and marketing, has specific goals and strategies to achieve them. Each department should focus on its goals, ensuring that they contribute to the overall value delivery process. By aligning departmental goals with a broader organizational strategy, companies can ensure that every aspect of their business is working to increase customer satisfaction. At the individual level, value delivery involves each employee providing the best possible experience for customers. This includes understanding customer needs and offering the right services or products. Employees must be equipped with the right tools and resources to provide exceptional

service. When employees are empowered and knowledgeable, they can significantly impact a positive customer experience (Bhasin, 2023).

To effectively deliver value, product teams must understand their customer base, market dynamics and pricing strategies. Moreover, developing a solid product strategy is crucial to determining the best way to deliver value and ensure customer satisfaction. The first step in this process is to align project teams, product managers and the product team to deliver value. This alignment can help everyone understand how to deliver value and what the desired outcomes should be. Understanding the customer value proposition is also critical. Product teams and managers need to understand what drives customers to buy, what are their needs and desires, and how the product can satisfy them. This involves gaining insight into competitors' market share and uncovering new opportunities. With a clear understanding of the value proposition, companies can adjust their offerings to better meet customer expectations. Market analysis is another key step. Studying the competitive environment, customer preferences and market trends helps to identify emerging markets and potential new products. This analysis allows companies to capitalize on opportunities and get ahead of the competition. It is also essential to build the right processes and use the right tools. To ensure that value delivery process is efficient and effective, a company should implement an effective project management systems, develop a product roadmap and schedule and manage customer expectations. Moreover, measuring and monitoring performance is used in assessing whether value is being delivered as expected. Tracking customer satisfaction, market share and revenue helps assess product success and identify areas for improvement. Also, using metrics to assess performance allows product teams to make data-driven decisions and continuously improve value delivery strategies (Zehra & Isa, 2022).

The value delivery process involves several key steps. First, companies must choose the most important value for customers. Understanding what matters most to customers, whether it is price, quality, speed of delivery, convenience or customer experience, it all helps to focus efforts and resources on satisfying them. Delivering this value requires a comprehensive marketing plan, the right marketing mix and identifying the target audience. It is critical to ensure that the organization possesses necessary tools and resources to deliver value effectively. Equally important is communicating value to customers. In today's noisy market, companies need to make sure their message is clear and repetitive enough to get noticed. In order to do that, companies can develop a set of promotions that makes customers recognize the value of the product and how it will improve their lives. Effective communication ensures that customers

understand the benefits offered and how the product can meet their needs or solves their issues (Bhasin, 2023).

1.2.3. Value capture

Bowman and Ambrosini (2000) explain that value capture is the realization of exchange value, influenced by the bargaining power of both sellers and buyers. While value creation does not directly relate to profits, value capture is where a firm monetizes the use value previously created. Different theories exist regarding how companies capture value and why do they do it. Conner (1991) suggests two methods to capture value: firstly, by offering a distinctive and attractive product in terms of usability and price compared to substitutes; secondly, by offering an identical product at a lower cost if such a product already exists in the market. Moreover, Porter (1991) emphasizes the role of unique company resources in capturing value, highlighting the importance of performing a value chain analysis to optimize primary and support activities, in this way maximizing and sustaining competitive advantages. Despite differing details, all these perspectives share the common idea that companies must have a differentiating factor or competitive advantage, known as a Unique Selling Proposition (USP).

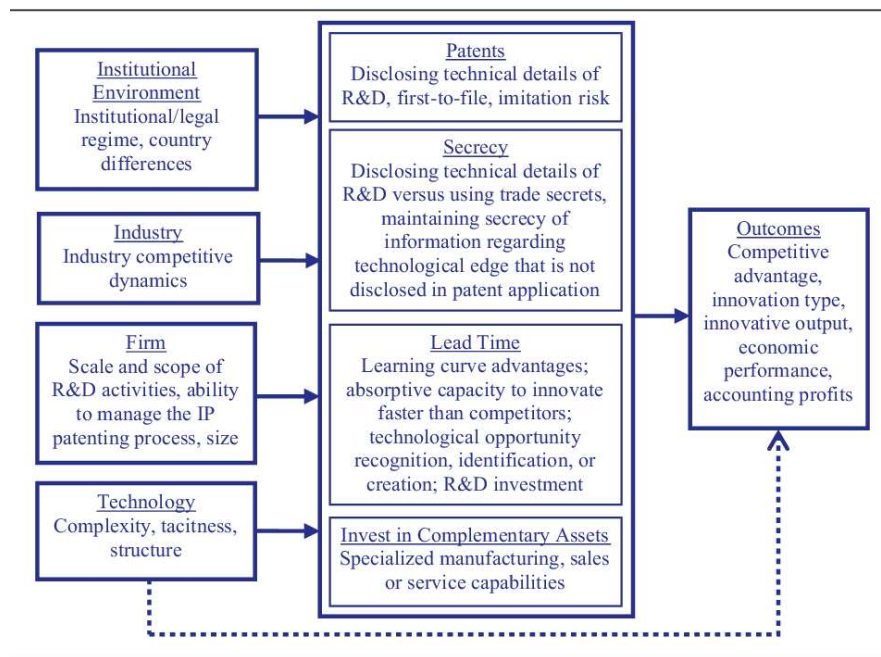
However, having a competitive advantage alone is insufficient for value creation or providing a unique service, because companies must also innovate in their value capture strategies. There are various innovative approaches for companies how they can enhance their value capture process. Several key strategies for altering the pricing mechanism identified by Michel (2014) are: (i) value-based pricing, (ii) auctioning, (iii) demand-driven pricing, (iv) make your own price, and (v) pay what you want. Companies using value-based pricing set prices based on the perceived value to the customer and their willingness to pay, rather than on production costs or competitor benchmark. There is a promising future of value-based pricing, where big data allows companies to gain deep insights into customer behaviour (Haller & Gersappe, 2014). Properly utilizing this data, especially during customer segmentation, enables firms to identify transactional and behavioural patterns, leading to more refined customer groups. These insights help firms understand which variables customers value most, allowing for product improvements and appropriate pricing. Haller and Gersappe (2014) conclude that effectively implementing these strategies can lead to an incremental revenue margin increase of 1% to 3%.

James, Leiblein, and Lu (2013) identify four main methods for capturing value: patents, secrecy, lead time, and investment in complementary assets, also presented in the Figure 5. Patents grant exclusive rights to an invention, preventing competitors from replicating valuable

products or services. However, patents can be costly to obtain and enforce, with effectiveness varying by industry and country (Cohen, Nelson, & Walsh, 2000). Secrecy, another value capture method, involves internal policies to restrict information flow, reducing imitation risks without the legal costs associated with patents. Nonetheless, maintaining secrecy is challenging, particularly for product innovations that require market disclosure, making process innovations more suitable for this approach (James, Leiblein, & Lu, 2013). In industries with high R&D costs, such as pharmaceuticals and biotech, patents can significantly increase competitors' costs (Mansfield, Schwartz, & Wagner, 1981). Meanwhile, secrecy is more effective in sectors with weak intellectual property protection (Cohen, Goto, Nagata, Nelson, & Walsh, 2002). Both methods have their advantages and drawbacks, requiring companies to carefully consider their industry context and strategic objectives. Additionally, public disclosure of innovations can prevent competitors from entering the market and encourage the development of complementary products, establishing industry standards (Seifert, 2016).

James et al. (2013) further highlight lead time as other key value capture mechanism. Three main sources of first-mover advantages are technological leadership, pre-empting scarce assets, and creating high switching costs. Technological leadership can be achieved through learning curve advantages and effective R&D, while pre-emption involves securing key resources before competitors. First-movers can also build a customer base early, making it costly for later entrants to convince customers to switch. Absorptive capacity, the ability to assimilate and exploit external knowledge, is important for maintaining these advantages, particularly in R&D-focused firms. This capacity can be improved through R&D activities and advanced technical training. Lead time thus helps companies capture value by being first in the market, and it ties into the effective management of intellectual property through patents and secrecy (Seifert, 2016).

Figure 5. Business model innovation framework



Source: James, S., Leiblein, M., & Lu, S., (2013). *How firms capture value from their innovations*. Journal of management, 39(5). p. 1126

Finally, there is a complementary assets as a key mechanism for capturing value from innovation. This strategy is especially important during technological discontinuities, such as shifts from products to platforms, which help sustain competitive advantages (Rothaermel & Hill, 2005). They recommend investing in complementary assets in two scenarios: first, when these assets are essential to market the innovation and are unavailable in related markets, and second, when intellectual property protection is weak, making it necessary to internally develop or acquire these assets. Thus, investing in complementary assets can effectively capture value, particularly in environments with weak appropriability and inaccessible market resources (Stanko, 2008).

1.3. Types of business models

“Ninety per cent of all new business models aren’t actually new. They are based on 55 existing patterns.”

- Gassmann and Frankenberger (2014)

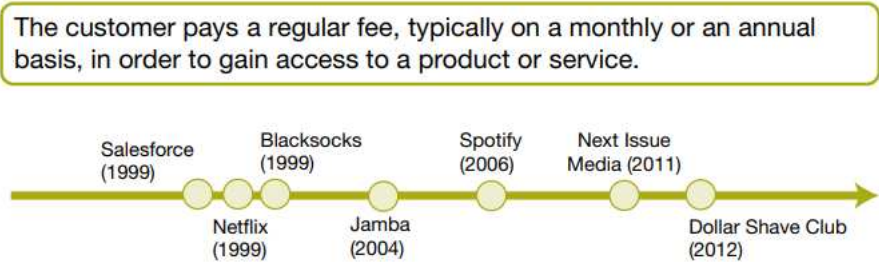
A pattern can be defined as an issue which occurs recurrently in the environment and further describes the heart of the solution to that problem in the way that this solution may be use over

and over again without ever doing it the same way two times (Remane, Hanelt, Tesch, & Kolbe, 2019). Moreover, patterns codify knowledge and transform it from tactic to explicit knowledge. Thanks to their generalization they can be reused on various situations under different circumstances, contexts and, domains. Since business models are designed to solve issues for specific customers, a functioning business model can also be interpreted as a pattern.

Analysis performed by Gassmann and Frankenberger (2014) have revealed 55 different patterns that are the core of any business model. They research also shows how apparently different business models may be connected with each other and can guide an organization where does it fit. Patterns are characterized by their coherence. Moreover, authors agree with Amit and Zott (2020) about the four main business model dimensions *who, what, how, why*. Moreover, some of the innovators may use a few patterns simultaneously.

Among many described patters there are 3 basic innovative business model types. The first one is the subscription model. In functions in the way that a client pays a regular fee, usually on monthly or an annual basis, in order to have access to a service or a product. Through this pattern customers mostly benefit from lower usage costs and general service accessibility, while the company generates more steady revenue stream. Although this pattern exists for a longer period of time, it can lead to a radical innovation while being introduced to a new context. For example, Salesforce, which is an international cloud computing company, revolutionised the business model of its sector by becoming the first in shifting to a subscription-based service, moving away from the traditional practice of selling software licenses for a one-time fee. This innovation in offering software as a subscription pushed Salesforce to become one of the ten fastest growing businesses in the world (Thanduparakkal, Shahad, & Raji, 2022). Figure 6 illustrates the subscription pattern business model and the examples of companies that’s implemented it.

Figure 6. Subscription pattern business model



Source: Gassmann, O., & Frankenberger, K. (2014). *The Business Model Navigator: The Business Model Navigator: 55 Models That Will Revolutionise Your Business*. Pearson UK. p. 22

Second gaining popularity innovative business model is Razor and Blade. The basic product is either cheap or offered at no cost, while the necessary supplies for its operation are priced higher and carry substantial profit margins. The low cost of the initial product reduces customer's barrier to buy, and the profits from ongoing sales of the consumables subsidize it. Typically, these items are technologically interconnected to each other to further enhance this effect. John D. Rockefeller's Standard Oil Company is considered the pioneer of what would become known as the Razor and Blade business model. At the end of the nineteenth century the enterprise were selling inexpensive petroleum lamps and coupling them with the sale of costly oil produced in the company's refineries. The model was adopted by Gillette when it began offering free razor handles and then selling the necessary matching blades at a high prices. Other interesting story is that Hewlett-Packard recognized the potential of the pattern for the printing sector, introducing affordable printers alongside high-priced ink cartridges. Similarly, Nestlé applied this strategy to its Nespresso brand, selling espresso machines at competitive prices under US \$150, while the coffee capsules required for the machine were priced significantly higher than standard ground coffee (Gassmann & Frankenberger, 2014). Figure 7 presents the Razor and Blade business model pattern and lists companies that use it.

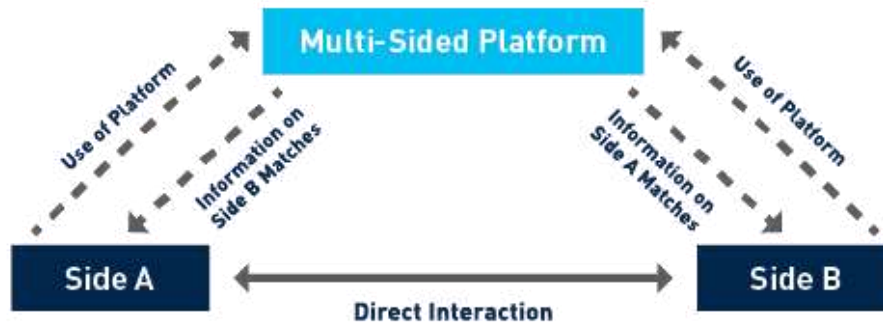
Figure 7. Razor and Blade business model



Source: Gassmann, O., & Frankenberger, K. (2014). *The Business Model Navigator: The Business Model Navigator: 55 Models That Will Revolutionise Your Business*. Pearson UK. p. 23

Finally, the third one is Two-sided Market. It creates a bridge between two complementary groups through a platform or intermediary, aiming for a mutually beneficial connection. For instance, job websites and recruiters connect job seekers with employers, and search engines serve both internet users and advertisers. The essence of this model is in the indirect network effects: the platform becomes more appealing to one group as the number of participants from the other group increases, which works in both directions.

Figure 8. Multi-Sided business model



Source: Langenfeld, J., & Ring, C., (2022). *With Big Tech Bracing for Antitrust Legislation, Here's What You Need to Know about the Economics of Digital Platforms.*

However, the challenge for these platforms is to manage both user groups effectively to create these indirect network effects, which, in turn, helps to retain customers. When a platform targets three or more groups, it evolves into a multi-sided market. An example is Google's search engine, which links internet users, website owners, and advertisers, creating a three-sided market. Not all parties involved need to pay for their participation as for example, search engines are typically free for users, while advertisers pay for their presence, maintaining the platform's viability and accessibility for users (Gassmann & Frankenberger, 2014). Figure 8 shows the interconnections between parties in the Multi-Sided pattern.

1.4. Business model innovation

“Innovation is a key factor in any company's ability to succeed in the long run.”

- Elon Musk (Sweden Business Artificial Intelligence Leadership, 2024).

While creating functional business model is essential for well prospering company, the ability to recognize the need for changes in the business model is essential. It is crucial for an organization to have the ability to adapt or completely redesign the business model to keep up with the circumstance changes. However, the most significant capability in this regard is the power to re-engineer or replace the current business model entirely. Incorporating business model innovation is a key component of an organization's dynamic capabilities (Foss & Stieglitz, 2015).

Schallmo (2013) explains business model innovation term as it comprises the evolving specific components of the business model, such as customer segments or value propositions, or transforming the entire model and covers incremental and radical changes. This process impacts stakeholders including customers, competitors, the broader industry, and the company

itself. It follows a structured sequence of interrelated and sequential steps, including the creation, execution, and marketing of the business model. The objective is to rearrange the elements of the business model in innovative ways that deliver value to customers and partners. Thus, this approach helps a business to differentiate itself from competitors, and to consolidate customer relationships, gain a competitive advantage, foster uniqueness, and leverage synergies among business model components to generate growth.

Skarzynski and Gibson (2013) nicely summarized that the core of the business model innovation is the creation of fundamentally new kinds of businesses, or introducing greater strategic diversity into your existing business in ways that are highly valued by customers.

One of the examples how a company created value and replace outdated model is Apple with their iPod digital media player and online store iTunes.com, which transformed the company into leading power in the online music industry. Moreover, Skype revolutionized the telecommunications industry by offering extremely low-cost international calls and free Skype-to-Skype calls with an innovative business model built on peer-to-peer technology. As a result, it has become the biggest provider of international voice communication. Zipcar has offered a solution for urban residents looking to avoid owning a car by providing cars for rent on an hourly or daily on-demand car rentals basis through a fee-based membership system. This innovative business model addresses both new consumer demands and environmental issues. Meanwhile, Grameen Bank helps in reducing poverty by pioneering a business model that introduced microlending to the poor (Osterwalder & Pigneur, 2010). Business model innovation can be also described based on “*What, How, Who, and Why*” framework. Taking Netflix as a base, their content (what?) new activities was shipping DVDs; the structure (how?) was that customers ordered online; the governance (who) worked in the way that Netflix orchestrated and USPS was a partner for DVD delivery; the value logic (why) was the subscription plan over on-demand plan, which brought the novelty to the industry (Amit & Zott, 2020).

Business model innovation can be shown on a framework, that contains six questions to help identifying possible levers, presented on Figure 9.

Figure 9. Business model innovation framework



Source: own work based on Amit, R., & Zott, C., (2020), *Business model innovation strategy: Transformational concepts and tools for entrepreneurial leaders*. John Wiley & Sons Canada. p. 16-18

The framework suggests that the business model can emerge in various ways, such as:

- 1) Introducing new activities to the business model, which is known as content innovation or innovating in the *What* dimension. This could involve expanding or integrating new stages of production or service delivery, such as through vertical integration.
- 2) Innovating by reconfiguring how activities are interlinked as structural innovation, focusing on the *How* question. This is related with finding new ways to link different parts of the business process.
- 3) Changing the entities responsible for executing various tasks within the business model is known as governance innovation, addressing the *Who* dimension. This could mean changes of who is involved in certain activities, shifting tasks between internal and external parties.
- 4) Modifying the value logic of the business model, especially through new revenue generation methods, termed value logic innovation. Moreover, changed by the side of the *Why* dimension.

These forms of innovation in business model content, structure, governance, and value logic often interact closely (Amit & Zott, 2020). For instance, Prosper, a peer-to-peer lending platform established in the United States in 2005, shows these interdependencies. By allowing lenders to directly choose their borrowers, Prosper made a structural innovation in how lending and borrowing activities are connected. This decision also represented a shift in governance, as it transferred the assessment and selection process to the customers rather than the company. Additionally, by personalizing the lending process, Prosper introduced a value logic innovation, making the act of lending more emotionally significant and not solely financially motivated for the lenders (Li & Ching, 2023).

Furthermore, Amit and Zott (2020) describes how business model innovation looks in the context of value creation, value delivery and value capture, each of which playing a crucial role in the overall process of innovation. Value creation is at the heart of business model innovation, that involves the processes and mechanisms through which enterprises generate benefits for their stakeholders. According to Amit and Zott (2020), value creation is driven by four primary sources: novelty, lock-in, complementarities, efficiency. Novelty applies to the introduction of new products, services or business processes that differentiate a company from its competitors. The innovation can stem from unique technological advancements, distinctive customer experiences or unprecedented business methods. Lock-in mechanisms ensure that customers and partners remain engaged with the company over the long term. These can include loyalty programs, subscription models, or proprietary technologies that create high switching costs for customers. Complementarities refer to the synergistic relationships between different activities within the business model, which support the overall value proposition. Efficiency improvements streamline operations and reduce costs, thereby increasing the value created for both the company and its customers. From a theoretical standpoint, value creation is not limited to incremental improvements but involves radical innovations that redefine the market landscape. Amit and Zott (2020) argue that such transformative innovations can create entirely new markets or significantly alter existing ones. For instance, the introduction of digital platforms has revolutionized traditional industries by creating value through network effects and scalability. These platforms facilitate interactions between multiple stakeholders and generate value by connecting users, providers and partners in an ecosystem.

