



The Impact of Mission Drift in Social Enterprise's Legitimacy: A Consumer Perspective

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Abstract

This dissertation strives to explain the consumers perceptions over the legitimacy of a social enterprise when facing mission drift. Mission drift takes place when organizations deviate from the social mission to pursue commercial activities in order to enhance financial objectives. Thus, the aim of this paper is to understand the consumers perceptions of the legitimacy of social enterprises in the presence of mission drift, how it affects these organizations, and explain what social enterprise's leaders might do to prevent the risk of mission drift. For this purpose, a qualitative research was conducted based on semi-structured, face-to-face interviews to consumers that identify themselves with social enterprises. The research concluded that mission drift will damage two specific types of legitimacy, pragmatic and moral legitimacy, since for consumers it will be impeditive for the organization to create social value and to act in accordance with the general norms in society. Additionally, contrarily to the existing literature, some findings suggest the need of mission drift for organizations to be able to support the long-term sustainability of their social mission. However, research on this topic is still lacking. Furthermore, some consumers expect a lack of support from stakeholders due to legitimacy issues caused by mission drift being this one of the strategies suggested to overcome mission drift: to integrate and give more voice to consumers in the decision-making process. Therefore, this dissertation has made valuable contributions to the field of social enterprises, mission drift and legitimacy.

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Abstrato

Esta dissertação procura explicar as percepções dos consumidores relativamente à legitimidade de uma organização social na presença de uma mudança de missão. A mudança de missão ocorre quando as organizações se desviam da missão social para prosseguir com atividades comerciais com o objetivo de suceder financeiramente. Desta forma, esta dissertação visa compreender as percepções dos consumidores relativamente á legitimidade das organizações sociais na presença de um desvio na sua missão, como é que isto impacta estas organizações, bem como explicar o que os líderes de organizações sociais podem fazer para

evitar este risco. Por esta razão, um estudo qualitativo foi conduzido com recurso a entrevistas semiestruturadas a consumidores que se identificam com organizações sociais. A pesquisa concluiu que a mudança de missão irá prejudicar dois tipos específicos de legitimidade, a legitimidade pragmática e a moral, uma vez que para os consumidores será impeditivo para a organização criar valor social e agir em conformidade com as normas gerais na sociedade. Adicionalmente, e contrariamente ao mencionado em literatura já existente, alguns resultados sugerem que a mudança de missão é necessária para garantir a sustentabilidade, a longo prazo, da missão social. Além disso, alguns consumidores esperam a falta de apoio por parte dos *stakeholders* devido a questões de legitimidade causadas pela mudança de missão, sendo esta uma das estratégias sugeridas pelos mesmos para superar este risco: integrar os consumidores no processo de tomada de decisão. Desta forma, esta dissertação fez contribuições para o campo das organizações sociais, mudança de missão e legitimidade.

Palavras-chave: Organizações sociais, percepção dos consumidores, missão social, mudança de missão, legitimidade.

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1. Introduction

Throughout the past years, mainly since the 2008 global recession, the boundaries between non-profit and profit organizations became increasingly obscure (Giedre Raisiene et al., 2017). An effect that has characterized the rise of organizations that combine elements of different organizational forms, the so-called hybrid organizations (Battilana & Lee, 2014). Hybrid organizations, and more specifically social enterprises, have been acquiring a considerable presence around the world (Terjesen et al., 2011). Due to the increasing problems related to poverty and environmental issues, the number of social enterprises has been significantly increasing over the past decades (Battilana et al., 2015) since they are seen as means to solve social problems (Doherty et al., 2014). For this specific reason, this type of hybrid organizations has been a subject of study for many researchers (Dees, 2012; Doherty, Haugh, & Lyon, 2014; Ramus & Vaccaro, 2017).

Social enterprises are then organizations that combine, in its operations, the foundations of two logics: a social logic, to create social value for society; and a business logic, to build a structure of a for-profit business model corporation (Battilana & Dorado, 2010; Battilana et al., 2015). In addition, they can be highly successful in addressing their social mission since they balance the resources of a for profit company with the sense of social charity (Austin et al. 2006; Smith et al., 2013). However, studies show that social enterprises find it challenging to balance their social and business logics (Battilana & Dorado, 2010), being constantly exposed to tensions related to which objectives to address as well as which strategies to implement (Pache & Santos, 2013). Thus, the dual nature of social enterprises brings crucial challenges, especially in the way they should be governed (Giedre Raisiene et al., 2017).

Therefore, having both social and financial objectives misaligned, social enterprises tend to give priority to pursue commercial logics in order to maximize financial activities (Doherty et al., 2014), refusing to handle social objectives, since success is harder to attain (Smith et al., 2013), which creates the risk of mission drift (Ebrahim et al., 2014).

Such drift happens when social enterprises deviate from their initial social mission to give priority to for-profit financial performances (Ramus & Vaccaro, 2017), thus abandoning from their previous identity. More studies have been explaining that mission drift is more likely to happen when social enterprises are not able to control internal and external pressures made by key stakeholders and when the organization is facing decisions regarding its own growth (Chambers, 2014). Indeed, mission drift has a huge impact within the organization (Giedre

Raisiene et al., 2017), causing internal tensions (Battilana & Dorado, 2010), creating the possibility of losing the support of key stakeholders (Dart, 2004), namely consumers, thus, distorting the legitimacy that consumers perceive towards social enterprises (Doherty et al., 2014).

Legitimacy can be defined as the general perception that the actions of a certain social enterprise are desirable and aligned with the “socially system of norms and definitions”, assuming three different forms: Pragmatic, Moral and Cognitive legitimacy (Suchman, 1995, p. 577). In addition, it influences the way in which consumers perceive and support organizations (Smith & Woods, 2015), since it is linked with the creation of social value and the pursuing of its social mission (Smith & Woods, 2015). Indeed, for a social enterprise to be legitimate, understanding stakeholders needs and involving them in the entrepreneurship process is a key success factor (Mason, 2012).

Although almost all studies regarding the risk of mission drift are mainly conceptual, thus lacking empirical evidence (Davies & Doherty, 2019; Ometto et al, 2017; Smith & Besharov, 2017), some of them show that when a social enterprise is perceived to incur in mission drift, this can impact the legitimacy of the organization under the eyes of consumers, as critical stakeholders (Klein et al., 2020).

1.1 Problem Statement & Research Question

In order to understand the impact that mission drift has on social enterprise’s legitimacy, this dissertation strives to explain the perception that consumers have, as critical stakeholders, respecting the occurrence of such drift.

The following research question will be addressed:

“How consumers perceive the legitimacy of social enterprises in the presence of mission drift?”

This research question aims to develop a crucial understanding on how the legitimacy of social enterprises is threatened by mission drift. Indeed, the study intends to explore whether the factor of the risk of mission drift to occur in social enterprises decreases the perceived legitimacy that consumers have on those organizations.

According to studies, legitimacy is enhanced when the level of stakeholder participation in the decision-making process, for social purposes, is high (Smith & Woods, 2015). In fact, previous research also stated that in case of mission drift, consumers will associate that specific action handled by the organization with its own identity and legitimacy to change (Grimes et al., 2019) since consumers also denote social enterprises to be legitimate if their activities embrace the creation of social value to solve social problems in innovative ways (Grimes et al., 2019).

Despite the fact that some previous studies related to the relationship between mission drift and legitimacy already exist (Dart, 2004), this study will contribute to the extension of the literature in this field, since there is still more to be analysed, specially under the perception of consumers. This study also intends to determine which kind of responses and techniques can social enterprises handle to overcome the legitimacy challenges that may emerge from the risk of mission drift.

1.2 Academic and Managerial Relevance

The aim of this dissertation is to provide a theoretical contribution to the field of social enterprises, by studying the impact of mission drift in social enterprise's legitimacy and how this is perceived by consumers. Firstly, this specific study intends to identify the impacts that mission drift has on social enterprises legitimacy. This will be followed by the understanding on how consumers perceive social enterprise's legitimacy with the risk of mission drift.

The findings from this study will be relevant for social entrepreneurs to study the impact of incurring in mission drift, in its own organization's legitimacy.

Knowing that social enterprise's legitimacy is established through the accomplishment of social expectations (Dart, 2004), the primary objective of this study is to develop an understanding on how mission drift impacts that legitimacy, under the eyes of a key stakeholder - consumers.

According to past studies, it is only known that the risk of mission drift will cause a damage in the reputation of social enterprises under the close observation of donors and financial granters since they may no longer understand and identify themselves with the aim of such organizations (Chambers, 2014). Thus, very few studies consider the consumer perspective in this field (Tsai et al., 2020).

In fact, while previous studies already exist related to the negative consequences of mission drift within social enterprises and how to prevent it (Klein et al., 2020), and, additionally, the predominance of the studies regarding the risk of mission drift in social enterprise's legitimacy rely mainly into specific single case studies (Klein et al., 2020), few make an extensive research regarding its effects in the way consumers perceive the legitimacy of such organizations, within the general context of social enterprises (Davies & Doherty, 2019). Therefore, this is what the dissertation intends to explore and develop deeper.

