

NHH



Norwegian School of Economics

Oslo, Fall 2018

One Step Closer to the Hybrid Ideal

A Qualitative Approach

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Master Thesis in Business Analysis and Performance Management

NORWEGIAN SCHOOL OF ECONOMICS

This thesis was written as a part of the Master of Science in Economics and Business Administration at NHH. Please note that neither the institution nor the examiners are responsible – through the approval of this thesis – for the theories and methods used, or results and conclusions drawn in this work.

Abstract

Social ventures change the traditional business environment by offering competitive products and services, while solving societal problems. Consistently, such organizations aim to generate both social and economic value. However, these organizations are often fragile as they are continuously torn between accomplishing their social mission and meeting market requirements. To enable social ventures to achieve their dual objectives, it is important for managers to be aware of the challenges that may arise, and the consequences these might have. Even so, scholars often neglect the diversity of social business models when studying the dual mission conflict. Thus, existing literature falls short in providing tailor-made recommendations to social ventures on how to thrive.

Based on in-depth interviews, case examples and an extensive literature review, we (1) identify three types of challenges distinct to social ventures, (2) compare these challenges across four types of social business models, and (3) propose solutions to the most pressing challenges that social ventures encounter. Our findings show that formulating and communicating a hybrid identity raises complex identity issues with regards to internal and external audiences for the social venture. We have found that the degree to which this challenge arise for an organization are more dependent on the complexity of the business model than the category of the business model itself. Furthermore, attracting and selecting resources that support the dual mission may lead to reduced access to human and financial resources, complicated hiring-processes, and difficulties in selecting investors. Our findings show that ventures that include beneficiaries in their value creation experience additional challenges, as their process of resource allocation is more complex. Finally, navigating mission drift, managing stakeholder demand, and measuring social value are all issues that can severely impede social ventures to stay true to their hybrid identity. We argue that the level of integration between social and commercial activities seem to be decisive for the way mission drift occur in different social hybrids.

After discussing these challenges, we propose several solutions and concrete advice within each category, with an aim to enable social hybrids to mitigate the consequences of their most pressing challenges. Thereby, we contribute to the literature on social ventures and the dual mission conflict by identifying and categorizing the challenges from a business model perspective. Furthermore, we provide social entrepreneurs with concrete advice that can empower them to achieve successful alignment of their dual objectives.

Acknowledgment

This thesis is written as a part of our Master's Degree in Economics and Business Administration at the Norwegian School of Economics (NHH). We would especially like to thank our supervisor Tina Saebi for continuous encouragement, guidance, and academic support throughout the process of our thesis. Her insightful feedback and expertise within the field of social entrepreneurship and has been extremely valuable.

We would also like to express our gratitude to all the respondents who took part in our interviews. Their input has undoubtedly increased the quality of research, as the findings became crucial for our results. In particular, we would like to thank ROMA Boots, Unicus, TRINE and Fretex for sharing their valuable time.

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1. Introduction

1.1 Motivation and purpose of the thesis

Social ventures are hybrid organizations that aim to generate economic as well as social value, often to reduce poverty, inequality or unemployment (Murphy & Coombes 2009). TOMS Shoes and Grameen Bank are well-known examples of social ventures with an aim to address the increasing societal demands. TOMS Shoes adopt the widely embraced buy-one give-one business model, and thereby donate a pair of shoes for every pair they sell (Marquis & Park, 2014). Furthermore, Grameen Bank pioneered the development of microfinance, by providing microloans to enable the poor to help themselves out of poverty (Yunus, Moingeon & Lehmann Ortega, 2010).

As these examples show, social enterprises appear as promising vehicles for both social and commercial value creation. Many social entrepreneurs aim to achieve the hybrid ideal, where the organization's activities lead to both social value creation and commercial revenue (Battilana, Lee, Walker & Dorsey, 2012). However, these organizations are often fragile as they are continuously torn between accomplishing their social objectives and meeting the requirements of the market (Santos, Pache & Birkholz, 2015). If social ventures manage to align their potentially contradicting objectives, they have the potential to create large-scale solutions to important societal problems (Santos et al., 2015).

To enable social ventures to retain their hybridity, it is especially important for managers to be aware of the challenges that may arise, and the consequences these might have for the achievement of their dual objectives (Battilana et al., 2012). To this end, prior studies have extensively documented that social ventures are prone to particular challenges due to their hybrid nature. For instance, social enterprises tend to lose sight of either the social or commercial objective (Ebrahim, Battilana & Mair, 2014), be accountable to a wide range of demanding stakeholders (Gonin, Besharov & Smith, 2013), and face a complex process of mobilizing financial and human resource (Doherty, Haugh & Lyon, 2014).

However, there are two main shortcomings in extant literature. First, studies usually explore a narrow set of challenges, such as challenges related to governance structures and practices (Mair, Mayer & Lutz, 2015) or identity issues (Navis & Glynn, 2011). Thus, few scholars

provide a comprehensive overview of the challenges social ventures encounter. Second, existing literature falls short in considering the heterogeneous business models that exists within the scope of social ventures. Even though some studies identify a wider range of challenges (e.g. Battilana et al., 2012; Doherty et al., 2014; Gonin et al., 2013), these typically neglect the diversity of business models within the scope of social ventures (Saebi et al., 2019). In addition, the research that indeed consider different business models either focus on one particular type of business model (e.g. Marquis & Park, 2014; Yunus et al., 2010), business models that include beneficiaries in their value creation (e.g. Battilana, Sengul, Pache & Model, 2015; Jeter, 2017; Pache & Santos, 2013), or business models distinguished on the basis of how they generate revenue (Ebrahim et al., 2014). As a result, extant literature does not consider that social entrepreneurship is a multilevel phenomenon (Saebi et al., 2019). In turn, the literature falls short in providing tailor-made recommendations to social enterprises on how to thrive. Consequently, our aim is to provide a comprehensive overview of possible challenges, as well as an exploration of the extent to which these differ across the specter of social business models.

1.2 Research question, structure and key findings

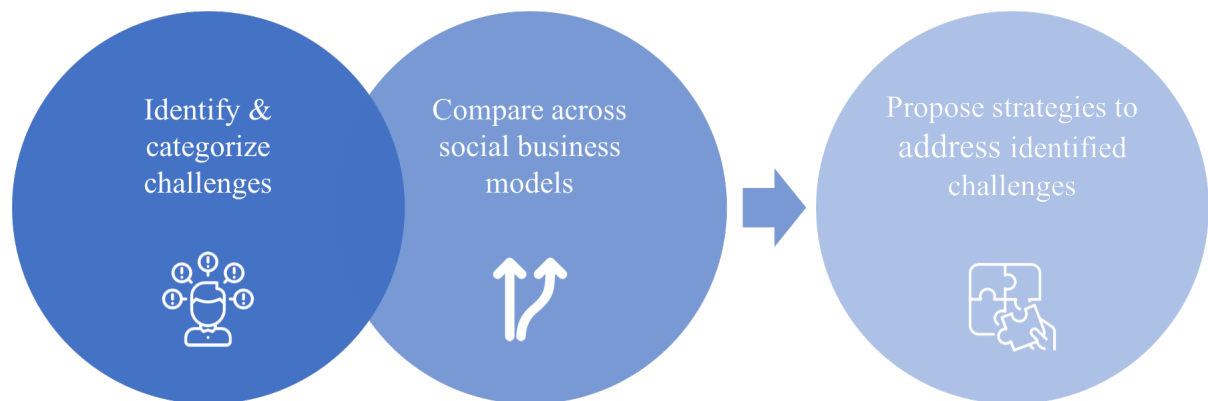


Figure 1: The three levels of our thesis

Based on the discussion above, we intend to answer the following questions:

- I. What kind of challenges do social ventures experience due to their hybrid nature?
- II. How do these challenges differ across four distinctive types of hybrid business models?
- III. How can social ventures address these challenges in a proficient matter?

To answer these questions, we will go through several steps. In chapter 2, we present and evaluate the methodology of the thesis, as well as the main steps we have conducted in order to answer our research question. In chapter 3, we introduce the concept of social entrepreneurship and business models to derive our working definition on *social entrepreneurship* and *social business models*. The definitions in the literature range from a narrow to a wide understanding of these phenomena, which makes it essential to clarify how we attach to it. Further, we introduce the typology we use to distinguish the different types of social business models. In chapter 4, we present a comprehensive overview of the identified challenges. This combines our findings from several case interviews, supplementary case examples and a review of the existing literature. Additionally, we highlight and discuss some of the most distinctive challenges social ventures meet, where some of them business model specific. In chapter 5, we discuss how these challenges can be tackled. The aim is to propose important lessons regarding how these ventures can align their objectives in a way that enable them to achieve as high societal impact as possible. In chapter 6, we summarize our key findings, before we discuss the managerial and theoretical implications of our research. At the end of this chapter we discuss the limitations of our study and suggestions for future research.

Our research has several implications. For one, our findings contribute to the literature on social entrepreneurship, by providing a comprehensive overview of challenges that are caused by the hybrid nature of social ventures. We start by discussing how social ventures face challenges when they formulate their hybrid identity and communicate this to their internal and external audiences. Next, we introduce how the competing objectives complicate the attraction and consideration of human and financial resources that can enable the organization to achieve their dual goals. Finally, we discuss how social ventures are constantly challenged to stay true to their hybrid identity. Within each category we have identified several challenges that are prominent for all four business models. In addition, we introduce business model specific challenges across the four business models in our selected typology.

Furthermore, our findings can empower social ventures to make informed decisions, which in turn may lead them to retain their hybridity. It is important for managers to be aware of the challenges that may arise, and the consequences these might have for the achievement of their dual objectives. Therefore, we provide a tangible overview of the challenges that are similar across all four business models, and our findings and reflections of potential differences. We continue with proposing strategies and solutions to provide concrete advice for social ventures that experience the challenges we present in our findings. This way, we

aim to enable more hybrids to cope with the challenges they meet on their way towards the hybrid ideal.

1.3 Boundaries of the thesis

Within existing literature there is no consistent or standard definition of the concept of social entrepreneurship (Volkman, Tokarski & Ernst, 2012). Therefore, we derive a working definition of the concept, which in turn affect the boundaries of our thesis. In chapter 3, we discuss the existing definitions, leading us to the following working definition; *social ventures are hybrid organizations that aim to integrate social and economic value creating activities at the core of their organization*. Based on this, we exclude philanthropical and commercial ventures from our research, as they fall outside the scope of our working definition. In addition, the social mission must be integrated in the organizations core activity to be included in our research. For instance, commercial organizations that include CSR strategies alongside their core activities fall outside the scope of our thesis. Furthermore, the primary focus of our research questions is to investigate the cost of pursuing a dual mission. Consequently, our study is limited to discuss challenges social ventures encounter when they pursue their dual objectives. Challenges that arise regardless of the hybrid nature of the organization, such as changes in market conditions, thus fall outside the boundaries of our thesis. Finally, we limit our research to discuss four different categorizations of business models. We find this adequate to provide a representative selection of social ventures.

2. Methodology

In this chapter, we will elaborate on the choice of an explorative, qualitative research method based on in-depth interviews and case examples. Specifically, we present the main steps we have conducted to answer our research question in a solid matter. Further, we evaluate the quality of our research by discussing the reliability and validity of our research method.

2.1 Purpose of the thesis and choice of methodology

The purpose of our thesis is twofold. First, we aim to enable social ventures to make informed decisions, by providing a tangible overview of the potential challenges that arise due to their dual objectives. In addition, we investigate whether these challenges differ across the various types of business models within the scope of social ventures. This way, we address the previously mentioned gaps in the literature. Second, our aim is to enable more hybrids to cope with their potential struggles by proposing strategies and solutions to the discovered challenges. In other words, we investigate a complex problem, as we study the dual-mission conflict both with regards to challenges and solutions, as well as differences across various business models.

Considering this relatively new and complex topic we aim to investigate, we find that an exploratory research design is adequate (Ghauri & Grønhaug, 2005). This design is decisive for how the research question will be answered through data collection and data analysis (Saunders, Lewis and Thornhill, 2015). By using an exploratory research design, it is possible to approach our research in a flexible manner, giving us the opportunity to adjust our direction as we develop new insight regarding the topic (Ghauri & Grønhaug, 2005).

Due to the nature of our research questions we adopt a qualitative research method, which is also generally accepted to be the most useful method in exploratory research (Ghauri & Grønhaug, 2005). This is suitable, as our aim is to gain in-depth insight into the dual mission conflict. When gathering data our focus is therefore to create substantial insight to explain different aspects of a more complex problem, rather than focusing on finding numerous observations of a structured issue. Johannessen, Christoffersen & Tufte (2011) argue that a qualitative research technique will enable us to gain thorough understanding, providing us with intricate details about the phenomenon.

When answering our research question, we use an inductive approach to theory, where we gather data with an aim to discover patterns that can be turned into new theories and concepts (Johannessen et al. 2011). By categorizing challenges, presenting a distinction between the different models, and proposing solutions to the uncovered challenges, we intend to build new theories based on our observations and findings. Through induction we can move from assumptions about social ventures towards conclusions that will be presented in the last part of the thesis (Ghauri & Grønhaug, 2005).

To answer our research questions thoroughly, we found that a multiple-case study would be suitable with regards to our research area and corresponding research design (Ghauri & Grønhaug, 2005). With this type of research strategy, we can study the phenomenon of social ventures in its natural setting, giving ourselves valuable new insight that would be difficult to discover otherwise (Saunders et al., 2015). A multiple-case study involves carefully selecting several cases that either predicts similar results, or contrasting results for predictable reasons (Yin, 2012). In our thesis, we will conduct a literature review to investigate what challenges social ventures face in general, and further build our insight through case interviews and existing literature on case examples. Through investigating the same questions in different organizations, we will be able to compare findings in order to draw conclusions (Ghauri & Grønhaug, 2005). This way we can carefully study different social ventures, and thereby identify which challenges are similar and potentially more prominent for each model.

2.2 The main steps of the thesis



Figure 2: Main steps of the thesis

To provide a solid answer to our research question we have gone through four main steps. First, we conducted a thorough literature review. Second, we made a selection of interview objects and case examples to collect relevant primary and secondary data. In this process we considered the variety of business models within the scope of social ventures, and thereby selected ventures representing four different types of business models. These models will be thoroughly explained in chapter 3.3. Further on, we completed the mentioned interviews, using

a semi-structured interview approach. Finally, we conducted a thematic analysis, including an extensive coding-process of the collected data.

2.2.1 Literature review

An essential step towards developing a thorough understanding of the dual mission conflict involves a systematic review of extant literature on the field of social hybrid ventures. The aim of the literature review has been twofold. We started by reviewing existing literature to establish an understanding of the concept of social entrepreneurship. With regards to the wide range of heterogeneous definitions explaining the phenomenon, this has been particularly important to clarify where we position our thesis. Thereafter, we made a review of the different challenges and solutions discovered in extant literature, as well as research pointing towards distinctive challenges for particular business models.

Throughout our literature review we have primarily used *Google Scholar* and *EBSCO Business Source Complete* to get a comprehensive overview of the relevant literature. After reviewing a broad specter of definitions within the field, we narrowed our thesis to include hybrid organizations that aim to integrate social and economic value creating activities at the core of their organization. Thereby, our review solely include literature covering such social ventures. We further exclude literature presenting challenges that are not related to the dual objectives of the social venture. Changes in market conditions is an example of a challenge that fall outside the scope of our thesis. To be able to compare challenges between business models we also reviewed existing theories on business model typologies. Throughout this review we found that a typology presented by Saebi et al. (2019) was a suitable framework that would enable us to divide social ventures into distinctive types of business models. We will present this typology in chapter 3.3.

We structured our literature review in an excel file to get a holistic overview of the relevant challenges. This was done by defining the challenges and linking them to all relevant sources, as well as explaining the consequences of each challenge in short. Additionally, we made a column identifying whether the challenge was specific to any of the models in our typology. Finally, we made a first draft of the categories the challenges would fall into. This gave us a solid basis of secondary data, which provided us with a clear picture of the challenges that are associated with having a dual mission.

2.2.2 Selection of social ventures

To be able to answer our research question, we have interviewed four social ventures and reviewed four case examples that all represent one of the four business model in our selected typology. When conducting a multiple case-study, it is sufficient to collect data from a small number of carefully selected and relevant organizations to investigate (Ghauri & Grønhaug, 2005). Therefore, it is especially important that each selected case serves a specific purpose with regards to the scope of the thesis (Yin, 2012). By selecting social ventures representing the different business models, we are enabled to get insight into the specific challenges each business model experience. An important selection criterion was that the hybrid nature needed to be prominent in these cases, meaning that two or more objectives are integrated in the organization's core activities (Stake, 2006). We aimed to interview four cases in their natural setting to maintain the benefits of a multiple-case study (Stake, 2006). Furthermore, we studied the four case examples by reviewing extant literature, consultancy reports and public information. The organizations and case examples represent different industries and fields, as well as various countries of operation. However, all the selected social ventures are present in western countries to ensure that the markets represent somewhat comparable conditions. In sum, these criteria made it possible for us to tailor the sample to our study, while generating a variety of perspectives to facilitate an intensive study (Stake, 2006).

Interview objects & Case examples*

ROMA Boots

Founder: Samuel Bistran
 Founded: 2010
 Country: Texas, USA.
 Number of employees: 10

ROMA Boots is a shoe retailer focusing on customers who wants fashionable boots of high quality. For every pair of boots sold to the commercial market, ROMA Boots donate a pair to children in need. This way the founder is enabled to combine his love for fashion and philanthropy in the business model.

<p>Unicus</p> <p>Founder: Lars Johansson-Kjellerød Founded: 2009 Country: Norway Employees: Approx. 40</p> <p>Unicus is a Norwegian venture providing consultancy services within testing and quality assuring of IT systems in the commercial market. To provide this service, Unicus solely hire consultants with Asperger's syndrome. This way, Unicus aim to create a competitive advantage by utilizing the positive characteristics of autism.</p>
<p>TRINE</p> <p>Founder: Sam Manaberi Founded: 2015 Country: Sweden Employees: 20</p> <p>TRINE provide a platform where commercial customers can invest in solar energy. These funds will supply the bottom of the pyramid¹ with electricity through TRINE's partner organizations who install solar parks in growing markets. TRINE's mission is to give investors a triple return on investment by earning a profit while making social and environmental impact.</p>
<p>Fretex</p> <p>Founder: The Salvation Army Founded: Opened their first store in 1971 Country: Norway Employees: Approx. 600</p> <p>Fretex is the largest textile collector and second-hand chain in Norway. Their mission is to provide unemployed with job training, as well as improving the environment through reuse and recycling. Further, they sell second-hand clothes and items at a lower price than commercial stores, making the products available to the poor. Fretex also gives 10% of their revenue, regardless of profit, to the Salvation Army for them to invest in their social mission.</p>
<p>Buy-one Give-one*</p> <p>Organizations with a buy-one give-one model give away a products or services to people in need for every regular-paying customer buying a product or service. In other words, the commercial activity subsidize the social mission.</p> <p>When selecting this case-example we found that it was suitable to look at a range of buy-one give-one ventures due to the similarities in their business model as well as the prevalence of this particular model. Therefore, we argue that buy-one give-one organizations are likely to encounter the same challenges.</p>

¹ The bottom of the pyramid is defined as the low-income markets (Sanchez & Ricart, 2010)

RecycleForce*
<p>Founder: Gregg Keesling Funded: 2006 Country: Indiana, USA Employees: 51-200</p> <p>RecycleForce provide a wide range of recycle services to the commercial market. To deliver their services they hire formerly incarcerated individuals and provide them with training and job placement. Thereby, Recycle Force aim to create a cleaner environment and a stronger workforce.</p>
Microfinance*
<p>Microfinance ventures provide microloans to individuals in need who are unlikely to be granted a loan from a commercial bank. The bottom of the pyramid is therefore the recipient and paying customer.</p> <p>When selecting this case-example we found that it was suitable to look at a range of microfinance institutions due to the similarities in their business model as well as the prevalence of this particular model. Therefore, we argue that microfinance institutions are likely to encounter the same challenges.</p>
VisionSpring*
<p>Founders: Jordan Kassalow & Scott Berrie Founded: 2001 Country: New York, USA Employees: 50-100</p> <p>VisionSpring sell high quality eyeglasses to the bottom om the pyramid at an affordable price. Moreover, they offer individuals outside the workforce employment to distribute and sell glasses to rural areas and communities.</p>

*Table 1: Interview objects & Case examples**

2.2.3 Semi-structured in-depth interviews

We gathered our primary data through conducting four in-depth interviews with the presented interview objects. This is a suitable approach, as the aim of our thesis is to obtain in-depth insight into a complex phenomenon (Kvale & Brinkmann, 2015). Furthermore, using interviews as the main source of data collection is recommended with regards to our inductive research approach, as well as the qualitative nature of our thesis (Saunders et al., 2015). Additionally, with an aim to investigate the challenges social ventures face, it is suitable to gather data through an interview approach as this will result in a more nuanced disclosure of the different aspects.

In more detail, we considered semi-structured interviews to be the most appropriate strategy with regards to the complex and broad topic we aim to discuss throughout this thesis. The semi-structured approach combines elements from structured interviews as well as unstructured interviews, which is especially valuable with an explorative approach (Saunders et al., 2015). The element of structure provided us with the opportunity to compare our findings, while the unstructured elements facilitated the exploration of different aspects as they occurred in the interviews (Johannessen et al., 2011).