Value delivery is the second critical component of business model innovation. It focuses on how the created value is communicated and transferred to customers. Amit and Zott (2020) emphasize the importance of an effective value delivery system that aligns with the company's

strategic objectives and customer expectations. It involves the design and implementation of efficient channels, customer relationship management systems and supportive infrastructures for seamless delivery of value. The value delivery system must be adaptable and capable of meeting the changing needs of the market and the evolving preferences of customers. It requires a deep understanding of customer needs, preferences and behaviours, which can be achieved through data analytics, market research and continuous customer feedback. Amit and Zott (2020) highlight the role of technology in value delivery. Digital technologies, such as mobile applications, social media, cloud computing, enable companies to reach a broader audience, personalize their offerings or to deliver value more efficiently. Moreover, value delivery plays a role in the customer journey, from awareness and consideration to purchase and post-purchase support. Companies must ensure that each touchpoint in this journey reinforces their value proposition and enhances the customer experience. It presents a holistic approach to value delivery, which requires cross-functional collaboration within the organization and a customer-centric mindset.

Value capture refers to the mechanisms through which a company secures a portion of the value it creates and its economic sustainability and profitability. Amit and Zott (2020) argue that effective value capture strategies are essential for the long-term viability of any business model. These strategies can include pricing models, cost structures, revenue streams and profit margins, since it reflects the true value provided to customers. Innovative value capture approaches may involve dynamic pricing, freemium models or revenue sharing arrangements that align the interests of the company with those of its customers and partners. The goal is to create a win-win situation where all stakeholders benefit from the business relationship. For instance, dynamic pricing allows companies to adjust prices based on demand, maximizing revenue during peak periods and attracting price-sensitive customers during off-peak times. Freemium models offer basic services for free while charging for premium features, allowing companies to attract a large user base and monetize through a subset of paying customers. Amit and Zott (2020) also discuss the importance of intellectual property in value capture. By securing patents, trademarks and copyrights, companies can protect their innovations and guarantee that they capture the value generated by their unique offerings. This is particularly important in technology-intensive industries where imitation is a significant risk. Intellectual property protection can be used as a competitive advantage and enable companies to monetize their innovations through licensing agreements or strategic partnerships (Amit & Zott, 2020).

Chapter 2. Social entrepreneurship and sustainable business model

“Social entrepreneurs identify resources where people only see problems. They view the villagers as the solution, not the passive beneficiary. They begin with the assumption of competence and unleash resources in the communities they’re serving.”

- David Bornstein (Bucknell University, 2024)

2.1 Social entrepreneurship

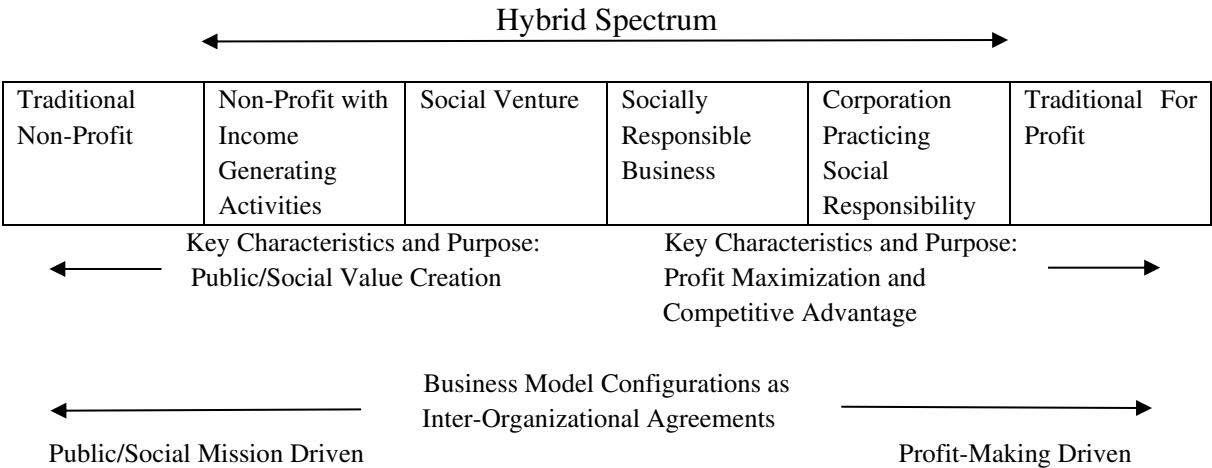
Social entrepreneurship (SE) has evolved as a significant area of interest for both businesses and researchers, which is emphasized by several studies that highlight its importance in addressing global challenges like poverty and human welfare through business models with a social purpose (Kannampuzha & Hockerts, 2019).

SE is seen as catalyst and a driving force for societal transformation, where social entrepreneurs are motivated by the impact rather than personal financial gains. According to Barberá-Tomás et al. (2019), while all entrepreneurship plays a social role, social businesses stand out by prioritizing social impact over personal wealth. Moreover, the economic and social outcomes of entrepreneurial ventures cannot be easily separated, as social and commercial activities merge and become link in the centre of the continuum. Within a broader framework, entrepreneurship reveals with opportunity and philanthropy and creates a cycle that fosters social, economic and institutional development. Social enterprises merge the aim of achieving societal benefits with business-like efficiency and strategies typical of profit-seeking entities (Urbano, Toledano, & Soriano, 2010). Thus, they operate at the boundaries of the traditional philosophies and thereby SE is recognized as an innovative approach aimed at generating social and environmental benefits by balancing social objectives with entrepreneurial methods. Existing literature provides evidence that researches tried to understand SE phenomena from the perspectives of social entrepreneurs, their enterprises, and their initiatives (Gupta, Chauhan, Paul, & Jaiswal, 2020).

Researchers have explored the concepts of social entrepreneurship, social entrepreneurs, and social enterprises from a different viewpoints. For instance, Lasprogata and Cotton (2003) characterized SE as operating within the non-profit sector (for example Tamarack—An Institute for Community Engagement, and Meal Exchange, both Canadian non-profit social organizations supported by the J. W. McConnell Family Foundation), whereas Wallace (1999) considered social enterprises to be profit-seeking ventures run by non-profit organizations. Moreover other researchers identified a social enterprise as a business committed to pursuing social objectives (for instance, Narayana Hrudayalaya Ltd., an Indian company providing

affordable, subsidized healthcare to the economically disadvantaged). Further other authors clarified that SE involve both individuals and business entities engaged in entrepreneurial activities especially for a social purpose (such as Janani Foods Private Limited, a project initiated by a marketing expert to offer comprehensive agricultural services to impoverished farmers in India) (Gupta, Chauhan, Paul, & Jaiswal, 2020).

Figure 10. Social enterprises in organizations’ spectrum.



Source: own work based on Margiono, A., Zolin, R., Chang, A., (2017). *A typology of social venture business model configurations*. International Journal of Entrepreneurial Behavior & Research, 24(3). p. 3

Figure 10 shows that unlike traditional business models (primarily profit-driven and competitive advantage-seeking) social businesses navigate a complex interaction between market forces and social missions. As the spectrum moves closer to the conventional for-profit end, they begin to blend social responsibilities into their profit objectives. This represents a shift from the traditional business models primarily cantered on financial achievements. The features of these mixed models combine the dual goals of generating profit and achieving social change (Margiono, Zolin, & Chang, 2017). Social enterprises often use sustainable business models, to fully fulfil their specific social goals (Bocken, Short, Rana, & Evans, 2014).

2.2 Sustainable business model

“Sustainable development is the pathway to the future we want for all. It offers a framework to generate economic growth, achieve social justice, exercise environmental stewardship and strengthen governance.”

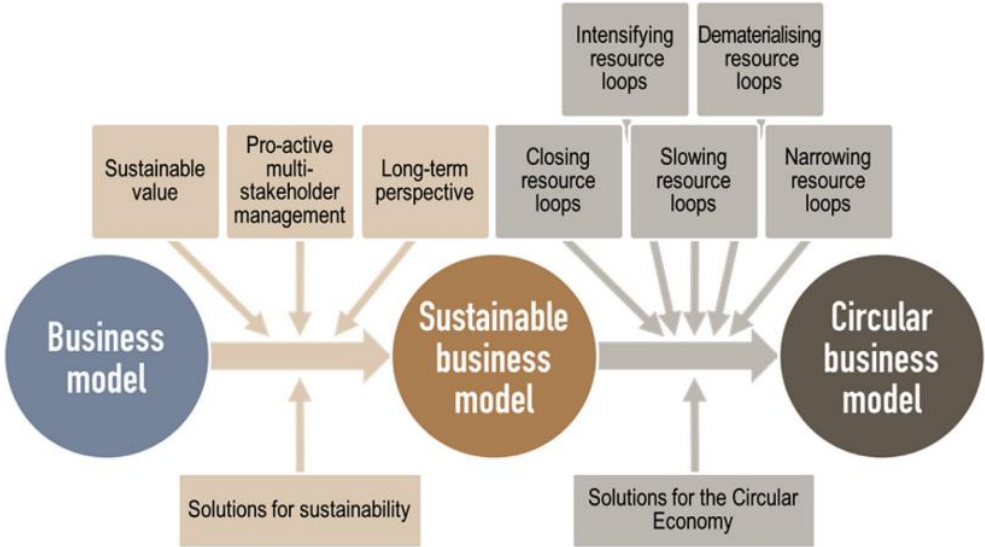
- Ban Ki-moon (Brainy Quote, 2024).

The recent global economic and financial crises have led to fundamental questions about the effects of current corporate business models on the long-term sustainability of the worldwide economy and society. These crises have led various international organizations and researchers to advocate for a reevaluation of how companies can contribute to sustainable development (for instance United Nations Industrial Development Organization, 2013); World Business Council for Sustainable Development, 2012). The concept of sustainable development was defined over three decades ago as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environmental Development, 1987).

In broad terms, a sustainable business model (SBM) is a business model for creating, delivering, and capturing value (Teece, 2010) that aims to address environmental and social challenges through an organization's value-generating activities. A company operating an “perfectly sustainable” business model would not only profit from its every products or services but also restore the natural environment and generate value for stakeholders and society (Schaltegger, Hansen, & Lüdeke-Freund, 2016). This presents a theoretical ideal scenario, however understood as a “North Star”, this viewing of business models can provide a guiding principle and stimulate creative thinking.

Currently, the idea that sustainable business practices can provide a competitive advantage is increasingly seen. Therefore, one might suggest that the concept of sustainable business models could eventually supersede the business model concept, similar to how the idea of sustainable competitive advantage has overtaken the concept of competitive advantage. The literature has identified various subcategories, archetypes, or generic strategies for sustainable business models, such as circular business models (Bocken, Short, Rana, & Evans, 2014). Each of these models possesses unique features, like for instance, circular business models not only focus on creating sustainable value, engaging in proactive engagement with multiple stakeholders, and maintaining a long-term outlook, but also work towards reducing, slowing down, enhancing, dematerializing, and minimizing the use of resources, as shown in Figure 11. Moreover, the figure shows that the sustainable business model is more developed than a traditional business model thanks to, for example, its sustainable value and long-term perspective. However it is less evolved, since it is missing solutions specifically required for the circular economy. Nonetheless, it shall be noticed that there can be situations where the additional features of these models may conflict with the qualities that define a sustainable business model (Geissdoerfer, Morioka, de Carvalho, & Evans, 2018).

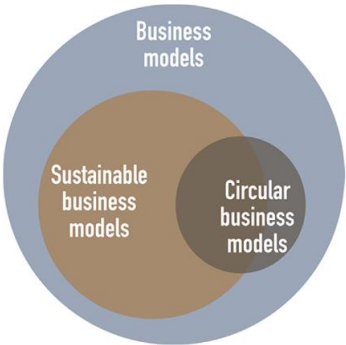
Figure 11. Sustainable business models in comparison with traditional and circular



Source: Geissdoerfer, M., et al. (2018). *Business models and supply chains for the circular economy*. Journal of cleaner production, 190. p. 714

In some instances, a model may represent a specific category without fully adhering to the principles of sustainability, as shown in Figure 12. This discrepancy could arise, for example, from the efficiency improvements offered by new technologies that outweigh the environmental advantages of updating an older technology, or from the adverse impacts of adopting circular practices on employees' working conditions (Geissdoerfer et al., 2017b).

Figure 12. Imperfect overlap of the concept of sustainable business model and its subcategories.



Source: Geissdoerfer, M. et al. (2018). *Sustainable business model innovation: A review*. Journal of Cleaner Production 198. p. 406

Research in sustainable business model innovation, a subset of the sustainable business model field, is relatively new, however its definition is described by Bocken et al. (2014) as

“Innovations that create significant positive and/or significantly reduced negative impacts for the environment and/or society, through changes in the way the organisation and its value-network create, deliver value and capture value (i.e. create economic value) or change their value propositions.” (p. 44). Similar to traditional business model innovation, sustainable business model innovation is a process that involves exploring, adjusting, improving, redesigning, revising, creating, developing, adopting, and transforming business models. It qualifies as sustainable when it aims for sustainable development or positive/reduced negative impacts on the environment, society, and long-term organizational prosperity, or when it adopts solutions that promote sustainability in value proposition, creation, capture, or value-network elements (Geissdoerfer, Morioka, de Carvalho, & Evans, 2018).

There are four types of sustainable business model innovation: 1) sustainable start-ups, which create a new organization with a sustainable business model; 2) sustainable business model transformation, which changes the current business model to a sustainable one; 3) sustainable business model diversification, which adds a sustainable business model without major changes to existing ones; 4) sustainable business model acquisition, which involves acquiring and integrating an additional sustainable business model. These innovations aim to implement certain sustainable business model types and strategies, including circular business model innovation, social enterprises, bottom-of-the-pyramid businesses, and product-service systems (Bocken, de Pauw, Bakker, & van der Grinten, 2016).

2.2.1 Sustainable business model patterns

While growing societal challenges regarding social inequality and the environment, companies seek for new, more sustainable business model patterns. As defined by Lüdeke-Freund et al. (2018):

“A sustainable business model pattern describes an ecological, social, and/or economic problem that arises when an organization aims to create value, and it describes the core of a solution to this problem that can be repeatedly applied in a multitude of ways, situations, contexts, and domains.”

There are 45 sustainable business model patterns can be classified in eleven thematic groups (Lüdeke-Freund, Carroux, Joyce, Massa, & Breuer, 2018). The framework presents three pattern types, that are overarching, prototypical and modular patterns. Moreover, it includes a navigation system derived from a ‘sustainability triangle’ (Kleine & Hauff, 2009) as presented in the Figure 12.

To effectively manage and apply the information associated with each pattern, the Social Business Model Design Framework uses a structured pattern description approach. This method follows the pattern template introduced by Alexander et al., offering a comprehensive yet accessible way of describing problem-solution combinations (Alexander, 1979). Additionally, the framework considers the use of patterns as inherently design-oriented tools, necessitating the identification of framework properties that support the development of a ‘pattern language’, for example a system that facilitates the recognition of meaningful pattern combinations (Leither, 2015).

A literature review and Delphi study process, involving ten experts from academia and business, identified forty-five patterns (Lüdeke-Freund, Carroux, Joyce, Massa, & Breuer, 2018). These experts assisted in developing the pattern groups and evaluating their potential to contribute to ecological, social, and economic value creation. The resulting taxonomy was constructed using principles of classification theory combined with a card sorting procedure, a well-established method for organizing large quantities of items into meaningful groups (Lüdeke-Freund, Carroux, Joyce, Massa, & Breuer, 2018).

The pattern classification includes a diverse range of design ideas aimed at helping organizations create social, ecological, and economic value. Table 1 presents an overview of all 45 patterns organized into 11 groups, representing a revised and updated version of the original taxonomy proposed by Lüdeke-Freund et al. (2018). The associated forms of value creation are also illustrated in the pattern triangle (Figure 13). This potential for value creation provides initial guidance for selecting patterns tailored to specific design tasks, such as developing new business models for greener products or making procurement processes more inclusive for local and small-scale suppliers. The Cooperative and Community Platform groups currently each contain only one pattern, and thus are not fully established as groups. However, the classification system is designed to be flexible and adaptable, allowing for growth and modification. The underlying taxonomy is explicitly structured to allow to accommodate changes and additions. New patterns can be integrated into existing groups (thereby expanding their scope) and entirely new groups can be introduced (to extend the overall classification framework) (Lüdeke-Freund, Massa, & Breuer, 2024).

Table 1. Sustainable business model design patterns

Pattern groups	Included patterns	Associated forms of value creation
<p>(1) Pricing and Revenue Address the revenue model of a business model (how offerings are priced and revenues generated).</p>	<p>(1) Differential Pricing (2) Social Freemium (3) Customer Financing (4) Subscription</p>	<p>Mainly economic Social-economic</p>
<p>(2) Financing Address the financing model within a business model (how equity, debt, and operating capital are acquired).</p>	<p>(5) Crowdfunding (6) Microfinance (7) Profit Reinvestment</p>	<p>Mainly economic Social-economic</p>
<p>(3) Ecodesign Integrate ecological aspects into key activities and value propositions (how processes and offerings are designed to improve their ecological performance).</p>	<p>(8) Green Razor and Blade (9) Resource Efficiency and Productivity (10) Sustainable Product Design (11) Renewable Resources and Natural Processes</p>	<p>Mainly ecological Ecologic-economic</p>
<p>(4) Closing-the-Loop Help integrate the idea of circular material and energy flows into partnerships.</p>	<p>(12) Co-Product Synergy (13) Industrial Symbiosis (14) Online Waste Exchange Platform (15) Product Recycling (16) Remanufacturing (17) Repairing (18) Reusing</p>	<p>Mainly ecological Ecologic-economic</p>

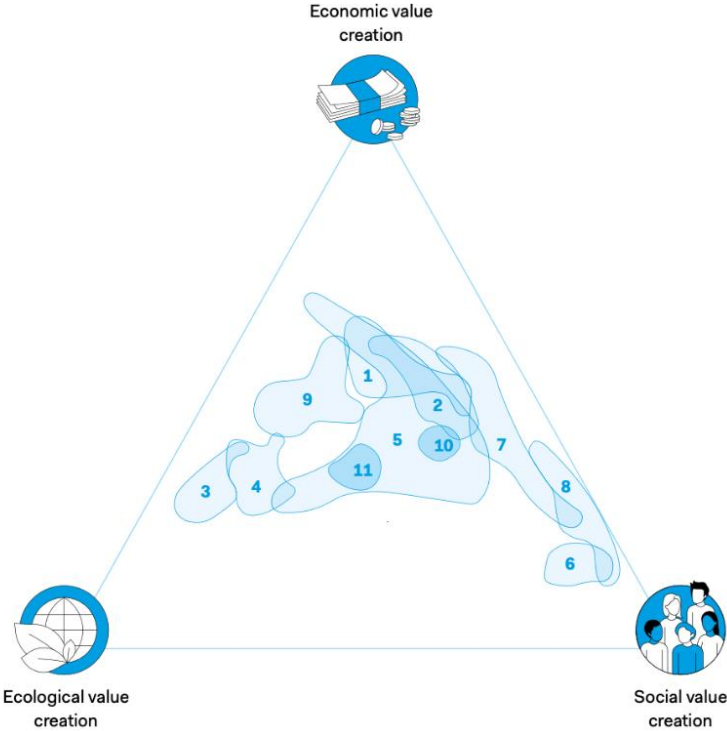
	(19) Take-Back Management (20) Upgrading	
(5) Supply Chain Modify the upstream or downstream parts of a business model (how inputs are sourced and target groups are reached).	(21) Green Supply Chain Management (22) Inclusive Sourcing (23) Micro Distribution and Retail (24) Virtual Sales and Distribution (25) Produce on Demand (26) Shorter Supply Chain	Integrative
(6) Giving Help donate products or services to target groups in need (how costs are covered and social target groups are reached).	(27) Buy One, Give One (28) Data for Social Good	Social
(7) Access Provision Create markets for other wise neglected target groups, involving new value propositions, channels, revenue, pricing, and cost models.	(29) Market Maker (30) e-Transaction Platforms (31) Experience-Based Customer Credit (32) Last-Mile Grid Service (33) Value-for-Money Education (34) Value-for Money Housing	Social-economic
(8) Social Mission Integrate social target groups in need, including otherwise neglected groups, either as customers or productive partners.	(35) Expertise Broker (36) Employing Minority Talent (37) Soup Kitchen (38) Socio-Economic Empowerment (39) Two-Sided Social Business	Social Social-economic

<p>(9) Service and Performance Emphasise the functional and service value of products and offer performance management.</p>	<p>(40) Pay for Success (41) Product-Oriented Service (42) Use-Oriented Service (43) Result-Oriented Service</p>	<p>Mainly economic Ecologic-economic</p>
<p>(10) Cooperative Integrate a broad range of stakeholders as co-owners and co-managers.</p>	<p>(44) Cooperative Ownership</p>	<p>Social-economic</p>
<p>(11) Community Platform Substitute resource or product ownership with community based access to resources and products.</p>	<p>(45) Sharing</p>	<p>Integrative</p>

Source: own work based on Lüdeke-Freund, F., et al. (2018). *The sustainable business model pattern taxonomy—45 patterns to support sustainability-oriented business model innovation*. Sustainable Production and Consumption, vol. 15. p. 25-26

The triangle showed in Figure 13 is a stylized sustainability triangle in which each corner symbolizes one of the primary dimensions of sustainability, reinterpreted to represent the key orientations of organizational value creation: ecological value, social value, and economic value creation (Kleine & von Hauff, 2009).