1.3 Scope of Analysis and Methodology

This dissertation has the purpose to study the consumer perception over the legitimacy of social enterprises, when mission drift happens. Indeed, it intends to take a special look to Portuguese consumers who handle social concerns towards social problems in society.

A qualitative methodology, namely through interviews, will then be the technique handled to gather primary data. The interviews will be made to the general community of Portuguese consumers that handle social concerns in the society. These consumers will be identified and contacted through the different social medias.

The interviews will strive to understand consumers general perceptions regarding social enterprise's nature and mission as well as their importance in society. Additionally, topics of legitimacy and mission drift will be approached in the interviews, mainly to understand what it means a social enterprise to be legitimate and to engage in mission drift, under the perspective of consumers.

The data will then be analysed through themes and sub-themes with the support of Nvivo, a qualitative software that helps to organize and analyse qualitative data.

1.4 Thesis Organization

This thesis is structured as follows: the first chapter gives an introduction of the topic to be researched, the identification of the research question and the academic and managerial relevance. Then, the literature review in the fields of hybrid organizations, social enterprises, mission drift, legitimacy in social enterprises and consumers perceptions, since they fundament the purpose of this study. This will be followed by the methodology and data collection chapter

in order to highlight the information that was collected and how it was gathered. Lastly, the analysis of the data collected and the respective findings, before the conclusion as well as the limitations of the study and future research proposals.

2. Literature Review

This section of the thesis will review and analyse previous studies made in the field of hybrid organizations and, more precisely, social enterprises and its related areas. To begin with, a detailed introduction to the concept of hybrid organisations will be given. This will be followed by a definition of social enterprises as well as the consequences of mission drift and its impacts on legitimacy.

2.1 Hybrid Organizations

During the 1990's, a considerable number of non-governmental organizations (NGOs), that primarily had the aim of providing loans to the poor, decided that in order to maintain the demand they were facing they needed to spin off commercial microfinance organizations (Battilana & Dorado, 2010). Additionally, with the 2008 financial crisis (Giedre Raisiene et al., 2007) and through an increase in social concerns towards poverty and environmental issues, the number of organizations settled to be in the first line of human rights and to protect environmental causes and poverty issues increased dramatically (Hockerts, 2015). This way, hybrid organizations were created and today are gaining even more predominance in modern societies (Kraatz & Block, 2008).

This type of organizations faces a considerable number of contradictions for their functioning (Ramus & Vaccaro, 2017) at the same time they handle different legitimate institutional logics (Battilana & Dorado, 2010). In fact, such institutional logics not always are compatible with each other (Greenwood et al., 2011) since different practises may not combine together (Tracey et al., 2011) which highlights the appearance of organizational challenges (Besharov & Smith, 2012). Therefore, such challenges may compromise the legitimacy of the organization (Pache & Santos, 2013).

Hybrid organizations don't take only social and financial logics. They can take different organizational logics and forms, such as public and private partnerships that incorporate elements from civil society logics (Jay, 2013), among others. Indeed, these organizations can perform well in such complex environments in the sense that their hybridity requires them to maintain their combined elements consistent with the core values of the organization (Pache & Santos, 2013; Battilana & Lee, 2014).

As mentioned before, this type of organizations combines different organizational forms, one of them being social enterprises (Battilana et al., 2015; Battilana & Dorado, 2010; Battilana & Lee, 2014), about which this dissertation will focus on.

2.2 Social Enterprises

Social Enterprises have been acquiring a considerable importance all over the world (Terjesen et al., 2011), especially in the United States and Europe (Ramus & Vaccaro, 2017). Actually, the definition of social enterprise also differs based on the geographic location (Kerlin, 2010). In the US, social enterprises give priority to the generation of financial outcomes through the exploitation of resources and businesses of the non-profit organizations (Kerlin, 2006), while the European approach towards social enterprises focuses on creating social value (Defourny & Nyssens, 2010). The UK Government has a distinct definition for social enterprises, being a business that pursues primarily social objectives and then reinvesting the profits from that business in the community, rather than giving those profits as dividends to shareholders and owners (DTI, 2002, p.13). This evidences that a single definition for social enterprises does not exist (Nichols, 2010). However, all these three definitions together bring two main features of the social enterprises – the pursuit of social objectives and the generation of commercial revenues (Ramus & Vaccaro, 2017).

Therefore, social enterprises can be described as organizations that compete in the market with a dual mission - to address complex social problems while relying on profits to sustain their operations, being denominated by researches as “*mission-oriented ventures*” (Battilana & Lee, 2014; Dacin et al., 2011). This way, they handle at their core the functioning of two organizational forms – the business and the charity one (Ramus & Vaccaro, 2017). From one side, their social mission focuses on addressing social problems in society. From the other side, income is generated, and capital attraction is made by selling products and services that other institutions fail to deliver (Battilana et al., 2015; Smith, 2017).

Throughout the past years, social enterprises have been attracting the interest of scholars and researchers (Dacin et al., 2011; Doherty et al., 2014). In fact, such organizations represent an innovative tool to prevent and combat social problems in the society, such as poverty (Ramus & Vaccaro, 2017), social exclusion and environmental damages (Aguilera et al., 2007), while maintaining their own sustainability through normal market conditions rather than depending constantly on donations (Ramus & Vaccaro, 2017).

However, social enterprises combine in their core two different forms with different purposes – a social and a financial one (Doherty et al., 2014). This can lead to tensions and contradictions to emerge within the organization that can impact the aim and the development of social enterprises. Indeed, by integrating these two organizational forms, social enterprises are constantly facing tensions and challenges regarding which values to prioritize (Dees, 2012; Miller et al., 2012), which objectives to pursue (Battilana & Dorado, 2010; Jay, 2013) and which strategies to handle (Tracey et al., 2011; Pache & Santos, 2013).

Whenever this happens, studies confirm that when pursuing a dual mission, social enterprises will tend to prioritize commercial and financial logics in order to maximize financial performance (Doherty et al., 2014) deviating from the social objectives since success rate is harder to achieve (Smith et al., 2013), creating the risk of mission drift (Ebrahim et al., 2014). In fact, such drift from social to financial activities will also impact social enterprises legitimacy under the perspective of key stakeholders (Dart, 2004).

Taking all into consideration, the present study will now focus on the general definition of mission drift and its consequences towards social enterprises.

2.3 Mission Drift and its consequences

The specific nature of social enterprises can bring significant challenges since pursuing both social and financial logics might turn to be difficult to sustain (Giedre Raisiene et al., 2017) Researchers argue that the combination of both logics brings instability for the organization (Klein et al., 2020), meaning, creating social and commercial value at the same time, forces the organization to address competing goals which creates tensions and contradictions in social enterprises (Jay, 2013). Such tensions regarding which objectives to address, which strategies to implement (Pache & Santos, 2013) and which direction to pursue (Klein et al., 2020) may become harder to sustain conducting the company to drift to one specific logic – the commercial one – engaging this way in mission drift (Battilana & Dorado, 2010; Grimes et al., 2019).

Mission drift forces the organization to focus mainly in finding mechanisms to boost profitability (Ramus & Vaccaro, 2017) rather than in strategies to increase social impact. Additionally, social enterprises start targeting wealthy markets rather than socially markets (Battilana & Dorado, 2010) and refuse to address social objectives since success is harder to accomplish (Smith et al., 2013). Mission drift can then be defined as a process of organizational

change, where the organization deviates from its primary mission and main purpose (Cornforth, 2014). Thus, the company's mission starts to be focused only on financial activities to achieve profitability and the social mission becomes the second priority of the organization (Giedre Raisiene et al., 2017)

The sources of mission drift may arise not only from pursuing commercial activities, but also when the organization depends on any dominant agent, such as the state or any foundation (Cornforth, 2014). In fact, social enterprises are likely to engage in mission drift when making decisions regarding its own growth. Chambers (2014) illustrates that resource providers and the competition in the market are the two main factors that make social enterprises to pursue a rapid growth through organizational growth strategies. This will have an impact in the direction of the organization in the sense that it will distract social enterprises from their social and environmental purposes, conducting the organization to mission drift (Smith et al., 2013).

Mission drift can then be conceptualized from two theoretical perspectives, being them organizational identity and organizational adaptation (Grimes et al., 2019). Therefore, from a perceptual perspective, mission drift is highly linked with the stakeholder's perceptions regarding the inconsistent actions of an organization when deviating from their initial social mission (Klein et al., 2020). However, microfinance ventures might pursue a commercial logic in order to increase the loan sizes, thus drifting away from their initial purpose to provide more loans to the poor people (Battilana & Dorado, 2010). Additionally, Grimes et al. (2019) further emphasizes mission drift in the organizational adaptation literature, stating that such drift is a result from external pressures in an attempt to adapt to the new environments in order to achieve a long-term success. This way, when the organization deviates from this specific missions and actions regarding its own identity, it can be perceived as mission drift by stakeholders (Klein et al., 2020).