All the interviews were conducted based on an interview guide that was developed after finishing the literature review. As the interview process sets high standards for preparation, the literature review was essential and especially valuable for us to obtain a substantial level of knowledge regarding the relevant topics (Kvale & Brinkmann, 2015). By obtaining this knowledge we were able to formulate relevant questions which gave us valuable insight to answer our research question. We present the full interview guide in Appendix 2.

To enable ourselves to gather as much valuable insight as possible throughout the interviews, we made some additional preparations before the interviews were conducted. To ensure that the interview objects understood the essence of the topic, a short version of the interview guide was sent to all the interview objects. Additionally, we made agreements regarding recording of the interviews to be able to transcribe the data afterwards. We aimed to talk to every participant for approximately one hour, to go through the interview guide and discuss especially relevant subjects. Afterwards, all interviews were transcribed using a non-verbatim transcription method. These documents were sent to each interviewee so that potential statements could be adjusted or removed. An example of a transcribed interview is presented in Appendix 3.

Venture	Position	Type of interview	Length	Date
ROMA Boots	Founder and CEO	Skype	40 minutes	23.10.2018
Unicus	CEO	Face-to-Face	70 minutes	18.10.2018
TRINE	Head of Communication	Skype	70 minutes	23.10.2018
Fretex	Sustainability Manager	Face-to-Face	80 minutes	18.10.2018

Table 2: List of interviews

2.2.4 Data analysis

To answer our research question, we combined our primary and secondary data to conduct a thorough thematic analysis. This approach provided us with a structured and flexible way of analyzing our qualitative data through organizing it in categories (King & Horrocks, 2010). After conducting the literature review, we made a first draft of categories in which we could place the discovered challenges. This gave us a solid basis for further analysis, as the categories have served as a conceptual framework that has been under constant review throughout our data collection and data analysis. The conceptual framework facilitated a study of similarities between the different challenges discovered, as well as relations between the different business models (King & Horrocks, 2010). Through using a thematic analysis, we were able to find patterns across the different interviewees and case examples, which was critical for our thesis. Appendix 4 show an example of coding and categories extracted from the thematic analysis.

2.2.4.1 Coding, categorizing & analyzing

To get a holistic view of the large amount of gathered data, we built a hierarchy of codes (King & Horrocks, 2010). We started by identifying codes and categories that would make it easier to get an understanding of the data. This was done by categorizing which findings were related to challenges an organization met, or solutions that was implemented or suggested. Further, we coded these to get an impression of distinctive topics within both challenges and solutions. Finally, we developed an overall category for the challenges and solutions that had distinctive similarities. The coding process can either be conceptually driven or data driven (Saunders et al., 2015). This means that the researcher accordingly uses codes developed in advance, or codes developed through readings of the material (Saunders et al., 2015). We used a combination of these approaches as we based the first draft of categories on the literature review, while constantly adjusting them as we gathered more insight. This has made it possible to include categories that emerged during interviews and the review of case examples.

The purpose of the analysis was to map out distinctive challenges social ventures meet, as well as similarities and differences across different business models. Through developing an overview of categories, we prepared the gathered data to make it possible to discuss how some challenges are distinctive for all business models, and how some are not. At the same time this created a basis for proposing solutions to the most pressing challenges. Using a qualitative method, it is crucial that this analysis is a ongoing process that does not follow linear

development (Saunders et al., 2015). Therefore, we have processed and analyzed our gathered data both during and after the collection of data. The resulting patterns and insight from the gathered data will be presented in chapter 4 and 5.

2.3 Evaluation of the research method

In the following chapter we discuss and evaluate the quality of our thesis by analyzing the reliability and validity of our research. In the last section, we discuss ethical considerations.

2.3.1 Reliability

The question regarding reliability in qualitative research involve what kind of data is used, how this data is collected, and how it is processed (Johannessen et al., 2011). In other words, it involves whether other researchers would reveal similar results based on the same data (Saunders et al., 2015). Aspects that can threaten the ability of conducting a reliable study can be research bias and errors, as well as participant bias and errors (Saunders et al., 2015). To enhance the reliability of our research we have therefore focused on being transparent in the way we present our methodology in our thesis, as well as the way we conducted our analysis.

Further, qualitative methods depend greatly on how the researcher interprets the data (Saunders et al., 2015). We have therefore made several precautions to prevent misunderstandings, errors and biases. To begin with, we recorded and transcribed all interviews to ensure the accuracy of our information. Further, being two researchers gave us the opportunity to agree on the correct interpretation of information and statements. Finally, we shared the transcription of the interviews with our interview objects, giving them the opportunity to verify and approve our interpretations. However, it is important to acknowledge that the field of social ventures will continuously change and develop over time, both in theory and practice. Hence, a similar study of the same data may generate other results. For example, an increased understanding and prevalence of social ventures can lead scholars to reveal other challenges and solutions than the ones we have discussed.

2.3.2 Validity

The question of validity concerns how well our observations reflect the phenomenon or variables that are of interest (Johannessen et al., 2011). Consequently, the validity of our research refers to the degree to which our collected data enable us to answer our research question. To be able to consider the validity of our research, we need to evaluate internal

validity, concept validity and external validity (Saunders et al., 2015). Internal validity is accomplished when your research detects a clear cause-effect relationship between variables (Saunders et al., 2015). Our research is however exploratory, which means our objective is to obtain in-depth insight of a phenomenon rather than proving a causal relationship. Internal validity is therefore not applicable to our research. Thus, we solely evaluate the concept validity and external validity of our thesis.

Concept validity refers to the degree to which different variables used in a study are clearly defined and understood (Saunders et al., 2015). In other words, the meaning of different terms needs to be clear for all participants. To ensure our thesis upholds a high degree of conceptual validity, we started by sending a simple version of our interview guide to all the interviewees. This way, all participants were introduced to the topic of our thesis and given the opportunity to ask clarifying questions regarding the content and terms introduced. Furthermore, we were careful to always explain the context of our categories to ensure all participants had the same understanding of the concepts we were discussing. Moreover, we asked clarifying questions to make sure our understanding of the terms used by the participants were correct.

External validity involves the generalizability of the findings in our study (Saunders et al., 2015). In other words, it refers to the extent to which findings and relationships in a study can be generalized to other settings and times. Our research is based on a small and non-randomized selection of interview objects and case studies, leading to weak generalizability. However, our social ventures are selected to fit the typology presented by Saebi et al. (2019). Consequently, we have interviewed one organization and reviewed one case example within each business model. This way, we consider the heterogeneous range of social ventures, so that our selection represents all types of business models within the scope of our thesis.

2.3.3 Ethical considerations

Ethical considerations refer to the challenge of protecting individuals and organizations directly involved, as well as other individuals affected by our research (Saunders et al., 2015). We have made several precautions to ensure a high ethical standard throughout our thesis. We started by explaining that participation in this study is voluntary, before we clarified whether we could use the organization and interviewee names in our thesis. Thereafter, we ensured that the interview objects were comfortable with us recording and transcribing the interviews to strengthen the accuracy of the information analyzed. As our thesis involves uncovering

challenges it has been particularly important to avoid questions that are of a sensitive nature. Furthermore, as the subject itself is sensitive, we have chosen not to present information that can harm or jeopardize the organizations. In addition, we have strived to present all information in the correct context. This has been especially critical when using quotes, as sentences taken out of context can completely change the intentional meaning. Lastly, all of our interview objects have received the applicable transcription, to provide them with the opportunity to approve the information presented.

3. Background

In this chapter, we briefly define the concept of social entrepreneurship and differentiate it from related phenomena such as philanthropic and commercial ventures. We then offer a concise review of extant literature on how the dual mission inherent in social ventures leads to a host of managerial challenges that need to be addressed effectively for the social venture to thrive. However, we notice that the literature does not sufficiently differentiate these challenges with regard to the type of social ventures. We thus introduce a typology of social ventures that visualizes the heterogeneity of business models that can be employed to fulfil the venture's dual mission. This typology will serve as our conceptual basis for theorizing the links between the structural features of social ventures (i.e. the business model), the challenges these produce, and the governance mechanisms required to sustain the venture.

3.1 The concept of social entrepreneurship

Social entrepreneurship has grown into a global movement, illustrating the need for innovative solutions to the pressing problems in the world (Bornstein & Davis, 2010). The growing scholarly interest within the field has resulted in dispersed theoretical and methodological inquiries into the field (Saebi et al., 2019). The definitions in the literature therefore range from a very narrow to a wide understanding of the phenomenon, making it essential for anyone using the concept of social entrepreneurship to clarify how they attach to it (Peredo & McLean, 2006). Accordingly, a brief introduction of the concept is necessary to point out which part of the literature we aim to contribute to throughout our thesis.

There is a broad agreement that social entrepreneurs are driven by the desire to benefit society (Peredo & McLean, 2006). By introducing and applying innovative business models, social ventures has played a vital role in addressing pressing social problems throughout the world (Zahra, Gedajlovic, Neubaum, Shulman, 2009). These aspects typically include a variety of social objectives, such as reducing poverty, inequality, homelessness and unemployment (Murphy & Coombes 2009).

A wide specter of definitions seems to center at two defining characteristics for social entrepreneurship, namely the adoption of some form of commercial activity to generate revenue, as well as the pursuit of social goals (Peredo and McLean 2006). With regards to such objectives, Dees, Emerson & Economy (2001) suggest that social enterprises can be

located on a scale between *purely philanthropic* and *purely commercial*, where *hybrid models* exist between these two extremes (as cited in Volkmann et al., 2012). Following this logic, charity enterprises will typically be represented as purely philanthropic ventures aiming for high social return alone, while the purely commercial ventures focus on targeting a maximum financial return (Volkmann et al., 2012).

	Purely philanthropic	Hybrid	Purely commercial
Motives	Appeal to goodwill	Mixed motives	Appeal to self-interest
Methods	Mission-driven	Balance of mission and market	Market-driven
Goals	Social value creation	Social and economic value	Economic value creation

Table 3: The range of social ventures presented by Volkmann et al. (2012)

Table 3 highlights the varying motives, methods and goals pursued by the three classifications of ventures. Purely philanthropic ventures, such as charitable organizations, are mission driven at their core, meaning that they appeal to goodwill and solely aim for social value creation (Volkmann et al., 2012). Within social value creation lies that organizations identify, address, and solve societal problems (Drayton, 2002). However, rather than generating economic value through their core activities, these ventures depend on donations and grants, which in turn mean that they are reliant on other ventures to sustain their operations (Volkmann et al., 2012). On the other hand, purely commercial ventures are market-driven at their core, meaning that they appeal to self-interest and aim for economic value creation (Volkmann et al., 2012). Within the creation of economic value lies that the organization acquire resources that enable them to conduct activities that generate economic revenue in some form (Doherty et al., 2014). Thereby, social value creation is neither a part of the motives, nor goals of the organization. For instance, while corporate social responsibility (CSR) programs address a social goal, these are always secondary to the profit maximizing objective of the commercial venture (Saebi et al., 2019). In other words, the purely commercial ventures are organized to generate economic revenue, while purely philanthropic ventures are tailored to create social value. In contrast, hybrid organizations aim to generate both economic and social value, through acting within markets to help a societal cause (Volkmann et al., 2012). In other words, such social ventures strive to combine the best of both worlds by creating value for society, while fostering a financially sustainable and scalable organization (Santos et al., 2015). Consequently, the combination of a social and economic mission is what makes social entrepreneurship truly unique compared to the purely philanthropic and commercial ventures (Saebi et al., 2019).

With this in mind, the growing scholarly interest of the field is not surprising. With an aim to create solutions to social problems, while building financially viable organizations, these organizations have enormous potential to meet the growing societal demands and change the current business environment.

As scholars often tend to include phenomena such as charity and CSR under the same conceptual umbrella it has become difficult to set clear boundaries for social entrepreneurship (Saebi et al., 2019). Nevertheless, three criteria are frequently mentioned in the literature, distinguishing the social entrepreneur from other commercial entrepreneurs and traditional charity: (i) the predominance of a social mission, (ii) the aspect of innovation, and (iii) the role of a commercial revenue (Lepoutre, Justo, Terjesen and Bosma, 2013). Zahra et al. (2009) further present that organizations pursuing profits or socially responsible activities as their sole objective therefore often fall outside the domain of social entrepreneurship. Therefore, we exclude commercial ventures with a CSR program as well as philanthropic ventures from our research, and solely focus on the interesting hybrid nature of social entrepreneurship. Based on this discussion we derive a working definition and discuss social entrepreneurship as hybrid organizations that *aim to integrate social and economic value creating activities at the core of their organization*. With its emphasis on a dual mission, hybrid organizations can be strongly driven by both profit and mission, which may lead to a challenging trade-off between the two motives (Volkman et al., 2012).

3.2 Social ventures and the alignment of dual objectives

As mentioned, social ventures aim to combine the best of both worlds by creating social value, while fostering a financially sustainable organization (Santos et al., 2015). The purpose is to embrace structures and practices that allow the organization to aim for a balance between the social and economic missions (Doherty et al., 2014). Such organizations strive to create social value in an innovative matter, without becoming exclusively focused on financial value creation (Saebi et al., 2019; McMullen & Warnick 2016). Accordingly, the impact of such ventures has a distinctive connection to the tensions between the financial and social opportunity exploitation (Doherty et al., 2014).

Doherty et al. (2014) argue that the alignment of these dual objectives can cause challenges that are especially distinctive for social ventures. By being reliant on commercially generated revenue to sustain their social activities, the social ventures need to handle the trade-offs

between generating revenue and performing activities to achieve their central social mission (Ebrahim et al., 2014). This issue has been investigated in extant literature from different perspectives. For instance, we have found that being accountable for two contradictory dimensions of success can increase the risk of losing sight of the social or the commercial objective (Doherty et al., 2014; Ebrahim et al., 2014; Zahra et al., 2009), complicate the management of stakeholders (Doherty et al., 2014; Ebrahim et al., 2014; Gonin et al., 2013), or hinder the process of mobilizing financial and human resources (Doherty et al., 2014; Mair et al., 2015; Roche & Janssen, 2017; Zahra et al., 2009). In turn, these organizations are either hindered to operate in a financially sustainable matter, with a decreasing ability to reinvest in their social mission, or hindered to achieve their social mission as they overemphasize on their financial targets. In other words, even though these organizations bear clear promises, they are inevitably fragile organizations. In more detail, Santos et al. (2015) emphasize how these organizations are continuously torn between accomplishing their social objectives and meeting the requirements of the market.

We have identified two shortcomings in extant literature. Few scholars provide a comprehensive overview of the challenges social ventures encounter, and those who do not differentiate between the existing social business models in their research. Typically, scholars explore a narrow set of challenges (e.g. Mair et al., 2015; Navis & Glynn, 2011). In addition, the research that acknowledge the diversity of business models, tend to focus on one particular type of business model (e.g. Marquis & Park, 2014; Yunus et al., 2010), business models that include beneficiaries in their value creation (e.g. Battilana et al., 2015; Jeter, 2017; Pache & Santos, 2013), or business models distinguished on the basis of how they generate revenue (Ebrahim et al., 2014).

Santos et al. (2015) highlight that varied types of hybrids are expected to experience distinct challenges, and thereby require different solutions. Even so, as the previous research lacks a clear and holistic dimensionalization of the concept of social entrepreneurship, it has been difficult to consider the heterogeneity of these ventures (Saebi et al., 2019). To address this gap, we study the challenges that arise across all social ventures, as well as the potentially distinctive challenges encountered by specific business models. Hereby, we can propose solutions that take into account the differences between business models. Consequently, we investigate four different types of models presented by Saebi et al. (2019), that will be described in the following section.

3.3 A typology of social business models

To consider the heterogeneity of social ventures, we need to identify the various types of business models that exists and decide how to distinguish them from each other. To investigate this, we introduce the concept of business models, before we discuss the typology we use to separate the different models.

All organizations have a business model whether it is clearly defined or not (Chesbrough, 2006; Teece, 2010). Social ventures are no exception as they deliver products and services, and face customers, markets, expenses and revenues that altogether describe their business model in the same way as for traditional enterprises (Yunus et al., 2010). Even though the business model concept has drawn a lot of attention, there are still not one specific definition presenting what a business model is (Zott, Amit, & Messa, 2011; Yunus et al., 2010). Magretta (2002) argue that the heart of the business model is represented by the story of how a business work. Chesbrough & Rosenbloom (2002) claim that the business model concept involve how products and/or services are integrated in a system of activities and relationships within an organization. Then again, Morris, Schindehutte & Allen (2005) argue that a business model should be constructed to create sustainable competitive advantage in a specific market, given coherent decision variables regarding the strategy, architecture and economies of the venture. Building on several recent definitions, Fielt (2013) reason that a business model should describe how an organization create and capture customer value. This is consistent with one of the most acknowledged definitions presented by Osterwalder and Pigneur (2010). They propose that a business model can be defined as “the way an organization creates, delivers and captures value”. We find this definition to be particularly suitable to gain an understanding of how social ventures can manage to create and deliver value, while capturing value for the organization. Thus, our working definition of a social business model is as follows; *a business model describes how social ventures create and deliver value both for the good of their social mission and their paying customers, while capturing economic value.*

To separate the different types of social business models we use a framework presented by Saebi et al. (2019). As we have shown, the literature presents a wide range of definitions to describe the concept of business models. In turn, this leads to various frameworks that distinguish the different archetypes of business models across many industries (Fielt, 2013). Reviewing the literature, we have considered several of these frameworks. For instance, a typology presented by Dohrmann, Raith & Siebold (2015) introduce four types of business

models according to the degree of monetization and market performance. This framework includes several types of ventures that fall outside our definition of social entrepreneurship, such as charitable organizations. On the other hand, Saebi et al. (2019) present *A Typology of Social Entrepreneurship* built on a similar definition of social entrepreneurship as we have presented in our thesis. Furthermore, it is emphasized by Saebi et al. (2019) that their presented typology can help scholars investigate how the level of tensions vary across business models, due to a varying degree of complementarity between social and economic value creation. Accordingly, we find it beneficial to separate the different types of social business models using the framework presented by Saebi et al. (2019).

The typology divides social ventures into four different business models based on two dimensions of the social entrepreneurship phenomenon; the social and economic mission (Saebi et al., 2019). The first dimension explains whether the social value is created *for* or *with* the beneficiaries (Dohrmann et al., 2015). We introduce the term *beneficiaries* to describe the social target group that benefit from the social activities conducted by the hybrid. When the group of beneficiaries are the main recipients of the created value, the social mission is accomplished *for* beneficiaries (Saebi et al., 2019). Otherwise, beneficiaries can be an integrated part of the value creation process, meaning that the social mission is accomplished *with* the beneficiaries (Saebi et al., 2019). The second dimension of the framework consider the economic mission (Saebi et al., 2019). Battilana et al. (2012) divide this dimension in two, considering whether the organization is engaged in commercial or social activities to generate revenue to reinvest in the social mission. On the one hand, the economic mission can be accomplished through generating a form of commercial revenue to cross-subsidize the social mission. These business models are categorized as differentiated models. On the other hand, the economic mission can be accomplished through revenue generating products or services where beneficiaries are the paying customer (Saebi et al., 2019). These business models are categorized as integrated models. Combined, the two dimensions result in a framework of four different types of business models; Two-sided value model, Market-oriented work model, One-sided value model, and Social-oriented work model (Saebi et al., 2019). To thoroughly explain these four different types of business models, we place our selected interview objects and case examples in the framework. These are presented in figure 3 below.



		Social mission	
		For beneficiaries (beneficiaries are solely recipient)	With beneficiaries (beneficiaries are part of value creation process)
Economic mission	Differentiated (commercial revenue cross-subsidizes social mission)	Two-sided value model 	Market-oriented work model 
	Integrated (beneficiaries are paying customers)	One-sided value model 	Social-oriented work model 

Figure 3: A typology of social business models by Saebi et al. (2019)

First, the “two-sided value model” represents a model where the commercial side of the business subsidize the social mission (Saebi et al., 2019). A typical example of this is the buy-one-give-one approach, of which we have reviewed several case examples. Organizations that adopt this model sell a product in the commercial market, with a corresponding donation to a group of beneficiaries. For instance, ROMA Boots capture commercial value through the production and distribution of high-quality boots, while they create and deliver social value through the production and donation of the same high-quality boots to children in need.

Second, the “market-oriented work model” is represented by organizations that hire beneficiaries to provide a product or service to regular-paying customers (Saebi et al., 2019). For instance, RecycleForce capture commercial value through delivering a wide range of recycle services to the commercial market. The way they create social value is two-fold; they create a stronger workforce through hiring and training formerly incarcerated individuals, and positively affect the environment due to their recycling activities. Unicus also adopt this business model. They capture commercial value through delivering high quality IT consultancy services, utilizing the positive characteristics of autism. At the same time, they create social value by providing work experience to a group of beneficiaries who often fall outside the labor market.