Figure 13. The sustainability pattern triangle



Source: Lüdeke-Freund F., Massa, L., & Breuer, H., (2024). *Sustainable business model design*. Journal of Business Models 12.1. p. 6

The positions of the patterns on the triangle indicate their alignment with economic, ecological, and social value creation. The association of each pattern with these value types was determined using the previously mentioned Delphi study (Lüdeke-Freund, Carroux, Joyce, Massa, & Breuer, 2018). Therefore, a pattern’s position should be understood as follows: The closer a pattern is to one of the corners, such as the ecological corner, the greater its expected contribution to that particular form of value creation, such as ecological value creation. Patterns that are between two corners are expected to generate a mix of these two types of value. Patterns positioned in the middle of the triangle are assumed to contribute to all dimensions of sustainable value creation. This method of interpreting pattern positions enables users to search for different patterns based on their expected contributions to economic, ecological, and social value creation (Lüdeke-Freund, Massa, & Breuer, 2024).

For instance, pattern group 4 is located on the left side of the triangle, located between the ecological and economic corners. Known as the Closing the Loop group (as shown in Table 1), it consists of nine patterns that facilitate closing material and energy loops. Their placement on the triangle indicates that these circular economy patterns primarily contribute to ecological and ecologic-economic forms of value creation. This group includes patterns like Reuse, Product Recycling, Take Back Management. Business model designers aiming to prepare their organizations for the circular economy can explore this group for practical examples and inspiration (Lüdeke-Freund, Massa, & Breuer, 2024).

2.3 Social value and economic value

The distinction between economic and social value is crucial in modern business, especially for social enterprises balancing both goals. Economic value focuses on financial performance and competitive advantage, that can be achieved through the management of valuable and scarce resources. Social value, on the other hand, includes broader social and environmental impact, including contributions to social justice and community well-being. Integrating these values requires innovative business models and strategic partnerships, but also poses significant challenges in balancing financial and social goals (Dohrmann, Raith, & Siebold, 2015).

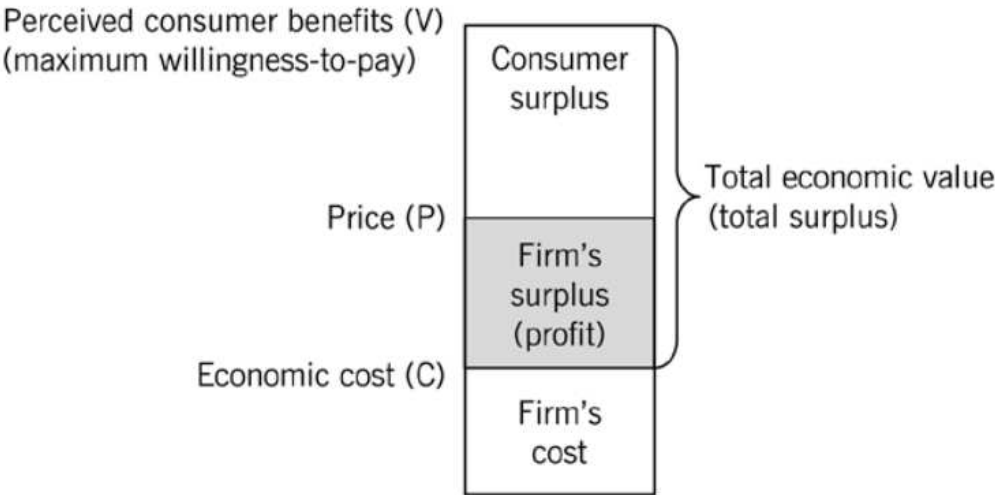
2.3.1 Economic value

The distinction between economic and social value has become a key point in contemporary business and management research, since more and more social companies try to compromise creation of both types of value (Miller, 2017). Resource-based theory (RBT) and its application to understanding value creation, as discussed by Barney and Clark (2007), provides a framework for analysing how organizations can create and sustain competitive advantage through strategic resource management. In parallel, there is evolving discourse on social value, particularly in the context of social entrepreneurship, that introduces another dimension of value that goes beyond purely economic metrics.

Economic value is typically understood in terms of financial performance, profit maximization, and market share. The resource-based view states that firms achieve sustainable competitive advantage by acquiring and managing valuable, rare, inimitable, and non-substitutable (VRIN) resources (Barney & Clark, 2007). These resources can include tangible assets, human capital, technological capabilities, and organizational processes. Moreover, Barney and Clark (2007) claim that the creation of economic value is supported by the firm's

ability to exploit its unique resources to deliver superior products or services. This involves strategic investments in innovation, efficiency improvements, and market positioning. For instance, a firm that develops a proprietary technology that significantly lowers production costs can create substantial economic value by gaining a cost leadership position in the market. Sustaining economic value requires continuous adaptation and reinvestment in the firm's resource base. Elements included in this process are ongoing R&D, talent development, and strategic alliances. There is also the importance of dynamic capabilities—the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments (Grant, 1991). Figure 14 presents economic value.

Figure 14. Economic value



Source: Wójcik, P. (2016). *How creating shared value differs from corporate social responsibility*. Central European Management Journal, 24(2) p. 43 after Barney, J., & Clark, D., (2007). *Resource-based theory: Creating and sustaining competitive advantage*. Oup Oxford. p. 25-26

In addition, Wójcik (2016) interpretes economic value as a firm's economic profit (rent) that is equal to a firm's surplus and originates from the value created for the consumer through business activities. Therefore, total economic value created (total surplus) can be presented in the equation:

$$\text{Total EV} = V - C = (V-P) + (P-C) = \text{Consumer's Surplus (CS)} + \text{Firm's surplus (FS)}$$

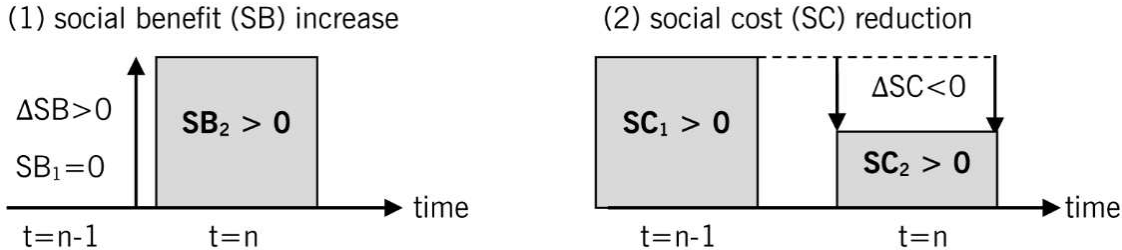
Analysing above equation, creating economic value is necessary but not sufficient for profitability unless a firm can capture this value as profits. The effort to maximize value creation can have three different approaches: 1) better meeting consumers' needs than competitors at the same or similar costs, 2) satisfying consumers' needs at lower costs than rivals, and 3)

addressing consumers' needs that competitors have not yet met . According to the existing conceptual framework, creating economic value is a dynamic process that can be observed from the producer's perspective as a change in the relationship between a firm's surplus (economic profit) and its costs over time. Furthermore, economic value creation can be viewed in terms of efficiency, defined more broadly as a change in the relationship between a firm's outcomes and inputs (Wójcik, 2016).

2.3.2 Social value

Social value is related to the broader impact of business activities on society and the environment. It includes contributions to social justice, community well-being, environmental sustainability and ethical business practices. Welfare economics often examines social welfare through the lens of Pareto efficiency, which suggests that the most efficient resource allocation improves at least one individual's well-being without reducing the well-being of others. The demand for metrics is particularly seen among NGOs, investors, policymakers, public institutions and business organizations, all of which want to assess the social impact of companies and the social value created. This interest has led researchers to consider the issue from a stakeholder management perspective, resulting in a variety of approaches and measurement methods. Social entrepreneurs and socially responsible corporations often prioritize social missions alongside or even above economic profits (Wójcik, 2016). Social entrepreneurship represents a paradigm that integrates economic and social value creation. According to Dohrmann et al. (2015), social entrepreneurs design business models that address unmet social needs through innovative solutions while ensuring financial sustainability. These ventures can range from purely philanthropic organizations to hybrid models that generate market revenue to support their social missions.

Figure 15. Social value creation



Source: Wójcik, P. (2016). *How creating shared value differs from corporate social responsibility*. Central European Management Journal, 24(2) p. 46

The graphical interpretation of social value creation, as presented in Figure 15, involves two primary modes: social benefit (SB) increase and social cost (SC) reduction. SB increase is represented by a shift from $SB_1 = 0$ at time $t = n - 1$ to $SB_2 > 0$ at time $t = n$. The increase in social benefit ($\Delta SB > 0$) indicates that social value is being created. This means that an action or an initiative undertaken by an organization has resulted in positive externalities or benefits for the society that were previously inexistent. SC reduction component is illustrated by a reduction in social costs from $SC_1 > 0$ at time $t = n - 1$ to $SC_2 > 0$ at time $t = n$. The decrease in social costs ($\Delta SC < 0$) signifies the reduction of negative externalities or societal harms, such as lower pollution levels or decreased resource consumption. The comparison of these outcomes over time demonstrates the creation of a social value. Specifically, social value creation is identified when either social benefits increase or social costs decrease. This dynamic approach to analysing social value creation aligns well with welfare economic principles, which focus on improving well-being without reducing others' well-being (Wójcik, 2016).

2.3.3 Integrating economic and social value

The Corporate Social Responsibility (CSR) and Shared Value Creation (CSV) framework recommends that companies engage in activities that not only increase economic value, but also provide social benefits. Wójcik (2016) discusses how companies can create shared value by identifying and expanding the links between social and economic progress. This involves developing products and services that meet social needs, improving value chain efficiency and enabling the development of local clusters. The integration of economic and social value creation requires firms to adopt a holistic approach to strategy. Firms must align their core business objectives with social missions, ensuring that their operations contribute positively to both financial performance and societal well-being. This alignment can be achieved through innovative business models, strategic partnerships or stakeholder engagement (Evans & Siesfeld, 2020). Dohrmann et al. (2015) propose a framework for categorizing social business models based on the degree of monetization of social value creation. They identify four generic business models as presented in the Table 2.

Measuring the impact of integrated economic and social value creation is complex and multifaceted. It involves assessing both financial performance and social outcomes. Most of the most well-known and widespread methods are those that attempt to determine the financial value of a social or environmental impact, with Social Return On Investment (SROI) being one of the most popular. These methods are primarily useful for external reporting, however there can be doubts regarding their overall validity. For example, the LM3 tool focuses on business

expenditures and payment streams without assessing the effectiveness of these expenditures from a community perspective, which raises concerns about the true impact of these financial flows. Similarly, the CESPI framework does not support business decisions to minimize the negative social impact caused by organizations. Another approach is the Global Reporting Initiative (GRI) with its G4 guidelines, which separately report economic, environmental and social indicators (Wójcik, 2016).

Table 2. Generic social business models

Name	Description	Example
One-Sided Social Mission	Relies on external funding with minimal market revenues.	Traditional soup kitchens (entails the social mission of food supply to recipients who do not have enough money to buy food).
Two-Sided Social Mission	Engages two different social target groups (one on the supply side and one on the demand side) and generates supplementary market revenues.	Wheelmap (maps wheelchair-accessible places).
Market-Oriented Social Mission	Focuses on the consumption needs of a market target group while employing a social target group as a resource.	Jamie Oliver's Fifteen restaurants (train disadvantaged youth).
Commercially Utilized Social Mission	Utilizes a social mission to address a social target group and generate significant market revenues.	Facebook and Google (provide free services to users while monetizing user data for advertising).

Source: own work based on Dohrmann, S., et al. (2015). *Monetizing social value creation—a business model approach*. Entrepreneurship Research Journal, 5(2). p. 136 - 148

Companies that want to create both economic and social value meet significant challenges in reconciling both economic and social goals. This dual focus often leads to inherent tensions and trade-offs. One of the primary challenges is balancing profit maximization with social impact. Firms may face pressure from shareholders to prioritize short-term financial returns, which can

conflict with the long-term investments required for meaningful social initiatives (Dohrmann, Raith, & Siebold, 2015). Additionally, integrating social goals into core business strategies often demands substantial changes in organizational culture, leadership and operational processes, which can be met with resistance from within the company (Wójcik, 2016). Moreover, measuring and reporting social impact alongside financial performance can be complex and resource-intensive. Traditional financial metrics may not capture the full spectrum of social value, necessitating the development of new tools and frameworks, such as SROI or impact assessments, to provide a holistic view of a company's performance. Furthermore, achieving a balance between economic and social objectives can lead to conflicts in decision-making processes, where actions that benefit one aspect may detrimentally affect the other. For instance, cutting costs to improve financial performance might reduce the quality or reach of social programs (Dohrmann, Raith, & Siebold, 2015). Additionally, external factors such as market conditions, regulatory environments and stakeholder expectations often complicate efforts to align economic and social goals. Companies to overcome these challenges can foster an adaptive and resilient organizational structure that can respond to changing conditions while maintaining a commitment to both financial and social objectives. Effective leadership, transparent communication and stakeholder engagement are key elements in addressing these challenges and ensuring that the pursuit of economic and social value is not only compatible but mutually reinforcing (Wójcik, 2018).

Chapter 3. Empirical findings: A multiple case study of ColorADD and Movimento Transformers

The research objective of this thesis is **to recognize the effective ways to reconcile business goals with social value by social enterprises**. To address this overall objective and to provide guidance for the intended research, three research questions have been formulated:

- 1) *How and why does the process of creating and innovating business model to reconcile social value creation with economic value unfold?*
- 2) *How do the tensions and paradoxes shape this process?*
- 3) *How do the social enterprises ensure their financial sustainability?*

The case study method is used since it allows for an in-depth examination of complex phenomenon of integrating both economic and social goals within their real-life contexts of social enterprises, which is particularly valuable for understanding the nuances of business model innovation in social enterprises. The method enables the in-depth exploration of multiple dimensions of the cases studied and provide more contextual insights that are essential for capturing the multifaceted nature of social enterprises (Yin, 2009).

Yin (2014) recommends using the case study method for "why" or "how" research questions to obtain a detailed description of a social phenomenon. Nevertheless, this method has limitations in providing universally representative results or a comprehensive overview of the whole industry's current situation, but will be addressed with the rigorous and fair presentation of empirical data (Yin, 2014), regarding the development of single social companies and the perception of individual social company employees through a multiple case study.

A point of departure is the work of Osterwalder and Pigneur (2010) on business model canvas, which provides a foundational framework for understanding how organizations create, deliver and capture value. Their model has been instrumental in structuring the analysis of business models in this study, especially in the context of social enterprises. However, unlike Osterwalder and Pigneur's primarily quantitative approach, this dissertation employs qualitative research to delve deeper into the specific challenges and strategies of social enterprises. The objective is not to replicate previous findings but to explore the nuanced processes of business model innovation in social enterprises, particularly how they reconcile social value creation with business objectives. Other scholars, such as Amit and Zott (2020), also emphasize the relevance of case studies for researching business model innovation, particularly in capturing the dynamic and systemic nature of value creation, delivery, and

capture. This study leverages their frameworks to structure the investigation and analysis of the selected cases. The incentive to conduct this research arises from the rapid evolution in the business environment, especially in the face of significant global challenges such as economic crises and social inequalities. These developments require a reassessment of how social enterprises innovate their business models to remain sustainable and impactful.

3.1. Characteristics of case study research method

Yin (2009) claims there are two design approaches for case study research: single and multiple case studies. A single case study is comparable to a single experiment and can be used to test a unique case or a well-formulated theory. Perry (1998) notes that multiple case studies enable cross-case analysis, which supports richer theory building. Theory emerges when patterns of relationships are identified and replicated within and across cases. Perry (1998) states for the use of replication logic or sampling logic, as multiple case studies function as “multiple experiments” rather than “multiple respondents in a survey.”. Moreover, Yin (2009) further explains that the single and multiple case study methods are distinct in their design and application. A single case study is particularly useful for examining a critical, unique, or revelatory case in depth. This method allows for a detailed exploration of a phenomenon, making it ideal for testing a well-formulated theory or investigating a rare or unique event. The single case study's strength lies in its ability to provide rich, contextual insights and a comprehensive understanding of the subject matter. In contrast, the multiple case study method involves the analysis of several cases, which can provide a broader perspective and enhance the generalizability of the findings. By examining multiple cases, researchers can identify patterns and differences, allowing for a more comparative analysis. This method is particularly valuable for exploring complex issues and understanding variations across different contexts. The evidence gathered from multiple cases can be more compelling and reliable, as it demonstrates that the findings are not limited to a single instance but are consistent across various situations. The choice between single and multiple case study methods depends on the research questions, the nature of the phenomenon under investigation and the objectives of the study. While single case studies offer depth and detailed insights, multiple case studies provide breadth and the potential for cross-case comparisons, ultimately strengthening the validity and reliability of the research findings (Yin, 2009).