According to past studies, there are two theoretical perspectives that are useful to understand the pressures that organizations face that lead to mission drift (Oliver, 1991). They are the resource dependency theory and the institutional theory (Cornforth, 2014). Regarding resource dependency, this theory states that all organizations depend on other organizations and agents to receive the appropriate resources necessary for the functioning of the organization, such as capital and equipment (Pfeffer & Salancik, 1978). This way, social enterprises become dependent on resource providers which forces them to pursue commercial logics and drifting their mission towards financial performances (Giedre Raisiene et al., 2017).

The institutional theory suggests that the environment may influence organizations in two different ways: (1) it asks for economic and technical demands that come from the market in which those organizations operate; (2), the social and cultural demands require organizations to operate in a certain way (Cornforth, 2014). Thus, these demands of competing institutional environments creates the risk of mission drift (Giedre Raisiene et al., 2017).

In fact, mission drift can have tremendous impacts within an organization by causing internal tensions (Battiana & Dorado, 2010). These internal conflicts are a direct cause of the change in the organizational culture which lowers employee's moral towards the organization (Chambers, 2014). Additionally, such drift can damage the reputation and identity of a social enterprise, thus, threatening future funding in the sense that financial providers may no longer identify themselves with the aim of such organization (Chambers, 2014).

Lastly, and the most relevant for this specific study, mission drift creates the possibility for the organization to lose the support of key stakeholders (Dart, 2004), namely consumers, thus, distorting the legitimacy that consumers perceive towards social enterprises (Doherty et al., 2014).

For the purpose of this study, now it will be given a review regarding legitimacy in social enterprises, as well as a review over what corporate social responsibility can do to overcome legitimacy challenges and the different types of legitimacy.

2.4 Legitimacy in Social Enterprises

From an institutional perspective, legitimacy corresponds to the tools used by organizations to obtain and maintain resources (Oliver, 1991). Thus, it is the mean for organizations to be well observed and to meet key stakeholders' expectations within society (Dart, 2004). This way, organizations need to be legitimate to offset liabilities of foreignness, outsidership and newness (Cavusgil & Knight, 2015), being a crucial resource to the survival of the organization in host markets (Zimmerman & Zeitz, 2002).

Therefore, legitimacy is described as *“a generalized perception or assumption that the actions of an entity are socially desirable, proper or appropriate within some socially constructed system of norms, value, beliefs and definitions”* (Suchman, 1995, p.574). Thus, it influences the way in which stakeholders support and act towards an organization (Smith &

Woods, 2015). In fact, under the perspective of stakeholders, a social enterprise is legitimate if it is perceived to be meaningful, predictable and trustworthy (Suchman, 1995).

A study conducted by Mason (2010) found that social enterprises are considered to be legitimate based on three important ways: (1) the organization's mission, (2) the ability for social value creation and (3) the stakeholder participation in the decision-making process. Moreover, given the nature of such organizations, social enterprise's legitimacy depends on social value creation since the existence of such organizations depends on the successful delivery of social benefits to stakeholders (Mason, 2010).

Social enterprises recognize the importance of legitimacy within its day-to-day operations. Indeed, since legitimacy is used to obtain stakeholders support, social entrepreneurs are legitimate by creating social value towards social issues in the society, thus achieving the organizations social mission objectives (Smith & Woods, 2015).

Suchman (1995) further considered three different perspectives and foundations of legitimacy and proposed strategies to gain, maintain and repair legitimacy from those three different types (Dart, 2004).

2.4.1 Pragmatic Legitimacy

Pragmatic legitimacy is considered to be the most variable form of legitimacy since it is contingent on real value production (Suchman, 1995). This very tangible ideology of legitimacy requires stakeholder groups an attribution of social acceptability if a certain organizational activity provides them with anything of value (Dart, 2004). For instance, consumers may consider social enterprises activities to be pragmatically legitimate if such activities reduce the organization need for funding of external providers (such as the government and foundations) or because such activities create innovative solutions to solve social issues in society (Dart, 2004). Therefore, activities handled by social enterprises are expected to produce outcomes of social value for the key stakeholders of the organization (Ebrahim et al., 2014). Otherwise, the pragmatic legitimacy can be threatened and lead to a damage in consumers support (Randrianasolo, 2018).

Thus, from a stakeholder perspective, pragmatic legitimacy can be defined as follows: if stakeholders get anything out of the activities of social enterprises, then they consider the organization to be legitimate (Dart, 2004).

2.4.2 Moral Legitimacy

While pragmatic legitimacy relies on judgments about whether an activity benefit stakeholder (Suchman, 1995), moral legitimacy rests on judgments about whether a certain activity is “the right thing to do”, given the circumstances (Suchman, 1995, p. 579). Therefore, moral legitimacy is linked with the normative domain of property being only valid when organization’s activities are undertaken in accordance to the general norms in the socio-political environment (Dart, 2004).

This perspective of legitimacy is considered to be more complex and developed than pragmatic legitimacy since it offers insights regarding the emergence of the social enterprise organizational form (Dart, 2004). Thus, for an activity to be morally legitimate, it is not required to generate visible valued results. That’s why social enterprise’s activities, from the moral legitimacy perspective, stay immune from performance-based criticism (Dart, 2004).

Although moral legitimacy offers explanations and reasonings for the emergence of a social enterprise, it also provides insights related to the possible direction of social enterprises concepts and practices (Suchman, 1995). In fact, there are two important managerial implications of this perspective of legitimacy for practitioners. Firstly, it stresses the level at which organizations follow trends that are not necessary in a functional way (Dart, 2004), Secondly, it emphasizes the isomorphic pressures made by key stakeholders, namely consumers, and the social environment to which managers and social entrepreneurs constantly conform (Di Maggio & Powell, 1983).

2.4.3 Cognitive Legitimacy

The final perspective of legitimacy is considered to be “*the most profound once established*” (Suchman, 1995, p. 585). Cognitive legitimacy refers to the basic and preconscious assumptions that stakeholders perceive regarding the nature and structure of the activities that social enterprises handle (Dart, 2004). For instance, cognitive legitimacy may be threatened simply if a certain social enterprise action or activity does not feel right under the perspective of key stakeholders (Suchman, 1995). This different perspective suggests a third general bundle of legitimacy dynamics that are based on stakeholder’s own cognition rather than on interest or evaluation (Aldrich & Fiol, 1994). In fact, this ideology comprises two important variants: (1) legitimacy base on comprehensibility, where legitimacy is perceived mainly through the

availability of cultural models to provide explanations for the organization’s efforts (Scott, 1991) and (2) legitimacy based on taken-for-grantedness, where institutions “*not only render disorder manageable, they actually transform it into a set of intersubjective givens that submerge the possibility of dissent*” (Suchman, 1995, p.13). Below we can find a table with the three types of legitimacy and its respective characteristics:

Type of Legitimacy	Description
Pragmatic Legitimacy	<ul style="list-style-type: none"> ○ Based on real value creation; ○ Based on the capability of the organization to refuse asking for external funding; ○ Ability for the organization to create innovative solutions to solve social issues; ○ Organization’s activities need to produce outcomes for stakeholders;
Moral Legitimacy	<ul style="list-style-type: none"> ○ Based on judgments regarding the accordance of the activities with the general norms in the social-political environment; ○ Does not requires for an activity to generate visible results, but to be in accordance with the general circumstances;
Cognitive Legitimacy	<ul style="list-style-type: none"> ○ Based on the basic assumptions regarding the nature and structure of organization’s activities; ○ Based on stakeholder’s own cognition rather than on interest or evaluation;

Table 1 Types of Legitimacy

Source: Adapted from Suchman (1995) and Dart (2004)

For the purpose of this dissertation, the literature review will now focus the attention on how Corporate Social Responsibility (CSR) may help social enterprises to enhance the legitimacy towards consumers.

2.4.4 Corporate Social Responsibility

The present topic has the main objective of studying the impact that corporate social responsibility has in the legitimacy of a social enterprise towards consumers. However, I am

aware that CSR is not directly connected with the topic and aim of this dissertation, but it can shed lights into comprehending the topic.

Past studies related with the impact of social components in consumers already exist and are mainly related with the field of Corporate Social Responsibility (Connors et al., 2017; Deng & Xu, 2017). Researchers exposed that there is a positive synergy whenever organizations link themselves to CSR (Sankar Cen, 2013). Whenever this happen, there is a positive influence in consumer's beliefs regarding how they see social enterprise's products, the awareness of the brand and, most important, the way they perceive the organization itself (Green & Pelozo, 2014).

Therefore, one strategy to enhance legitimacy is through CSR. It boosts legitimacy because it allows consumers to denote that the organization cares about their interests (McWilliams & Siegel, 2000). CSR strategies are then actions that social enterprises handle towards the pursuit of some social good and that goes beyond the interest of the organization (Randrianasolo, 2018). Therefore, by gaining legitimacy from consumers, the organization can earn positives attitudes, intentions and behavioural outcomes from them (Friestad & Wright, 1994).