Third, the “one-sided value model” is an integrated business model where the beneficiaries are paying customers of a needed product or service (Saebi et al., 2019). This model is normally used in emerging markets as organizations who adopt this model often find innovative ways to offer affordable goods to those in need (Ebrahim et al., 2014). A typical example of this is the microfinance institutions, of which we have reviewed several case examples. Microfinance institutions capture commercial value through interest paid by their beneficiaries on granted micro loans. The way they create and deliver social value is fully integrated with this, as they provide micro loans to individuals in need on the bottom of the pyramid. TRINE is another venture that apply this model. They capture value through investing in solar energy in the emerging market. Simultaneously, their service lead to a situation where local communities can access electricity they otherwise could not afford. By providing solely renewable sources of energy, they also positively affect the environment.

Finally, the “social-oriented work model” does not only have beneficiaries as their paying customer; they also employ beneficiaries (Saebi et al., 2019). For instance, VisionSpring create, deliver and capture value through selling high quality eyeglasses at an affordable price to the bottom of the pyramid. In addition, they create social value through hiring individuals outside the workforce in rural areas. Fretex is another example. They deliver, create and capture value by gathering and selling used products at an affordable price for those in need. At the same time, they create social value through providing job training for individuals outside the workforce, and through protecting the environment.

As we have shown above, the four types of business models bring forth distinctive characteristics that distinguish them from other models. However, ventures within the same category might be quite different. For instance, we have seen that TRINE has a rather different model than typical microfinance institutions, even though they are both categorized within the “one-sided value model”. They approach social value creation and revenue generating activities in different ways, although they have one thing in common; they both provide products and services that in the end benefit a group of *paying* beneficiaries. This way, they are indeed unique compared to the other business models.

In sum, this typology can help differentiate social ventures in terms of their underlying business model. Consequently, we can use this to investigate how the distinctive characteristics of the four classifications affect the way they experience the challenges of aligning their dual objectives. This way, we contribute to the existing literature, as previous

research does not consider the similarities and differences across the heterogeneous business models that exists. In addition, we consider these similarities and differences when we propose strategies and concrete advice for social ventures that experience the challenges we present in our analysis. Thereby, we strengthen the managerial implications of our thesis, hopefully enabling more hybrids to cope with the challenges they meet on their way towards the hybrid ideal.

4. Challenges

In this chapter, we will highlight and discuss some of the most distinctive challenges social ventures meet. We provide a categorization of these challenges to be able to discuss how social ventures can embrace structures and practices that allow them to create a sustainable balance between the social and economic mission. In addition, we discuss how some challenges arise regardless of the business model category, and how some are related to which of the four business models the organization fall within. In sum, we aim to propose important lessons regarding how these ventures can obtain as high societal impact as possible.

We have found that fostering a financially sustainable organization while aiming for societal impact is inevitably challenging. Throughout our research we have found that these challenges particularly arise on three different levels. First, the hybrid nature of social ventures cause challenges when the organization formulate their hybrid identity and communicate this to their internal and external audience. Second, the competing objectives complicate the attraction and consideration of human and financial resources that can enable the organization to achieve their dual goals. Finally, social ventures meet the ongoing challenge of staying true to their hybrid identity, including the risk of mission drift, managing stakeholder demand, and measuring social value creation. We have illustrated the identified challenges within each category in the figure below.

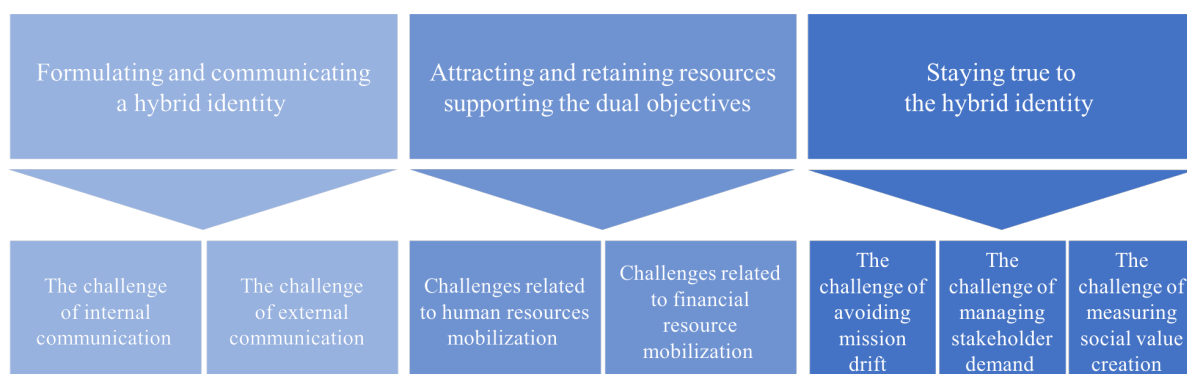


Figure 4: A categorization of challenges

In the following, we analyze the challenges within each category in more detail. We find that the majority of challenges occur across all types of social business models. However, as we will show, some challenges are more severe for specific business models.

4.1 Formulating and communicating a hybrid identity

We have seen that it is essential to formulate and communicate an identity that embraces the dual objectives of the organization. Findings from our research show that the process of defining a correct message bring challenges both with regards to internal and external audiences. In addition, organizational theory highlights the importance of this aspect. Pratt & Foreman (2000) propose that an organization faces multiple identities whenever they embrace several fundamental and distinctive characteristics that are expected to be enduring. Consequently, articulating a solid organizational identity has shown to be especially challenging for social ventures, as their objectives tend to be competing.

We find that the degree to which this challenge arise is more dependent on the complexity of the business model, rather than the category of the business model itself. The complexity of a business model depends on how complicated the value chain is, and how many social and economic aspects that are included in the model. We argue that this may vary significantly within all the four business models. Hence, the challenges related to the identity conflict arise regardless of which of the four business models the organization adopt, meaning that we present no business model specific challenges within this category. The table below provide an overview of the sources that discuss the challenges we introduce in these chapters. Similar tables will be presented throughout chapter 4 and 5.

Formulating and communicating a hybrid identity	
Challenge	Source
The challenge of formulating and communicating a hybrid identity internally	Gonin et al. (2013) Tracey & Phillips (2007) Battilana et al. (2012) Smith & Lewis (2011) Glynn (2000)
The challenge of formulating and communicating a hybrid identity externally	Gonin et al. (2013) Negro, Koçak, & Hsu (2010) Mair et al. (2015) Marquiz & Park, (2014) Navis & Glynn (2011)

Table 4: Sources for formulating and communicating a hybrid identity

4.1.1 The challenge of formulating and communicating a hybrid identity internally

Based on our observations from interviews and case examples we have identified three main factors that altogether explain why formulating and communicating a hybrid identity internally is challenging. First, the internal consensus on the identity and culture is often unclear. Second, the influence of the entrepreneur's passion for the social mission tends to diminish as the venture grows. Finally, conflicting cultures can arise due to the dual identities of the organization.

The internal consensus on “who we are” and “what we do” is often divided or challenged by the dual objectives social ventures attempt to achieve (Gonin et al., 2013). The complexity of social business models tends to lead managers to face a challenging task when they communicate their identity internally (Tracey & Phillips, 2007). Moreover, several scholars emphasize that the process of developing and communicating a clear and consistent identity is a crucial factor to sway employee’s behavior in a collective and desirable direction (Gonin et al., 2013; Tracey & Phillips, 2007). In other words, being able to communicate a unified identity can be an essential step towards achieving an organization's dual objectives. Our interviews and case examples reveal that most hybrids aim for a culture that reflect the mission and vision of the organization. This is consistent with what is advised in academic literature, namely that the development of a culture that embrace the dual mission of the organizational can be key to guide and unify employees (Gonin et al., 2013; Battilana et al., 2012). However, Voss, Cable & Voss (2008) imply that organizations that aim to pursue numerous identities at the same time might jeopardize organizational performance (as cited in Gonin et al., 2013).

*“Our vision, mission and values should be underlying in all decisions made internally”
(Fretex, 2018)*

As organizations grow, the passion for the social objective tend to diminish due to the decreased influence of the entrepreneur, which in turn weakens the hybrid identity. In the early phase of an organization the entrepreneur can easily share and communicate their dedication and passion for the mission to the rest of the venture. This internal communication of the entrepreneur’s vision can help the other members of the organization to experience a natural commitment to the overall mission of the social venture (Battilana et al., 2012). However, as the organization grows the entrepreneur's reach to directly influence employees will diminish

(Battilana et al., 2012). In line with this, our interviews reveal that it is hard to find employees who are as passionate about the venture's mission as the entrepreneur. ROMA Boots experienced this first hand in a hiring process where potential candidates gave a false impression of being passionate about the mission to get the job. As a response to this challenge, ROMA Boots decided to offer intern positions to thoroughly test and confirm the motivation and capabilities of new employees. On the other hand, TRINE emphasize the importance of accepting that not all employees are going to be as passionate about the venture's mission as the founders. Hence, as the entrepreneur's influence becomes less powerful, social ventures are bound to incorporate other means to help employees stay focused on their mission. How a organization communicate their values and beliefs through their culture will therefore be of the essence (Battilana et al., 2012).

“We started hiring interns to test them out. See what they are like, and how much they care about the mission.” (ROMA Boots, 2018)

Not only is it critical for social ventures to be aware of the challenge of developing an effective culture, but also the challenge of managing conflicting cultures caused by the dual identities of social ventures (Smith & Lewis 2011; Gonin et al., 2013). The strive of accomplishing multiple objectives can lead to competing internal groups, as well as conflict and dispute between employees (Glynn 2000). For instance, Fretex elaborated on their experience of managing conflicting cultures due to poor internal communication. As many other social ventures, Fretex has a mix of employees with either social or financial backgrounds. The socially oriented employees perceived that the majority of important decisions were made based on financial gain. This led to tension among the two groups. In reality the decisions were made based on both social and financial gain, but this was not properly communicated to the employees, causing unnecessary tension

4.1.2 The challenge of formulating and communicating a hybrid identity externally

Our observations highlight several factors that clarify why the external communication of a hybrid identity is challenging. Essentially, the complex nature of the social venture complicates the explanation of what the organization actually does. Furthermore, the fact that the organization often spans over more than one business category can confuse the external

audience. Finally, the social venture needs to decide how to position their communication towards external stakeholders.

“We have met challenges when communicating our identity to stakeholders” (ROMA Boots, 2018)

Due to the complex nature of social hybrids, external communication can be just as challenging as internal communication (Gonin et al., 2013). Consistently, all our interviewees mention external communication as a difficult aspect of being a social venture. As these organizations focus on several objectives at the same time, their business models tend to be more complex than other business models (Gonin et al., 2013). Supporting this, one of our interviewees described that they found it difficult to decide how to explain their business model to different stakeholders. This was emphasized by TRINE, who claims to find it challenging to present their operations in a simple matter. In turn, TRINE communicate their identity differently across various groups of stakeholders to comply with their demands and knowledge. In other words, they try to narrow their focus on the features that are most important for the specific stakeholder.

Furthermore, research has shown that it is more difficult to be understood by your audience if your organization spans over more than one business category (Negro et al., 2010). Addressing this challenge is particularly important for social hybrids as the contradicting objectives might confuse the organization’s audience (Navis & Glynn, 2011), leading to distrust or potentially reduced validity (Mair et al., 2015). For instance, ROMA Boots find it challenging to make their external audience understand the fact that they both sell quality boots while providing shoes to the bottom of the pyramid. Samuel Bistran, the CEO of ROMA Boots, experienced that the public often perceive that there exists a trade-off between high quality and social value. Consequently, many of their stakeholders find it hard to believe that their boots hold one of the highest standards in the market when the organization can donate the same pair of boots to the poor. This is consistent with Negro et al. (2010), who highlight that participating in several categories simultaneously lead audiences to believe that there is a lack of expertise within each category. TRINE encountered a similar challenge when trying to communicate that their business model is geared towards a triple bottom line – aiming to accommodate profits, people and the environment. TRINE experience that stakeholders by default question their message, as the scenario of a win-win-win situation is rare (Plahte, 2005).

“The challenge we have when it comes to identity [...], has been to both communicate that it is a win-win-win, and to make people believe that it actually is.” (TRINE, 2018)

Bell (2011) suggest that social ventures face a challenge when deciding where to position their communication towards various stakeholders (as cited in Gonin et al., 2013). The content of this message will clearly be different for all organizations depending on the product or service they provide. However, they are all forced to consider to which degree they want to emphasize the social impact they create for their beneficiaries, their commercial aspect in terms of the quality of their products and services, or a balance of the two. Our observations have revealed several examples of this. For instance, Fretex believe an enhanced focus on the social mission will increase their number of both private and corporate customers. Through delivering a clear message of the social impact Fretex provide, they argue to be able to increase their consumer’s willingness to pay for their products and services. Unicus experience a contrary situation, as they want their customers to focus on the quality delivered in their consultancy services rather than the social aspect of their model. Their aim is to communicate that their employees, whom also represent their beneficiaries, give Unicus a competitive advantage. On one hand, we observe an organization aiming to increase their focus on the social mission, and on the other hand we observe a venture that aim to communicate that they are more than competitive despite their social mission. Regardless, it is challenging for hybrid organizations to decide how to position themselves.

Interview example from TRINE: The challenge of explaining their business model

One of the most pressing challenges TRINE experience lies within explaining and communicating how their business model work to stakeholders and the public. They experience that most people react positively to the idea behind their venture. However, the complexity of their business model makes it challenging to explain the whole value chain of their operations. In particular, they find it challenging to keep the explanation simple, as their business model include three objectives; (i) the people, (ii) the environment, and (iii) the economic aspect to maximize profit for the venture and the individual investors. TRINE have found that people are not convinced of this kind of win-win-win situation. In other words, many of their stakeholders have a hard time understanding how TRINE can manage to pursue three objectives, without compromising on either of the three aspects.

“It would be easier to take on the opportunities out there if we did not have to consider how we are being perceived and how we want to be perceived.” (TRINE, 2018)

Example 1: The challenge of explaining their business model

Case example from Buy-One Give-One: The challenge of creating effective messaging

Even if an organization have a compelling story and deliver superior products and services, it can be difficult to succeed without communicating the delivered value in a proficient matter. In other words, it is important to create a convincing message to attain customers. TOMS is often referred to as one of the founders of the buy-one give-one model. They continuously worked to improve the way they communicate their business model. After several attempts to simplify the message they wanted to communicate, TOMS landed on the “One for One” description. To date, this description is used as an example on how a multilayer organization can communicate their business model effectively.

Source: Marquiz & Park (2014)

Example 2: The challenge of creating effective messaging

4.2 Attracting and selecting resources supporting the dual objectives

Our findings have shown that in order to achieve the dual objectives of a social venture, managers need to attract and retain relevant resources that support their hybrid identity. Within this lies that organizations are in need of resources that will enable them to pursue financial viability, while aiming for high social impact. Throughout our study we have identified several challenges that arise both with regards to human resource management, as well as financial resource mobilization. Furthermore, we have found that most of the challenges related to this topic are prominent regardless of the business model. These challenges tend to be more related to the complexity of the business model rather than the type of business model itself. We argue that complicated business models lead to more complex staffing needs, as well as difficulties in attracting and selecting the right financial investors. However, we have found that the social-oriented work model and the market-oriented work model meet a business model specific challenge related to human resource mobilization. This challenge is related to the fact that both models hire beneficiaries in their organization, which lead them to encounter the additional challenge of balancing the costs and benefits of hiring beneficiaries. In the following two sections, we will discuss the challenges related to human resource mobilization and financial resource mobilization accordingly.

4.2.1 Challenges related to Human Resource Mobilization

Human resource management inevitably cause challenges for social ventures. We have identified (i) the challenge of accessing human resources, and (ii) the challenge of selecting which human resources to hire. Although we find most challenges to be relevant for all four

business models, the challenge of balancing costs and benefits of hiring beneficiaries is specific for business models that include beneficiaries in their value creation.

Challenges related to Human Resource Mobilization	
Challenge	Source
The challenge of accessing human resources	Santos (2012) Zahra et al. (2009) Battilana et al. (2015) Doherty et al. (2014) Tracey & Phillips (2007) Bridgstock, Lettice & Özbilgin (2010) Gibelman (2000) Austin et al. (2006) Hynes (2009)
The challenge of selecting human resources	Battilana et al. (2012) Battilana et al. (2015) Liu and Ko (2011) Besharov & Smith (2014) Doherty et al. (2014) Royce (2007)

Table 5: Sources for Human Resource Mobilization

4.2.1.1 The challenge of accessing human resources

Based on our findings from interviews and case examples we have identified three challenges that altogether explain why accessing human resources is particularly challenging for social ventures. First, we have found that there is a lack of employees with the right skill set that support dual objectives. Second, it can be challenging to access employees that are passionate about their role, and not only the social mission of the venture. Third, social ventures tend to be financially constrained, which can make the organization less attractive for potential candidates. However, the social mission might mitigate this challenge. We discuss these aspects in the following paragraphs.

First, our findings from literature and case examples have shown that the hybrid nature of social ventures adds a new aspect to the already challenging task of accessing employees with the right skill sets. As hybrids aim to create value for the social mission while capturing commercial value for the venture, they are in need of knowledge and experience from both the commercial and social sector (Santos, 2012). Consequently, social ventures usually require complex staffing needs to be able to achieve both their social and financial objectives (Zahra et al., 2009). When considering candidates, we have found that hybrids therefore struggle to

find and attract employees that are highly qualified within their field, and at the same time passionate about the social mission of the organization. Furthermore, there is a lack of competencies in handling a hybrid business model in terms of combining social and commercial objectives, as this is a relatively new phenomenon (Battilana et al., 2015). Therefore, when evaluating potential candidates, the pool of relevant employees is inevitably smaller than for purely commercial and philanthropic organizations. At the same time Salamon et al. (2003) suggest that the prevalence of social entrepreneurship has created an exceeding demand for leaders with the appropriate skill sets (as cited in Doherty et al., 2014). Consequently, the demand for employees with the relevant skillsets exceeds the supply, which makes it challenging for social ventures to access relevant human resources.

“It is all about finding the right person with the right combination of knowledge, empathy and heart” (Unicus 2018)

Second, we have found that another challenge is to get employees passionate about their position and their area of expertise. When describing their hiring process, several of our interview objects highlighted that many candidates are attracted to work for the organization due to their social objective rather than the essence of their expected tasks and role in the venture. In line with this, Doherty et al. (2014) emphasize that the social aspect of the business model is pointed towards as a motivation for potential candidates. Similarly, Fretex stated that they are perceived as an especially attractive employer due to their social mission. However, by hiring candidates with the social mission as their main motivation, for instance with a background from the non-profit sector, the literature acknowledge that employees might have trouble identifying themselves with the commercial side of the business (Tracey & Phillips, 2007). Thus, it can be argued that attracting mainly socially motivated candidates can lead to a shift away from the commercial aspect of the venture, jeopardizing the venture's financial sustainability. This way, the organization may not have substantial finances to further invest in social operations. At the same time, our observations show that the venture's social objective tend to be distant from the employee's daily tasks. Accordingly, socially motivated employees may find the work less rewarding than expected. Consequently, it becomes even more crucial for the employer to hire employees that are passionate about the tasks they undertake daily, both to facilitate workplace well-being, as well as the financial success of the organization.

“The why of what we do is something I rarely see on a daily basis.” (TRINE, 2018)

Third, another critical aspect is that the majority of social ventures are constrained with regards to financial resources (Bridgstock et al., 2010). In comparison to commercial ventures, the hybrids may not have sufficient financial resources to offer market rate salaries to their staff (Hynes, 2009). At the same time, ethical questions may arise with regards to resource allocation in a social venture (Zahra et al. 2009). Higher salaries lead to less financial resources available to invest in activities promoting the social mission. Offering salaries above market rate must therefore be weighed against creating higher social impact, which may lead to a challenging trade-off between the two. Further, observations reveal that non-profits are increasingly scrutinized by their audiences considering the level of salaries and wages they offer (Gibelman, 2000). It is reasonable to argue that social ventures face the same ethical challenge, as they are all obligated to achieve a social objective. Therefore, hybrids often need to justify their decisions regarding the level of pay to a larger extent than commercial ventures. It can be challenging to take all these concerns into account when deciding on reasonable wages and salaries.

However, we find that the social component of the dual mission to some degree might mitigate the consequence of lower salaries. Consistent with the discussion above, these organizations are more reliant on non-financial incentives than commercial organizations to motivate their employees (Austin et al. 2006; Hynes, 2009). As our interviews revealed, the social component of the dual mission is an important non-financial incentive for potential candidates. Existing literature substantiate this by showing that the social component can enable managers to mobilize effort and facilitate job satisfaction among staff members (Doherty et al., 2014). Several of the interview objects claim they attract candidates that are aware of the lower salaries, even though they acknowledge that they might miss out on top candidates. Thus, offering salaries below the market rate might enhance the attraction of solely socially motivated employees. Then again, attracting solely socially motivated employees may lead to difficulties regarding the achievement of the commercial objective, as discussed in the previous.

“We might lose some candidates due to less attractive terms, but the candidates with the same values as Fretex, that want to work for something with a bigger purpose than the commercial aspect, probably look at salary in a different way” (Fretex, 2018)

4.2.1.2 The challenge of selecting which human resources to hire

Up until now we have discussed the challenges of attracting the right employees. Another main challenge is striking the right balance in staffing the social venture. We have found three factors that clarify why selecting the right human resources is a challenging task. First, we discuss the balance of social motivation and economic productivity. Second, we introduce the challenge of balancing the costs and benefits of employing volunteers. Finally, we introduce the business model specific challenge of balancing costs and benefits of hiring beneficiaries.