There are two main types of case studies, embedded and holistic. An embedded case study involves multiple units of analysis within a single study, allowing for a more detailed

examination of different aspects of the case. This approach is useful when a complex phenomenon needs to be understood through various perspectives or levels, such as individual behaviours, organizational processes and contextual factors. For instance, a study of a company's strategic decisions might include analyses of individual executive decisions, departmental interactions and market conditions. On the other hand, a holistic case study focuses on a single unit of analysis, providing a comprehensive understanding of the case as a whole. This type of case study is appropriate when the phenomenon being studied is best understood in its entirety rather than through its individual components. For example, examining the overall impact of a new policy on an organization would be a holistic case study, considering the policy's effects on the organization as a whole rather than its individual parts. The distinction between embedded and holistic case studies is crucial for researchers to design their studies effectively and to make sure that the chosen method aligns with the research questions and objectives. Embedded case studies offer the advantage of capturing the complexity of real-life situations through multiple levels of analysis, while holistic case studies provide a more unified and integrated view of the subject matter (Yin, 2009). There is a high importance of choosing the appropriate type of case study based on the research question. Embedded case studies are particularly beneficial in management research where multiple layers of organizational behaviour need to be examined, whereas holistic case studies are useful for understanding broader organizational phenomena or strategic decisions without dissecting them into smaller units of analysis (Wójcik, 2013a).

The scientific validity of the case study method is demonstrated through objective, rational, organized, systematic and structured activities designed to ensure the reliability of conclusions. A key principle is triangulation, which involves obtaining data from multiple independent sources. Data can include not only interview content and context but also relevant documents, newspaper articles, observation results and audio or video recordings. The use of different, independent sources of information should lead to the same conclusions (Wójcik, 2013a).

Yin (2009) describes that a research design is intended to represent a logical set of statements and its quality can be assessed through certain logical tests. Key concepts for these assessments include 4 criteria: trustworthiness, credibility, confirmability and data dependability. Among the various tests, four are commonly used to establish the quality of empirical social research, including case studies. Construct validity involves identifying correct operational measures for the concepts being studied. Internal validity, relevant only to explanatory or causal studies, seeks to establish a causal relationship where certain conditions are believed to lead to other

conditions, as opposed to spurious relationships. External validity defines the domain to which a study's findings can be generalized. Reliability demonstrates that the procedures of a study, such as data collection methods, can be repeated with the same results. Each of these tests requires explicit attention. For case studies, it is crucial to apply the various tactics throughout the conduct of the study, not just at the beginning. Therefore, the "design work" for case studies may continue beyond the initial design phase (Yin, 2009).

3.2. Research design

This empirical research builds upon the insights gained from the literature review on the topics related to a business model innovation and social entrepreneurship. To better address the complexity of the multifaceted problems, the research uses a case study method. As described by Yin (2003, p. 13), a case study research method is “an empirical inquiry that investigates a contemporary phenomenon within its real-life context”. According to Yin (2012), it is a powerful method for examining phenomena within their real-life context and its investigation relies on multiple sources of evidence. Typically, the goal is to gather diverse perspectives from various sources, showcasing a holistic and flexible approach. The case study research method relies on various data sources, including primary data (for example interviews, observations) and secondary data (documents, external databases). The interview questions are used as an invitation for the interviewee to elaborate on their experiences and perceptions regarding the different issues in the research (Yin, 2012).

A multiple case study approach is adopted for this study. Case studies are particularly suitable when the boundaries between the phenomenon and context are not clearly evident, involving a multitude of variables and requiring various sources of evidence for data triangulation (Yin, 2014). Additionally, case studies benefit from having a theoretical proposition developed beforehand, which serves as a guide for data collection and analysis (Yin, 2014).

The information for this study comes from multiple sources: (1) individual interviews with employees from management positions (2) individual observations of the case companies (social enterprises) and (3) secondary data, such as companies' websites, reports and shared companies' presentations.

3.2.1. Case selection criteria

The case selection criteria in this dissertation were diligently chosen to ensure insightful analysis of business model innovation within social enterprises in Portugal, as illustrated in

Table 3. The study employed a multiple case study approach, as proposed by Yin (2014), who described the increased comprehensive and robustness nature of results obtained from multiple case studies compared to single case studies. This method was particularly suitable given the research questions focusing on the "how" aspects of business model innovation in social enterprises.

The selection criteria were based on both similarity and differentiation factors to capture a diverse, yet comparable set of social enterprises. The similarity factors included selecting social enterprises (SEs) that are founded and operating in Portugal, and have been established for over ten years (in fact both established in 2010). These criteria ensured that the selected cases were well-established and operating within a similar socio-economic and geographic context, providing a stable basis for comparison.

Differentiating factors were used to capture the unique attributes and operational contexts of each social enterprise. These factors included project orientation, client industry segments reach, and revenue model. The variation in project orientation allowed for the examination of how targeting different customer segments influences business model innovation. The diversity in client industry segments provided insights into how different market demands impact strategic decisions. Finally, the analysis of various revenue models showed how financial strategies align with or diverge from social mission goals.

Thanks to the comprehensive approach to case selection, the study could explore both commonalities and differences across social enterprises, thereby providing a nuanced understanding of how these organizations innovate their business models to reconcile social value creation with business objectives.

Table 3. Case selection criteria

	1	2	3	4
Similarity factors	Social enterprise (SE)	Founded and operating in Portugal	Established SE (more than 10 years in the business)	Company size (small and medium-sized enterprises)
Differentiating factors	Customer target group (customer segment)	Industry	Revenue model	

Source: own work

3.2.2. Characteristics of the selected social enterprises

For this multiple case study, two cases were selected based on the previously defined case selection criteria. The cases are ColorADD and Movimento Tranformers.

ColorADD is an innovative small-sized social company that has developed a unique, universal, inclusive, and non-discriminative language code to help colourblind individuals identify colours. The ColorADD system is made from a set of symbols that represent colours, enabling people with colour vision deficiencies to interpret colours accurately. This system is based on the “colour addition theory,” where primary colours (blue, yellow, and red) are represented through distinct graphic symbols. Colour vision deficiency, commonly known as colour blindness, is a hereditary condition that affects a significant portion of the population. Approximately 350 million people worldwide are colourblind, including 1 in 12 males and 1 in 200 females. This limitation can lead to social integration challenges, difficulties in daily activities, and a reliance on others for tasks involving colour identification, which was an incentive for Miguel Neiva, the founder, to establish ColorADD in 2010 in Portugal. ColorADD aims to provide colourblind people with greater independence and confidence in their daily lives. The mission of the company is:

“To facilitate colour identification for colour blind, while contributing determinately to their Social integration and Welfare, turning Communication more Efficient, Responsible and Inclusive.” (ColorADD, Interviewee A2, 2024)

The implementation of ColorADD code directly contributes to several Sustainable Development Goals (SDGs), promoting equity and integration across different aspects of society. ColorADD has gained recognition and praise from numerous global organizations and media outlets. For instance, Galileu magazine listed ColorADD as one of the 40 ideas that will make the world a better place. ICOGRADA, a world reference in graphic design, acknowledged ColorADD for reinventing the colour wheel. Additionally, the system has been implemented in various sectors, including public transportation, shopping malls, gaming, and retail, demonstrating its wide applicability and effectiveness. One notable example is the partnership with Metro do Porto, the public transportation system in Porto, Portugal and the partnership Klépierre Group, a leading operator of shopping malls. Moreover, ColorADD has received support from colour blindness awareness organizations, which recognize the need for such a system in environments like hospitals and transportation systems. Figure 16 presents ColorADD’s system of colours.

Figure 16. ColorADD colour coding system



Source: ColorADD (2024)

Movimento Transformers is a social enterprise addressing the market gap related to the lack of civic and social involvement among Portugal's civil society since its inception in 2010 by Joana Moreira, currently having 8 employees. Born from the passion and initiative of a breakdance group in Palmela, the movement has grown into a global phenomenon, inspiring and mobilizing thousands to engage in community transformation through what they love doing most. They started offering workshops to at-risk youth, fostering a cycle of informal education and skill transmission under the motto: *"I transform you with what I do best, but you have to transform something around you with what you are receiving."* Officially formed in 2010, after representing future generations at the World Economic Forum in Davos, Movimento Transformers has since mobilized over 8,200 "transformers" across 100 Portuguese cities, supported by 279 partners and clients, and €805,000 in impact investment. Their systemic impact model aims to create a more participatory, equitable society by addressing barriers to civic engagement, particularly among disadvantaged youth. Their mission is:



"To increase people's involvement in their communities through what they love to do most. To make this a reality, we created a learning cycle on civic and social participation from 0 to 120 years old." (Movimento Transformers, Interviewee B1, 2024)

The company is driven by the vision of a world where everyone has a voice, irrespective of age, gender, or social background. This vision contrasts sharply with the reality in Portugal, where

only 12% of young people are involved in civic activities, and only 10% volunteer—the lowest rates globally. High levels of civic engagement are correlated with better mental and physical health, reduced rates of illness, depression, and crime. Thus, Movimento Transformers focuses on engaging young people from disadvantaged backgrounds, where the barriers to participation are greatest. By doing so, they aim to reduce social isolation, absenteeism from school, and risky behaviour among these youth. Movimento Transformers employs a four-pronged approach to increase youth participation: Volunteering, Associations, Awareness and Training, and Advocacy. Each addresses specific obstacles to civic engagement. Their methodologies, which were validated by the Faculty of Psychology and Educational Sciences of the University of Porto, show significant improvements in participants' academic performance, self-esteem, and social acceptance.

An overview of the characteristics of the chosen cases is presented in Table 4.

Table 4. Characteristics of the selected social enterprises

Case	Similarities			Differences		
	Social enterprise	Country of establishment and operations	Age (no. of years of operation)	Project orientation (customer segment)	Client industry segment reach	Revenue model
ColorADD 	Yes	Portugal (with global reach)	> 10	Sectors requiring colour differentiation	Wide industry scope	Licensing
Movimento Transformers 	Yes	Portugal	> 10	Young people interested in social change	Narrow industry scope	B2G, B2B, B2C Diversified funding

Source: own work

Connecting factors are recognizably fulfilled. All cases are social enterprises, established and operating in Portugal, with more than ten years of operational history. ColorADD and Movimento Transformers exemplify these criteria well. Both enterprises have a strong foundation and significant operational experience in the socio-economic context of Portugal.

For the first distinctive factor, project orientation, ColorADD focuses on sectors requiring colour differentiation (for example education, transportation, healthcare), addressing specific needs in various industries through its unique approach. In contrast, Movimento Transformers targets young people interested in social change to enhance community engagement and youth empowerment. Regarding client industry segment reach, ColorADD has

a wide industry scope, indicating a broad application of its solutions across different sectors. In contrary, Movimento Transformers has a narrow industry scope, reflecting its focused mission and target demographic. The revenue models further highlight the differences between the two enterprises. ColorADD employs a licensing model, leveraging its intellectual property to generate income. On the other hand, Movimento Transformers uses a B2G, B2B, B2C model with diversified funding (such as securing grants, awards and donations), reflecting a more diverse approach to funding its social initiatives.

3.2.3. Data collection and analysis

The research for this dissertation uses a combination of both primary and secondary data as the foundation for the case study. Data collection for each case is based on two types of sources: (1) two interviews with employees from each social enterprise, (2) direct observations and (3) officially published data (such as company websites, published reports, information available on the official LinkedIn accounts of the studied companies). This combination was chosen because these data sources are commonly accessible for social enterprises, the information is self-published by the companies, especially regarding generated social impact, and these sources are widely accepted and used as reliable for general company information. Table 5 presents summary of interviews information.

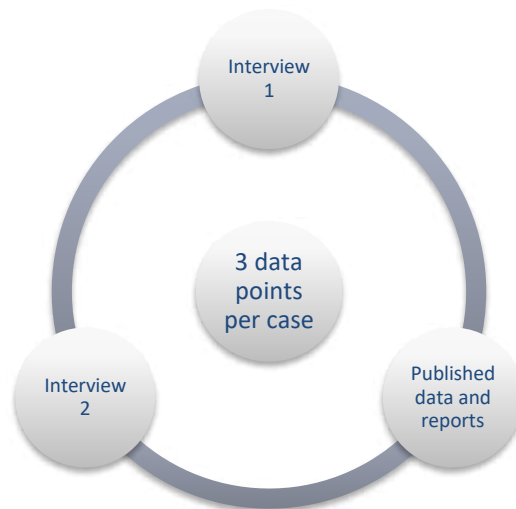
Table 5. Interviews information

Company	Interviewee	Duration of the interview	Date of the interview
ColorADD	A1	58 minutes	06 th of June 2024
	A2	51 minutes	06 th of June 2024
Movimento Transformers	B1	65 minutes	05 th of June 2024
	B2	Written answer	07 th of June 2024

Source: own work

It is important to clarify that secondary data is used to triangulate information from interviews and that companies gave their permission to share names of their companies, however names of interviewees will stay anonymous. Yin (2014) recommends triangulation of data sources to increase the credibility of case study research. As suggested by Yin (2014), this study aims to converge evidence by combining findings from different data sources to arrive at conclusions supported by all three sources. Figure 17 presents the triangle of data points per case.

Figure 17. Triangle of data points per case



Source: own work based on Yin (2014). *Case Study Research. Design and Methods*. (5th ed.). SAGE Publications Inc. p. 3

Insights are gathered through two semi-structured, brief case study interviews per case (Yin, 2014), conducted with selected key employees from social enterprises. The interviews were recorded and transcribed, then the insights were coded using the approach proposed by Saldaña (2009) and analysed following Gioia (2013) in the context of the study's theoretical concepts.

Interviewees have been identified via the professional network of the researcher and online search. The selection process for interviewees took into account the potential for complementary viewpoints by ensuring diversity in social enterprise areas, gender, and level of experience. The length of interviews ranged from about 40 to 60 minutes and were conducted online via Microsoft Teams.

After transcription and name anonymization, the interviews were analysed using a coding technique to identify the most relevant characteristics of the companies' business models and their innovation, following Gioia's method (Gioia et al., 2013). Subsequently, a cross-case analysis was conducted to identify differences and commonalities among the case companies. This analysis followed the structure of key areas from the interview guide developed by Amit and Zott (2020). Additionally, a more detailed categorization was performed according to the business model canvas elements proposed by Osterwalder (2004) and Rocha et al. (2018).

Table 6 and table 7 summarize the interview coding scheme for each company case according to topic area. Table 8 and table 9 summarize the interview coding scheme for each company case according to research questions. These tables are available in the Appendix.

3.3. Study findings

The analysis consists of two sections: the within-case analysis and, building upon that, the comparative cross-case analysis. Table 10 presents the underlying structure for the interviews, based on the research questions for this thesis and used for all subsequent processing of the interview material. The detailed interview guide, containing specific questions to inspire and guide the interviewees, is available in the appendix.

3.3.1. Within case analysis

The within-case analysis will include key findings from the interviews for each case and address the insights provided by the social enterprise employees in each specific topic area and then according to research questions.

ColorADD case:

ColorADD as a social enterprise dedicated to addressing the widespread issue of color blindness, which affects approximately 350 million people globally. It was founded with a strong commitment to both social impact and economic sustainability. This solution not only aids those with color blindness but also integrates into various sectors through a licensing model. ColorADD's approach effectively balances its dual objectives, making it a notable example of social entrepreneurship.

“First of all something that I create as a designer, I always imagine that design can be more than develop beautiful objects. I imagine that design can create a better world. Eight years of research, 8 years to develop a solution, identify a problem and try it during these eight years to create a solution. After that there is a question “how we can approach or we can bring this solution?” (...) The real problem of 350 million is not seeing colours properly. ColorADD is the company with 5 graphic symbols represent the primary colours and black and white. And after eight years of research, meetings with doctors, with ophthalmologists we understand what it means to be colour blind. I found that no solution exists, the society forgot about those people. (...) In 2008 I presented the public presentation of ColorADD, in 2009 I validated ColorADD through the scientific articles and a congress but it's not myself to say this is a solution, it is a society to do it. And in 2010 we worked for the implementation and integration.”
(ColorADD, Interviewee A1, 2024)

As expressed by the interviewee, ColorADD was founded on the belief that design can contribute significantly to societal improvement, beyond creating aesthetically pleasing objects. The journey with ColorADD began with identifying a significant issue faced by 350 million colourblind individuals worldwide. Over eight years, they dedicated a lot of time for researching and developing a solution, collaborating extensively with medical professionals to understand the intricacies of colour blindness. To better fulfil their goals, they later on created two organizations. As described by Interviewee A2: *“We created ColorADD that takes the call to society and we created ColorADD Social which the project to take ColorADD to schools”* (ColorADD, Interviewee A2, 2024), which further proves dedication to the company’s mission. On top of that, Interviewee A2 emphasizes the social impact as the most important element of the ColorADD’s business model:

“The most important element is the social impact that our partners can produce. That is the value that we deliver. We deliver the opportunity that our partners can really cause social impact and make the society move forward in the right direction” (ColorADD, Interviewee A2, 2024)

This statement by describes the core of ColorADD’s strategy, which is creating social impact through partnerships. ColorADD operates on a licensing model, where companies pay a fee to use the ColorADD code in their products. Interviewee A1 explained, *“We use this fee to give them the license to use the ColorADD code in their communication in their products and we provide all the technical support”*. The model ensures that the code is widely adopted, benefiting both ColorADD and its partners by introducing product inclusivity and innovation. Interviewee A1 adds to the topic that: *“The most important it's obvious the to guarantee the sustainability of ColorADD to continue this process, we need to have a proper business model the with simple rules, that is not exclusive”*, which shows the importance of ensuring financial sustainability as important element of a business model of a social company. Moreover, ColorADD relies on constant business model innovation:

“In one way everything that we do is quite an innovation because no one is supplying to help in that way colourblind people. (...) We are always in the innovation line, because we don't have a standard to compare. So our price model is completely created from zero. The way we contact customers, it's created from zero because we have to adjust and learn in the process.” (ColorADD, Interview A2, 2024).

The observation highlights ColorADD’s unique position as a pioneer in providing solutions for colourblind individuals. The company continuously innovates by adjusting its business model

and strategies to fit various markets and sectors. Interviewee A1 noted, “*We adjusted the model, because it inclusive depends on the sectors and the relevance for us in several different sectors*”. This flexibility allows ColorADD to tailor its approach to different industries and regions and have broader adoption, and impact. Nevertheless, the enterprise had to face challenges in this process:

“The biggest challenge is the idea that society resists paying for something that’s promoting the common good” (ColorADD, Interviewee A1, 2024).

A significant challenge faced by ColorADD was a societal resistance to paying for social impact solutions, connected with right communication while selling the product and presenting it, as stated by Interviewee A2: “*One big challenge is that when you are presenting something absolutely new to the mark, called innovation, you go to a possible customer and say present the code, they really like it, but they ask how their customers will know how to interpret the code. That is a challenge. There is the question what comes first - the egg or the chicken? (...) We implement on one model that we say that the value that the customer takes from the code is not using the code, it is telling the world that the code exists.*” Additionally, internal challenges such as cultural clashes between designers and commercial teams require careful management. Interviewee A2 explained, “*There is a cultural clash between designers and commercial people because they think in a completely different way*” (Interviewee A2, 2024). Aligning these diverse perspectives is crucial for the company’s success. Thanks to overcoming the challenges, effect of work were also visible at the partner companies. As Interviewee A1 describes:

“Only in the first year, the game UNO increased their sales by more than 66%” (ColorADD, Interviewee A1, 2024)

This partnership with Mattel (producer of UNO) exemplifies the successful integration of ColorADD’s code and demonstrate significant commercial benefits alongside social impact. By adapting the pricing and commercial strategies, ColorADD expanded its reach across various sectors and geographies. Interviewee A2 highlighted: “*We are working for several countries, not all in the same sector*”. The strategic diversification helped to facilitate the widespread adoption of the ColorADD code and reach social impact globally. Moreover, among lessons learnt and advices it was stated that:

“Defining an objective is the best way to put different cultures to work together” (Interviewee A2, 2024).