In conclusion, since earning legitimacy influences consumers attitudes, perceptions and intentions (Becker-Olsen et al., 2006), strategies to boost legitimacy such as CRS strategies, positively influence consumers attitudes towards the organization (Randrianasolo, 2018).

In the next section, an overview over the consumer behaviour and perceived images towards social enterprises will be given.

2.5 Consumers Perceptions

Consumers face constantly a high quantity of buzzing information. Therefore, in order for consumers to understand it, they should select the information they value the most. After the information selection process, consumers will then analyse the information based on psychological research, meaning, based on their own perception (Mcguire, 1976). Therefore, whenever consumers are exposed to a certain bundle of information, perception is a phenomenon that is related with the determination of what part of the information consumers effectively receive (Mcguire, 1976). Indeed, perceptions comprises processes such as attention, sensations and selectivity.

In fact, for consumers to build a perception over an organization, they look at information's regarding the product's and service's attributes, the fit with the organization's mission and also the price (Chang, 1994). Additionally, according to research conducted, in situations where the price and quality are similar, 76% of consumers answered that were willing to switch from one brand to another that defends a social cause associated with their ideologies. This has to deal with the perceptions that consumers have over the social mission of organizations (Stefańska & Wanat, 2014).

2.5.1 Consumer Perceptions towards Social Enterprises

A study conducted by the Research Institute for Social Enterprise (2009), found that social enterprise's consumers seek public interest and purchase products and services of social enterprises in order to help the most vulnerable social groups (Kang, 2017). This means that the perception that consumers have when social enterprises pursue a social mission is a crucial and determinant factor for them (Hibbert et al., 2005). In addition, the perception that consumers have on the social responsibility of the organization determines their evaluation of that enterprise as well as their attitude and behaviour towards the products, services and the organization as a whole (Kang, 2017). This happens because, the higher the perception that social enterprise's mission and products fit their own current social values, the more positive will be their attitude and behaviour towards the organization (Lee et al., 2020).

According to a study made by Choi & Kim (2013), consumers perception over the social value created by social enterprises, is an important factor to determine the level of affiliation that consumers have towards the organization as well as to measure the way they perceive the organization in society (Kang, 2017). Indeed, whenever social enterprises engage in actions that deviate from their initial social mission (i.e. mission drift), consumers perceptions over the organization will influence their helping and supportive behaviour towards the organization (Hibbert et al., 2005).

To conclude, past studies already demonstrated that social ideologies and components indeed impact consumer behaviours and perceptions towards social enterprises. Although, it has not been studied how mission drift impacts those legitimacy perceptions, and that is the principal reason why this study contributes to the extension of the literature in this field. The aim of this dissertation is to understand how consumer perceptions of legitimacy changes when

social enterprises incur in mission drift, and, additionally, what social enterprises can do to overcome legitimacy challenges that may emerge.

3. Methodology

Despite the fact that the field of legitimacy in hybrid organizations, and more precisely in social enterprises, embraces significant and relevant theoretical contributions, there is still a lot of research that can be made, especially under the perspective of consumers when organizations engage in mission drift. Therefore, this dissertation will follow a primary research based on a qualitative method, as the explanatory nature of this approach allows to decode better the consumers perceptions when mission drift is a reality within social enterprises. Primary data is data collected by the researcher on a first-hand basis (Rabianski, 2003). A qualitative research is described as an “approach for exploring and understanding the meaning of individuals or groups” (Creswell, 2014, p.32), and, generally, data is gathered through interviews, focus groups, or participation observation (Fossey et al., 2002). In the case of this study, it will be focused on consumers with social concerns, towards mission drift to impact in social enterprises. To fundament the decision of being qualitative, firstly the research is holistic in nature, comprising the collection of primary data since it identifies not only different factors and perspectives but also develops a complex picture of the question to be studied (Cresswell, 2013). In addition, the information collected through primary data needs to be reviewed, interpreted and submitted into the respective categories to better analysis of the phenomenon in question.

3.1 Research Development

Given the lack of information and especially the novelty of this specific topic (Ramus & Vaccaro, 2017; Battilana et al., 2015) the research question of this dissertation will be approached as an inductive study. In fact, this study is not intended to confirm any hypotheses regarding the impact of mission drift towards social enterprise’s legitimacy, but rather to explore a better understanding on how consumers perceive mission drift to influence social enterprises, regarding its legitimacy. To do so, interviews will be the research technique implemented in this study. Developing a qualitative research, performing interviews is the

method that best suits because it allows us to “discover and understand what is behind this phenomenon” (Stauss & Corbin, 1990, p.19).

3.1.1 Interviews

Regarding interviews, conducting in-depth semi-structured interviews will be the best technique to conduct the qualitative research (Bailey, 1987) and to collect primary data, since it ensures that all questions are answered (Bailey, 1987). In addition, interviews ensure that answers reflect interviewee real perception towards the phenomena as well as helps to uncover opinions and thoughts that participants may have (Bailey, 1987). According to Cresswell (2014), interviews are also useful to control the line of questioning in case participants cannot be directly observed, while at the same time it ensures that consumers (in this case) thoughts and behaviours can be explored and interpreted (Boyce & Neale, 2006).

The interviews will be semi-structured and face-to-face or online. By being semi-structured, it contributes to create an understanding between the study and participants, and it decreases the possibility of participants being biased towards socially desired answers (Patton, 1990). Additionally, it allows the interviewer to ask for clarifications whenever necessary (Skodol-Wilson, 1992). Lastly, being face-to-face, empathy is created between the interviewer and the participants (While, 1994), while at the same time it encourages both the participants and the interviewer to have a greater interest in the topic (While, 1994).

3.2 Interview Protocol

A defined research question contributes for a better understanding of the purpose of the study and serves as a guide to define the interview protocol. In the construction of the interview protocol it is crucial to understand the substance and form (Yin, 2013). In this case, the research question is “*How does mission drift change the legitimacy that consumers perceive over social enterprises?*”. The aim is to understand the impact of mission drift in social enterprises legitimacy, under the perspective of consumers. The form corresponds to the application of “how”, which determines that the choice for this study is to be an explanatory one (Yin, 2013).

The interview protocol will be divided into three different sections. Each section will be important in producing findings to answer the research question. Background, to gain a deeper knowledge of consumers in society. Social enterprises, to understand the perception and thoughts that consumers have for these organizations. Legitimacy and Mission Drift, to study consumers reasoning regarding a social enterprise to be legitimate and, to understand their thoughts and opinions regarding mission drift and its impact on social enterprise's legitimacy. The interview protocol can be found in Appendix.

3.3 Participants

This dissertation will only focus on Portuguese consumers. The reason is to ensure that all consumers have similar cultural values and face the same pressures from the Portuguese market, which would be impossible to guarantee if I had participants from different nationalities. The condition to choose participants is that the participants to be analysed should have a social orientation and a financial one. Meaning, they do care about social problems occurring in society but at the same time they give value to money and generation of profits. However, since this corresponds to an explanatory study that aims to analyse the response of consumers towards social enterprises, it is not expected that the results and the participants to be interviewed will be generalized to the rest of the population. Therefore, a convenience sampling (Kothari, 2004) will be the appropriate strategy to follow for the purpose of this study.

3.4 Thematic Analysis

As previously mentioned, the explanatory nature of the qualitative research will allow me to reach an understanding of the complex phenomena, meaning, to find the impact of mission drift in social enterprises legitimacy. Thematic analysis is described as “a method for identifying, analysing and reporting patterns within data” (Braun & Clarke, 2006, p.23). This method will allow me to bring order, structure and interpretation of the gathered information, given the amount of data that has been collected with the interviews (Marshall & Rossman, 1999). Thus, for this dissertation, it will be used a thematic analysis since it will help to analyse the data by principal themes and then sub-themes, thus reducing it to main ideas to be extracted and further analysed (Woodruff, 2013).

To do so, the data analysis will be supported with the use of Nvivo. Nvivo is a qualitative software that helps to organize and analyse qualitative data.

To conduct the thematic analysis, these are the steps that will be followed:

Step	Description
1. Organization of the gathered data	Audios are described and important information is highlighted
2. Creation of Themes	With Nvivo, data is sorted, and themes identified.
3. Searching for themes and categories	The data previously identified is organized into themes and sub-themes
4. Testing the themes	Data and themes are reviewed and the cohesion between them is tested considering the research question
5. Definition of the final themes	Themes and sub-themes are finalised and consistency between the identified data is confirmed
6. Data Analysis	Findings from the interviews are reported and explained, using examples from the transcribed interviews

Table 2 Thematic Analysis Steps

Source: Adapted from Braun & Clarke (2006)

4. Data Collection and Analysis

Primary data is data collected by the researcher on a first-hand basis (Rabianski, 2003), and, generally, is gathered through interviews, focus groups, or participation observation (Fossey et al., 2002). For the purpose of my study, I conducted a total of 17 formal and 2 informal interviews to participants that are considered to be consumers of social enterprises. These interviews were performed during the months of October and November of 2020. On average, the interviews lasted 30 minutes and were conducted in a semi-structure way. All the interviews were conducted or in person or via Zoom. The audio from the interviews was recorded and later transcribed.