4.2.1.2.1 Balancing social motivation and economic productivity

As previously mentioned, experience from social ventures are a relatively scarce resource, meaning that it is not necessarily possible to exclusively evaluate candidates with combined social and commercial experience (Battilana et al., 2012). Therefore, managers need to consider how to balance the employment of candidates from various backgrounds. Consequently, we discuss the economically focused hiring approach, the socially focused hiring approach, and a combination of the two. In addition, we introduce the attempt to hire inexperienced workers. These approaches all entail different challenges that we discuss in the following.

For one, managers can pursue an economically focused hiring approach, where the aim goal is to employ candidates with working experience from commercial ventures. Such an approach is positively correlated with economic productivity, making the venture turn inputs into financial outputs in a more efficient matter (Battilana et al., 2015). Existing literature further propose that economic productivity is positively associated with improved social performance, as the additional finances can be invested in enhanced social activities (Battilana et al., 2015). In line with these advantages, our observations from all case interviews reveal that economic productivity is an important factor in the hiring process. Combined with our findings from the supplementary case examples, we find that regardless of the business model, the economic focus is practically always included as a factor in the hiring process. However, the downside of this economically focused hiring approach is the risk of mission drift. The latter occurs when an overemphasis on hiring commercially oriented employees may cause the social venture to lose sight of its social mission (Battilana et al., 2012). As the commercially oriented employees might fall into old routines, they are likely to neglect the social objective of the organization. This way, pursuing an economically focused hiring approach can lead to undesirable results.

On the contrary, managers can pursue a socially focused hiring approach, mainly focusing on recruitment of candidates with a background from social work. This kind of hiring approach is associated with improved social performance, as it can enable the social venture to sustain their focus on the social objective (Battilana et al., 2015). Consequently, the risk of disregarding the social mission is reduced. However, this approach may compromise economic productivity, as the hired employees may not possess knowledge about best practices associated with commercial operations (Battilana et al., 2015). This way, a socially focused hiring approach may indirectly lead to lower social value creation due to its negative impact on economic productivity. Consistently, Fretex mentioned that their previous socially focused hiring approach resulted in poor economic productivity, which made them rethink the way they approached hiring. Nevertheless, as we mentioned in the discussion above, shifting towards an economically focused hiring focus may lead to other challenges that may be just as crucial for the achievement of the venture's dual objectives.

“What everyone in Fretex now understands is that if our operations are not financially sustainable, we do not have a workplace to return to tomorrow.” (Fretex, 2018)

A third approach we have identified is the opportunity to combine the economically focused and socially focused hiring approach. As emphasized in the previous discussion, neither of the two approaches function seamlessly, and they both undoubtedly bring challenges. Therefore, it is not surprising that scholars discuss that social ventures should aim for a balance of employees with knowledge from both the commercial and social sector (Liu and Ko, 2011). Existing literature proposes that seeking a balance of knowledge from the two sectors can facilitate better alignment of the hybrids dual objectives (Battilana et al., 2012). We have observed that several of our case examples have adopted this approach, with an aim to train the two groups of employees to work together to achieve common goals (Besharov & Smith, 2014). Even though this approach may promote the alignment of social and economic objectives, it can also create a risk of conflict between employees (Battilana et al., 2012). Consistent with this, findings from our case examples show that such conflicts can be so severe that it might even affect the organizations capability to operate due to the emergence of subgroups.

Finally, we have identified another opportunity for social ventures to consider, namely including inexperienced employees in the hiring mix. This hiring approach is based on employment of candidates who recently graduated, and therefore have essentially no work

experience. Using this approach, the social venture can train the employee in the specific firm's effective operations, and at the same time teach them to embrace the social mission (Battilana et al., 2012). The concept is based on the belief that candidates without a social or commercial background can easier adapt to the hybrid nature of social enterprises, without having a preconception of either of the two logics (Besharov & Smith, 2014). Therefore, as opposed to an approach where organizations hire candidates with professional experience from one of the two sectors, it is highlighted that employing inexperienced candidates may lead to increased logic compatibility (Besharov & Smith, 2014). On the other hand, research has shown that this approach can have a negative impact on early growth (Battilana et al., 2012). This can be due to increased time and resources invested in training and supervising the employees. All our interviewees highlight the importance of hiring candidates that are particularly skillful within their field. This can be challenging to determine when evaluating an inexperienced candidate. In other words, including inexperienced employees in the hiring mix might lead to costly challenges in the same way as for the three mentioned hiring approaches.

Case- example from Microfinance: The challenge of deciding who to hire

The microfinance sector is in need of employees with both social and economic skills to become sustainable. Thereby, they meet the challenge of balancing social motivation and economic productivity when deciding which hiring approach to adopt. BancoSol, a Bolivian commercial microfinance organization, decided to *combine hiring candidates with a social or commercial background*. Their vision was to train their employees to work together towards the venture's goal. However, the employees single focused experience made it difficult for them to work together and adapt to the hybrid model. They ended up fighting constantly, making it hard for BancoSol to operate.

Los Andes, another Bolivian microfinance organization, decided to employ *inexperienced workers*. They found that it was easier to teach employees to consolidate the social and financial objective of the organization if they hired college graduates. Although it affected their early stage growth, they managed to avoid the challenges BancoSol experienced. As Los Andes hiring approach was perceived to be successful, BancoSol decided to adopt a similar approach themselves.

Source: Battilana et al. (2012); Besharov & Smith (2014)

Example 3: The challenge of deciding who to hire

4.2.1.2.2 Balancing costs and benefits of employing volunteers

The attraction and retention of volunteers is another important aspect of human resource mobilization. For one, Salamon et al. (2003) highlight that volunteers are identified as an important resource for social ventures (as cited in Doherty et al., 2014). Especially due to their potentially constrained salaries and wages, many social ventures rely on the free contribution

offered by volunteers (Liu & Ko, 2011). Consistently, our interview with Fretex revealed that a larger pool of volunteers in their operations were highly desired. However, Fretex highlight that several challenges arise related to the employment of volunteers. First, attracting and retaining volunteers with the appropriate skills can be difficult (Doherty et al., 2014). Consequently, hiring volunteers can lead to additional costs related to on-boarding and training. Additionally, staff turnover tends to be higher, as volunteers can withdraw their labor more easily than paid employees (Liu & Ko, 2011; Royce, 2007). Investing in recruitment and training of volunteers may therefore lead to relatively high cost for the social venture, in turn resulting in less financial resources available for the social mission. Therefore, managers of social ventures need to consider the trade-off between attracting costly employees with the appropriate skillsets and hiring volunteers that may require higher on-boarding costs and cause higher turnover. In addition, deciding to mix paid employees and volunteers can cause tensions between the two groups of staff-members (Liu & Ko, 2011). These tensions may lead to an inharmonious work environment that require managers to implement strategies which facilitate the alignment of various stakeholder groups (Doherty et al., 2014). Based on the mentioned resource-constraints, being able to handle the employment and management of volunteers in an efficient matter would be considerably valuable.

“We need the key to find volunteers that can commit and create value in a system. How to recruit the right volunteers is a challenge that would be interesting to find an answer to”
(Fretex, 2018)

4.2.1.2.3 Balancing costs and benefits of hiring beneficiaries

The market-oriented work model and the socially-oriented work model are interesting cases to study as their aim is to integrate the beneficiaries as part of their workforce. However, this also leads to the challenge of balancing beneficiaries and non-beneficiaries in their hiring mix. Social ventures that adopt such models seek social improvement through enabling beneficiaries to gain or improve employment opportunities (Saebi et al., 2019). This clearly adds a new aspect to the decision regarding who to employ, as the potential to create high social impact must be weighed against potentially higher costs. In the following we introduce the benefits of hiring beneficiaries, before considering the potential costs of this hiring approach.

		Social mission	
		For beneficiaries (beneficiaries are solely recipient)	With beneficiaries (beneficiaries are part of value creation process)
Economic mission	Differentiated (commercial revenue cross-subsidizes social mission)	Two-sided value model	Market-oriented work model
	Integrated (beneficiaries are paying customers)	One-sided value model	Social-oriented work model

Figure 5: Business model specific challenge of balancing costs and benefits of hiring beneficiaries

Balancing costs and benefits of hiring beneficiaries	
Challenge	Source
The challenge of balancing the costs and benefits of hiring beneficiaries	Saebi et al. (2019) Proudfoot, Guest, Carson, Dunn & Gray (1997) Battilana et al. (2015) Gonin et al. (2013)

Table 6: Sources for balancing costs and benefits of hiring beneficiaries

Organizations that include beneficiaries in their business model can increase their social impact on various levels. Cooney (2011) suggests that, on an individual level, hiring beneficiaries helps marginalized groups of people to be reintegrated into the workforce and thereby build their confidence, self-esteem and skill-sets (as cited in Battilana et al., 2015). In addition, it has the potential to create substantial value for the society by reducing unemployment and hereby decreasing the cost to society (Proudfoot et al., 1997). Consequently, both individuals and the society as a whole can benefit from this type of social value creation. Even so, recruiting employees with the appropriate skillsets is crucial to remain a financially sustainable organization (Battilana et al., 2015). Therefore, the approach may have its downsides. We discuss these in the following.

Hiring beneficiaries, often with limited relevant experience or skills, may result in significant costs to the organization (Doherty et al., 2014). Accordingly, managers meet a challenge when they aim to find a balance between hiring beneficiaries and non-beneficiaries (Gonin et al.,

2013). Our observations from case examples and interviews reveal that finding the right balance is an ongoing discussion. First of all, managers need to consider how to divide resources between the commercial side of the business and the training of beneficiaries in an efficient way. To be able to provide competitive products and services the venture needs to prioritize allocating resources to commercial activities, which may lead to less resources available for individualized training for the employed beneficiaries (Battilana et al., 2015). However, based on our interviews we observe where beneficiaries are a part of value creation there is more need for personal guidance and supervision. Furthermore, we found that helping these unemployed groups improve their future job opportunities require managers to either hire dedicated support-staff or devote more time from existing human resources to the guidance of beneficiaries. Therefore, adding the aspect of hiring beneficiaries into the business model may be correlated with an additional cost that would not be present in an organization that solely recruit fully trained employees (Doherty et al., 2014). When discussing the balance of hiring beneficiaries and non-beneficiaries, Fretex mentioned high turnover and reduced efficiency as two difficulties they met in their previous hiring model. Unicus, on the other hand, did not relate to the same tensions. Regardless, our observations from all interviews and case examples show that pursuing the right balance of hiring beneficiaries and non-beneficiaries is prominent for all.

“When people ask me about the difference of leading Unicus relatively to other organizations, I tell them that the biggest difference is how much time I spend one-on-one with each individual.” (Unicus, 2018).

Case example from Vision Spring: Changing the hiring approach for beneficiaries

One of VisionSpring’s first distribution channels involved training local people, called Vision Entrepreneurs, to sell glasses in their home communities. This enabled VisionSpring to reach isolated areas with glasses as well as creating an income-generating opportunity for long-term unemployed beneficiaries. However, as VisionSpring expanded, the demand for a faster and easier approach to distribute glasses grew. This resulted in a second distribution channel called the do-it-yourself (DIY) model. In this model there is no need to train a large number of personnel to sell glasses, as VisionSpring partner with different organizations to increase the distribution. VisionSpring partner with organizations that operate out of a fixed location or shop where potential customers can visit. Examples of partners are health clinics and pharmacies. Further, VisionSpring chose to install a DIY-model in their partner-facilities where customers can get instructions on how to test their own sight..

Source: VisionSpring (2018)

Example 4: Changing the hiring approach for beneficiaries

Interview example from Fretex: Changing the hiring approach for beneficiaries

Fretex has always hired individuals outside the workforce to help them transit back into the labor market. Therefore, a considerable part of their workforce has been beneficiaries. However, this has led to several challenges that made Fretex reshape their hiring approach. There were two main challenges that made Fretex change how they hire beneficiaries. First, as a considerable part of the workforce included beneficiaries, inexperienced candidates filled several key positions. This led to inconsistencies in the quality and completion of different tasks, such as handling the switchboard and customer service. Second, Fretex allocated a substantial amount of resources to job training. As the employed beneficiaries mastered the given task, they would be ready to transit into the regular labor market and leave their job at Fretex. In turn, Fretex experienced a high turnover rate, and therefore invested valuable resources to train new beneficiaries for the same positions.

Consequently, Fretex changed their hiring approach for beneficiaries. To ensure the quality of key operational units, Fretex now hire employees with the right background and competencies and use beneficiaries as added value to assist these employees. This way they ensure proficient supervision and training of their beneficiaries, while securing high quality in all key positions.

Example 5: Changing the hiring approach for beneficiaries

4.2.2 Challenges related to Financial Resource Mobilization

The challenge of attracting and selecting resources to support the dual mission also include challenges related to financial resource mobilization. In the following we present the challenge of accessing financial resources, and the challenges that arise when considering which financial investors to accept. We have found that these challenges are prominent regardless of which of the four business models the organization adopt. In fact, we argue that these challenges tend to arise due to the social aspect of the business model, rather than the business model itself. As the social aspect is profound in all four business models, we argue that the challenges related to financial resource mobilization do not vary across the four business models in our typology.

Challenges related to Financial Resource Mobilization	
Challenge	Source
The challenge of accessing and considering financial resources	Doherty et al. (2014) Minkoff (2002) Jeter (2017) Lumpkin, Moss, Gras, Kato & Amezcua (2013) Liu & Ko (2011) Hynes, (2009)

Table 7: Sources for Financial Resource Mobilization

In the following we discuss the role of the social mission in financial resources mobilization. In the first two paragraphs we elaborate on how the social mission can affect the ability social ventures have to convince financial investors to invest. We discuss their attractiveness, and how their hybrid nature tends to confuse potential investors. Thereafter, we introduce the challenge of balancing different sources of funding, caused by a lack of financial revenue. Finally, we discuss the challenge of selecting the right financial investors.

As the competing objectives of social ventures have an important influence on the way organizations are perceived by financial investors these ventures tend to experience limited access to financial resources. Social hybrids may be viewed as less attractive to investors as they often generate less cash-flow and a lower rate of return on investment than commercial ventures (Jeter, 2017; Lumpkin et al., 2013). Therefore, it is typically harder to secure financial resources through bank loans or venture capitalists for social ventures (Lumpkin et al., 2013). Even though hybrids tend to be for-profit organizations, their potentially costly investments in the social mission can make it hard to meet venture capitalist's requirements of a higher rate of return (Jeter, 2017). In addition, the social mission can lead the organization to abstain from sources of economic benefit to enable themselves to comply with the social mission (Liu & Ko, 2011). In turn, this enhances the perceived unattractiveness of the social venture.

Furthermore, pursuing two or more objectives increase the difficulty of categorizing the organization, which may confuse financial investors (Doherty et al., 2014; Minkoff, 2002). This can lead to a loss of legitimacy for the social venture, which in turn will reduce the access to financial resources (Doherty et al., 2014, Minkoff, 2002). On the other hand, the adoption of a social business model can facilitate an alignment of both social and financial performance. Regardless, due to the social aspect of their business model, financial investors perceive the social ventures to have a lower ability to fulfill their expected return rates (Jeter, 2017). Therefore, the managers of these ventures face a challenge when they aim to convince investors that their social mission goes hand in hand with their financial targets, or that the social value creation outweighs the potential economic downside. However, even though the benefits of their model may be clear for the managers of social ventures, the social value of a hybrid organization is often hard to quantify, as we will discuss in more detail in section 4.3. With no clarity of the tangible benefits of their model it will be even more challenging to secure financial resources from potential commercial institutions (Hynes, 2009). As a result, social ventures tend to be reliant on a mix of funding to a greater extent than commercial ventures (Jeter, 2017).

As social ventures often rely on a mix of funding, they face the challenging task of finding a balance of the various sources of funding. Amongst others these sources include sales revenue and investments, as well as donations, grants and contracts from governments (Lumpkin et al., 2013). The inability to balance these sources of funding to adapt to fluctuating markets, economic downturns or a loss of critical donors, can cause hybrids to put their financial sustainability at risk. Such financial stress tends to arise for the social ventures that are particularly reliant on donations and grants, as this source of financial income is especially vulnerable in economic downturns (Jeter, 2017). Finding the right balance of donations and grants with other sources of income will therefore be key to obtain a financially sustainable hybrid organization. Consistently, RecycleForce experienced severe challenges when they tried to find a balance across grants and sales revenue. When the sales price of recycled waste fluctuated, their managers aimed to supplement missing revenue with grants, and vice versa. Consequently, RecycleForce are forced to adapt to the fluctuating markets by constantly balancing their mix of different financial resources. With this in mind, they face the challenge of considering how to allocate resources to the application of grants, the collection of donations, and to the revenue generating aspect of their business model.

Even if social ventures attract a large number of investors and find a way to balance their sources of funding, it can still be difficult to accept investors that are not genuinely passionate about their social mission. Throughout our research we have found that an important factor in the selection of financial investors is the mutual understanding of the value of the social mission, as well as the underlying motivation to achieve this objective. The literature emphasizes how some investors might pressure management to increase margins or grow faster, risking the hybrid to find itself drifting away from their social mission (Jeter, 2017). In other words, the risk of mission drift arises when social hybrids aim to align with the demands of their venture capitalists (Jeter, 2017). ROMA Boots experienced this first hand as they had several investors trying to shift their focus from their social mission of donating boots, to the commercial aspect of selling boots.

“I now hope that I will find the right investors to partner up with that are as passionate as me” (ROMA Boots, 2018)

Case example from RecycleForce: The challenge of balancing various sources of funding

The primary financial resources RecycleForce receive include sales revenue coming from their recycling services, as well as grants and donations. Thus, they rely on several sources of funding. This leads to challenges and opportunities for RecycleForce. Being reliant on donations to be able to operate can threaten the financial sustainability of an organization. On the other hand, donations might give the organizations relief in times of downturns in the markets. For instance, there might be fluctuations in the price of recycling services, compromising the commercial revenue. Even so, being able to access grants and donations often require dedicated resources that could be invested in the optimizations of the commercial side of the organization. Consequently, they meet the challenging aspect of balancing their different sources of funding.

Source: Jeter (2017)

Example 6: The challenge of balancing the source of funding

Interview example from ROMA Boots: The challenge of finding the right investors

ROMA Boots experienced the distress of managing contradicting stakeholder demand first hand as their investors wanted ROMA Boots to shift their focus away from the social mission. In particular, they communicated that ROMA Boots should first and foremost consider the economic perspective in decision making, and then if the profits allowed it donate boots to children in need. This led to several disagreements, and after a while the CEO decided that the only solution was to buy out the investors with contradicting demands. ROMA Boots are now looking for new investors who are as passionate about the social mission as all the employees.

Example 7: The challenge of finding the right investors

4.3 Styng true to the hybrid identity

Even if the organization successfully formulate and communicate their identity and attract the right human and financial resources, they are constantly challenged to stay true to their chosen model. We have identified three challenging aspects managers of social ventures are confronted with on a regular basis. First, managers tend to be drawn in different directions due to their competing objectives. Second, a large and complex group of stakeholders can directly influence managers to overemphasize on one of the two objectives. Third, imbalanced measurement processes may lead managers and employees to lose focus on the objectives that are not easily quantified. Furthermore, we found that all three aspects appear within all four business models. However, we propose that the challenge of avoiding mission drift seem to occur rather differently for integrated hybrids than for differentiated hybrids. We introduce

the differences across differentiated and integrated hybrids in the discussion related to mission drift.

Staying true to the hybrid identity	
Challenge	Source
The challenge of avoiding mission drift	Battilana et al. (2015) Battilana & Dorado (2010) Ebrahim et al. (2014) Doherty et al. (2014) Roche & Janssen (2017) Spear, Cornforth & Aiken (2009) Smith, Besharov, Wessels & Chertok (2012)
The challenge of managing stakeholder demand	Bridgstock et al. (2010) Low (2006) Wilson & Post (2013) Smith et al. (2012) Brickson (2007) Maguire, Hardy & Lawrence (2004) Doherty et al. (2014) Pache & Santos (2010) Santos (2012) Lumpkin et al. (2013) Battilana et al. (2015) Goyal, Sergi & Jaiswal (2016)
The challenge of measuring social value creation	Doherty et al. (2014) Ebrahim et al. (2014) Lumpkin et al. (2013) Zahra et al. (2009) Battilana et al. (2012) Santos et al. (2015) Reiser (2010)

Table 8: Sources for staying true to the hybrid identity

4.3.1 The challenge of avoiding mission drift

In the following we discuss the challenge of avoiding mission drift. In the first paragraph, we introduce our definition of the concept. Thereafter, we discuss how the sum of slightly unbalanced decisions can lead to a situation of mission drift. In the two last paragraphs, we discuss how the sum of these unbalanced decisions can lead to *social mission drift*, or *revenue drift* accordingly. By social mission drift we mean neglecting the social mission in favor of the commercial objective, while revenue drift refers to the opposite.