It shows the importance of clear objectives in unifying diverse teams within ColorADD. The value of professional management in social enterprises, is also emphasized by advising: *“The advice that I tell to the people that are working in this area of social projects, is to pick different perspectives. Different ways of working and skills. It's very, very important for the project to survive that they have in the project skills to survive. What are the skills? Financial skills, commercial skills, organization skills, management skills. And that is the kind of work that social impact entrepreneurs don't like it, you have to tell them “you should hire a professional manager to be on your side and tell you what to do.” And financial controller near them to help, because in the end these skills will help. And that is one advice that in theory everyone knows but in practice, there's not a lot of people that looks for it.”* (Interviewee A2, 2024). Thanks to it social projects can be managed effectively and balance social impact with financial sustainability, however financial, management, organizational and commercial skills are key for that. Nevertheless, most importantly new entrepreneurs should remember to: *“Go with your dreams, but make your dreams happen.”* (Interviewee A1, 2024).

Reconciliation of social and economic value creation

ColorADD effectively reconciles social and economic value creation through its well-integrated business model and strategic initiatives. The company’s extensive eight-year R&D period, involving collaboration with medical professionals, laid the foundation for addressing colour blindness. This comprehensive research was crucial for developing a solution that balances economic and social objectives, as noted by Interviewee A1:

“Eight years of research, 8 years to develop a solution, identify a problem and try it during these eight years to create a solution.” (2024)

ColorADD’s strategy is the integration of social impact into its core business operations. The creation of ColorADD Social, which aims to incorporate the ColorADD system into schools, exemplifies this commitment. This initiative raises awareness and generates revenue through a licensing model, charging companies for the use of the ColorADD code. Interviewee A2 emphasizes that the most significant aspect of their business model is the social impact their partners can produce, which drives societal progress while ensuring financial sustainability:

“The most important element is the social impact that our partners can produce. That is the value that we deliver. We deliver the opportunity that our partners can really

cause social impact and make the society move forward in the right direction.”
(Interviewee A2, 2024)

Moreover, partnerships play a critical role in balancing ColorADD’s social and economic goals. These collaborations amplify ColorADD’s social impact and enhance its economic sustainability by delivering value that is attractive to socially committed stakeholders. Interviewee A2 highlights the importance of a skilled team to navigate the complexities of a social enterprise to reach the project’s success through financial, commercial, organizational, and management expertise:

“The advice that I tell to the people that are working in this area of social projects, is to pick different perspectives. Different ways of working and skills. It's very, very important for the project to survive that they have in the project skills to survive. What are the skills? Financial skills, commercial skills, organization skills, management skills.” (Interviewee A2, 2024)

Tensions and paradoxes shaping the business model innovation process

ColorADD’s business model innovation process is shaped by significant tensions and paradoxes, particularly in balancing financial sustainability with its social mission. This tension is evident in their reliance on licensing agreements, which must sustain operations without compromising their social objectives. As they expand through these agreements, maintaining the quality and impact of their social mission is a continuous challenge, ensuring financial success does not overshadow their foundational social goals, which requires business model innovation. As stated by the Interviewee A1:

“We adjusted the model, because it inclusive depends on the sectors and the relevance for us in several different sectors.” (2024)

Resource allocation presents another paradox. ColorADD must balance investing in the development and promotion of its colour identification system with ensuring these investments align with its social mission. Organizational challenges also drive business model innovation. Since they are the first in the field, they do not have a competitor to have a standard to compare. As stated by Interviewee A2:

“We are always in the innovation line, because we don't have a standard to compare. So our price model is completely created from zero. The way we contact customers, it's created from zero because we have to adjust and learn in the process.” (2024)

Due to that reason, the innovation process is time consuming and requires adjustments in the learning process. Presenting innovation to customers also poses a challenge, because the innovation is not always well understood:

“One big challenge is that when you are presenting something absolutely new to the mark, called innovation, you go to a possible customer and say present the code, they really like it, but they ask how their customers will know how to interpret the code. (...) We implement on one model that we say that the value that the customer takes from the code is not using the code, it is telling the world that the code exists.” (Interviewee A2, 2024)

Lastly, having very diverse team might cause issues in the business model innovation process, since the communication process is complex having employees with various background:

“There is a cultural clash between designers and commercial people because they think in a completely different way.” (Interviewee A2, 2024)

Achieving financial sustainability

ColorADD achieves financial sustainability through a strategic licensing model. By licensing their colour identification system to various sectors, such as education, healthcare and consumer goods, ColorADD ensures a steady revenue stream. This model allows the company to monetize its intellectual property while promoting widespread adoption of its social innovation, that also shows their commitment to fulfil both economic and social goals:

“We use this fee to give them the license to use the ColorADD code in their communication in their products and we provide all the technical support.” (Interviewee A1, 2024)

ColorADD has the ability to adapt and innovate continuously, which helped in reaching *financial stability*. As Interviewee A1 highlighted:

“We adjusted the model because it inclusive depends on the sectors and the relevance for us in several different sectors.” (2024)

This flexibility helped ColorADD to tailor its approach to different markets and have relevance and maximize impact. Moreover, the company faced societal resistance to paying for social impact solutions, but by setting lower licensing fees initially, they encouraged widespread use and gradually built partnerships that provided steady revenue.

Movimento Transformers case:

Movimento Transformers is a social enterprise focused on fostering civic engagement among Portuguese youth. From its inception, the organization has aimed to address social challenges with a mission-driven approach. Movimento Transformers collaborates with municipalities and diverse stakeholders to extend the reach and effectiveness of its programs and leverage a multifaceted revenue model that includes B2G, B2B, and B2C segments. Through strategic partnerships and continuous innovation, Movimento Transformers successfully balances its social mission with economic sustainability, trying to position itself as a leader in civic participation and youth engagement in Portugal.

"It all began with our founder Joana Moreira. She was a professional swimmer with two trainings per day and she really wanted to learn to do breakdance. She discovered that the best place to learn it was on the street in a neighbourhood near Lisbon. So she began to join people in the neighbourhoods to learn to dance and to dance together. She discovered two things. The first one was that the older dancers with more experience were teaching the younger ones to dance. It was the exchange of talent they were both really passionate about, and the relationship of being like the mentors teaching the students in a non-formal way. The second was when they were together dancing, they were happy and away from trouble. The main motive is that we can create better communities when we join people doing what we love the most. So then in the World Economic Forum in Davos, Joana was representing the youth in Portugal, and when she returned to Portugal on August 21st of 2010, the Youth Association Movimento Transformers was founded" (Interviewee B1, 2024).

As expressed by Interviewee B1, Movimento Transformers was founded by Joana Moreira, whose passion for breakdancing and observation of mentorship within street dance communities inspired the creation of the organization. Joana realized that engaging in activities people love can create better communities by keeping individuals happy and away from trouble. This realization, combined with his experience at the World Economic Forum, led to the founding of Movimento Transformers in 2010. The organization's primary goal is to increase

civic participation in Portugal by teaching young people at risk of social exclusion various talents and encouraging them to give back to their communities. In their business model the company wanted to have elements of education and social come-together. They not only want to serve young people, but also teach big companies:

"So we use different approaches. For example, we use B2B business to business. We create personalized programs for brands. [...] But our biggest business model is B2G, Business to Governance, where we promote a relationship with stakeholders, for example, municipalities. We want to be a top-of-mind brand when it comes to civic participation and working with youth" (Interviewee B1, 2024).

The business model of Movimento Transformers has undergone significant changes since its inception. Initially supported by Fundação EDP, the organization experimented with a social franchising model, which proved challenging as it led to inconsistent implementation and reduced impact. By 2017, the organization shifted to a B2G model, focusing on providing services and programs directly to municipalities, ensuring greater control over implementation and impact:

"This strategy was caused by the internal need to guarantee a more effective response and generate more impact; it had nothing to do with external factors." (Interviewee B2, 2024)

The changes in Movimento Transformers' business model were primarily driven by internal factors, such as the need to ensure a more effective response and generate greater impact. The organization continuously evaluates its impact and adjusts its strategy accordingly. External factors, such as changes in political context and economic conditions, also influence the organization's approach, which requires flexibility and adaptability. Interviewee B2 noted among difficult challenges:

"Testing the social franchising model, in which we did not have a team capable of responding to the size of the model, which made it go wrong and distorted the model. We needed to have control to guarantee impact and be more prepared. We were a team of 2 people and now we are 8, and now we have a model that allows us to guarantee greater quality and capacity to scale impact, so in the future we will implement the franchise model with sales again, with access to the methodology manual and training train of trainers, now with a larger and more capable team for the project management." (2024)

Movimento Transformers needed bigger team to efficiently run the company, otherwise the quality of management was decreasing. Nevertheless, they found the way to solve it by hiring more people and introducing B2G selling model. Thanks to the implemented innovations, the company was able to note higher impact:

"We decreased school absenteeism by 44%. That's a percentage bigger than a lot of programs that cost a lot of money and have a long time duration" (Interviewee B1, 2024).

The shift to a B2G model and continuous innovation have led to significant positive outcomes for Movimento Transformers. For instance, their programs have successfully reduced school absenteeism by 44%, a notable achievement given the relatively low cost and duration of their interventions. This success has attracted attention from municipalities and other stakeholders, further solidifying the organization's reputation and impact. As the piece of advice, Interviewee B2 shared:

"Those who grow quickly die quickly", entities and entrepreneurs are in a hurry to grow, and it is necessary to measure impact and justify changes, understand what works and what doesn't. Entities that do everything about everything is not a viable strategy, it is important to understand what the mission is and all projects to contribute to the mission, and not to create projects to make applications and receive money. Another piece of advice is for organizations not to depend so much on leaders, learn to decentralize skills, have more funds to hire more experienced people." (2024)

The advice proves that it is more sustainable for a social company not to grow rapidly, in order to properly test their business model and implement proper innovations, as well as hiring experienced, diverse employees. On top of that, Interviewee B1 claimed: *"The advice and the thing that I talked about a lot of times is that before thinking, and before defining the strategy that social enterprises have on the field, they should look first directly to themselves" (2024).* It emphasizes the importance of introspection and ensuring that internal practices align with external social values. She highlights that a positive organizational culture and good work environment are crucial for sustaining impactful social work. Movimento Transformers integrates feedback from team members and continuously improves its organizational culture and reflects the social values they promote externally.

Reconciliation of social and economic value creation

Movimento Transformers reconciles social and economic value creation through a business model that integrates its mission of civic engagement among Portuguese youth with economic viability. The organization's focus on social and economic goals from its inception. As highlighted by Interviewee B2:

“By being a social business, we aim to solve a social problem, with proved impact regarding our mission, goals and satisfaction of our community (clients, institutions, stakeholders).” (2024)

Validated by institutions like the Faculty of Psychology and Educational Sciences of the University of Porto, Movimento Transformers ensures its social impact is recognized and valued. Partnerships with municipalities and other stakeholders are crucial, since they increase the reach and effectiveness of their programs while sustaining economic value. Having diversified revenue model, including B2G, B2B, B2C segments, public funding also helps with reconciling both economic and social goals, since it helps the company to sustain and spread.

Tensions and paradoxes shaping the business model innovation process

Nevertheless, Movimento Transformers met significant tensions and paradoxes in its business model innovation process, particularly in reconciling its social mission of fostering civic engagement among disadvantaged youth with the need to generate revenue. One key tension arises from the need for regular innovation process regarding programs and team culture to foster company's grow. Projects require financial resources, which are often complicated to be acquired, as Interviewee B1 describes:

“Some challenges can be when it comes to financial conditions. Projects cost money and sometimes it's complicated to get it, not only when it comes to funding, but for example, selling to municipalities and to companies.” (2024)

Moreover, having too small team leads to decreased capabilities to work efficiently. In the case of Movimento Transformers the business model innovation required high human resources. As well as there is a need to control and measure the impact:

“Testing the social franchising model, in which we did not have a team capable of responding to the size of the model, which made it go wrong and distorted the model. We needed to have control to guarantee impact and be more prepared. We were a team

of 2 people and now we are 8, and now we have a model that allows us to guarantee greater quality and capacity to scale impact, so in the future we will implement the franchise model with sales again, with access to the methodology manual and training train of trainers, now with a larger and more capable team for the project management.” (Interviewee B2, 2024)

One of the paradox is the fact that if a company wants to grow fast, probably it will also die fast. The growth and innovation is a process that takes time and has to be tested to understand what works the best, as explained by Interviewee B2:

“Those who grow quickly die quickly”, entities and entrepreneurs are in a hurry to grow, and it is necessary to measure impact and justify changes, understand what works and what doesn't. Entities that do everything about everything is not a viable strategy, it is important to understand what the mission is and all projects to contribute to the mission, and not to create projects to make applications and receive money.” (2024)

Achieving financial sustainability

Movimento Transformers has adopted a multifaceted approach to achieve financial sustainability, using different business strategies tailored to various market segments. The organization primarily uses a Business to Governance (B2G) model, which involves cultivating strong relationships with municipalities to establish itself as a top-of-mind brand for civic participation and youth engagement:

“Our key elements are the business model of B2G (business to governance), by promoting a strong relationship with our community of stakeholders, being a top of mind brand when it comes to civic participation and youth, and the recognition that comes along with prizes and achievements of our organization.” (Interviewee B2, 2024)

This model is shows their efforts to become recognized leaders in facilitating community engagement, which is crucial for long-term sustainability. In addition to B2G, Movimento Transformers utilizes a Business to Business (B2B) model, creating personalized programs for brands. The diversification allows them to cater to private sector needs while still focusing on their social mission. The organization also underwent significant changes in its funding model over the years. Initially supported by Fundação EDP, they faced a financial challenge when this funding ended in 2015. This led them to temporarily halt operations to participate in an acceleration program and to test a social franchising model. This model involved selling

methodologies to clients who could then implement these on their own territories. However, this approach somewhat distorted their methodology and reduced its impact, as clients implemented it in diverse ways. Recognizing these issues, they shifted back to a B2G model in 2017, focusing on selling services and programs directly implemented by their team to ensure control and impact:

“During the first three years we had the financial support of Fundação EDP. In 2015, when the funding ended, we stopped our activity to do an acceleration program and started to test our social franchising model to implement our Superpower Schools where the clients paid a fee and had access to the methodology to implement it on their own territories. This distorted our methodology and reduced the impact because every client implemented it in their own way. In 2017, our business model became a B2G by selling services and programs for municipalities with proved impact implemented by our team.” (Interviewee B2, 2024)

Strategic partnerships also increased financial sustainability, since in the case of Movimento transformers it lead to higher financial budgets, share of knowledge and space:

“All collaborations are important, the fact that we take care of our stakeholders allows us to grow. We have an 80% stakeholder retention rate, thanks to promoting relationships and taking care of them. There are some that financed with more money, others contributed with space and knowledge, but they are all important.” (Interviewee B2, 2024)

3.3.2. Cross-case analysis

Based on the design of the case study, there exist similarities and differences between the case companies, ColorADD and Movimento Transformers. Besides those intended distinctive factors, other differences have been identified within the study of the single cases. The categorization shown is based on the understanding of the interviewer of the intentional expression of the interviewee in the conversation.

Strategy and business model

ColorADD focuses on licensing its unique colour identification system to various sectors and ensure widespread adoption and societal integration. The company creates value by addressing the needs of colourblind individuals through a patented system that uses five graphic symbols

to represent primary colours and black and white. This system integrates into everyday life, helping colourblind individuals navigate environments where colour is essential. The system is delivered through licensing agreements with partners in various sectors, for example education, healthcare, consumer goods. By keeping licensing fees low, ColorADD ensures that cost does not become a barrier, thus promoting widespread use and capturing value through these fees. Interviewee A1 emphasized this approach:

“We use this fee to give them the license to use the ColorADD code in their communication in their products and we provide all the technical support” (Interviewee A1, 2024).

Movimento Transformers uses a Business to Governance (B2G) model, focusing on collaboration with municipalities and other stakeholders to promote civic participation and social engagement. The organization creates value by empowering young people through volunteer programs and educational initiatives, increasing their civic involvement and social responsibility. Value is delivered through structured programs like Superpower Schools, where volunteer mentors teach children and young people at risk of social exclusion. These programs are tailored to local communities and implemented in partnership with local governments. Movimento Transformers captures value through service fees from municipalities and other clients, as well as public funding and awards. This diversified revenue model ensures financial sustainability. Interviewee B1 noted: *“Our main strategy to ensure financial stability is to have a bigger slice when it comes to direct services selling and not rely a lot on public funding and prizes”* (Interviewee B1, 2024).

ColorADD’s business model revolves around licensing a patented system to various industries to integrate colourblind individuals into everyday life, whereas Movimento Transformers focuses on creating civic engagement programs for young people, delivered through partnerships with local governments and funded through a combination of service fees and public funding. Both companies noted that ensuring financial sustainability is a key element of a business model. They also demonstrate how strategic adaptation and focused mission-driven approaches can effectively create, deliver, and capture value. Table 11 provides a comparison of elements of a business model in both cases.

Table 11. Cross case analysis of business model elements

Company	Value Creation	Value Delivery	Value Capture
ColorADD	By addressing the needs of colourblind individuals through a patented colour identification system.	Through licensing agreements with partners in multiple industries	Via licensing fees, strategic partnerships, and ensuring affordability to encourage widespread use.
Movimento Transformers	By empowering young people through volunteer programs and educational initiatives aimed at increasing civic participation.	Through structured programs like Superpower Schools, tailored to local communities and implemented in partnership with local governments.	Through service fees from municipalities and other clients, public funding and awards.

Source: own work

Reconciliation of social and economic value creation

ColorADD and Movimento Transformers both reconcile social and economic value creation through distinct approaches. ColorADD’s model is deeply embedded in its mission to address colour blindness, highlighted by an extensive eight-year research and development phase that involved collaboration with medical professionals. This period allowed ColorADD to develop a solution balancing economic and social objectives, as emphasized by Interviewee A1:

"Eight years of research, eight years to develop a solution, identify a problem and try it during these eight years to create a solution." (2024)

By creating ColorADD Social, the organization integrates its system into schools, raising awareness and generating revenue through a licensing model. The approach ensures that their business activities promote societal progress and maintain financial sustainability. Interviewee A2 notes:

"The most important element is the social impact that our partners can produce. That is the value that we deliver." In contrast, Movimento Transformers focuses on civic engagement among Portuguese youth, aiming to solve social problems with measurable impact, as stated by Interviewee B2: "By being a social business, we aim to solve a social problem, with proved impact regarding our mission, goals and satisfaction of our community." (2024)

The organization employs a diversified revenue model, including B2G, B2B, and B2C segments, supplemented by public funding. Partnerships with municipalities and other stakeholders are important for extending the reach and effectiveness of their programs, sustaining economic value. Both companies showcase strategic integration of social impact into their business models. While ColorADD leverages a product-centric licensing model to promote its colour identification system, Movimento Transformers adopts a service-oriented approach, focusing on civic engagement and youth participation. This comparison shows the diverse strategies social enterprises can adopt to balance social impact with economic viability, demonstrating that both product and service-oriented models can effectively reconcile social and economic goals.