Amongst the 17 participants, 9 were male and 8 females. Ages are comprised between the 22 and 57 years old, and all the participants have at least a bachelor's degree. Additionally, almost a half of the participants are currently master students while all the others are already in the job market. In the appendix is present a table with each participant's age, gender, education

and professional background. In order to protect the identity of the participants, each participant was assigned with fictitious names.

During the interview process, participants were asked to express their opinions and thoughts over a series of questions relating to their own background, social enterprises, perception of legitimacy and mission drift. The questions aimed to highlight aspects such as:

- Consumers perception of social enterprise’s nature and purpose;
- The consumers level of engagement with social causes;
- The perception of legitimacy at a social enterprise;
- Consumers opinion towards social enterprises to incur in mission drift;
- Consumers advices to overcome the risk of mission drift;

The present analysis is divided into themes and sub-themes that aim to answer the established research question. The findings show that for the majority of the themes, there is a general agreement among participants. Although, there are some topics where participant’s opinions are more contrasting.

The following table shows the themes and sub-themes identified when building the framework for analysis:

Themes	Sub-themes
Social Enterprises	✓ Social enterprise’s importance for consumers;
Legitimacy	✓ Effects of social value creation in pragmatic legitimacy; ✓ Importance of being faithful to the social principles;
Mission Drift	✓ Impact of mission drift in pragmatic legitimacy;
Strategies to overcome Mission Drift	✓ Consumers strategies to avoid mission drift and enhance pragmatic legitimacy

Table 3 Themes and Sub-themes

5. Findings

5.1 Social Enterprises

5.1.1 Social Enterprise's importance for consumers

The level of importance given by consumers to social enterprises can reflect their higher or lower perception of the impact of mission drift in the legitimacy of a certain organization. In order to better understand how consumers value social enterprises to exist and compete in the market, participants were asked what's their opinion regarding social enterprise's nature and purpose, since these organizations "represent an innovative tool to prevent and combat social problems in society, such as poverty, social exclusion and environmental damages, while maintaining their own sustainability" (Ramus & Vaccaro, 2017; Aguilera et al., 2007). This point can be better exemplified by *Julie*:

"Social enterprises are organizations that have at its basis the pursuing of a social mission but at the same time they keep sustainable by performing such activities, thus they are crucial in society. More organizations like these are needed in the world, because they foster the sense of solidarity."

This remark illustrates the way authors define social enterprises and what is their mission in the market. Are organizations that make a balance between their two main purposes: the social and commercial one (Battilana & Lee, 2014).

The analysis also revealed that social enterprises are important organizations, since they are the ones with adequate structures and power to solve social problems:

"These are companies that tend to grow in importance because society is also increasingly educated and sensitive to social causes and therefore companies adapt to this specific mindset. Therefore, they are very necessary companies in society since we are talking about social problems with such a large dimension that can only be minimized with entities with power and with adequate structures like social enterprises." – Juliett

This comment suggests that not all organizations are capable and prepared to address a certain social problem. Organizations need adequate structures, teams and processes that will allow them to perform well in complex environments due to their hybridity form, as it happens with social enterprises (Pache & Santos, 2013).

Directly connected to this aspect, another participant finds it crucial for organizations to have a positive impact in social causes, even if they are not a social enterprise:

“I think that all organizations, even if they are not social enterprises, should contribute some way to the resolution of a social cause.” - Michael

Thus, in the light of our findings, we can argue that consumers, attribute a significant importance to social enterprises being constantly working towards the accomplishment of their social objectives (Defourny & Nyssens, 2010). Additionally, all these comments suggest the existence of a duty that social enterprises have with its own stakeholders in producing a positive social impact by addressing the social cause they have in hands.

However, this was not the only perspective defended by participants. Others, meanwhile, emphasized the fact that social enterprises may take advantage of their social status only to withdraw a greater volume of revenues from that:

“[...] for me it's like a mask that these companies create. Establish themselves in the market with a specific social role and objective solely to derive recognition and prestige of it and increase the volume of business.” - John

A similar perspective was shared by another participant:

“In the end the managers of such organizations make decisions to enhance their own sustainability. The social mission exists, but in my opinion it's not the priority” - Jamie

These remarks illustrate the still capitalist behaviour and nature of social enterprises. In the end, they may compete in the market communicating a social mission and gaining the trust and support of stakeholders (Dart, 2004), but with the primary objective of succeeding financially, thus acting as a traditional for-profit organization (Doherty et al., 2014).

Nonetheless, social enterprise's importance in society in order to solve social problems is known:

“Social enterprises are extremely important organizations, often doing work that the state does not do. Without many of these initiatives, society would be even more fraught with disagreements at various levels, compromising the safeguarding of the future of these people” - Delta

This is a good example of the mediator character that social enterprises can assume, by acting towards the welfare of those who need the most and filling gaps committed by the government.

Although some consumers perceive the existence of social enterprises with financial sustainability, the majority of participants along with past literature, look for the existence of

social enterprises as a helping element for the most disadvantage people, not giving too much emphasis on the commercial aspect.

5.2 Legitimacy

5.2.1 Effects of social value creation in pragmatic legitimacy

It is known from the literature and from the various citations that social value creation is undoubtedly one of the factors that consumers take into consideration to decide if a social enterprise is legitimate or not. Understanding how consumers value the ability of a social enterprise to create social value and how does that impact in pragmatic legitimacy, can provide us with further insights regarding the impact of mission drift in the legitimacy of an organization. To understand that ability, after asking participants to reflect on the importance of social enterprises in society, they were questioned what it means for them for a social enterprise to be legitimate. A social enterprise is pragmatically legitimate if its activities “create innovative solutions to solve social issues in society” (Dart, 2004, p.418) and if such activities “produce outcomes of social value for the key stakeholders of the organization” (Ebrahim et al., 2014, p.20). The majority of participants made a bridge between social value creation and legitimacy (more precisely pragmatic legitimacy, since the reasons are linked with the production of social outcomes for stakeholders). Others, meanwhile, did not necessarily relate legitimacy with social value creation.

“[...] in other words, a social enterprise needs to create social value linked with its own social cause. If a social enterprise creates social value, for me they are considered to be legitimate.” – Sarah

Additionally, a similar view was shared by another consumer:

“[...] it’s an organization that uses the funds that they raise in the best possible way, meaning, in the pursuit of the social cause they defend” – Mike

The analysis also revealed the importance of the organization to create social value at the same time they keep sustainable by performing such activities:

“In my opinion a social enterprise is legitimate if they can make a balance between their two main objectives. First and as priority, the accomplishment of their social

mission for which they created the organization not bleaching at the same time their own sustainability” – Julie

This comment suggests that the dual mission handled by social enterprises needs to be fulfilled to achieve legitimacy. Not purely the social value creation, but also the financial component. Organizations need to compete in the market for their social mission but safeguard themselves by earning revenues from those social activities.

Below, a consumer reflected the need for the organization to show social results aligned with the social mission and that those results generated must be proportional with the investment made in the organization, for them to be legitimate:

“For me the organization needs to show results that meet their own social mission. And also, the level of investment they make in the organization and the level of advertisement made, must be reflected in the social results they generate.” – Michael

Additionally, a participant stated that social value creation would not necessarily play a significant role in legitimacy. This consumer emphasized the percentage of profits that are reinvested in the pursuit of their mission, as a key factor to achieve legitimacy:

“More than create value, legitimacy for me in these organizations is linked with the investment they make in their operations. If they are a social enterprise, I would consider them to be legitimate if they reinvest more than a half of their profits in the accomplishment of the social cause.” – Stella

This means that if the organization does not reinvest its profits in its operations and decide to distribute as dividends for instance, legitimacy becomes damaged because the organization is not investing and thus, not worried with the future of its social mission. In fact, this is an interesting finding since the existence of profits in social enterprises not always is well seen in the perspective of consumers. For the best of our knowledge, literature is lacking on this finding.

Although the literature supports the finding where social value creation is the main driver to achieve legitimacy (Dart, 2004; Mason, 2010), in this sub-theme we did not reached a complete consensus. Indeed, some participants highlighted the correlation that must exist between social value creation and legitimacy while others gave more attention to other factors such as the re-investment of the profits in the operations. This is paradoxical because we came up with two opposing perspectives. A possible explanation has to do with the perception and purpose of social enterprises that is still not entirely clear to participants.