For social ventures to become sustainable they need to pursue the advancement of both their social mission and their commercial performance (Battilana et al., 2015). Consequently, social ventures strive to maximize both financial and social objectives without putting any of the two competing objectives at risk (Battilana & Dorado 2010; Zahra et al. 2009). Making decisions favoring one of the two goals lead the social venture to invest more resources into either their commercial activities or activities supporting the social mission. In turn, the achievement of the remaining objective may be compromised (Ebrahim et al., 2014). Therefore, as the social mission oftentimes conflict with the commercial objective, managers meet a challenging trade-off in their decision-making processes (Doherty et al., 2014). In line with this, we define the concept of mission drift as the inability of a social enterprise to achieve its social goal or its commercial goal due to the conflicting nature of their dual objectives (Battilana & Dorado, 2010; Roche & Janssen, 2017).

Based on our literature review we found that mission drift in social ventures are commonly caused by the sum of several management decisions in which one of the two objectives are prioritized (Roche & Janssen, 2017). In contrast, our findings from interviews show that managers are perceived to pursue balanced decisions that both substantiate the achievement of the social and the commercial objective. Even though several of our interview objects acknowledge that their dual objectives cause tensions in decision-making processes, they emphasize that a solid set of ground rules counteract potentially damaging decisions. Nevertheless, it is highlighted in the literature that even the most balanced decisions tend to be slightly more socially or commercially oriented (Roche & Janssen, 2017). Over time, the sum of these decisions can therefore lead the social venture towards a situation of temporary mission drift, where either the social mission or the financial viability is at risk (Roche & Janssen, 2017).

On the one hand, a social venture can make decisions favoring their commercial objective, which can result in a majority of commercially invested resources in the long run (Ebrahim et al., 2014). This social mission drift is particularly acute for social ventures, as they attempt to achieve their social mission through commercial activities in the marketplace (Spear et al., 2009). Research has shown that external market pressures often lead these ventures to neglect their social mission in favor of the commercial aspect of their dual objectives (Spear et al., 2009). Additionally, financial sustainability is a prerequisite for social ventures to enable themselves to invest in activities promoting the social mission. ROMA Boots got to experience this first hand. One of their first years they aimed for high social value through donating one

million boots. This was not realistic in the short term, as their commercial activities would not allow for such high donations, which led to the detriment of their commercial objective. In turn, the CEO of ROMA Boots clearly state that they were too aggressive with regards to the social mission, and that they thereby had to reduce the number of donations. Today, they do not donate more shoes than they sell. In other words, achieving financial sustainability meant compromising on their social mission. Undoubtedly, aiming for such a high social impact is highly dependent on sufficient finances, which in turn may increase the risk of neglecting the social mission (Ebrahim et al., 2014).

“What happened is that we ended up donating more boots than we sold, only to find ourselves in a financial hole” (ROMA Boots, 2018).

“We are never solely considering profits, but if we do not offer products and services that enable us to pay our bills in order to operate our organization on a daily basis, our existence is pointless as we will not be able to operate in the future” (Fretex, 2018).

In line with the experience presented by ROMA Boots, literature show that social ventures also tend to overemphasize the social mission, which in turn can lead to compromised commercial viability (Smith et al., 2012). This type of revenue drift can be detrimental for a social hybrid as it may lead managers to neglect important financial aspects of the enterprise (Spear et al., 2009). In other words, the sum of management decisions promoting the social mission will therefore threaten the survival of the social venture. In our interview with Fretex, we found that they recently terminated all sales of a product perceived to represent a mismatch with their social and environmental standards. When Fretex made this decision, they had to consider a revenue loss, while taking into account the potential social value of removing the product. Besides, Fretex has an uncommon model where 10 % of the top line is earmarked to be reinvested in social activities, meaning that 10 % of the sales revenue from this product would directly promote their social mission. Nonetheless, they decided to remove the product from the market. Even though Fretex follow a set of ground rules and core values guiding them towards the right decision, this scenario inevitably challenged the managers. Our observations revealed that even such a considerably balanced and thorough decision can be argued to be somewhat more socially oriented than commercially oriented, in turn potentially challenging the hybrid balance. In this situation, focusing on the social aspect of their dual objectives might have been the only correct thing to do – but what happens if all decisions are slightly skewed in this direction?

“We have a product that almost mismatch every social requirement we have [...]. However, the product provides us with hundreds of thousands of Norwegian kroner in sales revenue.” (Fretex, 2018)

Case example for Microfinance institutions: The challenge of mission drift

Microfinance institutions are based on Mohammad Yunus belief that poverty can be conquered if the bottom of the pyramid gain access to capital. The mission of most microfinance institutions is therefore to provide small loans to the poor in rural areas with no requirement of collateral. Microfinance organizations aim to generate profit while creating social value. However, a threat to the social value creation is the challenge of mission drift. For instance, institutions can start to offer loans to wealthier customers as they tend to be more profitable, start using abusive collection practices, or require a high interest rate - making it nearly impossible for the bottom of the pyramid to repay their loans. Mission drift is prevalent amongst microfinance institutions, jeopardizing the social reputation of the industry.

Source: Serrano-Cinca & Gutiérrez-Nieto (2014)

Example 8: The challenge of mission drift

4.3.1.1 The challenge of avoiding mission drift for specific business models

Throughout our research, we have found that even though all hybrids face the risk of mission drift, the different business models within our typology seem to experience the phenomenon in various ways. With that being said, we have identified a clear pattern across the different categories of business models. Our observations have revealed that the differentiated hybrid business models, including the two-sided value model and the market-oriented work model, seem to have similar experiences related to mission drift. The same applies for the integrated hybrid business models, including the one-sided value model and the socially-oriented work model. Accordingly, the level of integration between social and commercial activities seems to be decisive for the way mission drift may occur.

Formulating and communicating a hybrid identity	
Challenge	Source
The challenge of mission drift for specific business models	Saebi et al. (2019) Ebrahim et al. (2014) Roche & Janssen (2017) Santos et al. (2015) Battilana et al. (2012)

Table 9: Sources for formulating and communicating a hybrid identity

As mentioned, we have found that integrated hybrids face the challenge of mission drift rather differently than differentiated hybrids, due to the contrary levels of integration between the social and the commercial activities. We will discuss the differences in the following, starting with how mission drift occurs for integrated hybrids, before we introduce how mission drift occurs for differentiated hybrids.

4.3.1.1.1 Mission drift for integrated hybrids

		Social mission	
		For beneficiaries (beneficiaries are solely recipient)	With beneficiaries (beneficiaries are part of value creation process)
Economic mission	Differentiated (commercial revenue cross-subsidizes social mission)	Two-sided value model	Market-oriented work model
	Integrated (beneficiaries are paying customers)	One-sided value model	Social-oriented work model

Figure 6: Business model specific challenge of mission drift for integrated hybrids

As opposed to differentiated hybrids, the integrated business models create social value through their commercial activities, meaning that social activities are almost perfectly integrated with commercial ones (Saebi et al., 2019; Ebrahim et al., 2014; Roche & Janssen, 2017). In practice, this means that beneficiaries are paying customers, directly affecting both the social and the commercial activity. Accordingly, these hybrids face the risk of carrying out their commercial activities in a way that does not facilitate high social value creation for their beneficiaries (Ebrahim et al., 2014). A review of case examples revealed that these profit-seeking activities may unfold in various ways, such as through increased prices for beneficiaries, or through introducing profit-generating products and services that are not meant to create value for beneficiaries. In addition, several of these case examples show that this challenge is one of the main risks faced by microfinance institutions (Roche & Janssen, 2017). Even though such institutions might succeed in establishing high loan repayment rates, they do not necessarily provide social impact through helping their beneficiaries out of poverty (Ebrahim et al., 2014). Consequently, as economic and social activities are the same, financial success can practically hide a poor social impact, and thereby create a situation where the social mission is cannibalized (Ebrahim et al., 2014).

“Essentially we aim to sell our products for a high price in our stores. It does not have to be cheap – but it needs to be a cheap alternative. This is a source for discussion in Fretex” (Fretex, 2018).

Furthermore, integrated hybrids may also experience the risk of revenue drift. For example, it can be argued that integrated hybrids are incentivized to reduce their prices to enable even more disadvantaged consumers to gain access to their product or service. Then again, a price reduction will compromise financial sustainability and potentially cause a situation of revenue drift. This type of mission drift is considerably more common for integrated firms than differentiated firms (Ebrahim et al., 2014; Santos et al., 2015). As an integrated hybrid create social value through commercial transactions, overemphasizing on the social mission will directly affect the financial performance of the venture. Therefore, integrated ventures run the risk of compromising their financial sustainability in order to create higher social value (Ebrahim et al., 2014). The potential consequences are critical, as the financial sustainability of the firm is put at risk, which might be detrimental for the organization.

4.3.1.1.2 Mission drift for differentiated hybrids

		Social mission	
		For beneficiaries (beneficiaries are solely recipient)	With beneficiaries (beneficiaries are part of value creation process)
Economic mission	Differentiated (commercial revenue cross-subsidizes social mission)	Two-sided value model	Market-oriented work model
	Integrated (beneficiaries are paying customers)	One-sided value model	Social-oriented work model

Figure 7: Business model specific challenge of mission drift for differentiated hybrids

The concept of differentiated hybrids includes the two-sided value model and the market-oriented work model, in which the level of integration is notably less evident than for integrated hybrids (Saebi et al., 2019). In fact, these business models are characterized by the way their commercial revenue cross-subsidizes the social mission, which lead to a whole new aspect of the mission drift concept. As the economic activity is separated from the social activity, the main risk in a differentiated model is that the organization will lean to heavily towards the commercial value creating activity (Ebrahim et al., 2014). Battilana et al. (2012) claim that these tensions arise due to a lack of a clear and united vision across the two

potentially separated entities. Consequently, the commercial entity faces a high risk of losing sight of the social mission, which in turn may lead the organization to allocate more resources to profit-generating activities in the commercial branch (Ebrahim et al., 2014). Becoming financially sustainable can be especially challenging in a differentiated hybrid, due to the additional activities these organizations perform to generate social impact (Santos et al., 2015). As we have seen from our review of buy-one-give-one case examples, the social aspect of the organization mainly occurs as a cost, even though the effect of being a socially conscious brand potentially compensate for some of this cost. Therefore, the risk of mission drift is relatively high among these business models, as they oftentimes get tempted to discard activities that do not contribute to the organization's financial sustainability (Santos et al., 2015).

4.3.2 The challenge of managing stakeholder demand

Another challenging aspect related to the hybrid nature of social ventures is the management of conflicting stakeholder demand. In more detail, this challenge involves the risk of losing sight of the hybrid identity due to the various contradicting demands. Social ventures face a wide range of expectations, requirements and demands from various stakeholder groups, that often go beyond the simpler environment faced by commercial organizations. First, we introduce how social ventures face a large and complex group of stakeholders. Second, we discuss that it can be difficult to ensure accountability to all of them, as many tend to be of high importance. Finally, the varying degree of influence among stakeholders might affect how social ventures comply with the different demands.

Social ventures tend to find themselves in a situation where they are drawn in different directions by a large and complex group of stakeholders. Consistently, our review of extant literature clearly emphasize that social ventures are likely to meet a wider range of relevant stakeholders than strictly commercial ventures (Bridgstock et al., 2010; Low, 2006; Wilson & Post, 2013; Smith et al., 2012). Especially when organizations try to achieve multiple objectives, where one of them is a social objective, the organization are likely to be accountable for a broader group of stakeholders (Brickson, 2007). Consequently, they need to consider the potentially conflicting requirements and demands of a wider range of internal stakeholders in terms of employees, beneficiaries and investors, as well as a broad group of external institutions or individuals who are affected by the organization's activities (Bridgstock et al., 2010). Furthermore, the combination of stakeholders is typically more

complex in terms of demands than for commercial ventures, as they range from purely commercially claims to ethically or socially focused claims (Maguire et al., 2004). Therefore, managers need to figure out how to address the challenge of managing the wide range of demands (Doherty et al., 2014; Pache & Santos, 2010; Santos, 2012).

The management of a large and complex group of stakeholders is challenging due to the difficulty of ensuring accountability to all of them (Doherty et al., 2014). For a social venture, many of the stakeholders are of high importance, whether they have an impact on the hybrids perceived legitimacy in a community, their ability to achieve their social mission, or their ability to ensure financial sustainability (Lumpkin et al., 2013). With various and potentially contradicting views concerning the suitable balance between the financial and social mission, these stakeholders may pull the organization in different directions (Doherty et al., 2014; Lumpkin et al., 2013). In line with this, a majority of our informants and case examples emphasize that it is challenging to stay on the right track when considering a wide range of demands from various stakeholder groups. Unicus, for example, explained how the founding entrepreneur was constantly challenged to stay true to their model in the early phase of their business journey. In an ocean of interesting opportunities and demands from various stakeholders, the entrepreneur was pulled in different directions, constantly striving to stay on the right track. Additionally, Unicus mention how their board members on several occasions expressed that they prefer a more aggressive approach to hiring beneficiaries. In contrast, the CEO aims to find the right balance of hiring beneficiaries and support-staff to stay sustainable as the venture grows bigger. How can Unicus and other social ventures meet the demands of their large and complex group of stakeholders, while enabling themselves to pursue their objectives in a sustainable matter?

“It is definitely challenging to manage the demand from several stakeholders. One person wants one thing and then another wants something else.” (ROMA Boots, 2018)

Finally, the management of stakeholder demand is of high importance due to the varying degree of influence across different stakeholder groups. In fact, there might even be significant variations of influence within their customer group, as the actual users of social venture’s products not necessarily represent the group paying for them (Lumpkin et al., 2013). In this case, the consumer group is especially important stakeholders as they might be the very reason the social venture exists (Lumpkin et al., 2013). At the same time, the paying customer have the power to disclose other important demands due to their critical contribution to the venture’s

finances (Lumpkin et al., 2013). ROMA Boots experienced considerable pressure from NGOs and the red cross to donate boots, even though their business model clearly highlights the correlation between number of shoes sold on the commercial market and number of boots donated. They were under severe pressure from several stakeholders that expressed how much they needed the boots and had to respond that they could not donate beyond their quarterly sales numbers. Further, existing literature show that social ventures tend to comply more easily with the claims of stakeholders on whom they are dependent to access important resources (Battilana et al., 2015). Nevertheless, Goyal et al. (2016) emphasize how financial investors put pressure on the organizations to increase margins and pursue growth. Consistently, ROMA Boots found themselves in a situation where several stakeholders wanted them to compromise on their mission to pursue financial targets. Such pressures from stakeholders may increase the risk of *social mission drift*, especially due to their dependence on the financial support (Goyal et al., 2016).

“Many of the stakeholders wants us to compromise on our morals, what we are doing and our vision.” (ROMA Boots, 2018)

4.3.3 The challenge of measuring social value creation

Based on our interviews, case examples and literature review, we have found that measuring social value creation is a distinct challenge encountered by the majority of social ventures. In the first paragraph we discuss the difficulty of developing widely accepted, standardized measures. Thereafter we discuss the two consequences. For one, social ventures are expected to compromise on their social objectives in favor of pursuing their well-established financial performance indicator. In addition, the lack of standardized measures of social value creation lead to high uncertainty when social ventures evaluate past social achievements.

Finding solid measurements of social value creation is another challenge social ventures need to address (Doherty et al., 2014; Ebrahim et al., 2014; Lumpkin et al., 2013; Zahra et al., 2009). As pointed out by Young (2006), social impact tends to be highly subjective, and usually includes elements that cannot easily be aggregated within a single metric (as cited in Lumpkin et al., 2013). Additionally, the assessment of social impact is highly complicated due to a complex cause-effect relationship (Ebrahim et al., 2014). This relationship is usually context-specific, which makes it particularly difficult to determine a causal link between the activities social ventures conduct and the actual social performance (Ebrahim et al., 2014).

Consequently, the measurement of social performance differs substantially from financial performance measurement, where standardized methods and definitions are well established (Ebrahim et al., 2014). All our informants clearly recognize the measurement of social value creation to be a challenging task. Regardless of their business model, the interviewees highlight the improvement of existing measurement practices, as well as the creation of new practices, as a priority. Both Fretex and TRINE are trying to establish how they can link their social performance to the UNs Sustainable Development Goals, while Unicus is working on a way to measure the quality of life to determine their actual social impact. What we found is that all the interviewees have two things in common; they find it genuinely difficult to develop widely accepted, standardized measures – and they are constantly working to establish improved solutions.

“We do the headcount of how many people get access to electricity, but it does not tell the story of the big picture, which is way more tricky.” (TRINE, 2018)

“It is difficult to find good measurements for our social performance, but it is doable, and we are working to get there” (Fretex, 2018)

Measurement systems that recognize both social and financial objectives are critical to avoid a constant trade-off between the pursued dual goals (Battilana et al., 2012). The literature clearly states that having a set of performance indicators considering only the financial value creation of an organization is not sufficient to monitor the accomplishment of a social mission (Santos et al., 2015). In our previous discussion related to mission drift, we explained how the sum of several management decisions favoring the financial objective could lead an organization to lose sight of their social mission. Existing theory propose that organizations are expected to pursue clear objectives with well-established definitions and benchmarks, rather than ambiguous objectives (Reiser, 2010). With a majority of financial performance indicators, social ventures are expected to compromise on their social objectives in favor of pursuing their well-established financial performance indicators (Ebrahim et al., 2014). Therefore, the inability to present solid measurables for social performance can have severe negative consequences for a social ventures.

Further, with no accurate measurements of social value creation, organizations face high uncertainty when they evaluate past social achievements (Lumpkin et al., 2013). Similarly, with no clear consideration of the cause-and-effect relationship of social performance,

managers face uncertainty when they consider future outcomes as well (Lumpkin et al., 2013). For instance, Vision Spring use the number of eyeglasses delivered to low-income communities to quantify their social performance. They claim that this activity lead to vision corrections that increase economic productivity, which in turn will provide their beneficiaries with higher income. However, the number of glasses donated does not necessary reflect the social value Vision Spring create. The effect should rather be measured by the actual effect the glasses represent on the potential improved economic productivity for each beneficiary. Consequently, a system that facilitate solid measurements of effective social value creation is essential to improve decision-making processes, as well as the overall management of social performance (Santos et al., 2015).

Interview example from Unicus: The challenge of measuring social impact

Today, Unicus quantify some of the social value they create as a result to including autistic individuals in their staff. Among other measures, the calculations are based on the societal savings on social security, how much the employees pay in taxes, and the taxes Unicus pay. Even so, they experience the challenge of fully understanding the social impact they create. For one, their measurements do not include the potential improvements in the quality of life for their employees. Unicus highlight that they see several indicators that point towards an improved quality of life, but that their challenge is to quantify it.

Example 9: The challenge of measuring social impact

5. Solutions

Even though it is critical for social ventures to be aware of the challenges and consequences that may arise due to their hybrid nature, it is also valuable to discuss how our findings can help social ventures to overcome their potential challenges. Therefore, we propose various strategies that can enable social ventures to address the challenges presented in chapter 4. The following figure visualize how these solutions are connected to the three categories we have introduced.

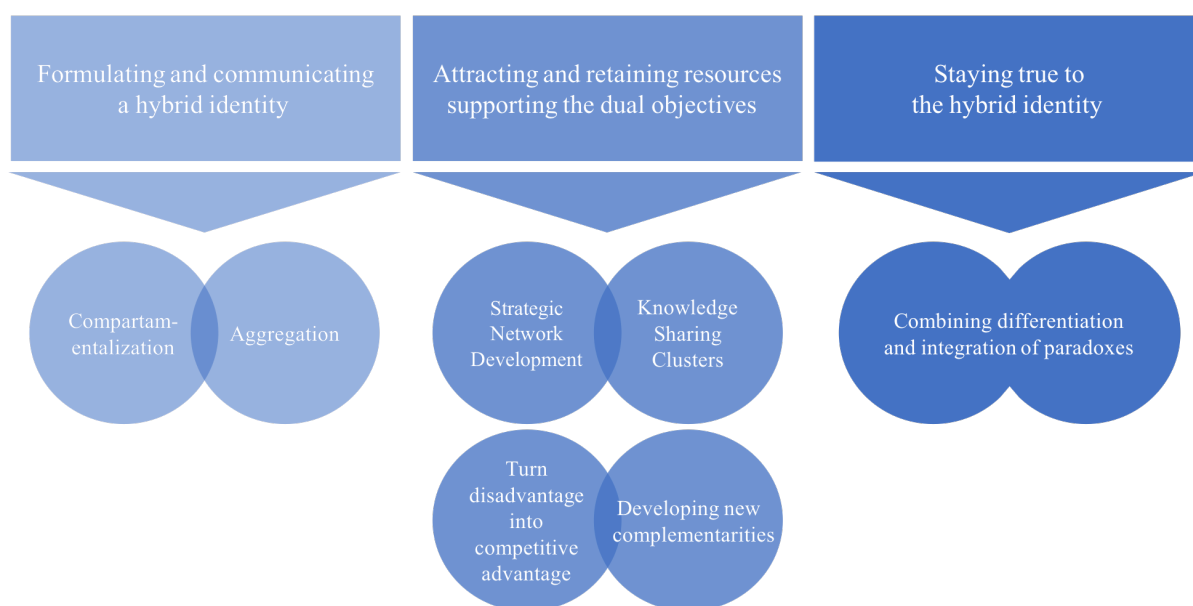


Figure 8: The connection between categories and solutions

5.1 Solutions to identity formulation and communication

In the following, we present how *Organizational Identity Theory* can assist social ventures to overcome the challenge of formulating and communicating a hybrid identity. Undoubtedly, the achievement of two or more competing objectives introduce a new aspect to the already challenging task of defining and communicating an organizational identity. To tackle this, we discuss two dimensions the organization need to take into account when they consider where to position themselves as a social venture. Thereafter, we propose two different strategies social ventures can implement in their business model to manage their multiple identities in a proficient matter.