Tensions and paradoxes shaping the business model innovation process

ColorADD and Movimento Transformers both experience significant tensions and paradoxes in their business model innovation processes. ColorADD faces the challenge of balancing financial sustainability with its social mission. The reliance on licensing agreements necessitates maintaining the quality and impact of their social mission without compromising their financial objectives. As Interviewee A1 remarked:

"We adjusted the model because it inclusive depends on the sectors and the relevance for us in several different sectors." (2024)

This ongoing adjustment shows the tension between adapting to different market needs and staying true to their social mission. Additionally, resource allocation presents a paradox for ColorADD, as they must invest in the development and promotion of their colour identification system while ensuring these investments align with their social objectives. The organizational challenges of being a pioneer in their field, with no standard for comparison, further complicate their innovation process. Interviewee A2 articulated this, stating:

"We are always in the innovation line, because we don't have a standard to compare."
(2024)

In contrast, Movimento Transformers faces the paradox of fostering civic engagement among disadvantaged youth while needing to generate revenue. The necessity for regular innovation in programs and team culture is crucial for growth, yet financial resources are often difficult to secure. Interviewee B1 described this challenge:

"Projects cost money and sometimes it's complicated to get it, not only when it comes to funding, but for example, selling to municipalities and to companies." (2024)

The organization also faced significant challenges in its attempt to implement a social franchising model, which required substantial human resources to maintain control and impact. As Interviewee B2 noted:

"We needed to have control to guarantee impact and be more prepared." (2024)

It shows the paradox of needing a capable team to manage and scale impact while balancing the desire for rapid growth with sustainable development. Additionally, Movimento Transformers encountered the tension between the urgency to grow and the need to thoroughly test and understand what strategies work best, as Interviewee B2 explained:

"Those who grow quickly die quickly. Entities and entrepreneurs are in a hurry to grow, and it is necessary to measure impact and justify changes." (2024)

Both ColorADD and Movimento Transformers face similar overarching challenges in balancing social and economic goals, however their specific tensions and paradoxes differ. ColorADD's innovation process is heavily influenced by the need to continuously adapt their licensing model and resource allocation without a standard benchmark. In contrast, Movimento Transformers' journey is marked by the difficulties in securing financial resources and the complexities of managing growth and innovation within a small team.

Achieving financial sustainability

ColorADD achieves financial sustainability through a licensing model, which involves licensing their colour identification system to various sectors, including education, healthcare, and consumer goods. This model ensures a steady revenue stream while promoting the widespread adoption of their social innovation. Interviewee A1 highlighted the adaptability of their model:

"We adjusted the model because it inclusive depends on the sectors and the relevance for us in several different sectors." (2024)

This flexibility allows ColorADD to tailor its approach to different markets, stay relevant and maximizing impact. By setting lower initial licensing fees, ColorADD encourages widespread use and gradually builds partnerships that provide steady revenue. In contrast, Movimento Transformers adopts a multifaceted approach to financial sustainability, using different business strategies to various market segments. The organization primarily employs a Business to Government (B2G) model, which involves cultivating strong relationships with municipalities to establish itself as a top-of-mind brand for civic participation and youth engagement. Interviewee B2 explained:

"Our key elements are the business model of B2G (...) being a top of mind brand when it comes to civic participation and youth." (2024)

This model emphasizes building long-term, sustainable relationships with government entities, ensuring a consistent revenue stream through public sector contracts. Additionally, Movimento Transformers utilizes a Business to Business (B2B) model, creating personalized programs for brands. This diversification allows them to cater to the private sector's needs while still focusing on their social mission. The organization's financial strategy has evolved over time. Initially supported by Fundação EDP, Movimento Transformers faced a financial challenge when this funding ended in 2015, leading to a temporary halt in operations to participate in an acceleration program and test a social franchising model. This model involved selling methodologies to clients, who could then implement them in their own territories. However, this approach somewhat distorted their methodology and reduced its impact, as clients implemented it in diverse ways. Recognizing these issues, they shifted back to a B2G model in 2017, focusing on selling services and programs directly implemented by their team to ensure control and impact. Strategic partnerships also play a vital role in their financial sustainability, providing higher budgets, shared knowledge and resources. Interviewee B2 emphasized the importance of stakeholder relationships:

"All collaborations are important (...) We have an 80% stakeholder retention rate, thanks to promoting relationships and taking care of them." (2024)

ColorADD's approach to financial sustainability revolves around a flexible and adaptive licensing model and leveraging their intellectual property across various sectors to generate

revenue while advancing their social mission. Movimento Transformers, on the other hand, uses a diversified revenue strategy, focusing on strong government partnerships and tailored private sector programs to ensure financial stability. Both organizations highlight the importance of adaptability, strategic partnerships and a clear focus on balancing social impact with economic viability in their pursuit of financial sustainability.

Table 13. Summary of cross-case analysis based on first-order codes according to research questions

Interview Area	ColorADD	Movimento Transformers
<p>Reconciliation of social and economic value creation</p>	<ul style="list-style-type: none"> • Long research and developing value proposition to create a business model that would reconcile both economic and social goals • Focus on finding social solution • Recognition and external validation that could help with possessing investors and publicity • Focus on sustaining the company and continuation of processes • The business model from its beginning cannot exclude neither economic nor social goal • Strong social goal as foundation to establish the company • ColorADD as a company that has to reconcile both goals and be sustainable, where ColorADD Social was great only with the goal of providing education • The importance of partnerships and social impact creation • Importance of partnerships to create economic value and sustain • While working in social projects area it is important to have employees with financial, commercial, organizational and management skills to ensure a company can provide success in aiming both goals • 	<ul style="list-style-type: none"> • Creation of the company comes from the pursuit to find a social solution • Focus on creating better communities since the beginning of creating business model • Gained external public recognition to start to be able to reconcile both goals • Strong social goals from the foundation of the company • Taking care of beneficiaries • Both economic and social goals had to be met from the beginning
<p>Tensions and paradoxes shaping the business model innovation process</p>	<ul style="list-style-type: none"> • Needed changes in the business model • Depending of the customer’s sector, different pricing adjustments must be implemented • The company assess their importance in different sectors, depending how much social value they could bring • Societal stigma that negatively impacts the company 	<ul style="list-style-type: none"> • There is a need for regular innovation regarding programs and team culture, otherwise the company could not grow • Importance of the team culture that has high impact on the company operations • Need for regular evaluation by for example feedback meetings

	<ul style="list-style-type: none"> • Challenges in selling societal solutions, which resulted in pricing changes • Innovation creating a challenge hot to do things, since there is no competitor standard to compare • Environment pressured innovation process and a lot of adjustments • Long learning process of innovating business model to reconcile both economic and social goals • Customers' concerns about the societal code interpretation so company has to adjust communication with customers and presentation of the solution • The innovation created new issues, because it is not always understood • Diverse teams lead to cultural clashes • Issues in communication and working together creates need to innovate business model 	<ul style="list-style-type: none"> • Business model innovation is caused by the internal need to ensure a more effective response and generate more impact • Financial conditions as big challenge • Challenges in selling to municipalities and companies • Organizational problems • Lack of people participation in the programs • Challenges incentivize business model innovation • Too small team to be capable to work efficiently • The need of control to guarantee impact • Business model innovation required higher human resources and change of the business model to B2G • The paradox is that many companies try to grow quickly thinking it is a good strategy, when in fact it can lead to their end • Grow should be a process, in which a company is learning and adapting, even if fast grow seems to be right • Importance of measuring the impact and understanding what works the best
<p>Achieving financial sustainability</p>	<ul style="list-style-type: none"> • License model as revenue model • Depending of the customer's sector, different pricing adjustments must be implemented • Innovation as a base of the company • Environment pressured innovation process • More partnerships lead to increase of recognition, thanks to which the company expand to different sectors and countries ensuring financial sustainability 	<ul style="list-style-type: none"> • Personalization to adjust to the market and ensure financial stability • Variety of approaches to have more revenue streams • Want to be top-of-mind brand regarding civic participation and working with youth to gain recognizability • Change revenue streams from donations to selling and B2G model to sustain business model • Importance of ensuring financial resources • Differentiated selling approaches with B2G as the main one • Strong relationship with stakeholders support financial sustainability • Taking care of stakeholders

Source: own work

Movimento Transformers also demonstrated a commitment to innovation and adaptability through their operations. The organization initially relied on funding from Fundação EDP, but when this support ended in 2015, it explored a social franchising model. However, this approach led to inconsistent implementation and reduced impact. Recognizing the need for greater control and effectiveness, Movimento Transformers shifted to a Business to Governance (B2G) model in 2017, selling services and programs directly to municipalities. Interviewee B2 explained this shift: *“In 2017, our business model became a B2G by selling services and programs for municipalities with proved impact implemented by our team”* (Interviewee B2, 2024). Financial sustainability for Movimento Transformers is achieved through a diversified revenue model. The organization charges service fees to municipalities and other clients while also securing public funding and awards. It guarantee a stable income and allows for continuous expansion and innovation in their programs. Interviewee B1 emphasized the importance of a diversified revenue model:

“Our main strategy to ensure financial stability is to have a bigger slice when it comes to direct services selling and not rely a lot on public funding and prizes” (Interviewee B1, 2024).

Both ColorADD and Movimento Transformers successfully navigated innovation process and financial sustainability by adapting their business models and diversifying their revenue streams. ColorADD focuses on licensing its unique colour identification system, while Movimento Transformers mostly engages in direct service provision to municipalities. These strategies helped companies to reconcile both economic and social goals.

Determinants of changes and challenges

ColorADD faced societal resistance to paying for social impact solutions. Interviewee A1 noted:

“The biggest challenge is the idea that society resists paying for something that’s promoting the common good” (Interview A1, 2024).

This resistance made ColorADD to adapt its business model by setting lower licensing fees to encourage broader adoption. The company also struggled with communication with customers to offer the product, since it is not yet commonly known in societies. Internal challenges, such as aligning the goals of designers and commercial teams, also necessitated careful management. The strategic flexibility let ColorADD integrate its colour identification system into various sectors and increase its social impact while maintaining financial viability.

Per contra, Movimento Transformers experienced challenges related to the consistency and effectiveness of its programs. Initially supported by Fundação EDP, the organization shifted to a social franchising model, which was problematic due to inconsistent implementation across different regions. Interviewee B2 explained:

“We stopped our activity to do an acceleration program and started to test our social franchising model. This distorted our methodology and reduced the impact”
(Interviewee B2, 2024).

In response, Movimento Transformers adopted the B2G model (as well as B2B and B2C), selling services and programs directly to municipalities, which allowed for greater control and consistent impact. Additionally, internal challenges such as maintaining the quality of volunteer-driven programs and adapting to changes in the political context required ongoing evaluation and adaptation. As interviewee B2 stated, it is important to keep adequate amount of employees, so that the business model can function efficiently.

Both organizations regularly assess their strategies and key decisions to address challenges typical for social enterprises. For ColorADD, this means adjusting its licensing model to fit different sectors and ensure affordability, so that a price would not be a handicap. For Movimento Transformers, it involves adjusting programs to meet the needs of local communities and securing diverse revenue streams to maintain financial stability. The determinants of changes for both ColorADD and Movimento Transformers include societal resistance, internal cultural clashes, and the need for consistent program implementation. However, thanks to addressing these challenges through strategic adjustments and continuous evaluation, both organizations have maintained their operations.

Effect of changes

Both ColorADD and Movimento Transformers have experienced significant changes in their business models, which resulted in impactful outcomes and lessons learnt.

ColorADD faced initial resistance to paying for social impact solutions, which required a strategic adjustment in their licensing model. The most surprising effect was the widespread adoption of the ColorADD system across various sectors not only in Portugal, but also in other countries like Spain, despite initial resistance. This unexpected success proved the effectiveness of their pricing strategy and the broad applicability of their solution. Critical partnerships, such as those with educational institutions, game makers, and healthcare providers, have been crucial to achieve their social and business objectives. Interviewee A1 highlighted a key collaboration:

“Only in the first year, the game UNO increased their sales by more than 66%”, (Interviewee A1, 2024), which translated into broader spreading of ColorADD’s impact.

Movimento Transformers met challenges with the social franchising model, that lead to inconsistent implementation and reduced impact. The shift to a B2G model resulted in a significant reduction in school absenteeism by 44%, which was a remarkable and surprising outcome. It increased control and more consistent impact. Critical partnerships with municipalities, schools, and local governments have been found critical in delivering their programs and achieving their mission. As Interviewee B1 claimed the importance of these collaborations:

“Our main strategy to ensure financial stability is to have a bigger slice when it comes to direct services selling and not rely a lot on public funding and prizes” (Interviewee B1 , 2024).

Changes implemented by ColorADD and Movimento Transformers led to unexpected and positive outcomes. Both organizations have leveraged critical partnerships for their social impact and ensure financial sustainability. Moreover, they have successfully found solutions for the challenges associated with their respective business models, thanks to implementation of innovation in their business models.

Management of knowledge and lessons learnt

ColorADD noted how important it is to have professional management and align diverse internal teams. Interviewee A1 advises other social enterprises to embrace professional management alongside their social missions: *“Social entrepreneurs don’t like being told that they should hire a professional manager to be on their side and tell them what to do”* (Interviewee A2, 2024). There was also mentioned topic to work on the projects with people that have different perspectives, and that some of the most important skills are: financial, management, organizational and commercial. Even if those are well known rules, they make a big impact after implementing. Moreover, as a advice it was stated:

“Go with your dreams, but make your dreams happen.” (Interviewee A1, 2024)

Movimento Transformers focuses on continuous learning and adaptation through feedback mechanisms and strategic planning. Interviewee B1 emphasized to maintain a positive organizational culture and align internal practices with external social values: *“Before thinking*

and before defining the strategy that they [social companies] have on the field they should look first directly to themselves” (Interviewee B1, 2024). The organization regularly integrates feedback from team members to improve its programs and work environment, which is advised to be done by other social enterprises. Moreover, it was noted that a company should be in a process of growing, testing their business model and implementing innovation in the right time, rather trying to rapidly grow, and not to depend so much on leaders, but learn to decentralize skills.

Both organizations offer valuable advice to other social enterprises. ColorADD recommends integrating professional management for strategic and operational efficiency while remaining true to social missions. Thanks to it, a company could find it easier to balance the dual goals of economic profitability and social impact. On the other hand, Movimento Transformers advises maintaining a strong organizational culture that reflects the social values promoted externally. A positive work environment and greater effectiveness of social programs can be achieved by securing that internal practices align with the mission. Interviewee B1’s advice is clear:

“First, we guarantee that we are an organization with work ethic and good organizational culture, and then we go to the field” (Interviewee B1, 2024).

ColorADD and Movimento Transformers noted the importance of professional management, a strong organizational culture and continuous learning as key strategies for balancing economic and social goals. What is interesting, both social companies stated how important is to have experienced employees with various background and skills. Their experiences showed the need for adaptability and alignment between internal practices and external missions to achieve sustainable impact. Table 12 present the cross-case analysis based on first-order codes in essence.

Table 12. Summary of cross-case analysis based on first-order codes according to topic area

Interview Area	ColorADD	Movimento Transformers
Company history	<ul style="list-style-type: none"> • Long research and developing solution process • Focus on finding social solution • Recognition and external validation • Strong social goal as foundation to establish the company 	<ul style="list-style-type: none"> • Idea for the company comes from the pursuit to find a social solution • Focus on creating better communities • Gained external public recognition to start • Strong social goals from the foundation of the company • Taking care of beneficiaries
Strategy and current business model	<ul style="list-style-type: none"> • License model • Focus on sustaining the company and continuation of processes • The importance of partnerships and impact creation • Focus on the social goals in the business model 	<ul style="list-style-type: none"> • Personalization to adjust to the market • Pursuit to be top-of-mind brand regarding civic participation and working with youth • Differentiated selling approaches with B2G as the main one • Strong relationship with stakeholders
Innovation and the process of change	<ul style="list-style-type: none"> • Needed changes in the business model • Depending of the customer's sector, different pricing adjustments must be implemented • Innovation as a base of the company • Environment pressured innovation process • Continuous adjustment process 	<ul style="list-style-type: none"> • Continuous innovation process • Holistic approach • Importance of the team culture • Regular evaluation by for example feedback meetings • Change revenue streams from donations to selling and B2G model to sustain business model • Importance of ensuring financial resources
Determinants of changes and challenges	<ul style="list-style-type: none"> • Societal stigma that negatively impacts the company • Challenges in selling societal solutions, which resulted in pricing changes • Customers' concerns about the societal code interpretation 	<ul style="list-style-type: none"> • Financial conditions as big challenge • Challenges in selling to municipalities and companies • Organizational problems • Lack of people participation in the programs

	<ul style="list-style-type: none"> • The innovation created new issues, because it is not always understood • Diverse teams lead to cultural clashes • Issues in communication and working together 	<ul style="list-style-type: none"> • The changes in business model caused by the internal need to ensure effective response to the market and generate more impact • Too small team to be capable to work efficiently • The need of control to guarantee impact
Effect of changes	<ul style="list-style-type: none"> • Partners reached success and boosted ColorADD's reputation • More partnerships lead to increase of recognition, thanks to which the company expand to different sectors and countries 	<ul style="list-style-type: none"> • Increase of efficiency • Real social impact creation with low budgets • Taking care of stakeholders enables the company to grow and results in higher financial budgets, share of knowledge or space
Management of knowledge and lessons learnt	<ul style="list-style-type: none"> • Entrepreneurs should be brave in realizing their ideas • The emphasis on the action of working on the project idea • One common objective brings the team together • Diverse teams increase effectiveness • Some of the most important skills are: financial, commercial, organizational, management • Social enterprises should have financial advisors and professional managers working with them for support 	<ul style="list-style-type: none"> • Importance of defining a strategy on the field • Focus on the internal team culture • Grow should be a process, in which a company is learning and adapting • Importance of measuring the impact and understanding what works the best • Clear stated mission • Companies should learn to decentralize skills and hire experienced employees

Source: own work

Chapter 4. Discussion of research findings

4.1. Reconciliation of social and economic value creation

The process of creating and remodelling business models to reconcile social and economic value in social enterprises involves integrating innovative strategies and managing inherent tensions. The literature emphasizes that business model innovation (BMI) is essential for creating value in social enterprises. Osterwalder and Pigneur (2010) describe business models as frameworks that explain how organizations create, deliver, and capture value. Amit and Zott (2020) extend this by highlighting the systemic and dynamic nature of BMI, which includes introducing new activities, reconfiguring activity links, and changing governance structures to better align with social and economic goals. ColorADD exemplifies value creation through its innovative universal colour identification system designed to help colourblind individuals. This system, based on a set of symbols representing colours, has been integrated into various sectors such as education, transportation and healthcare. By addressing a specific social need, ColorADD creates significant social value while generating economic benefits through licensing agreements. Similarly, Movimento Transformers focuses on increasing civic engagement among young people, particularly from disadvantaged backgrounds, through workshops and community projects. Those initiatives address social issues and foster economic value. Nevertheless, impact is not easy to be reached by a company alone.

The Resource-Based View (RBV), as discussed by Barney and Clark (2007), emphasizes the importance of valuable, rare, inimitable and non-substitutable (VRIN) resources in achieving a sustainable competitive advantage. For social enterprises like ColorADD and Movimento Transformers, VRIN resources extend beyond traditional assets to include social capital, stakeholder relationships, and community trust. These resources create a unique value proposition that addresses both social needs and economic goals.