5.2.2 Importance of being faithful to the social principles

As the findings above suggest, social value creation is something that consumers need to see reflected in the day-to-day operations of a social enterprise in order for the organization to be legitimate. In order to further understand the meaning of legitimacy under the perspective of consumers, consumers were asked to explain their reasoning of legitimacy. In addition to pragmatic legitimacy, the findings suggest a mix of approaches to also build moral legitimacy. Thus, the analysis revealed that, additional to the social value creation capability, consumers expressed the need for the organization to be faithful to its own social principles. This can be better exemplified by the following answers:

“[...]a social enterprise is legitimate if their direction is aligned with the social mission and if they continuously act according to the social principles to which they committed.”
- Mary

“For me, legitimacy in social enterprises is linked with the ability of the organization to accomplish the social principles that the organization has pledged to comply in the beginning when they were founded” – Sarah

These comments illustrate a key factor for social enterprises not to be pragmatically but morally legitimate. Indeed, the concern is not just to create social value, but to comply with the social principles and engage in activities that are the right thing to do (Schuman, 1995). Organizations activities must be undertaken in accordance to the general norms in the socio-political environment and thus, in harmony with its own social principles (Dart, 2004; Schuman, 1995).

Other participant expressed the need for the organization to be transparent regarding its own social principles and to show that transparency for society:

“[...] in order for a social enterprise to be legitimate it needs to be transparent. Meaning, they work on the principles they established from the beginning and share that for the society.” – Michael

This comment suggests that it is required for the organization to continuously communicate what they are planning to do to address their social mission, thus being transparent for all stakeholders, in order to be legitimate.

When faced with the same question, some participants mentioned the importance of being included in the decision-making process, as a key factor for legitimacy:

“[...] it would be important if consumers could have some voice and power in deciding the processes of the organization.” – Stella

This is explained by Dart (2010), that stated that the participation of stakeholders in the decision-making process is one of the topics to decide if a social enterprise is legitimate or not.

As a result of this theme, to most consumers, social value creation and the loyalty for the social principle affect their perception of legitimacy. Meaning that, if the organization deviates from its original social mission to pursue only commercial activities, that would damage the legitimacy of the organization, for consumers (Doherty et al., 2014). Additionally, to that, transparency and the participation in the decision-making process (Mason, 2010) revealed also to be crucial for legitimacy.

5.3 Mission Drift

5.3.1 Impact of mission drift in pragmatic legitimacy

The research question that this study sets to answer is to understand the impact of mission drift in pragmatic legitimacy.

After being presented with two scenarios of TOMS Shoes - where in the first one the organization fulfils its social mission and in the second one, their behaviour turns to be more aligned with profitability – consumers were asked to make a reflection regarding the existence of mission drift in both scenarios as well as to identify the existence of legitimacy in both scenarios. Many participants identified the second scenario as a case of mission drift where the organization lost its legitimacy. One participant echoed the findings of Smith et al., (2013) by stating that organizations fall in the temptation of being capitalists due to their spirit of social mission:

“Mission drift is present in the second scenario, because the organization placed financial reasons above social motives, namely when those social reasons were, most likely, the reasons that allowed the company to grow and establish itself as a prominent player in the market.”- Delta

“The organization is legitimate in the first scenario because it fulfils its own social mission by donating a percentage of their profits and revenues to children in need. The second scenario it’s a materialization of what happens in the real world: to give in to the temptation to be too capitalist, when the capitalism of each company was boosted by a spirit of social mission, leaving all those who helped the company to grow groundless.”- Delta

When faced with the same question, some participants justified the existence of mission drift in the second scenario, making a bridge between mission drift and the inexistence of donations:

“In my opinion mission drift is present in the second scenario because they are not donating one part of the profits to the children in the developing countries in need [...] and the organization has profitability and earning more sources of revenues as primary mission.” – Julie

This comment suggests that the non-distribution of donations is what can identify the presence of mission drift. If companies that operate in this field stop making donations, that would mean that the social purpose was forgotten, and mission drift was incurred by the organization. However, to the best of our knowledge, there is lack of literature that supports this finding.

A similar view was shared by another participant:

“If they reduced their donation amount, in the second scenario, as they deviated from their original social mission, in order to win more profits.” – Tango

Others, meanwhile, failed to identify the presence of mission drift, stating that social enterprises need to adapt to the market conditions and start planning its own social mission future:

“In the second scenario, if that move will allow TOMS Shoes to increase their revenues and keep their business model from that moment on, I wouldn’t consider it to be mission drift. Companies competing in the market to achieve a social goal should also be “smart” enough to evolve so that their social mission can be achieved.” – Philippa

This is a good example of what organizations need to do to support their causes. Sustain a social activity requires capital, and organizations feel the need of saving profits or investing them in other activities that will allow them to raise more funds in order to further sustain their social cause.

After presenting participants with the scenarios, and to real understand the impact of mission drift in legitimacy, participants were asked to reflect on their perception of a social enterprise legitimacy in the presence of mission drift. Participants in general echoed the findings of Dart (2004) and Doherty et al., (2014) by mentioning that mission drift impacts in the support of key stakeholders and that damages the legitimacy of the organization.

“By incurring in mission drift the organization loses all the legitimacy that they had. Not only legitimacy, but also the support and trust of consumers. If an organization does not comply with the mission they have in hands, it can no longer be considered to be legitimate.” – Caroline

A similar view was shared by another participant:

“These organizations need to focus all their efforts in combating social causes because that is their main purpose and the reason why they created the organization. Otherwise the organization will have problems in its reputation and legitimacy and for sure they will lose the support from consumers and other stakeholders.” – Tango

Other participant, openly shared that mission drift does not impact negatively in the legitimacy:

“[...] mission drift happens because organizations need funds to pursue their social mission, and that is completely legitimate.” – Philippa

This means that perceptions that consumers have over mission drift are different. Ones read it as a greed behaviour where the company loses its social direction and thus legitimacy (Smith & Woods, 2015). Others understand the need of mission drift to help the organization being financially capable of defending its social principles, and that does not affect the legitimacy.

As a result, we are able to conclude that mission drift, if it lasts forever, can be indeed associated with the loss of legitimacy (Doherty et al., 2014). If it is provisional, it should not impact in legitimacy because it can be a strategy adopted by organizations to be financially capable of pursuing their social mission in the future. To the best of our knowledge, there is still no clear literature on this topic.

5.4 Strategies to overcome Mission Drift

5.4.1 Consumers strategies to avoid mission drift and enhance pragmatic legitimacy

One theoretical contribution that this study intends to make is what social enterprise's managers can do to avoid the risk of mission drift and thus, enhance pragmatic legitimacy, under the perspective of consumers. Therefore, participants were asked what social enterprises can do to overcome the risk of mission drift. Amongst the 17 interviews, some participants made it clear that the organization needs to give more voice to consumers by including them in the decision-making process as well as hiring specialized candidates to supervise all social actions handled by the organization. Others, meanwhile, emphasized the type of leadership that must exist and the existence of a contract that compromises the organization with its social mission.

For instance, the best answer that represents the need to give more voice to consumers was expressed by *Julie* by claiming that: *they can give more voice to consumers and include them more in their processes. I think that this is an additional way to compromise social enterprises to stick with their social principles and to not deviate for financial mindsets.*

A similar opinion was shared by another participant:

“Have a strong network of stakeholders so they can all be represented in the decision-making process [...]” – Caroline

As the findings of Mason (2010) have shown, the participation of stakeholders in the decision-making process of social enterprises, not only decreases the risk of mission drift but also enhances the pragmatic legitimacy of the organization.

The analysis also revealed that some participants find it crucial for the organization to hire qualified candidates with past experience in social enterprises to manage all the initiatives of the organization and prevent a change in its direction:

“[...] hire a qualified person with past experience in social enterprises and in defending social causes. This person would be important in supervising all the actions and social operations/initiatives from the organization and in preventing a change in its direction to become a company merely focused on profits.” – Tony

This comment illustrates that if the organization only hires candidates with commercial skills and no past experience in the social sector it will increase the chances of mission drift (Giedre

Raisiene et al., 2017) since employees are likely to engage into the habits they learned in their previous work (Battilana et al., 2012). However, past literature has shown that the best strategy is to hire graduates with no work experience and then train them as professionals that are committed both with social and commercial logics (Battilana et al., 2012).

Another consumer highlighted the importance of having a social leadership within the company:

“[...] it should also have an adequate leadership. A leadership in the organization focused on a social ideology.” – Michael

In addition, there were some participants that openly shared that it should exist a public contract where the organization commits to donate a certain amount of profits with consequences if it fails to do so:

“They should clearly define their statutes specific clauses explaining how much they should donate, how much they should re-invest, and in what conditions are they allowed to do so. This contract should be public, and they should have to re-imburse costumers (or donate even more, mandatorily) if they broke it purposefully. If they ever feel the need to change these clauses, they should publicly announce it, around a year prior to the official change.” – Tango

As a result, while the stakeholder participation in the decision-making process and the hiring of candidates for these specific roles are strategies already reasoned by past literature, the social leadership mindset that owners of social enterprises must have and the public contract assuming a compromise with the social mission, are proposals that this study bring. Yet, literature on these two topics is lacking.

5.5 Discussion

In this sub-chapter is present a framework that summarizes the major findings and correlations from the analysis.