Solutions to identity formulation and communication		
Challenge	Solution	Source
The challenge of communicating internally and externally	Compartmentalization & Aggregation	Pratt & Foreman (2000) Albert, Ashforth & Dutton (2000) Ebrahim et al. (2014) Osborn and Ashforth (1990) Whetten (2006)

Table 10: Sources for solutions to identity formulation and communication

We argue that managers need to be aware of how their multiple identities appear to define and communicate their identity in a way that facilitate the achievement of their dual objectives. Consistently, managers of social ventures need to consider which attributes they find to be fundamental for their success, as well as the interrelations between these multiple objectives. In line with this, organizational identity theory introduces two dimensions that are relevant to obtain such an understanding, namely *identity plurality* and *identity synergy* (Pratt & Foreman, 2000; Albert et al., 2000). The level of identity plurality describes the number of identities the organization embrace. Our definition of social ventures imply that such organizations embrace at least two identities due to their dual objectives, meaning that they usually face a high degree of identity plurality. The level of identity synergy describes the degree of potential synergy between or among the organizational identities (Pratt & Foreman, 2000).

As we have seen from our research, social ventures often pursue objectives that are in conflict, meaning that they are likely to embrace incompatible identities. However, the extent to which these objectives are in conflict differ across social ventures (Ebrahim et al., 2014), which means that the degree of compatibility among identities will vary as well (Pratt & Foreman, 2000). Therefore, we aim to present two strategies social ventures can implement to tackle their identity related challenges that are dependent on the identity synergy of the applicable organization. This way, we empower a wider range of social ventures to address their challenges related to defining and communicating their hybrid identity. The two strategies are presented by Pratt & Foreman (2000) as *compartmentalization* and *aggregation*. Both strategies have been acknowledged in existing literature of organizational and institutional theory (Pratt & Foreman, 2000).

Implementing a strategy of compartmentalization involves that the organization keep their multiple identities separated from each other, either physically or symbolically (Pratt & Foreman, 2000). Such an approach is most suitable when the compatibility and

interdependencies of the dual identities are low, meaning that the costs of trying to utilize potential synergies will be higher than potential gains (Pratt & Foreman, 2000). Consequently, it can be advantageous to operate separated entities that are all a part of the same organization, even though they are characterized by different identities (Pratt & Foreman, 2000). This separation can be implemented through housing the entities in different countries, offices or floors, or using symbolic means such as dress codes for the different groups of employees (Pratt & Foreman, 2000). For instance, ROMA Boots communicate their identity very differently on their website for commercial sales than on their donation website. Even so, these entities are essentially a part of the same organization. This way, they manifest an external identity that substantiate high quality where commercial activities are in focus, and a charitable identity in their socially focused entities.

On the other hand, the concept of aggregation involves an attempt to identify relationships and exploit potential synergies to create sensible linkages between the multiple identities (Pratt & Foreman, 2000). Consequently, this approach embraces a combination of the multiple identities in all entities, rather than separating them. This is particularly appropriate when the compatibility and interdependence of the dual identities are high (Pratt & Foreman, 2000). This strategy can be pursued through creating an identity salience hierarchy, that enables employees to invoke the appropriate identity in the right situations (Pratt & Foreman, 2000). In other words, the organization can construct hierarchies that clarify which identities that are applicable under which circumstances. Following the concept of sequential attention, Cyert & March (1963) explain how managers tend to treat each decision sequentially, pursuing options that are most salient to the immediate context (as cited in Pratt & Foreman, 2000). With an identity salience hierarchy, all identities are considerably catered, as managers sequentially assess the most immediate and pressing demands, where the associated identity will be evoked (Pratt & Foreman, 2000; Osborn and Ashforth, 1990). Through embracing such a tool, managers will be enabled to consider the institutionalized dual objectives with the appropriate identity in mind (Osborn and Ashforth, 1990). In addition, the aggregation strategy can be implemented through the creation of new beliefs in the organization (Pratt & Foreman, 2000). The aim is to achieve an experience of unity across heterogenous organizational groups to mediate internal conflict and create rational for decisions that facilitate the alignment of dual objectives (Pratt & Foreman, 2000). This can be done by communicating abstract and unifying myths and beliefs, for example through emphasizing how all employees are ultimately a part

of the same organization, and how the organization comply with the demands of their external stakeholders (Pratt & Foreman, 2000).

We have now proposed two strategies that can enable social ventures to define and communicate their hybrid identity both internally and externally. Even though the complex nature of these challenges makes it impossible to propose universal and seamless solutions, we argue that these strategies can empower social ventures to get one step closer to articulating a solid hybrid identity, which hopefully will facilitate both social and economic value creation. Organizational theory suggests that the inability to define a clear and appropriate identification of an organization can be fatal for the survival of the venture (Whetten, 2006). At the same time, social ventures complicate the already challenging task by embracing multiple identities in the positioning of their organization. Consequently, it is important to find a suitable way to manage the relationships between the existing multiple identities.

5.2 Solutions to attracting and selecting resources supporting the dual objectives

In the following we will discuss how social ventures can address the challenges they face related to human resource mobilization and financial resource mobilization. As our research has revealed, these aspects raise challenges for social hybrids both with regards to their ability to attract relevant resources, as well as their ability to decide which resources they need to achieve their social objectives. Even though it is difficult to find universal solutions that address these tensions for most social hybrids, our literature review revealed several strategies that at the very least can enable them to mitigate the potential consequences of the challenges. We start by presenting a solution to how social ventures can mitigate the challenge of attracting and selecting resources supporting the dual mission. Next, we explain how ventures that integrate beneficiaries into their value creation process can balance the costs and benefits of hiring beneficiaries.

Solutions to attracting and selecting resources		
Challenge	Solution	Source
The challenge of attracting and selecting resources supporting the dual mission	Strategic Network Development & Knowledge Sharing Clusters	Austin et al. (2006) Lin (2008) Austin (2000) Doherty et al. (2014)

The challenge of balancing the costs and benefits of hiring beneficiaries	Turning disadvantages into potential competitive advantage & developing new complementarities	Grant (1991) Alberti, Varon Garrido (2017) Hockerts (2015)
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Table 11: Sources for solutions to attracting and selecting resources

5.2.1 How to attract and select resources supporting the dual objectives?

To mitigate the difficulties associated with resource mobilization, we argue that social ventures can implement two different strategies. First, we propose that *strategic network development* can be implemented to broaden the access of relevant resources for social ventures. Second, we introduce how *knowledge sharing clusters* can be pursued to enable hybrids to simplify their decision-making processes related to which resources that support their dual objectives. In the following we discuss the two strategies accordingly.

Social ventures are reliant on a robust network to access the right employees, volunteers, financial resources and appropriate investors (Austin et al., 2006). As we have already introduced, these ventures tend to be more resource constraint than commercial ventures, both with regards to human and financial resources (Austin et al., 2006). The development of a large and strong network of social relations can facilitate an advantageous reputation, which can reinforce the identity and recognition of the social venture (Lin, 2008). Additionally, a strong network can provide the social venture with access to valuable information considering the availability of valuable human resources and funding opportunities (Lin, 2008). In turn, the venture can be able to attract otherwise unrecognized human resources and develop a willingness to invest among financial investors (Austin et al., 2006). In addition, a solid network can enable social hybrids to establish important network clusters (Austin, 2000). The purpose of these collaborations is to gain access to resources the organization would not be able to develop or afford on their own (Austin et al., 2006). This way, social ventures can enable themselves to reduce their resource constraints, both with regards to financial and human resource mobilization (Austin, 2000).

To enable social ventures to simplify their decisions related to which resources support their dual objectives, we propose a somewhat similar strategy. This involves participating in professional networks and knowledge-sharing activities that broaden the knowledge base of the organization and sector as a whole (Austin et al., 2006). We argue that participating in networks of allies with valuable sector-specific knowledge can increase the social hybrids

ability to achieve their dual objectives. This type of activities can make it easier for the organization to provide their employees with the needed knowledge to align their dual objective in the short run (Austin et al., 2006). Consequently, we argue that decisions regarding who to hire becomes less crucial, as new employees with purely commercial or social background can acquire the needed knowledge more easily. In addition, participating in sector-wide knowledge sharing can build and increase the knowledge and talent pool available for the organization in the long run (Austin et al., 2006). More specifically, social ventures can become allies to broaden the knowledge of managing social ventures. This can be particularly beneficial with regards to our previous discussion where we consider the lack of knowledge related to the management of social business models. Additionally, the sector as a whole can strengthen their ability to influence those who hold crucial financial resources (Austin et al., 2006). As our literature review revealed, mainstream financial institutions do not always perceive social ventures to be viable clients (Doherty et al., 2014). We argue that a strengthened and transparent network of social ventures can partially mitigate these perceptions through an improved understanding of the phenomenon. In addition, an example from our review of microfinance institutions revealed how Women's World Banking successfully approached this strategy. Through investing in sector-wide knowledge-sharing by building networks of microfinance organizations, Austin & Harmeling (1999) emphasize that the institutions were able to strengthen their influence on banking regulations that affected their sector (as cited in Austin et al., 2006).

With an aim to attract and employ the appropriate balance of human resources and financial resources, there are inevitably a wide range of pitfalls. Even so, we argue that a combination of networking strategies can mitigate some of these difficulties. Through developing a strong network, and participating in knowledge-sharing clusters, we believe that social hybrids are enabled to reduce their resource constraints. Additionally, participating in valuable sector-wide knowledge sharing and professional networks, they will broaden their existing knowledge base as well as their available talent pool. In sum, we believe that social ventures can strengthen their resource base, and thereby strengthen their ability to achieve their dual objectives.

5.2.2 How to balance the costs and benefits of hiring beneficiaries?

The social-oriented work model and the market-oriented work model experience the business model specific challenge of balancing the costs and benefits of hiring beneficiaries. To tackle

this challenge, we argue that social hybrids that adopt either of the two business models can implement two different strategies. Building upon traditional resource theory, we propose that social ventures can either turn perceived disadvantages into potential competitive advantage or develop new complementarities. Therefore, we start by introducing the logics of traditional resource theory, before we discuss the two strategies.

		Social mission	
		For beneficiaries (beneficiaries are solely recipient)	With beneficiaries (beneficiaries are part of value creation process)
Economic mission	Differentiated (commercial revenue cross-subsidizes social mission)	Two-sided value model	Market-oriented work model
	Integrated (beneficiaries are paying customers)	One-sided value model	Social-oriented work model

Figure 9: Business model specific solution for balancing costs and benefits of hiring beneficiaries

Traditional resource theories suggest that resources and capabilities are the main sources of profitability for a given venture (Grant, 1991). In other words, an understanding of the relationships between resources, capabilities and profitability is important. The resource-based view further indicate that ambitious organizations need to combine and leverage complementary resources to be able to generate a competitive advantage (Alberti et al., 2017). The social-oriented work model and the market-oriented work model are perceived to deviate from this traditional resource theory, as they include beneficiaries in their value creation (Hockerts, 2015). In other words, these business models embrace a combination of human resources that are perceived as a disadvantage in traditional competitive markets (Alberti et al., 2017). Therefore, social ventures are required to utilize strategies that enable them to exploit the unique characteristics of their resources, thereby generating competitive advantages (Grant, 1991).

First, the hybrids may explore the opportunity to turn the perceived disadvantages into a potential competitive advantage (Hockerts, 2015). They can do this by identifying particularly positive skills and characteristics associated with the group of beneficiaries (Hockerts, 2015). This is the case for Unicus, who are utilizing the positive characteristics of autism, making it a competitive advantage in the IT industry. Rather than accessing and exploiting what is

perceived to be complementary assets, they create a competitive advantage through identifying the potentials in a group of beneficiaries (Hockerts, 2015). This way they have managed to identify a competitive advantage that serve both their commercial and their social mission. Based on this, we argue that in order to make it possible to create a competitive advantage, social ventures need to adjust their mentality to be able to identify opportunities with regards to their resources.

“You can say that we are turning the characteristics of autism into a competitive advantage. They are structured, dedicated, and some of them are great at discovering patterns. This can be a competitive advantage within IT testing, and partially within data analysis as well. We are communicating that we are better than the others.” Unicus (2018)

However, not all groups of beneficiaries obtain hidden and unutilized complementarities that social ventures can identify and leverage. Therefore, the second strategy involve the development of new complementarities (Hockers, 2015). This can be accomplished through teaching beneficiaries the appropriate skillsets to be able to combine and leverage complementary resources that are in line with existing market requirements (Alberti et al., 2017; Hockers, 2015). We have observed this strategy being implemented in one of our case examples. RecycleForce hires previously incarcerated beneficiaries and teach them how to recycle and sell electronic scrap material. This way, RecycleForce has developed new complementarities that enable them to pursue their objective of delivering comprehensive and innovative recycling services for a cleaner environment, while transitioning formerly incarcerated men and women back to society. Such a strategy can be suitable to develop employment opportunities even for groups that are perceived as less fitting for the particular labor market (Hockers, 2015).

Through implementing these strategies social ventures might be able to both create value for the intended beneficiaries and utilize their abilities to capture commercial value. In the end, these financial resources can be invested in employing even more beneficiaries, as well as enhancing the existing development and training offerings to promote an even higher social outcome.

Interview Example from Unicus: How to turn the social mission of an organization into competitive advantage

“We try to turn the disadvantage or diagnose of autism into a competitive advantage (...)”

Unicus employ individuals who tend to fall outside the workforce due to a diagnose related to autism. Through building an impressive business model, Unicus has been able to utilize the positive characteristics of this diagnose to turn it into a competitive advantage for their venture. Unicus emphasize that their consultants provide better services than potential competitors, rather than focusing on the social perspective of their business model. For them, it is important that their paying customer choose Unicus due to the high-quality consultancy services they are able to provide, rather than the social aspect of their model.

Example 10: How to turn the social mission of an organization into competitive advantage

5.3 Solutions to staying true to the hybrid identity

In the following, we will present how *Paradox Theory* can enable social ventures to stay true to their hybrid identity. Our research has shown that competing objectives strongly influence decision making, and that imbalanced measurements and a large and complex group of stakeholders further affect the managers ability to stay on the right track. We argue that an understanding of the logics of paradox theory can enable social ventures to develop the necessary understanding of why they meet these challenges. Therefore, we start by introducing the theory of paradox, before we propose a strategy social ventures can implement to enable themselves to stay true to their hybrid identity. However, the aspect of measuring social value has proven to be a particularly challenging aspect to solve, as this is highly dependent on the nature of the social mission (Ebrahim et al., 2014). Consequently, this chapter exclude to address the technicalities of the actual measurement of social value creation, to rather propose strategies to tackle mission drift caused by imbalanced measurements.

Solutions to staying true to the hybrid identity		
Challenge	Solution	Source
The challenge of staying true to the hybrid identity	Combining the strategies of differentiation and integration of paradoxes	Ebrahim et al. (2014) Gonin et al. (2013) Lewis (2000) Jarzabkowski, Lê & Van de Ven (2013) Andriopoulos & Lewi (2009) Poole & Van de Ven (1989) Battilana et al. (2012) Lüscher and Lewis (2008)

		Smith (2014) Smith and Lewis (2011)
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Table 12: Sources for solutions to staying true to the hybrid identity

The principles of paradox theory are valuable to be able to propose a solution to the challenge of encountering contradicting objectives, as well as the organizational tensions that follow this challenge (Gonin et al., 2013). By paradox we mean "contradictory, yet interrelated elements – elements that seem logical in isolation, but absurd and irrational when appearing simultaneously" (Lewis, 2000, p. 760). In other words, even though aiming for financial targets and social welfare seem logical in isolation, pursuing these objectives simultaneously can lead social hybrids towards challenging paradoxes. This is in line with what we have seen from our research, where all interview objects and case examples acknowledge to meet these types of paradox in one way or another. With that said, several solutions to the paradox problem have been described in the literature (Jarzabkowski et al., 2013). We have thoroughly reviewed these proposed strategies, and eventually selected one strategy that we believe can enable social ventures to tackle the challenge of mission drift in a proficient matter. If the paradox problem is addressed properly, the social and financial objectives can reinforce each other in a way that strengthen the social venture (Gonin et al., 2013). In other words, the success of the venture is dependent on its ability to pay attention to both objectives. Nevertheless, it is important for social ventures to keep in mind that not all paradoxes can be solved or eliminated (Andriopoulos & Lewis, 2009). Our proposed strategy consists of differentiating and integrating paradoxes to enable organizations to stay true to both social and commercial value creation. In the first paragraphs we introduce the strategy of differentiation and integration separately and explain their shortcomings. Thereafter, we propose what we argue is a strategic solution to enable social ventures to stay true to their hybrid identity.

The differentiation of a paradox entails separating the contradictions to enable organizations to focus on the distinct value of each side of the dilemma (Poole & Van de Ven, 1989). The separation of the contradicting parts of a paradox, or “poles”, may be structural or temporal (Poole & Van de Ven, 1989). A structural differentiation involves dividing these two poles into different parts of the organization or delegating them to different lines of authority. Temporal differentiation gives the opportunity to shift the focus from one pole to the other over time. Some social enterprises have adopted the differentiation strategy by clearly separating the commercial side of the venture from the social mission (Battilana et al., 2012). Consistently, ROMA Boots consist of two separate organizations called ROMA Boots and

ROMA Foundation. ROMA Boots focus on the commercial sales of boots, while ROMA Foundation focus on the social mission through the donation of boots. This differentiation approach is appropriate when the need to prevent interaction between the two contradicting paradoxes is critical to avoid tensions (Andriopoulos and Lewis, 2009). Furthermore, it is suitable whenever managers are unwilling to compromise on their objectives (Lüscher and Lewis, 2008). However, Smith (2014) argue that adopting a differentiation approach can lead managers to overemphasize on one of the two objectives, which in turn will result in the neglectation of the other. In other words, implementing the differentiation strategy alone will not enable social ventures to stay focused on their dual mission.

The integration of paradoxes involves an attempt to facilitate coordination between poles through focusing on the interdependence between the two (Andriopoulos & Lewis, 2009). Furthermore, through implementing an integration strategy, organizations try to uncover synergies between their contradicting demands (Gonin et al., 2013). By finding links between contradictions, organizations can uncover and take advantage of their synergies (Lewis, 2000). This can for example be done by emphasizing on the overall goal of the organization and engage in collective problem solving (Smith, 2014). Rothenberg (1979) introduce that the integration of paradoxes can contribute to creative ideas (as cited in Gonin et al., 2013). In addition, integration can enhance the ability an organization have to become sustainable and successful as the organizations can attain to both their objectives (Gonin et al., 2013). However, organizations that only adopt a strategy involving integration tend to compromise on the value created through implementing a differentiation approach, where the distinct value of each pole is utilized (Poole & Van de Ven, 1989; Gonin et al., 2013; Smith, 2014). Therefore, scholars argue that a combination of the differentiation and integration approach is a more suitable solution to align contradicting objectives (Smith and Lewis 2011).

A combination of the two approaches entail either emphasizing on the distinct value of one pole, or finding synergies between contradiction objectives, depending on the circumstances (Smith & Lewis, 2011). In other words, managers need to consider each paradox they encounter and decide whether they want to separate or integrate the paradox. They can either utilize the distinct value of one pole or identify and utilize synergies within the paradox. However, it is important to acknowledge that there is no one-to-one relationship between the type of paradox and the appropriate response, as the paradox will always be context specific (Lüscher and Lewis, 2008). Therefore, managing paradoxes require managers to continuously change and adopt their approach to utilize the benefits of both the

differentiation and integration strategy (Poole and Van de Ven, 1989; Lüscher and Lewis, 2008; Smith & Lewis, 2011).

Social ventures are inevitably challenged to stay true to their hybrid identity, continuously and throughout the organization. Even so, we argue that a combination of the integration and differentiation strategy can mitigate some of the difficulties related to this challenging aspect of being a social venture. We argue that a successful implementation can enable social ventures to emphasize the distinct value of their potentially contradicting logics, as well as the potential synergies between other contradictions. However, we acknowledge that this can be a demanding process, that require managers to have a clear understanding of the potential pitfalls we have discussed in the previous.

6. Implications and Concluding Remarks

We have now presented our research findings based on several in-depth interviews, a review of case examples, and an extensive literature review. This has allowed us to present a comprehensive discussion on the most distinctive challenges of social ventures. We have provided a categorization of these challenges and discussed differences and similarities across the four different business models in our selected typology. In addition, we have presented strategies for each of the three categories, with an aim to propose important lessons on how these ventures can obtain as high societal impact as possible. In the following sections, we summarize key findings for each of the presented categories, before we introduce the managerial and theoretical implications of these findings. Finally, we discuss the limitations of our research, as well as our reflections on future research.