Strategic partnerships are critical for business model innovation, providing access to resources, markets and new capabilities. Rodrigues and Lopes (2018) discuss the importance of alliances in expanding social impact and having financial sustainability. ColorADD's partnerships with organizations like Metro do Porto and the Klépierre Group demonstrate the role of strategic alliances in scaling social impact and ensuring economic viability. These collaborations allow ColorADD to extend its reach and integrate its system into diverse applications, which enhance both social and economic value. Movimento Transformers also leverages strategic partnerships to support its mission. Collaborations with various

organizations help the movement to mobilize resources, attract funding and expand its initiatives, thereby enhancing its social impact and financial stability.

Moreover, adaptability is another important feature of a social enterprise to remain relevant and effective. Teece (2010) explains the importance of continuous evaluation and improvement of business models to respond to changing social and economic conditions, while both ColorADD and Movimento Transformers demonstrate a commitment to continuous improvement. ColorADD regularly adapts its colour identification system to new contexts and industries to remain it relevant and useful, and to reach new sectors. Movimento Transformers evolves its engagement strategies to meet the diverse needs of young people, particularly those from disadvantaged backgrounds. This adaptability allows both organizations to effectively address social issues while maintaining economic viability.

4.2. Tensions and paradoxes shaping the business model innovation process

Reconciling social and economic value often involves managing inherent tensions and paradoxes. Dohrmann et al. (2015) note that the dual focus on social impact and financial performance can create conflicts, requiring careful balancing of priorities. ColorADD experienced the tension between maintaining its social mission and achieving financial success. To sustain operations, ColorADD relies on licensing agreements. The tension arises when ensuring that these agreements do not compromise the organization's social objectives. The challenge is to expand its reach and maintain quality without diluting its social impact. Similarly, Movimento Transformers faces the paradox of needing to generate revenue while staying true to its mission of increasing civic engagement among disadvantaged youth. The organization's diversified funding model, which includes B2G, B2B, B2C and donations, helps mitigate financial risk. However, the pressure to secure funds can sometimes shift focus from the social mission to financial sustainability efforts, creating a constant balancing act.

Amit and Zott's (2020) activity system perspective provides a framework for understanding the inherent conflicts that arise in social enterprises. This perspective views a business model as a system of interdependent activities that are orchestrated to achieve a particular value proposition. For social enterprises like ColorADD and Movimento Transformers, the dual goals of social impact and financial sustainability often create conflicting demands on these activities. ColorADD's reliance on licensing agreements highlights the tension between maintaining social mission integrity and ensuring financial sustainability. The need to customize agreements for different sectors and adapt to varying market demands without compromising social impact also shows the paradoxes in business model innovation. The continuous adjustment process,

which is driven by the necessity to align with diverse stakeholder expectations and sector-specific requirements, describes the dynamic nature of value creation and capture in social enterprises. Similarly, Movimento Transformers' approach to fostering civic engagement among disadvantaged youth while generating revenue through diversified funding strategies illustrates the complexities of balancing social and economic goals. The need for regular innovation in program offerings and maintaining a cohesive team culture to manage growth effectively is a significant challenge. The paradox of needing to invest in high-quality human resources to scale impact while managing limited financial resources further complicates their business model innovation process. This tension is indicative of the broader challenges faced by social enterprises in navigating the simultaneous pursuit of social and economic objectives.

Moreover, effective resource management is also important for balancing social and economic goals. Barney and Clark (2007) emphasize the importance of strategic resource allocation in creating and sustaining competitive advantage. For social enterprises, this means distributing resources in a way that supports both social impact and financial viability. The allocation of resources is a tension for ColorADD. The company must invest in developing and promoting its colour identification system while making sure that these investments align with its social mission. The tension lies in deciding how much to allocate towards expansion and innovation versus maintaining the quality and integrity of its current offerings. The need to continuously innovate to stay relevant in various sectors can sometimes conflict with the goal of maintaining a focused and impactful social mission. For Movimento Transformers, resource allocation involves balancing investments in community engagement projects with efforts to secure and diversify funding. The organization must allocate sufficient resources to enhance the social impact of its programs while also investing in activities that ensure financial sustainability. This shows challenge of funding projects that align with the social mission without compromising financial health.

Measuring the impact of integrated social and economic value creation is another complex issue. Traditional financial metrics often fail to capture the full spectrum of social value, necessitating the development of new tools and frameworks. This creates a paradox where the success of a social enterprise cannot be fully understood through conventional metrics alone (Dohrmann, Raith, & Siebold, 2015). ColorADD struggles with measuring the true impact of its colour identification system. While licensing agreements provide clear financial metrics, the broader social impact—improved quality of life for colourblind individuals—is harder to quantify. This creates a paradox where financial success is easily measured, but social success remains somewhat intangible, complicating the assessment of

overall performance. Similarly, Movimento Transformers faces challenges in quantifying its social impact. The benefits of increased civic engagement and improved self-esteem among youth participants are significant but difficult to measure in traditional terms. The organization must develop innovative metrics to capture these social outcomes, creating a tension between measurable financial performance and less tangible social achievements.

For more in-depth analysis it is essential to examine case studies findings with the theoretical framework of generic social business models by Dohrmann et al. (2015), presented in the table 2. The theoretical framework categorizes social business models into four types based on their mission orientation and revenue generation strategies. The One-Sided Social Mission model relies primarily on external funding with minimal market revenues. The Two-Sided Social Mission model engages two different social target groups and generates supplementary market revenues. The Market-Oriented Social Mission model focuses on addressing the consumption needs of a market target group while employing a social target group as a resource. Finally, the Commercially Utilized Social Mission model utilizes a social mission to address a social target group and generate significant market revenues (Dohrmann, Raith, & Siebold, 2015). Empirical findings from the case studies of ColorADD and Movimento Transformers provide a practical perspective on how these models are implemented in real-world scenarios. ColorADD focuses on creating social value through its innovative colour identification system for the colourblind. Its model aligns with the Market-Oriented Social Mission, integrating its social mission with economic activities by licensing its system to various industries (for example education, transportation), thereby generating revenue while fulfilling its social objective. Movimento Transformers, on the other hand, works on community engagement and empowerment through various social initiatives. Its model fits the Two-Sided Social Mission, by engaging community volunteers to implement projects that benefit the local population. The organization sustains itself through diversified funding models, including grants, donations and partnerships, that reflects a blend of social mission and economic support.

When comparing the theoretical models with the empirical findings, several key insights emerge regarding the tensions and paradoxes shaping the business model innovation process. Both ColorADD and Movimento Transformers demonstrate practical applications of the theoretical social business models, yet they also highlight the inherent tensions in balancing social value creation with economic sustainability. ColorADD's approach shows the Market-Oriented Social Mission by integrating its social objectives with revenue-generating activities, which requires constant negotiation between maintaining social impact and achieving financial

goals. Movimento Transformers exemplifies the Two-Sided Social Mission by leveraging community involvement to achieve social impact while sustaining itself economically, highlighting the paradox of needing to maintain a steady influx of volunteers and financial support to continue its operations. The case studies reveal that effective business model innovation in social enterprises involves creative approaches to integrating social and economic goals, often experiencing significant tensions and paradoxes. Both enterprises have developed unique methods to capture value, such as licensing agreements for ColorADD and diversified funding for Movimento Transformers, which are crucial for their sustainability. These strategies highlight the paradoxical need to innovate continuously while maintaining core social values, that shows the balance social enterprises must achieve.

4.3. Achieving financial sustainability

Sustainable business models often require diverse revenue streams to mitigate financial risks and ensure long-term viability. Lüdeke-Freund et al. (2018) highlight the necessity of multiple revenue streams in maintaining financial health while pursuing social missions. ColorADD uses a licensing model, allowing it to monetize its intellectual property and promoting widespread adoption of its social innovation. This model provides a steady income stream and the sustainability of the organization's social mission. On the other hand, Movimento Transformers uses a diversified funding approach, including B2G (business to government), B2B (business to business), and B2C (business to consumer) strategies. Thanks to the diversification, the company could reduce financial vulnerability and support sustainable operations, which enable the organization to maintain its focus on increasing civic engagement and social empowerment. As mentioned before, according to Barney and Clark (2007), the resource-based view emphasizes the importance of leveraging valuable, rare, inimitable and non-substitutable (VRIN) resources to sustain a competitive advantage. For social enterprises as for ColorADD and Movimento Transformers, financial sustainability hinges on their ability to effectively utilize these VRIN resources, such as strong stakeholder relationships, community trust and unique social innovations, to create a distinctive value proposition that attracts diverse revenue streams. ColorADD's strategy of licensing its color identification system to various sectors shows how social enterprises can capitalize on their unique resources to generate consistent income while maintaining their social mission. The approach provides a steady revenue stream but and allows ColorADD to scale its social impact by integrating its solution into different industries. The dual focus on resource optimization and market diversification works as a component of achieving financial sustainability as highlighted by the RBV

framework. Moreover, innovation and adaptability are key elements for the financial sustainability of social enterprises. Teece (2010) emphasizes that continuous evaluation and improvement of business models are necessary to respond to changing social and economic conditions. ColorADD's ability to innovate and adapt its colour identification system to new contexts and industries is vital for its financial sustainability. Thanks to continuous improvement and expanding the application of its system, ColorADD attracts new licensing agreements and maintains relevance in the market, not only in Portugal but globally. This ensures a steady income and supports long-term financial stability. For Movimento Transformers, innovation in engagement strategies and program development is key to maintaining financial sustainability. The organization regularly updates its methods to meet the evolving needs of young people and respond to societal changes. This innovation attracts new funding opportunities and remains the company effective and financially viable.

Moreover, table 1 provides more analysis regarding sustainable business model design patterns. The theoretical framework categorizes sustainable business model design patterns into eleven groups: pricing and revenue, financing, ecodesign, closing-the-loop, supply chain, giving, access provision, social mission, service and performance, cooperative and community platform. Each pattern group encompasses strategies aimed at integrating sustainability into business operations, implementing both ecological and social value while maintaining economic viability (Lüdeke-Freund, Carroux, Joyce, Massa, & Breuer, 2018). Findings from the case studies of ColorADD and Movimento Transformers provide a perspective on how these sustainable business model design patterns are implemented. ColorADD aligns with pricing and revenue and ecodesign patterns by licensing its colour identification system to various industries and generating revenue while tackling social inclusion. Movimento Transformers fits the access provision and social mission patterns by creating markets for neglected target groups and integrating them as customers and partners. The organization sustains itself through diversified funding models, also reflecting the financing pattern, which highlights the importance of innovative funding strategies for financial sustainability. Both ColorADD and Movimento Transformers shows practical applications of sustainable business model design patterns highlighting the challenges of balancing sustainability with financial goals. The case studies reveal that achieving financial sustainability in social enterprises involves creative approaches to integrating sustainable business model design patterns. Both enterprises have developed unique methods to capture value, such as licensing agreements for ColorADD and diversified funding for Movimento Transformers, which are crucial for their sustainability.

Conclusions

This dissertation aimed to answer the research questions through a literature review and a multiple case study approach, focusing on business model innovation in social entrepreneurship, specifically examining ColorADD and Movimento Transformers. The research identified that creating and remodelling business models to reconcile social value with economic value is context-specific and influenced by both internal and external factors. A clearly defined mission and vision were found to be fundamental, driving innovation and aligning organizational efforts. ColorADD's universal colour identification system and Movimento Transformers' youth engagement initiatives are prime examples of how a strong social mission can propel business model innovation. Organizational culture and structure emerged as critical internal determinants. Both enterprises showed that a supportive and inclusive culture fosters innovation. ColorADD integrated its system across various sectors, while Movimento Transformers created adaptable models for different communities. Externally, the changing needs of stakeholders significantly impact business model innovations. Social enterprises must remain agile and responsive to these changes to sustain their impact and financial viability. Strategic alliances and multi-stakeholder engagements were important for scaling impact and achieving long-term goals.

The research also highlighted tensions between social goals and financial sustainability. Both enterprises managed this by diversifying their revenue streams: ColorADD through licensing agreements and Movimento Transformers via a mixed funding model of grants, donations and service fees. Social enterprises can successfully innovate their business models by maintaining a clear social mission, fostering an inclusive culture, and engaging with diverse stakeholders. It can help them to create and capture value effectively, as well as ensure both social impact and economic viability. The cases provide valuable insights for other organizations aiming to achieve similar goals, offering a comprehensive framework for understanding business model innovation in social entrepreneurship.

Comparing this to the assessment of other research on social entrepreneurship, such as by Santos et al. (2015), this thesis observes significant progress in integrating social value with business models. However, continuous adaptation and innovation will be essential as the field evolves. Further advancements in social entrepreneurship are expected in the coming years.

Limitations

Despite the chosen methodological approach for this dissertation, which helped to extract relevant insights to satisfy the stated research objective, several limitations must be considered. First, this study was designed to analyse the business models of specifically selected case companies, focusing on ColorADD and Movimento Transformers, to gain insights into business model innovation in social entrepreneurship. Thus, the scope of the research is restricted to these examined cases and their specific contexts. This focus limits the ability to generalize the results to all social enterprises or other industries.

Secondly, the primary data for each case study was collected through interviews with key informants from the selected social enterprises. While these interviews provided in-depth insights, they also reflect the subjective opinions and experiences of the interviewees. Consequently, the findings may not fully capture the entire spectrum of perspectives within the organizations or the broader social enterprise landscape.

Additionally, the research relied on the voluntary participation of the interviewees, which might introduce a selection bias. Those who chose to participate could have different viewpoints or experiences compared to those who did not, potentially skewing the findings. Moreover, the precondition of confidentiality for the case companies limited the use of secondary data, which could have provided additional context and validation for the primary data collected. This limitation affected the depth of the analysis and the robustness of data triangulation.

Lastly, general research limitations inherent in conducting any academic study should not be ignored. Despite the best efforts to ensure accuracy and reliability, human errors can occur in data processing, analysis and interpretation of literature and interview statements. These potential errors should be considered when interpreting the findings of this research.

Future research

Further research will be helpful to deepen the understanding of the development trends gained from this thesis. Therefore, more intensive case study work with an increased number of interviews per case and additional data sources can be beneficial to depict a holistic picture of the business models of social enterprises. Including perspectives from a broader range of stakeholders, such as beneficiaries, partners, and investors, will provide a more comprehensive understanding of the impacts and challenges faced by these enterprises. Moreover, conducting additional quantitative research is necessary to gain more generalizable insights into the

processes and outcomes of business model innovation in social enterprises. This could involve large-scale surveys and statistical analyses to identify common patterns and correlations. Comparative studies across different regions and sectors would also be valuable to understand how contextual factors influence business model innovation in social entrepreneurship.

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Appendix

Interview protocol

Areas	Questions
Company history	<ul style="list-style-type: none"> • Briefly present your company's history, indicating key choices (markets, products, technologies) / turning points since its inception. <ul style="list-style-type: none"> ➢ Key stages of growth and development of the company ➢ Initiator (s) ➢ Motivations to start this business (believes, reason of the importance)
Strategy and current business model	<ul style="list-style-type: none"> • How would you describe your business model? What are the key elements of the business model? • How does it integrate social values? • How do you ensure financial sustainability while pursuing social goals? <ul style="list-style-type: none"> ➢ If relies mostly on funding/donations, how do you plan to make the company sustainable without external help? ➢ What strategies have you employed to monetize the social value created by your enterprise? • What are the key strategic assumptions for the company's growth? <ul style="list-style-type: none"> ➢ Customer segments, product categories, value proposition ➢ Key processes and resources ➢ Partnerships and stakeholders
The process of change	<ul style="list-style-type: none"> • How has the business model changed/innovate over the years? (When did the changes take place, and what did these changes involve? How did the process looked like?) <ul style="list-style-type: none"> ➢ Customer segments, product categories, value proposition, ➢ Key processes and resources ➢ The most important categories of revenues and costs ➢ Partnerships and stakeholders
Determinants of Changes	<ul style="list-style-type: none"> • Why and under what circumstances were decisions about changes in the business model made? In other words, what were your reasons for making changes to the business model? Please provide examples (what caused these changes?) <ul style="list-style-type: none"> ➢ External factors (changes in the competitive, technological, legal environment / industry regulations, availability of resources, suppliers / distributors / recipients) ➢ Internal factors (enterprise size, culture and organizational structure, resources and competences, vision of enterprise development, for example diversification of activities, foreign expansion, perception of opportunities and threats - what?) • What were the success factors in BMI? • How does the innovation align with social goals? • Whether and what changes do you plan to make in the business model in the next 5 years? Why? • What were the issues in BMI process due realizing both economic and social goals? <ul style="list-style-type: none"> ➢ How did you address these challenges?
Effect of Changes	<ul style="list-style-type: none"> • What was your most difficult experience in the process of changing the business model? What have you learned? What was the most surprising event / effect of the changes made? <ul style="list-style-type: none"> ➢ How do you evaluate these changes? Why? • Can you describe any partnerships or collaborations that have been critical to achieving your social and business objectives?
Management of knowledge and innovation	<ul style="list-style-type: none"> • What advantages and disadvantages / limitations do you see in the current way of managing both economic and social goals? • What advice would you give to other social enterprises? <ul style="list-style-type: none"> ➢ What lessons learnt advice would you give to your younger self? ➢ What would you do differently?