The sub-themes were grouped into two of the three types of legitimacy: pragmatic and moral legitimacy. The findings generated from the effects of social value creation turned up to be linked with pragmatic legitimacy, since they are based on real social value creation (Dart, 2004). When consumers mentioned the percentage of profits that must be reinvested in the

organization, they meant in the pursuing of the social mission, thus linked with pragmatic legitimacy.

The sub-theme related with the importance of being faithful to the social principles was grouped in both pragmatic and moral legitimacy, since it generated two important findings from each other. The transparency with the social principles is linked with moral legitimacy, since the actions handled by the organization must be in accordance with its own principles and with the general circumstances in the environment. Thus, to be morally legitimate social enterprises need to be transparent regarding its actions and constantly communicate that to consumers.

The integration of key stakeholders in the decision-making process is a key condition to achieve pragmatic legitimacy. Indeed, organizations need to create outcomes of value for key stakeholders (Ebrahim et al, 2014) to be pragmatically legitimate. Thus, integrate consumers in the processes of the organization will for sure facilitate the achievement of such legitimacy.

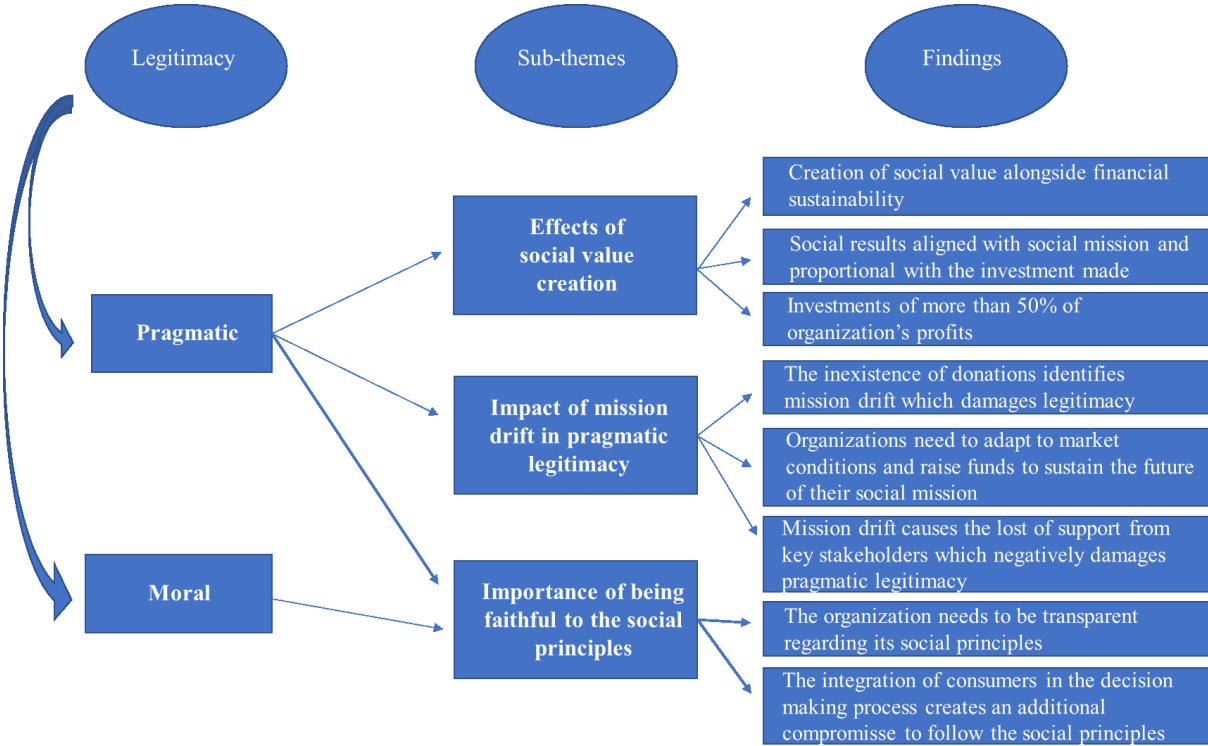


Figure 1: Types of legitimacy in the study, sub-themes and major findings.

6. Conclusion

The final chapter of this study will present the main findings and conclusions. Additionally, the limitations of the study will be highlighted, as well as recommendations for further research will be exhibited.

6.1 Conclusions

The study intended to answer the following research question: “*How consumers perceive the legitimacy of social enterprises in the presence of mission drift?*”. In order to answer such research question, a qualitative research was conducted. The study required the identification of consumers that were familiar with a specific type of hybrid organizations – social enterprises. Then, participants were asked, through interviews, to answer a series of questions regarding social enterprises, mission drift and legitimacy. From the findings of this qualitative study, several conclusions can be draw.

Firstly, this research has confirmed that for the majority of participants social enterprise’s existence is highly valuable in society in order to solve social issues. Although two participants emphasized the utility of their social status only to withdraw a greater volume of revenues, all other participants have connected their nature and purpose in society as a helping element to combat poverty and inequalities. Therefore, it is safe to say that, based on this qualitative research, consumers do perceive social enterprises nature and purpose in society as a truly added value tool to combat social problems.

Before answering the research question of this study, it was crucial to understand what consumers need to see reflected in a social enterprise for them to be legitimate. The results demonstrated that the ability for social value creation alongside with the importance of the organization of maintaining faithful to its social principles revealed to be determinant for an organization to be legitimate. Some participants reflected the efforts that social enterprises need to make in order to balance the social mission with the sustainability of the organization. Additionally, the study also generated new findings by identifying that the participation of consumers in the decision-making process turns to be relevant for the legitimacy of a social enterprise. Therefore, this qualitative research concluded that the balance between the social objectives and organization’s financial sustainability are key measures for legitimacy. As mentioned before, this study brings new contributions to the literature as the findings show the

transparency that must exist in these organizations, the investments made in the pursuit of the social mission, as well as the integration of consumers in the decision-making process, in order to achieve legitimacy.

Thus, in order to answer the research question, the study concluded that mission drift does not make participants being indifferent towards the organization. Instead, a genuine opinion that mission drift will negatively damage the legitimacy of the social enterprise by pursuing financial activities and by failing to deliver social value. Indeed, when faced with two scenarios, the majority of participants did not hesitate in appointing the second one as a case of mission drift where the organization lost its legitimacy. However, while previous findings also suggest the “greedy” behaviour adopted by social enterprises by deviating from the social mission to focus on financial activities, some participants highlighted the importance of mission drift in the future of the social mission. Meaning, in the short-term, the organization needs to raise enough funds in order to ensure the long-term social mission of the organization.

Lastly, this study added an extra finding in addition to the ones originated through the research question, that can be valuable for social enterprise’s managers to avoid the risk of mission drift and enhance pragmatic legitimacy. For instance, consumers highlighted the need for the leaders of the organizations to assume, from the beginning, a social leadership mindset directed towards the accomplishment of social objectives. Additionally, a public contract signed, where the organization compromises to fulfil their social mission as well as the hiring of candidates with social management skills to ensure that the actions taken by the organization are not misaligned with the social mission. However, the most common conclusion that is also aligned with past literature is the integration of consumers in the decision-making process (Mason, 2010; Smith & Woods, 2015). This will act as an additional commitment towards the organization’s social principles which decreases the risk of mission drift.

As a final remark, this dissertation provides interesting and valuable findings that can contribute to the field of social enterprises. Firstly, this study contributes to the extension of the literature in social enterprises by complementing the theory of Rammus & Vaccaro (2017) that social enterprises are, in fact, seen as purely intended to help the most disadvantage ones and to combat poverty and inequalities. Indeed, this research extended this finding under the close observation of consumers to comprove that social enterprises bring valuable utility to solve social problems in society. Additionally, the study contributed to the theory of Klein et al., (2020) and Doherty et al., (2014) where was mentioned the impact that mission drift could have

in the legitimacy of a social enterprise. In fact, this research concluded that mission drift damages two specific types of legitimacy, pragmatic and moral legitimacy - since the causes were related with real social value creation and with the capacity to act in accordance with the norms of society - under the perception of consumers. The participation of consumers in the decision-making process turns to be an important tool to avoid the risk of mission drift and, thus, enhance pragmatic legitimacy. This finding complements the stated by Mason (2012), that mentioned the importance of consumers in the entrepreneurship process to achieve legitimacy. Therefore, leaders of social enterprises need to be aware that the social component is directly proportional linked with the legitimacy of the organization. In the opposite way, actions that allow the organization to incur in mission drift will cause a loss of legitimacy in the organization.

The study added also two important contributions to the field of mission drift and legitimacy. Findings suggest that the non-distribution of donations from social enterprises identifies a case of mission drift and that the reinvestment of 50% of profits in the organization is what defines a legitimate social enterprise. This can generate a possible new academic knowledge and thus, be considered for future research.