6.1 Key findings

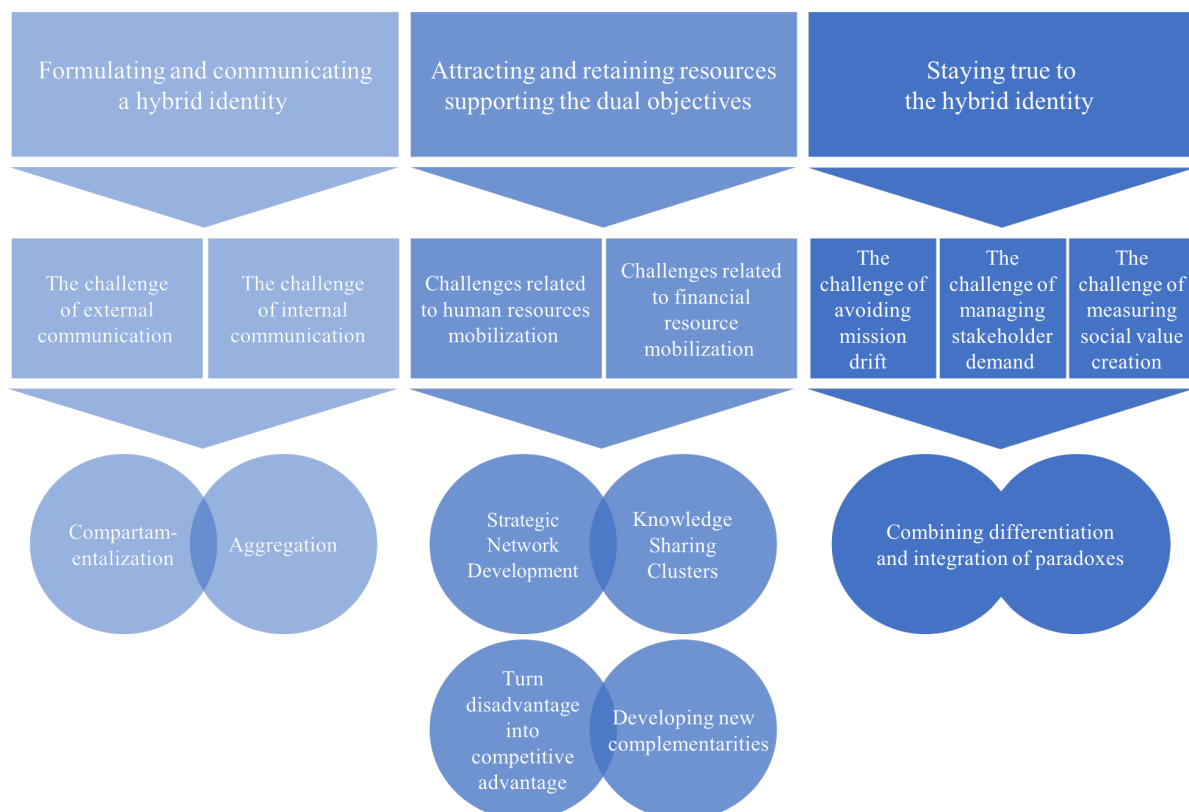


Figure 10: A visualization of our findings

Our findings show that formulating and communicating a hybrid identity raises complex identity issues with regards to internal and external audiences for the social venture. We have

found that the degree to which these challenges arise for an organization is more dependent on the complexity of the social business model than the category of the business model itself. Our advice to managers, regardless of the business model, is to consider whether to separate their identities, physically or symbolically, or aggregate their identities to find relationships and exploit potential synergies. This is important, as a logical communication of the hybrid identity can guide employees in a desirable direction, while clarifying the organizations strengths to external stakeholders.

Furthermore, we have shown that potentially competing objectives may reduce social venture's access to human and financial resources, complicate the hiring-process, and complicate the process of selecting the right financial investors. To mitigate these challenges, we advise that managers strategically build a robust network and participate in knowledge-sharing activities and clusters. We argue that this will enable social ventures to reduce their resource constraints and broaden the knowledge base of the organization. Further, our findings show that social ventures that include beneficiaries in their value creation experience additional challenges, as their process of resource allocation is more complex. To enable social ventures to hire a large number of beneficiaries without compromising economic productivity, we recommend that managers either turn perceived disadvantages into potential competitive advantage or develop new complementarities. As financial and human resources are critical sources to the organizational goal achievement, the ability to tackle these challenges can be the difference between success and failure.

Finally, our research has shown that competing objectives lead to the risk of mission drift. Imbalanced measurements and a large and complex group of stakeholders further affect the managers ability to stay true to the hybrid identity. We have also found that the level of integration between social and commercial activities seem to be decisive for the way mission drift occur in different social hybrids. In an integrated business model, we find that the lack of a clear cause-effect relationship give rise to a potential social mission drift or revenue drift. On the other hand, for differentiated business models the main risk is that the organization will lean to heavily towards the commercial value creating activity, due to the separation of the economic and social value creating activities. Regardless of the way mission drift occur, we advise managers to consider each contradiction they encounter and decide whether they need to separate or integrate potential paradoxes. This way, social ventures can exploit the benefits of both the differentiation and the integration strategy, through either utilizing the distinct value of one pole or identifying synergies within the paradox. If the competing targets are

aligned properly, the social and financial objectives can reinforce each other in a way that strengthen the social venture.

6.2 Managerial implications

The findings we have presented in the previous provide managers with an increased understanding of the concept of social entrepreneurship and the dual mission conflict, as well as concrete advice on how to tackle these challenges. Consequently, our findings have clear managerial implications. To empower managers of social ventures to use this insight, we discuss the interrelations between the identified challenges in the following. We argue that an understanding of these interrelations can enable managers to influence the degree to which the various challenges arise. Finally, we discuss the potential outcome of tackling the challenges proficiently.

Throughout our research we have identified several interrelations, which occur within and across the three categories of challenges. We argue that managers can influence the degree to which one challenge occur by mitigating another. For instance, a clear and logical internal consensus on the hybrid identity can reduce the challenge of external communication. If managers and employees have a clear vision of what they want to achieve, it will be less complicated to convince the external audience of the value the social venture create. Managing stakeholder demand, measuring social value creation, and mission drift are also an example of interrelated challenges. To mitigate the risk of mission drift, it is key to focus on the management of stakeholder demand and create solid social and economic performance measurements. With clear measurements that support both objectives, and the ability to proficiently handle complex stakeholder demand, managers can mitigate the risk of losing sight of either objectives.

As mentioned, interrelations are also evident across the three categories. For instance, clear communication of the social and economic value the organization create can attract financial investors. In other words, strengthened external communication can lead to reduced resource constraints. Furthermore, investors are left with a better understanding of the social mission. Thereby, enhanced external communication can lead to less complex stakeholder demand, as incentives and interests of investors and managers are more aligned. Eventually, this can reduce the risk of mission drift.

We argue that the challenges we have identified are all connected, which affects the way we advise managers to tackle their challenges. Regardless of the challenges social ventures encounter, we advise them to take one step back and look at the big picture. The first aspect they need to consider is whether the internal and external consensus of who they are indeed reflect who they want to be. Further, a solid hybrid identity lay the foundation for attracting the needed resources to support the dual objectives. Thereafter, with a strong base of resources, managers will to a larger extent be empowered to stay true to the hybrid identity. In other words, managers can influence the degree to which various challenges occur by strategically selecting which challenge to tackle first.

If social ventures are able to optimize their business models to facilitate an alignment of their objectives, the various challenges we have discussed will not necessarily lead to the same consequences. We argue that an alignment of the dual objectives can lead to two ideal characteristics that will enable the social venture to pursue higher social impact. First, managers can make decisions without the risk of compromising either of their two competing goals. Consequently, the decisions made by managers of an organization will equal both higher revenue and higher social impact. In other words, all the activities an organization initiate will result in both social value and commercial revenue. Second, the commercial revenue can always be reinvested in value creating activities, which again will lead to higher social value and higher revenue. In turn, social ventures will be enabled to build powerful organizations that can pursue large-scale solutions to social problems, while staying financially sustainable. We argue that this emphasizes the importance of the topic discussed in our thesis and hope our findings can lead social ventures one step closer to their hybrid ideal.

6.3 Theoretical implications

In addition to the managerial implications of our thesis, our findings have resulted in theoretical implications. The concept of social entrepreneurship includes a variety of phenomena under the same conceptual umbrella, which has resulted in no consistent or standard definition of the term. Furthermore, few scholars provide a complete overview of the challenges social ventures encounter (e.g. Battilana et al., 2012; Doherty et al., 2014; Gonin et al., 2013). Rather, existing literature tend to explore a narrow set of challenges (e.g. Mair et al., 2015; Navis & Glynn, 2011). To address this gap, we introduce a comprehensive discussion related to the challenges social ventures experience, based on our working

definition of the concept of social ventures. In addition, our findings show that there are clear interrelations between the identified challenges, that can be valuable for the sector to further investigate.

Existing literature falls short in considering the heterogeneous business models that exists within the scope of social ventures. Some scholars investigate the various challenges from a business model perspective, without considering that social entrepreneurship is a multilevel phenomenon (e.g. Battilana et al., 2015; Ebrahim et al., 2014; Pache & Santos 2013). To address this gap, our research takes into account these multiple dimensions to consider the heterogeneous business models that exists within the scope of social ventures. Hence, we have investigated the differences and similarities of challenges these models encounter, as well as the challenges that arise regardless of the four business models. In turn, we avoided the risk of misrepresenting the phenomenon of social ventures, while allowing for the opportunity to discover valuable insight (Saebi et al., 2019).

We have observed that most challenges appear regardless of the particular business model. Rather than identifying many distinctive challenges for each model, we found that the different types of ventures experience the challenges somewhat differently and to varying degrees. Based on this, we argue that the majority of challenges are more related to the organization's dual objectives, and thereby complex business model and environment, rather than which of the four business models they adopt. Consequently, investigating challenges that arise depending on the complexity of a social business model would be an interesting opportunity for future research.

Additionally, we found that challenges that indeed are business model specific are similar for social ventures within the same dimension rather than within the specific models. Here we refer to the two dimensions of our selected typology introduced in chapter 3.3. We argue that challenges will differ depending on (1) whether you choose to cross-subsidized the social mission, or deliver products and services eventually paid by your beneficiaries, and (2) whether you accomplish your social mission by offering products and services for or with your beneficiaries. For instance, the challenge of balancing the number of employed beneficiaries appeared for both the market-oriented work model and the social-oriented work model. Similarly, the challenge of avoiding mission drift was experienced different for integrated and differentiated business models. Consequently, we argue that the two dimensions are more

decisive for how the dual mission conflict appear in your venture, than which of the four business models you adopt.

6.4 Limitation and future research

We have identified several limitations and shortcomings related to our research. We start by discussing the consequences of our qualitative research method and restricted time horizon. Thereafter, we look into how the nature of our research question affected the data we gathered from our interviews. Finally, we discuss the narrowed focus in our interviews, before we introduce an opportunity for future research related to this limitation.

To gain profound knowledge of the phenomenon of social entrepreneurship, we chose a qualitative research method. This has been a time consuming exercise, as we have conducted several in-depth interviews and reviewed a variety of articles. The thorough process of gathering, processing and analyzing qualitative data comes at the expense of a large sample size. In other words, the modest sample size in our research was not due to the lack of access to relevant social ventures, but rather due to the restricted time horizon of our thesis. Future studies with a wider time horizon could therefore increase the sample size, thereby disclosing strengthened results with regards to the challenges social ventures encounter. In addition, this could be particularly beneficial to investigate the degree to which some challenges vary between the four presented business models. We also gathered an enormous amount of data through our comprehensive literature review. Combined with our interview findings, the large amount of data forced us to exclude the challenges we found to be less profound for social ventures. This can further weaken our results, as other studies might discuss important challenges we have left outside the scope of our thesis.

Furthermore, the nature of our research question can lead to limitations in our study. For one, the aim of our research was to uncover challenges, which for various reasons can be difficult for organizations to discuss. Several ventures might not even be aware of all the challenges they face, which can lead to an incorrect interpretation of their situation. In addition, the disclosure of potentially negative aspects of an organization might prevent interviewees from being completely open about their challenges. Moreover, organizations who agree to discuss their challenges might be the ones who manage their challenges in a relatively proficient matter. Consequently, our selection of organizations can be somewhat biased. Being able to overcome these limitations could therefore strengthen potential future research.

An additional limitation concerns our somewhat narrowed focus when conducting our interviews. At the beginning of our research we found it beneficial to focus on the discussions regarding how the various organizations experience their challenges, rather than how they address them. In retrospect, it would have been beneficial to adjust our focus to include a more thorough discussion on how these social ventures work to overcome their dual mission challenges. This would particularly strengthen chapter 5, where we propose solutions to the identified challenges. The strategies we identified in this chapter are mainly based on a review of existing literature of the field. Conducting the interviews with an increased focus on solutions could have uncovered practical knowledge that we believe would have provided valuable insight. Consequently, this could potentially strengthen the implications of our thesis.

In relation to the discussion above, we propose that an interesting opportunity for future research is to narrow the study to how social ventures can overcome their dual mission conflict, rather than the discussion of the challenges themselves. A particularly interesting approach would be to study organizations that in some way manage to align their dual objectives in a proficient matter. Several of our interview objects mention the hypothetical “hybrid ideal” and emphasize how this is an interesting aspect to further investigate. As social ventures become even more widespread, there will be more examples of how hybrids manage to align their dual objectives. Thus, the possibility to find interesting social ventures to study will increase and enable scholars to conduct research that can benefit the sector as a whole.

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8. Appendices

Appendix 1. Template for interview invitation

Subject: Interview for master thesis

Hi [name],

We are reaching out to you as we are currently conducting a master thesis within the field of social entrepreneurship at the Norwegian School of Economics. Throughout our thesis we aim to investigate which challenges dual mission ventures face, and how these challenges can be addressed. We believe that this topic can be of interest for you, and therefore hope to get the opportunity to learn more about [organization name] and your thoughts concerning this topic.

We consider [organization name] a particularly interesting organization to get in touch with due to [organization specific paragraph].

In more detail, we are hoping to conduct an approximately one-hour long interview sometime during the month of October.

Does this sound like something you would want to participate in? If that is the case, we would really appreciate your help introducing us to someone with the right knowledge in [organization name].

All the best,

Ellen Marie Solem & Helene Otterdal

Appendix 2. Interview guide

Part 1: Introduction

- Introduce ourselves
- Introduce the topic of our thesis
- Agree on the length of the interview
- Clarify anonymity
- Clarify whether we can record the interview

- Clarify whether we can transcribe the interview
- Explain that we can send the transcripts for approval before using it in our thesis
- Inform about the right to stop the interview at any time

Part 2: Get to know the interview object – warm up

- Can you tell us about your background and your position in [organization]?
- Can you briefly tell us about [organization] and the underlying reason this organization was started?
- Can you briefly describe the business model of [organization]?
 - Main customers, main beneficiaries, revenue streams

Part 3: Introduce the topic of interest, explain the context, make them speak freely about their general experiences and thoughts regarding the topic

- Which thoughts come to your mind when we explain the topic?
- What are the biggest challenges [organization] has experienced related to this topic?

Part 4: Discuss the various potential challenges

A) Identity: *The literature show that the hybrid nature of social entrepreneurship can cause challenges related to formulating an identity, as well as communicating it internally and externally.*

- How do you communicate your identity to stakeholders?
 - Partners, investors, customers, beneficiaries, public
- Do you articulate the same message to all stakeholders?
- How do you as an organization define success across contradictory goals?
 - To which degree do you find this challenging? Why?
- How do you manage the demand of multiple stakeholders?
- What would you say your culture is characterized by?
 - Have you experienced any form of cultural challenges due to your conflicting logics?
 - If so, how do you solve such conflicts?

B) Resource mobilization: *Many hybrids tend to meet challenges when mobilizing financial resources, as well as decision making related to human resource mobilization. The following questions will address this topic.*

- Have you experienced your business model as an obstacle when trying to access funding?
- Can you explain your hiring approach?
- How do you balance employing candidates focusing on the social or the economic objective?
- To which degree do you find it challenging to find and attract skilled employees? Why?

C) Mission drift: *Another category we have defined is related to how social hybrids balance their efforts towards the economic and social mission*

- *Specific question for each model*
- When making decisions, how do you align financial and social objectives?
- How do you measure your social objectives?
 - To which degree do you find this challenging? Why?
 - How does this affect your decision making?
- To which degree do you find it challenging to balance growth and social value?

D) Operational: *The hybrid nature of social entrepreneurship also tends to cause challenges that appear as operational conflicts.*

- Do you find the organizational structure in [organization] functioning to facilitate the achievement of your dual objectives? Why/why not?
 - Lines of accountability, processes, practices, incentive structures

Part 5: Wrap up

- Do you have any concluding remarks, or thoughts you want to share related to the topic?
- Introduce the process that remains
- We will send a copy of the transcription
- Thank you!

Appendix 3. Example of a transcribed interview

We include one transcript as an example.

Interviewer: First of all, to start off, we want to get to know you and TRINE a bit better. Maybe you can tell us a bit about your background, and your position in TRINE?

Interview object: My name is XX, and my background is within media and communication, which is what I studied here in Gothenburg. I also have experience from working within the civil society, and actually the more traditional PR, working with a lot of campaigns and similar, as well as quite a lot of lobbying for different kind of stakeholders and similar, which is quite different than working in a startup where you have the user experience as the focus. I think you can draw a lot of experience from both.

So I basically ended up in TRINE in October 2015. When the company was founded, the business idea was there, but that was basically the founding team decided that, “OK - let us give it another couple of months, we have to try the idea, and if the first test is successful we can go for the first seed round”. Otherwise nothing of this would be happening in the long run. At that point I got to know TRINE, and I was a part of launching the first campaign. We did that on a traditional crowdfunding site called fundedbyme. I was the only one in the founding team that had experience or background within communication in general, external communication, marketing in general. But, obviously when you are only five people, everyone is kind of doing a bit of everything.

And after that, that has been influencing the rest of the time up until now, in terms of that I have been working very broadly in the spectrum of communications, marketing. That has entailed things like everything from cath from copy, user onboarding to PR and how we are going to position ourselves in this kind of media. As the team has grown, and the company has grown, the idea and my direction is more to go towards more external relationships, working more with the perception with the brand, how we interact with the rest of the world. So that is a bit where we are right now. We have just launched a quite big work-with-the-brand foundations, and do that on a more long-term basis. Almost scrapping a lot of what has been done before, and more focused on which direction the company is going now. What kind of message do we want to send. It is quite natural that a company, in the beginning, have the why, and our why is quite strong, everything from the energy access issue, but also to promote a new way of doing business where sustainability and profitability goes hand in hand. And then you add on that and you have the climate change and finance. We have quite a lot of big “whys”. And I think that has been communicated with the what we do, the enabling of individuals to invest in solar energy.

Now we try to go a bit holistic and see no matter what we do, essentially we have done a finance kind of model for this, and it is not exclusive for solar energy in the future. So we are trying to think of it that way; why are we really here? We just happen to do solar energy. You can recognize the “apple-way”; we happen to make computers, that is just what we do now, and we will build on that. And then you have a mission that is not to make computers, but something beyond that. For us it is something in that where we are currently trying to set that. So that is a part of the work, and of course building the team. In the communications area it is me and Sara, who joined with a copywriting background and so on. So it is quite interesting times ahead.

Interviewer: It seems like it. I believe many of the questions we have is perfect for your position, and since you have been there from the beginning you will probably help us a lot with everything we are wondering. First of all I want to take you through the main question we have in our thesis.

As you know we are studying hybrid ventures, or ventures that have a social objective and a financial objective, and want to align those two. We believe that such companies meet challenges that purely commercial or philanthropic companies does not meet. So what we want during this interview is to figure out which challenges you as a company meet, and whether you can relate to the different challenges that we have found in the literature.

What we find it especially interesting that your company has the beneficiaries pay for the product. We will talk more about that later.

When we mention this topic, and this balance, what comes to your mind? What is the first thing you think about for TRINE or in general?

Interview object: The top of mind thing is awareness. During the time I have worked with TRINE it is very rarely that we hear that this is such a bad idea. Most people react very positively to it, but then there is other challenges in stead. For example getting people to actually understand the business model, how it really works, the value chain. It is easy to get people to understand that they should invest in solar, but then we kind of have the opposite problem than some businesses, where you have to add layers to make it interesting or justify your business. Sometimes when we add the whole flow as you mentioned with the end-consumers, which we actually do not have any contact with or any formal responsibility for at all because the solar companies provide the service, but when you get into that you have legal and financial aspects as well as the impact itself. Verifying that and a whole other bunch of layers, it is a challenge to make that simple. That is more about how we present what TRINE does.