Table 6. Within case analysis ColorADD according to topic area

Interview topic	A1: exemplary interview quotes	A1: first-order codes	A2: exemplary interview quotes	A2: first-order codes
Company's history	<ul style="list-style-type: none"> • “Eight years of research, 8 years to develop a solution, identify a problem and try it during these eight years to create a solution.” • “In 2008 I presented the public presentation of ColorADD, in 2009 I validated ColorADD through the scientific articles and a congress.” 	<ul style="list-style-type: none"> • Long research and developing value proposition • Focus on finding social solution • Recognition and external validation 	<ul style="list-style-type: none"> • “We created ColorADD that takes the call to society and we created ColorADD Social which the project to take ColorADD to schools.” 	<ul style="list-style-type: none"> • Strong social goal as foundation to establish the company
Strategy and current business model	<ul style="list-style-type: none"> • “We use this fee to give them the license to use the ColorADD code in their communication in their products and we provide all the technical support.” • “The most important it's obvious the to guarantee the sustainability of ColorADD to continue this process, we need to have a proper business model the with simple rules, that is not exclusive.” 	<ul style="list-style-type: none"> • License model • Focus on sustaining the company and continuation of processes 	<ul style="list-style-type: none"> • “The most important element is the social impact that our partners can produce. That is the value that we deliver. We deliver the opportunity that our partners can really cause social impact and make the society move forward in the right direction.” 	<ul style="list-style-type: none"> • The importance of partnerships and impact creation • Focus on the social goals in the business model

<p>Innovation and the process of change</p>	<ul style="list-style-type: none"> • “We adjusted the model, because it inclusive depends on the sectors and the relevance for us in several different sectors.” 	<ul style="list-style-type: none"> • Needed changes in the business model • Depending of the customer’s sector, different pricing adjustments must be implemented 	<ul style="list-style-type: none"> • “In one way everything that we do is quite an innovation because no one is supplying to help in that way colourblind people.” • “We are always in the innovation line, because we don't have a standard to compare. So our price model is completely created from zero. The way we contact customers, it's created from zero because we have to adjust and learn in the process.” 	<ul style="list-style-type: none"> • Innovation as a base of the company • Environment pressured innovation process • Continuous adjustment process
<p>Determinants of changes and challenges</p>	<ul style="list-style-type: none"> • “The biggest challenge is the idea that society resists paying for something that’s promoting the common good.” 	<ul style="list-style-type: none"> • Societal stigma that negatively impacts the company • Challenges in selling societal solutions, which resulted in pricing changes 	<ul style="list-style-type: none"> • “One big challenge is that when you are presenting something absolutely new to the mark, called innovation, you go to a possible customer and say present the code, they really like it, but they ask how their customers will know how to interpret the code. (...) We implement on one model that we say that the value that the customer takes from the code is not using the code, it is telling the world that the code exists.” 	<ul style="list-style-type: none"> • Customers’ concerns about the societal code interpretation • The innovation created new issues, because it is not always understood

			<ul style="list-style-type: none"> • “There is a cultural clash between designers and commercial people because they think in a completely different way.” 	<ul style="list-style-type: none"> • Diverse teams lead to cultural clashes • Issues in communication and working together
Effect of changes	<ul style="list-style-type: none"> • “Only in the first year, the game UNO increased their sales by more than 66%.” 	<ul style="list-style-type: none"> • Partners reached success and boosted ColorADD’s reputation 	<ul style="list-style-type: none"> • “We are working for several countries, not all in the same sector.” 	<ul style="list-style-type: none"> • More partnerships lead to increase of recognition, thanks to which the company expand to different sectors and countries
Management of knowledge and lessons learnt	<ul style="list-style-type: none"> • “Go with your dreams, but make your dreams happen.” 	<ul style="list-style-type: none"> • Entrepreneurs should be brave in realizing their ideas • The emphasis on the action of working on the project idea 	<ul style="list-style-type: none"> • “Defining an objective is the best way to put different cultures to work together.” • “The advice that I tell to the people that are working in this area of social projects, is to pick different perspectives. Different ways of working and skills. It’s very, very important for the project to survive 	<ul style="list-style-type: none"> • One common objective brings the team together • Diverse teams increase effectiveness • Some of the most important skills

			<p>that they have in the project skills to survive. What are the skills? Financial skills, commercial skills, organization skills, management skills. And that is the kind of work that social impact entrepreneurs don't like it, you have to tell them “you should hire a professional manager to be on your side and tell you what to do.” And financial controller near them to help, because in the end these skills will help. And that is one advice that in theory everyone knows but in practice, there's not a lot of people that looks for it.”</p>	<p>are: financial, commercial, organizational, management</p> <ul style="list-style-type: none"> • Social enterprises should have financial advisors and professional managers working with them for support
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Source: own work

Table 7. Within case analysis Movimento Transformers according to topic area

Interview Area	A1: exemplary interview quotes	A1: first-order codes	A2: exemplary interview quotes	A2: first-order codes
<p>Company history</p>	<ul style="list-style-type: none"> • “It all began with our founder Joana Moreira. She was a professional swimmer with two trainings per day and she really wanted to learn to do breakdance. (...) She began to join people in the neighbourhoods to learn to dance and to dance together. She discovered two things. The first one was that the older dancers with more experience were teaching the younger ones to dance. It was the exchange of talent they were both really passionate about, and the relationship of being like the mentors teaching the students in a non-formal way. (...) The main motive is that we can create better communities when we join people doing what we love the most. So then in the World Economic Forum in Davos, Joana was representing the youth in Portugal, and when she returned to Portugal on August 21st of 2010, the Youth Association Movimento Transformers was founded.” 	<ul style="list-style-type: none"> • Idea for the company comes from the pursuit to find a social solution • Focus on creating better communities • Gained external public recognition to start 	<ul style="list-style-type: none"> • “By being a social business, we aim to solve a social problem, with proved impact regarding our mission, goals and satisfaction of our community (clients, institutions, stakeholders).” 	<ul style="list-style-type: none"> • Strong social goals from the foundation of the company • Taking care of beneficiaries

<p>Strategy and current business model</p>	<ul style="list-style-type: none"> • “So we use different approaches. For example, we use B2B business to business. We create personalized programs for brands. [...] But our biggest business model is B2G, Business to Governance, where we promote a relationship with stakeholders, for example, municipalities. We want to be a top-of-mind brand when it comes to civic participation and working with youth.” 	<ul style="list-style-type: none"> • Personalization to adjust to the market • Want to be top-of-mind brand regarding civic participation and working with youth 	<ul style="list-style-type: none"> • “Our key elements are the business model of B2G (business to governance), by promoting a strong relationship with our community of stakeholders, being a top of mind brand when it comes to civic participation and youth, and the recognition that comes along with prizes and achievements of our organization.” 	<ul style="list-style-type: none"> • Differentiated selling approaches with B2G as the main one • Strong relationship with stakeholders
<p>Innovation and the process of change</p>	<ul style="list-style-type: none"> • “We try regularly to promote our innovation because for example, we use like a quote that says: “Being a transformer, we have an astronaut vision.” We see the whole holistic approach and that holistic approach is the innovation, the social innovation. So when we look to our programs, our team culture, our way of acting and working how we can be more innovative and we for example, we evaluated when it comes to regularly feedback meetings, when we plan the new school year how can we invite, the things that we want, we need to improve, because 	<ul style="list-style-type: none"> • Continuous innovation process • Holistic approach • Importance of the team culture • Regular evaluation by for example feedback meetings 	<ul style="list-style-type: none"> • “During the first three years we had the financial support of Fundação EDP. In 2015, when the funding ended, we stopped our activity to do an acceleration program and started to test our social franchising model to implement our Superpower Schools where the clients paid a fee and had access to the methodology to implement it on their own territories. This distorted our methodology and reduced the impact because every client implemented it in their own way. In 2017, our business model 	<ul style="list-style-type: none"> • Change revenue streams from donations to selling and testing franchising model to sustain business model • Importance of ensuring financial resources

	<p>sometimes it's not only creating new programs that every year we create not only personalized but also Transformers programs, but how can we innovate these programs that already exists and how can we improve our already existing services that already have the impact groups.”</p>		<p>became a B2G by selling services and programs for municipalities with proved impact implemented by our team.”</p>	
<p>Determinants of changes and challenges</p>	<ul style="list-style-type: none"> • “Some challenges can be when it comes to financial conditions. Projects cost money and sometimes it's complicated to get it, not only when it comes to funding, but for example, selling to municipalities and to companies.“ • Sometimes when it comes to organization, it's a challenge. The problem that we want to solve, it's the lack of participation. We want to increase the participation so we create, for example, civic participation in boot camps with municipalities, but people don't register or they don't register as much as we wanted. And that's why we want to be a top of mind brand when it comes to youth participation and create a good community engagement to have more 	<ul style="list-style-type: none"> • Financial conditions as big challenge • Challenges in selling to municipalities and companies • Organizational problems • Lack of people participation in the programs 	<ul style="list-style-type: none"> • “This strategy was caused by the internal need to guarantee a more effective response and generate more impact; it had nothing to do with external factors.” • “Testing the social franchising model, in which we did not have a team capable of responding to the size of the model, which made it go wrong and distorted the model. We needed to have control to guarantee impact and be more prepared. We were a team of 2 people and now we are 8, and now 	<ul style="list-style-type: none"> • The changes in business model caused by the internal need to ensure effective response to the market and generate more impact • Too small team to be capable to work efficiently • The need of control to guarantee impact

	people that register and we want to have better programs.”		we have a model that allows us to guarantee greater quality and capacity to scale impact, so in the future we will implement the franchise model with sales again, with access to the methodology manual and training train of trainers, now with a larger and more capable team for the project management.”	
Effect of changes	<ul style="list-style-type: none"> • “We decreased school absenteeism by 44%. That’s a percentage bigger than a lot of programs that cost a lot of money and have a long time duration.” 	<ul style="list-style-type: none"> • Increase of efficiency • Real social impact creation with low budgets 	<ul style="list-style-type: none"> • “All collaborations are important, the fact that we take care of our stakeholders allows us to grow. We have an 80% stakeholder retention rate, thanks to promoting relationships and taking care of them. There are some that financed with more money, others contributed with space and knowledge, but they are all important.” 	<ul style="list-style-type: none"> • Taking care of stakeholders enables the company to grow and results in higher financial budgets, share of knowledge or space
Management of knowledge and lessons learnt	<ul style="list-style-type: none"> • “The advice and the thing that I talked about a lot of times is that before thinking, and before defining the strategy that social enterprises have on the field, they should look first directly to themselves.” 	<ul style="list-style-type: none"> • Importance of defining a strategy on the field 	<ul style="list-style-type: none"> • “Those who grow quickly die quickly”, entities and entrepreneurs are in a hurry to grow, and it is necessary to measure impact and justify changes, understand what 	<ul style="list-style-type: none"> • Grow should be a process, in which a company is learning and adapting

		<ul style="list-style-type: none"> • Focus on the internal team culture 	<p>works and what doesn't. Entities that do everything about everything is not a viable strategy, it is important to understand what the mission is and all projects to contribute to the mission, and not to create projects to make applications and receive money.”</p> <ul style="list-style-type: none"> • Another piece of advice is for organizations not to depend so much on leaders, learn to decentralize skills, have more funds to hire more experienced people.” 	<ul style="list-style-type: none"> • Importance of measuring the impact and understanding what works the best • Clear stated mission • Companies should learn to decentralize skills and hire experienced employees
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Source: own work

Table 8. Within case analysis ColorADD according to research question

Interview topic	A1: exemplary interview quotes	A1: first-order codes	A2: exemplary interview quotes	A2: first-order codes
<p>Reconciliation of social and economic value creation</p>	<ul style="list-style-type: none"> • “Eight years of research, 8 years to develop a solution, identify a problem and try it during these eight years to create a solution.” • “In 2008 I presented the public presentation of ColorADD, in 2009 I validated ColorADD through the scientific articles and a congress.” • “The most important it's obvious the to guarantee the sustainability of ColorADD to continue this process, we need to have a 	<ul style="list-style-type: none"> • Long research and developing value proposition to create a business model that would reconcile both economic and social goals • Focus on finding social solution • Recognition and external validation that could help with possessing investors and publicity • Focus on sustaining the company and 	<ul style="list-style-type: none"> • “We created ColorADD that takes the call to society and we created ColorADD Social which the project to take ColorADD to schools.” • “The most important element is the social impact that our partners can produce. That is the value that we deliver. We deliver the opportunity that our partners can really cause social impact and make the society move forward in the right direction.” 	<ul style="list-style-type: none"> • Strong social goal as foundation to establish the company • ColorADD as a company that has to reconcile both goals and be sustainable, where ColorADD Social was great only with the goal of providing education • The importance of partnerships and social impact creation • Importance of partnerships to

	<p>proper business model the with simple rules, that is not exclusive.”</p>	<p>continuation of processes</p> <ul style="list-style-type: none"> • The business model from its beginning cannot exclude neither economic nor social goal 	<ul style="list-style-type: none"> • “The advice that I tell to the people that are working in this area of social projects, is to pick different perspectives. Different ways of working and skills. It's very, very important for the project to survive that they have in the project skills to survive. What are the skills? Financial skills, commercial skills, organization skills, management skills.” 	<p>create economic value and sustain</p> <ul style="list-style-type: none"> • While working in social projects area it is important to have employees with financial, commercial, organizational and management skills to ensure a company can provide success in aiming both goals
<p>Tensions and paradoxes shaping the business model innovation process</p>	<ul style="list-style-type: none"> • “We adjusted the model, because it inclusive depends on the sectors and the relevance for us in several different sectors.” 	<ul style="list-style-type: none"> • Needed changes in the business model • Depending of the customer’s sector, different pricing adjustments must be implemented • The company assess their 	<ul style="list-style-type: none"> • “In one way everything that we do is quite an innovation because no one is supplying to help in that way colourblind people.” • “We are always in the innovation line, because we don't have a standard to compare. So our price model is completely created from zero. The way we contact customers, it's created 	<ul style="list-style-type: none"> • Innovation creating a challenge hot to do things, since there is no competitor standard to compare

	<ul style="list-style-type: none"> • “The biggest challenge is the idea that society resists paying for something that’s promoting the common good.” 	<p>importance in different sectors, depending how much social value they could bring</p> <ul style="list-style-type: none"> • Societal stigma that negatively impacts the company • Challenges in selling societal solutions, which resulted in pricing changes 	<p>from zero because we have to adjust and learn in the process.”</p> <ul style="list-style-type: none"> • “One big challenge is that when you are presenting something absolutely new to the mark, called innovation, you go to a possible customer and say present the code, they really like it, but they ask how their customers will know how to interpret the code. (...) We implement on one model that we say that the value that the customer takes from the code is not using the code, it is telling the world that the code exists.” 	<ul style="list-style-type: none"> • Environment pressured innovation process and a lot of adjustments • Long learning process of innovating business model to reconcile both economic and social goals • Customers’ concerns about the societal code interpretation so company has to adjust communication with customers and presentation of the solution • The innovation created new
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			<ul style="list-style-type: none"> • “There is a cultural clash between designers and commercial people because they think in a completely different way.” 	<p>issues, because it is not always understood</p> <ul style="list-style-type: none"> • Diverse teams lead to cultural clashes • Issues in communication and working together creates need to innovate business model
Achieving financial sustainability	<ul style="list-style-type: none"> • “We use this fee to give them the license to use the ColorADD code in their communication in their products and we provide all the technical support.” • “We adjusted the model, because it inclusive depends on the sectors and the relevance for us in several different sectors.” 	<ul style="list-style-type: none"> • License model as revenue model • Depending of the customer’s sector, different pricing adjustments must be implemented 	<ul style="list-style-type: none"> • “We are always in the innovation line, because we don't have a standard to compare. So our price model is completely created from zero. The way we contact customers, it's created from zero because we have to adjust and learn in the process.” • “We are working for several countries, not all in the same sector.” 	<ul style="list-style-type: none"> • Innovation as a base of the company • Environment pressured innovation process • More partnerships lead to increase of recognition, thanks to which the company

				expand to different sectors and countries ensuring financial sustainability
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Source: own work

Table 9. Within case analysis Movimento Transformers according to research question

Interview Area	B1: exemplary interview quotes	B1: first-order codes	B2: exemplary interview quotes	B2: first-order codes
Reconciliation of social and economic value creation	<ul style="list-style-type: none"> • “The main motive is that we can create better communities when we join people doing what we love the most. So then in the World Economic Forum in Davos, Joana [founder] was representing the youth in Portugal, and when she returned to Portugal on August 21st of 2010, the Youth Association Movimento Transformers was founded.” 	<ul style="list-style-type: none"> • Creation of the company comes from the pursuit to find a social solution • Focus on creating better communities since the beginning of creating business model • Gained external public recognition to start to be able to reconcile both goals 	<ul style="list-style-type: none"> • “By being a social business, we aim to solve a social problem, with proved impact regarding our mission, goals and satisfaction of our community (clients, institutions, stakeholders).” 	<ul style="list-style-type: none"> • Strong social goals from the foundation of the company • Taking care of beneficiaries • Both economic and social goals had to be met from the beginning
Tensions and paradoxes shaping the business model innovation process	<ul style="list-style-type: none"> • “We try regularly to promote our innovation (...). So when we look to our programs, our team culture, our way of acting and working how we can be more innovative and we for example, we evaluated when it comes to regularly 	<ul style="list-style-type: none"> • There is a need for regular innovation regarding programs and team culture, otherwise 	<ul style="list-style-type: none"> • “Testing the social franchising model, in which we did not have a team capable of responding to the size of the model, which made it go wrong and distorted the model. We needed to have control to guarantee impact and 	<ul style="list-style-type: none"> • Too small team to be capable to work efficiently

	<p>feedback meetings, when we plan the new school year how can we invite, the things that we want, we need to improve, because sometimes it's not only creating new programs that every year we create not only personalized but also Transformers programs, but how can we innovate these programs that already exists and how can we improve our already existing services that already have the impact groups.”</p> <ul style="list-style-type: none"> • “Some challenges can be when it comes to financial conditions. Projects cost money and sometimes it's complicated to get it, not only when it comes to funding, but for example, selling to municipalities and to companies.“ 	<p>the company could not grow</p> <ul style="list-style-type: none"> • Importance of the team culture that has high impact on the company operations • Need for regular evaluation by for example feedback meetings <ul style="list-style-type: none"> • Financial conditions as big challenge • Challenges in selling to 	<p>be more prepared. We were a team of 2 people and now we are 8, and now we have a model that allows us to guarantee greater quality and capacity to scale impact, so in the future we will implement the franchise model with sales again, with access to the methodology manual and training train of trainers, now with a larger and more capable team for the project management.”</p> <ul style="list-style-type: none"> • “Those who grow quickly die quickly”, entities and entrepreneurs are in a hurry to grow, and it is necessary to measure impact and justify changes, understand what works and what doesn't. Entities that do everything about everything is not a viable strategy, it is important to understand what the mission is and all projects to contribute to the mission, and not to create projects to make applications and receive money.” 	<ul style="list-style-type: none"> • The need of control to guarantee impact • Business model innovation required higher human resources and change of the business model sell B2G • The paradox is that many companies try to grow quickly thinking it is a good strategy, when in fact it can lead to their end • Grow should be a process, in which a company is
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	<ul style="list-style-type: none"> • Sometimes when it comes to organization, it's a challenge. The problem that we want to solve, it's the lack of participation. We want to increase the participation so we create, for example, civic participation in boot camps with municipalities, but people don't register or they don't register as much as we wanted. And that's why we want to be a top of mind brand when it comes to youth participation and create a good community engagement to have more people that register and we want to have better programs.” 	<p>municipalities and companies</p> <ul style="list-style-type: none"> • Organizational problems • Lack of people participation in the programs • Challenges incentivize business model innovation 	<ul style="list-style-type: none"> • “This strategy was caused by the internal need to guarantee a more effective response and generate more impact; it had nothing to do with external factors.” 	<p>learning and adapting, even if fast grow seems to be right</p> <ul style="list-style-type: none"> • Importance of measuring the impact and understanding what works the best • Business model innovation is caused by the internal need to ensure a more effective response and generate more impact
Achieving financial sustainability	<ul style="list-style-type: none"> • “So we use different approaches. For example, we use B2B business to business. We create personalized programs for brands. [...] But our biggest business model is B2G, Business to Governance, where we promote a relationship with stakeholders, 	<ul style="list-style-type: none"> • Personalization to adjust to the market and ensure financial stability • Variety of approaches to have 	<ul style="list-style-type: none"> • “During the first three years we had the financial support of Fundação EDP. In 2015, when the funding ended, we stopped our activity to do an acceleration program and started to test our social franchising model to 	<ul style="list-style-type: none"> • Change revenue streams from donations to selling and B2G model to sustain business model

	<p>for example, municipalities. We want to be a top-of-mind brand when it comes to civic participation and working with youth.”</p>	<p>more revenue streams</p> <ul style="list-style-type: none"> • Want to be top-of-mind brand regarding civic participation and working with youth to gain recognizability 	<p>implement our Superpower Schools where the clients paid a fee and had access to the methodology to implement it on their own territories. This distorted our methodology and reduced the impact because every client implemented it in their own way. In 2017, our business model became a B2G by selling services and programs for municipalities with proved impact implemented by our team.”</p> <ul style="list-style-type: none"> • “Our key elements are the business model of B2G (business to governance), by promoting a strong relationship with our community of stakeholders, being a top of mind brand when it comes to civic participation and youth, and the recognition that comes along with prizes and achievements of our organization.” • “All collaborations are important, the fact that we take care of our 	<ul style="list-style-type: none"> • Importance of ensuring financial resources • Differentiated selling approaches with B2G as the main one • Strong relationship with stakeholders support financial sustainability • Taking care of stakeholders enables the company to grow
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			<p>stakeholders allows us to grow. We have an 80% stakeholder retention rate, thanks to promoting relationships and taking care of them. There are some that financed with more money, others contributed with space and knowledge, but they are all important.”</p>	<p>and results in higher financial budgets, share of knowledge or space</p>
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Source: own work