6.2 Limitations

This study presented some limitations in its approach. The use of thematic analysis presents advantages since it helps to better summarise the data. However, it allows the researcher to have a certain amount of discretion in the process of analysing the results. Furthermore, in this thesis was used the convenience sampling in the interview process which shows a potential bias by the researcher in the choice of participants. This can have an effect in the reliability of the results and findings. Additionally, the fictitious names attributed to participants implies that responses were viewed in a wider and more impersonal context.

Regarding this specific study, the sample size is a limitation. Although in certain sub-themes opinions were shared among almost all participants, a sample size of 17 consumers does not allow to have an absolute and concrete certainty regarding the findings of the study. The low sample size also limits the ability to construct a wider perspective that perfectly reflects consumers perspectives regarding this specific theme.

Given the fact that this study intended to evaluate consumers perceptions over the impact of mission drift in the legitimacy of a social enterprise, it can be susceptible to the social desirability bias (Carrington et al., 2010; Antonetti & Maklan, 2014). Although the interview protocol of this study was constructed in order to minimize the risk of bias towards socially desired answers, it needs to be considered as a limitation of this study that might ultimately explain some findings. This because bias make participants feel a social pressure to answer accordingly with thoughts that generate a certain level of social acceptability (Carrington et al., 2010).

6.3 Future Research

In order to better support the findings of this study in the field of social entrepreneurship, future studies should focus on exploring a similar research question by performing a quantitative study. This would allow to have different details and perspectives of analysis into the impacts of mission drift in the legitimacy of social enterprises, thus, to have measurable conclusions. Additionally, the findings from this research are not generalized for the whole context of social enterprises. It would be interesting to perform this study into a specific sector of social enterprises or to conduct the research based on a specific social enterprise. This would allow to understand consumers perceptions towards the impact of mission drift in legitimacy regarding a specific market.

7. Appendices

7.1 Appendix A - Interview Protocol

- Part 1: Questions will address the participants *background*.
- Part 2: Questions will focus on *social enterprises* nature and mission under the perspective of consumers.
- Part 3: Questions will address *legitimacy and mission drift*, with the presentation of two scenarios.

Introduction to the interview:

Before I start, I would like to thank you again for accepting my invite to meet me today for this interview. The data I'm going to gather here today will be valuable for the completion of my dissertation.

The duration of the interview is expected to be an hour. I will be taping the interview because I don't want to miss any of your comments.

All your responses will only be shared with the research team members and I will ensure that the information given by you that I will include in my report does not identify you as the respondent. Thus, the responses will be kept confidential. Are there any questions about what I have just explained?

Part 1: Background

- 1) *What is your age and location?*
- 2) *What is your education and professional background?*
- 3) *Have you ever been part of any organization or group that defends social causes? If yes, can you give me an example?*

Part 2: Social Enterprises

- 4) *What is your opinion regarding social enterprises nature and purpose?*
- 5) *Do you consider the ability for social value creation when choosing a company to purchase products or services? If yes, can you give me an example?*
- 6) *How do you value the chance of being included in the decision-making process of a social enterprise?*

Part 3: Legitimacy and Mission Drift

- 7) *In your opinion, what does it mean for a social enterprise to be legitimate?*
- 8) *Can you explain your reasoning of mission drift?*

- Scenarios

Now, I would like you to pay attention to the following scenarios regarding a specific social enterprise:

Scenario 1:

TOMS Shoes is a social enterprise that was founded with the purpose of providing shoes to many children in developing countries since they are lacking them, and the ones that exist do not comply with the basic standards towards health and safety.

The organization has already provided 50 million pairs of new shoes to children in need, thus, improving health and building confidence. For every 3\$ the organization generates, 1\$ is automatically donated. In addition, one-third of their net annual profits are also donated.

Scenario 2:

The board of TOMS Shoes has decided to reinvest the profits and the wealth generated by the sale of shoes in its own operations and in the development of a new business opportunity that will allow them to compete in the stock market and get revenues from that.

- 9) *What is your opinion regarding the succeed?*
- 10) *In which scenario do you think mission drift is present? Why? Explain the reasons.*
- 11) *How do you perceive the social enterprise legitimacy in both scenarios?*

Definition of mission drift: Mission drift can be defined as a process of organizational change, where the organization deviates from its primary mission and main purpose. Thus, the company's mission starts to be focused only on financial activities to achieve profitability and the social mission becomes the second priority of the organization.

- 12) *What is your opinion regarding social enterprises to engage in mission drift?*
- 13) *How is your perception of social enterprise's legitimacy with mission drift?*
- 14) *In your opinion, as a consumer, what can social enterprises do in order to overcome the risk of mission drift?*

Final Words:

Once again, I would like to thank you for giving me this opportunity to interview you. Is there anything else that may have come to mind during the interview that you would like to divulge now?

7.2 Appendix B - Interview protocol with the purpose of each question

Summary of the Interview Protocol		
<u>Topics</u>	<u>Question</u>	<u>Purpose</u>
Background	<i>What is your age and location?</i>	To gain a better idea of who consumers are in society
	<i>What is your education and professional background</i>	
	<i>Have you ever been part of any organization or group that defends social causes? If yes, can you give me an example?</i>	To understand the level of affiliation that consumers have towards social causes
Social Enterprises	<i>What is your opinion regarding social enterprises nature and purpose?</i>	Evaluate participant's knowledge and thoughts towards social enterprises and why they are important
	<i>Do you consider the ability for social value creation when choosing a company to purchase products or services? If yes, can you give me an example?</i>	This can have direct implications regarding mission drift to impact social enterprises

	<p><i>How do you value the chance of being included in the decision-making process of a social enterprise?</i></p>	<p>This can have implications in the way social enterprises overcome the risk of mission drift</p>
<p>Legitimacy and Mission Drift</p>	<p><i>In your opinion, what does it mean for a social enterprise to be legitimate?</i></p>	<p>To gain the perception the consumer has on what is needed for a social enterprise to be legitimate</p>
	<p><i>Can you explain your reasoning of mission drift?</i></p>	<p>Insight into what the interviewee believes mission drift is</p>
	<p><u>Scenario 1:</u> TOMS Shoes is a social enterprise that was founded with the purpose of providing shoes to many children in developing countries since they are lacking them, and the ones that exist do not comply with the basic standards towards health and safety. The organization has already provided 50 million pairs of new shoes to children in need, thus, improving health and building confidence. For every 3\$ the organization generates, 1\$ is automatically donated. In addition, one-third of their net annual profits are also donated.</p>	<p>Presentation of two scenarios based on a real case social enterprise: besides the theory, confront consumers with a practical case scenario to questioning them about it</p>

<p><u>Scenario 2:</u></p> <p>The board of TOMS Shoes has decided to reinvest the profits and the wealth generated by the sale of shoes in its own operations and in the development of a new business opportunity that will allow them to compete in the stock market and get revenues from that.</p>	<p>To present consumers with a real case of a social enterprise with and without mission drift</p>
<p><i>What is your opinion regarding the succeed?</i></p>	<p>To understand if consumers can identify the change in behaviour of the organization</p>
<p><i>In which scenario do you think mission drift is present? Why? Explain the reasons.</i></p>	<p>To understand the ability and sensitivity of consumers to identify a case of mission drift</p>
<p><i>How do you perceive the social enterprise legitimacy in both scenarios?</i></p>	<p>Important to answer the research question: how does mission drift impact social enterprise's legitimacy</p>
<p><i>What is your opinion regarding social enterprises to engage in mission drift?</i></p>	<p>Important to get insights of whether it is or not a correct behaviour handled by social enterprises</p>

<p><i>How is your perception of social enterprise's legitimacy with mission drift?</i></p>	<p>To understand if consumers find a social enterprise legitimate when they incur in mission drift</p>
<p><i>In your opinion, as a consumer, what can social enterprises do in order to overcome the risk of mission drift?</i></p>	<p>Important to propose strategies for social enterprises to overcome the risk of mission drift</p>

7.3 Appendix C – Interviewee’ Profile

Name	Gender	Age	Location	Education	Profession
Julie	Female	53	Lisbon	Bachelor	Pharmaceutic
Delta	Male	22	Lisbon	Bachelor	Student
Mary	Female	24	Viseu	Bachelor	Procurement
Tony	Male	57	Lisbon	Bachelor	Customer Manager
Mike	Male	22	Lisbon	Bachelor	Student
Sarah	Female	26	Sintra	Bachelor	Physiotherapist
Philippa	Female	22	Faro	Bachelor	Student
Bravo	Male	31	Lisbon	Master	Lawyer
Michael	Male	22	Lisbon	Bachelor	Student
Stella	Female	23	Lisbon	Master	Recruiter
Caroline	Female	29	Lisbon	Master	Brand Manager
Tango	Male	23	Lisbon	Bachelor	Student
Jamie	Male	42	Coimbra	Master	Sales Manager
John	Male	22	Lisbon	Bachelor	Student
Sophie	Female	23	Lisbon	Bachelor	Student
Blake	Male	37	Lisbon	Master	IT specialist
Juliett	Female	23	Lisbon	Master	Operations Intern

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