On a larger level all these companies that are basically “triple-bottom-line” is still new, and there has been some attempts where some do more towards social entrepreneurship, some do the more traditional CSR-form, and then you have the profit with purpose without compromise. We are not going to move any aspect of the three P’s (people, planet, profit), I think that is something that is new and then by default it will be questioned in terms of how does that work in reality, do you not come to hard choices sometimes with the impact and the profit? And I think that is the whole point that we want to get across, that if you actually build a model, where you actually nail the triple bottom line, you will never have those questions. And changing a lot of old ways of thinking in terms of e.g. prejudice which is very much existing in our part of the world. Especially when it comes to for example when we talk about ourselves we try not to talk about it as solar energy in africa because 1) that is not the end game, and 2) it still is the idea of poor people getting help from rich people. I think that is one of the things that, and I see this also coming from the communications point of view, that this is a very big mission that we have, to start that discussion. Is this how the world look like in 2018? And is there better way to do business and do impact in the world? We believe that it is, but in essence it is very much coming down to behavioural science in a lot of ways. Both in terms of the overall discussion we have, but also when we get down to the core when we want people to think of this as a viable option for them. It takes time and knowledge to move that. And I think that might be one of the toughest challenges. As soon as we stop talking about sustainable investments and start talking about investments, and

investment by default actually are sustainable because that is the way they will be profitable. I think that the work we do, and the work other companies do, will not really be a question anymore, and growth will come from that. That is probably the main thing to solve, because if we do not overcome that, or if we can not do our part to change that soon enough I think that will definitely be an obstacle for growth. It will be an obstacle for doing the changes we need to do for society quick enough. And of course we have other practical challenges, but I am quite sure we will dive into them.

Interviewer: It is cool that you say that you actually think that the model itself is the key to all these challenges.

We have been talking a lot about that ourselves, and had an interview last week with a company that had a model where the social and financial objectives never conflicted. If they were growing financially they made more social impact, which is the goal. It is interesting to hear that you are thinking the same way.

It will be interesting to see if you can relate to any of the challenges that we actually found in the literature as well. One of the first things is related to identity, and how you communicate your identity. You talked about how it is hard to understand your company. One thing is formulating the identity, and being aware of it yourselves, but also communicating it to stakeholders - and then you have stakeholders. How do you formulate your identity and how do you communicate it to stakeholders?

Interview object: That is one a part of the work we are trying to do now. In one way it could be easy for us to accept the fact that we could put on different hats in different context. We could be the clean-energy company in one forum, and the fintech company a different place, and the company who wants to solve global issues over there. I think that in one way, when you are beginning with a company you kind of have to be slightly pragmatic and opportunistic. A tangible example from our history is when we talk to journalists, they ask “oh, so it is like crowdfunding”. Some of the inspiration to the model came from crowdfunding, at least the idea of the fact that a lot of people invest. It is enough capital in the world, the problem is who controls the capital, where is it, and of course we could have achieved a lot of the issue of providing people with clean energy and reduced emissions, with less investors, but still the same volume of capital if we would have gone to professional investors, funds and so on. But I think that we deliberately chose that if we go more towards the public, we almost have a limitless possibility to move capital. People will most likely continue to have jobs, it is not a venture fund that actually closes.

With that said, the challenge we have when it comes to identity, fighting for what we want, the narrative we want to drive, the mindset of profit with purpose, is to both communicate that it is a win-win, and to make people believe that it actually is. Whatever your motive is is. Whether it is purely economic that is completely fine. It is not about being a better or worse person, it is more about the bigger picture of moving capital. If you do that for other reasons that is fine. You end up in the challenge where how much before for example we worked for a time to set the narrative as crowd investing rather than crowdfunding. But then what is that? It is harder when you use terms, or you build an area that does not exist really. People want to label stuff, we want to categorize it. That is a part of human nature. We get super confused when we do not understand that something does not work like the old thing that I know or that I am used to. Sometimes we have had to accept that yes we may have various investments going into east africa, and then we added “but that is not the end game”.

It would be easier to take on the opportunities out there if we did not have to consider how we are being perceived, how do we want to be perceived. I think that there is a quite strong will, because I think everyone in our company is here for a larger purpose. We will all be very happy if TRINE is a successful company, but if TRINE has five good years, that is good, but it did not really change anything. It did not really make any real impact. For us it is then more important us to have been a part of driving the development and the progress. We have the responsibility to kind of in this identity process, to not be opportunistic only. To see like “Oh they want to promote us as crowdfunding for the third world”. That would be easy for a lot of people to be like “that sounds cool”, but I am not sure that is the direction we want to take. That is where we balance constantly.

Interviewer: Do you in any way communicate the identity differently?

Interview object: The main difference you can tell is if we talk in the general public, policy makers, potential investors. On that side I think we talk quite a lot about making it easy for people to invest, in a way that by default is sustainable. We talk quite a lot about which leverage this kind of investment has on the climate and so on.

On the deal side, when talking to solar partners, essentially there we are really as much as them in need of something. They need the money, but if we do not get them as the borrower we do not have anything to provide. So there it is more positioning it towards getting more tangible on why should they choose us. If they should get finance, why should TRINE be an attractive offer. We focus more on the technical details of the loan and the setup, meaning like flexible finance, that we can offer them the money in a month if they sign today. That is only by that we have this crowd investment going on. We are not dependent on one big fund deciding if they want to invest, and then they have to run two board meetings do decide. We focus on that, and the longtime partnerships, that we are affordable as well. We do not want it to be only about that, but that is a part of it. A big painpoint for these companies is how can we get finance when we need it that makes sense for our business and does not kill our business. That is on top of our agenda to solve, and so far has been why we have been able to secure partnerships. So, I guess that on this side we focus more on showcasing the product, while on the other side we are more focused on impact. Given that the other side deals are pretty straight forward, they are quite aware of this financing gap, they just want to be a part of the solution. Talking about a changed finance sector is not that relevant, because they are a part of this change.

Interviewer: We are also wondering, since you have different layers as you mentioned, how do you actually define success within TRINE? Do you have some measurements, or do you have any clear about what is success? When are you successful?

Interview object: The most straightforward measurement of success is the funding capacity at the moment. It is tied to how many transactions are we channeling through our platform, because that is kind of the one KPI or measurement that really connects both sides of the business. How much loans can we take? How much can we build up that pipeline, is dependent on how much investment we can build up on the investment side. That is where we usually put or targets long term. From there is tons of different success metrics, but it all kind of sums up to the funding volume that we have on the platform.

Interviewer: As you said, if TRINE is successful for five years, if it did not make real impact. When would you be happy, and feel like you actually made it?

Interview object: Everyone in the team will probably have a personal tweak on this one. I would say that one very clear sign of success would be when we see even more companies truly adapting this model. When we actually have companies that has this built into their DNA, and you do not have to sit in a meeting and talk about how an action in one direction would be a contradiction to the other. I think that one part - exporting this business model.

I also think that when we see that this is the default case, that is definitely where we would feel like we have done something. When you talk about streaming, Netflix automatically come to my mind, because they put that at the forefront for a lot of people. It is just natural. What if we come to the same level when it comes to finance and our investments. I read the other day that we have such a huge contradiction, as we have a lot of people in Norway and Sweden that really care about climate, and are worried about where we are headed, but in Sweden most people do not even know where they invest their money, where they are going. This show that we are not really there yet. We might be going there when it comes to transportation and food, but when it comes to one of the most impactful things, our money and our wallet, we are so far away. If we can do those to - then I would be happy! We have made a larger dent into this, that hopefully will be beneficial for of course us as a company, but really for the greater good of the society.

Interviewer: How would you characterize your culture in TRINE. It is very defined in a way that everyone wants the same thing, or do you have any challenges due to the potentially conflicting objectives that you have?

Interview object: Not so much. I do not think we have it in the long term direction we are going. Everyone who has joined our company has done it because they really think that the business model has been very compelling to them. Of course some people are more excited about solar energy per se, or this or that, but I also think everyone has a very strong sense of the fact that this is not the end game. It might not be solar forever, it might not even be that in to years, it could be other areas where we see a gap where our model could come in accelerate that development. For me, what struck me quite a lot as we built this team and when I also came in is that there is very little like, you usually have these nice buzzwords that in reality in some organizations they do not mean anything. But here i would say that people live very much by them. For example, there is basically no prestige in the company at all. We try to focus very much on what is the outcome we want to come across with. It doesn't really matter if it is one of the founders being involved or not, it is more like "we have these five tasks to be done, who is the best to do it". This kind of goes beyond the titles we might have, or so on. And then we are our prouch which I think has been helpful for that kind of mindset as well, is that we are running our business basically across the whole company through a data driven approach. So we try to either already have the data before we make any decisions. That can be big and small, everything from should we really change the sign-up flow - what data do we have to support either kind of decision, to should we sign this 2 million euro deal with this company. Well then that would also be supported by data about the company, market, risks and so on. I think that this approach from the small things to the large things, has also done that when we discuss things, since we are a team with very driven and ambitious people with strong personalities, enables us to kind of not get stuck in personal preference and discussions that are based on gut feeling and emotion. We can actually make quite constructive discussions, and know that when we make decisions we know that even if it is going to fail that is fine, because we set this assumption or hypothesis

in the beginning. That is very strongly integrated in our culture, and one part of the decision making that helps us to hopefully make as good decisions as possible, and not make them just because our equity investor said this, or the CTO prefers this. It is very easy to make wrong decisions if you only base it on some sort of power structure. Just because we started on different times, it does not mean we should have different voices in the room.

Interviewer: When you talk about how you make decisions, we can talk more about how you make decisions related to how you build your team and hire new employees. How do you make those decisions when you have to find people that have the passion for the case you are trying to solve, and also the right skillsets and experience?

Interview object: In general, we have this strategy. You always try to be strategic, but you do not necessarily have time to make strategy decks. What we have is a way to kind of force ourselves, but also take that time to think long term. We have our cabin weeks every six months or something like that. We get our whole team, from Nairobi and from Gothenburg, and we look at the long term plans for TRINE. And in that we also look at how does our future team need to grow. From that we usually are able to align, we see that this area should be the priority when it comes to recruitment. Deciding exactly what that means, is it a marketer, a programmer, is up to that area to define the specific role that is needed.

I am currently in a hiring process that will soon finish. It is up to the team, and we try to make it as close as possible so that the people in that area are the ones hiring, setting up what do we think and want. The main challenge we have had is to really get people passionate about their role and the area of expertise. Because a lot of people, which is a great luxury problem but also a challenge, almost say that they can do anything at TRINE. They say they “love the company, love the idea, love the team”. And then we say, are you passionate about marketing, are you passionate about coding, because when it comes down to it that is what you are going to spend your day doing. The why of what we do is something I rarely see on a daily basis. It is more about what we are building, what are we doing here, and I think you need to be passionate about that. If you are more passionate about the fact that we are going to provide a world where everyone has access to clean energy. It is such a huge target, and it is so far away from your daily work. It is hard, and it is hard for us.

We want the model to be kind of the tipping point for why you want to work here, in stead of going to Spotify or other big corporations. We want people who are very interested in their own area, and would love to work with that even if it was not in our company. As for now I think we are putting a lot of emphasis on exactly that. To find people that are passionate in their space, because we thats where we think that they will make the most change in our company.

Interviewer: So kind of the same as when you talk about who can invest. It does not really matter that you invest because you want to help someone, or because you want to make money. Is that the same kind of way you think when hiring? Like we want you to work here because you really love what you are doing, like you are not going to feel every day that you are actually making a change.

Interview object: Yeah, I mean of course it is like i think it is something unconsciously that make people motivated. Of course I feel better when I know that I am working for this purpose and this company, than if I would work for a company or a business I did not believe in. I think that is a natural thing. A lot of other things would have been there to

compensate for that. It is very individual, but I think most people can come to the conclusion that a big salary and things like that, in the long run there will be other values that are more important for you. You are still going to spend at least 8 hours a day doing this. The question is will, money be able to make you feel that you have fun at your job and you like what you do.

We also have to be very honest and humble with the fact that not everyone joining from now on will feel like TRINE is my everything, and that is fine as well. Because it will always be not sustainable, for some people it is the fact that they want to go to work and have fun and do as best as they can, but they also want a life next to that. That is kind of the place we are now. It becomes even more important that the people we recruit are very happy and interested in their area of expertise, because they might not need to be as excited to be building this company, and being an entrepreneur every day. That is just a bonus, because it brings a lot of good qualities, but it is not a requirement.

Interviewer: Is it in any way hard to find or to attract the right employees, with the right skill sets? As you said, you are in a new field, aligning two objectives and using a model that is unusual.

Interview object: I think recruitment for all companies are a challenge. Especially if you really want people who want to strive to hire people who are smarter than the ones in the company. We do not hire people that will have appointed managers, we do not hire people that we can boss around. We hire people who can boss around with us basically, and be critical. And that is definitely a challenge, because you can look at it in two ways, both the personality; we have an open transparent culture where prestige is not really a thing, meaning that if you are only trying to make a very specific career development we might not be the right company for you. We will not have that kind of development plan, but if you are here because you want to develop professionally, aim higher, learn from others and teach what you know - we are the right company.

The other part of it is of course the specific skill sets. When it comes to the programmers, of course you need a specific level, how good are you at programming. The market is very competitive at the moment, everyone is trying to snag everyone who can say they can code. And that is the market we compete in. In this case it is beneficial that we have a bigger purpose, that we have a different way of doing things, because that is how we have been able to recruit people that could have gone to another company where they could get a higher salary and work less - but that is not what drives them. That is where the business model and other things come in and actually make a really big difference. I think it is a challenge, it is not so much a challenge because it is a new area, but more because we want to find the world class people within finance, marketing etc. And that they also are willing to work in a company where you do not know how the company looks tomorrow. It requires a different mindset from people.

Interviewer: But as you said, you think it is more a good thing that you have this social objective that actually might attract even more attractive employees?

Interview object: Yeah, I mean I think it is both that, the profit with purpose model, but also the way the company operates in terms of e.g. freedom. It also has its downside, e.g. I define my own role at this company every quarter, which has become a lot of times. Of

course that is not going to be the same pace forever, but it is always going to be a very constant change going on. I think that can be a challenge when you want to attract people from finance, when they come from a background which is very traditional. Like they have it so that is the career path, this is your managers, and then you will become the manager. A lot of them might be excited by TRINE, but it is different from thinking this sounds cool, and then being able to actually taking that leap. I think that some of the recruitments we are currently doing actually fails more on are like are we a good fit for them at the stage we are, and are they a good fit. Not so much are they skilled enough. It is about being sensitive about whether the person is a great person now, or in a year or half a year. That is where we really sometimes struggle, the balance between this is a great person, but we also need to put that person in a great place in the company at the moment.

Interviewer: You talked about the solar partners, which make the pricing to the consumer. Can you influence their in any way, or is it solely their responsibility?

Interview object: It is not really in our interest to influence them, because we believe they know the market best. If you know your market, you kinda know what is competitive and what is the best. If it is pricier, they know which services can justify a higher price. What we do is, when we do the due diligence of the companies we look into both historic sales and the technology they use, the customer market they are looking into, because that can of course also differ. We look at their projections, and we can see if for example their margin is to optimistic or the opposite, given that we have some sort of understanding of the sector in general we can see how they are compared to other companies, are they competing, does their strategy make sense in relation to the market. As soon as we have partnered up with someone, we try to have an ongoing discussion where we can introduce them to specific people, help them with partnerships or do things like that. Going into their specific business, we basically try not to do. We more try to point out the business case, and figure out how they do their business - and decide on whether we believe in their way of doing it.

We are very much for being transparent and sharing and of course we can be open if we see things that we do not believe something will work, and then propose solutions. If we have specific concerns on how they will make something viable, and then we address them together with the partners. That is how we work, and as much as we can we try to stay out of their way in operating the business, if they do not ask for any help.

Interviewer: We talked a bit about investors and communicating out what you actually do, and that this can be challenging. Have you ever had any problems with getting funding, or getting investors to understand your business model?

Interview object: You mean on the investor side right?

Interviewer: Yes

Interview object: Actually, I think we had one milestone which was this year. Basically it was about leveling up, similar to Pokemon, we have gradually increased the loansize we have been able to fund for a specific loan on the platform, and we were roughly last year between 50 to 250 thousand euros. The average time that we would close a loan would be like 4-6 weeks. This year we thought it was really time to grow, and we can actually make a pretty big change in the direction of the company in terms of getting access to the more experienced and the larger players in the solar world. The kind of companies that might be

bigger than we are, and they want to expand and scale very quickly. And these need quite a lot of money. So we went from that size to have a loan on 1 000 000 euro funded in one month on the platform. And of course when that happened, we were of course kind of like “this is a challenge”. It was a huge increase in the loan size, that had to be done in the same amount of time. What happened was that we funded the first million, and then the second, and now we are on the fifth million, that we just launched on the platform (for the same company). And what I think that showed is that we thought that this was our huge test for the capacity, but we quite soon realized that we really have not been tested. So, of course we have periods where we have thought we now have to activate this marketing channel or so, but still it has been so small I would say. So it has never been a live or die situation for the company. At this point I would say, we need to be challenged really. Our sourcing team will sign more loans, because I think it is good for us to come to a level where we really understand how much do we have capacity right here and now to actually fund.

We have had over 40 loans on the platform, all of them have been fully funded so far. The potential is quite big, and I think we need to get the real test!

Interviewer: Another thing we read a lot about is that measuring the social impact that you have can be challenging, and of course that can lead to challenges in actually reaching these social objectives. How do you measure your social impact, and how do you tackle such potential challenges?

Interview object: We have two ways to do it. One, we have this simple way to do it on the platform, just to give people an idea. We measure the expected amount of people who will get access to clean energy, which is done through a pretty novel model. We basically use standard numbers on the markets for the kind of solar products we finance (solar home systems). It is more or less estimated that when one household get access to it, it is roughly five people. It can be different, and then we change, but this is the benchmark. Then the equation is pretty simple, as the amount that we fund will immediately will be divided into how many units can be purchased by the solar company. If it is a loan of one million, we usually know how many systems that will be purchased, and then multiply this with the amount of people in the household. This is the headcount, but it does not tell the story of the big picture, which is way more tricky.

At the moment how we do it is that we use testimonials, usually more standardized numbers coming from reports where they have been able to present research on what happens when a family gets access to basic electricity, or if an entrepreneur gets it this is how much you can save and so on. We use standard data for that.

The thing we did this year to take it to a deeper level, which is a part of the awareness and shedding light on how important this can be to contributing to positive impact. UNDP made an impact assessment. They as a third party looked at one of our companies, and basically they looked through each and every one of the sustainable development goals through a model they had, to see what kind of impact do you have on the sustainable development goals by your single investment if you go in as an individual investor for TRINE. They came to a conclusion that it was like 10/17 goals that is impacted directly by this kind of investment. That was of course a way to at least put some more flesh to it, and not just way that it has impact on this and that. Of course we want a more tangible and measurable. We try to give the people an idea, and also putting the bigger picture in place. That can be done by just communicating and letting our investors know what other additional impact that they might not have thought about. Also by partnering up with third parties, and in that sense

trying to set a ges also on a industrial level, actually trying to see that “Ok if we would have something that everyone can look at it is easier to compare, and easier to call out which initiatives and business models that might actually not have the impact they claim and the opposite”.

Interviewer: Do these measurements, when you say that you measure how many people get access, affect your decision making in any way on a daily basis? Do you choose this or that because it makes a bigger impact?

Interview object: I would say that the key thing when we assess the companies and we look into them is to look at an overview. And the foundation for the overview, again coming back to how we look at ourselves, is that if it is financial healthy and viable we believe that they will be here for the long term, and by being here longer they will make more impact. But, with that said, there is more nuances, and we do look into what kind of model they have for this. An example for that is that a lot of the new companies in this sector might focus more on solar lanterns or the energy latter, if you are at step one you have access to a solar light for example, and then you build on that. Some of these may be on the first most basic one, which I may not call access to electricity but access to light or something like that. It is better than what they have, but more needs to be done before you can actually say that this person is out of energy poverty, or this person actually have access to modern electricity. When we started to partner up with larger companies, they are also very innovative themselves, looking for a bigger impact, so they may be launching models that are more energy as a service. They are trying to be similar as an energy utility in Norway and Sweden, it just happen to be that their customers are in a more rural area. The grid would not be the way you provide this service, maybe instead they would pay an energy fee each month, and the would never actually own the solar system, but they will always have access to the service, very similar to here. That is things that can make us find some business models very interesting. If this gets traction on the market it has huge potential. So yeah, I mean, we consider it and look into it, but it is not like we say that we prefer microgrids over solar home systems, so therefore we might not finance this company. It is all more like a part of the puzzle.

Interviewer: Thank you so much for answering so thoroughly, it has been very helpful for us.

Interview object: I hope you got something you needed. There is a lot of elements and dimensions, but I think that if you have anything else you are wondering, just email, and you can find the UND puffing that i talked about, and you find a lot of information on the website. We show more how we evaluate the loans and so on.

Appendix 4. Example from thematic analysis

Example from thematic analysis				
Company	Business model	Situation	Code	Category
Roma Boots	Two-sided	<i>It was a lot of pressure from other NGOs, red cross and so on to donate boots to.</i>	Managing stakeholder demand	Staying true to the hybrid identity
Fretex	Social-oriented	<i>We need to improve the degree to which we communicate what our customers contribute with when they shop at a Fretex store, or buy a corporate service. We should communicate how we help individuals transit back into the labour market, what we do to improve the environment, and how we contribute to the work of the Salvation Army.</i>	External communication	Formulating and communicating a hybrid identity
TRINE	One-sided	<i>The main challenge we have had is to really get people passionate about their role and the area of expertise.</i>	Human resources mobilization	Accessing and considering resources supporting the dual objectives
Unicus	Market-oriented	<i>I could probably pursue a lower margin and hire even more. That is a tough balance.</i>	Human resource mobilization	Attracting and considering resources supporting the dual objectives