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INTERNATIONALIZATION OF SOCIAL ENTERPRISES:  
BARRIERS AND CATALYZERS

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Internationalization of Social Enterprises: Barriers and Catalyzers  
Sosyal Giriřimlerin Uluslararasılaşma Süreci: Zorlayıcılar ve Hızlandırıcılar

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Anahtar Kelimeler (Türkçe)

- 1) Sosyal Giriřim
- 2) Sosyal Misyon
- 3) Uluslararasılaşma Süreci
- 4) İş Modeli
- 5) İş Modeli İnovasyonu

Anahtar Kelimeler (İngilizce)

- 1) Social Enterprise
- 2) Social Mission
- 3) Internationalization Process
- 4) Business Model
- 5) Business Model Innovation

### **Ghazal 367: “Wine, Human Beings, and Song”**

“Come so that we can scatter flowers and fill the glass to brim with wine.

بیا تا گل برافشانیم و می در ساغر اندازیم

Split heaven's ceiling with our powers and try a wholly new design

فلک را سقف بشکافیم و طرحی نو در اندازیم

When armies march to spill the blood of lovers' hearts with Sorrow's pike

اگر غم لشکر انگیزد که خون عاشقان ریزد

The serving boy and I destroy their camp in one drunk counterstrike

من و ساقی به هم تازیم و بنیادش بر اندازیم“

### **Hafiz Shirazi (1325-1389, Shiraz, Iran)**

I wish to utilize the poetry mentioned above to express my dazzling thanks to everyone who strives with their hearts and minds to make the world a better place. Particularly, the social entrepreneurs or 'change angels' who develop innovative solutions and entirely novel designs and approaches for addressing the most pressing and unresolved social and environmental issues. Indeed, the ground-breaking approaches that social entrepreneurs have presented to civilization truly satisfy the desire of the poet from humanity when beautifully articulated, "let to split the heaven's ceiling with our power and try a wholly new design despite the armies' march to spill the blood of lovers' hearts with sorrow's pike" (Hafiz Shirazi). Social entrepreneurs, in this manner, successfully set ideal standards and benchmarks for improving the various aspects of human welfare or well-being on a global scale.

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## **LIST OF ABBREVIATIONS**

<b>SE</b>	Social Enterprise
<b>SEs</b>	Social Enterprises
<b>BM</b>	Business Model
<b>BMs</b>	Business Models
<b>SEs'BMs</b>	Social enterprises' Business Models
<b>BMI</b>	Business Model Innovation
<b>DC</b>	Dynamic Capability
<b>DCs</b>	Dynamic Capabilities

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## **ABSTRACT**

Social enterprises (SEs) tackle the local and global communities' most demanding social needs/ problems by developing groundbreaking solutions or innovative business models. Studies in the field have presented that the main driving forces behind the internationalization of SEs include institutional failures, global wealth disparity, corporate social responsibility movements, and technological advancements. While revealing the global nature of social problems, these factors simultaneously present variations in the character of SEs worldwide. Therefore, academics hypothesized that one of the main factors causing a dynamic internationalization process is the diversity in the nature or character of SEs. However, due to the developing social entrepreneurship field, empirical research on social enterprises' internationalization process is rudimentary. This thesis study attempts to fill the existing gap and extend the knowledge about the factors that constrain or accelerate the internationalization process of SEs. This research relies on the business model (BM) framework to investigate the process of internationalization since it allows exploring the role and interaction of external and internal variables on different components of the BMs, which might create challenges and complexity in the internationalization process of SEs. The researcher adopts the thematic narrative analysis methodology to examine the role of social mission, institutional factors, and dynamic capability in replicating the BMs into the context of host countries.

The novelty of this study is the application of the BM perspective for examining the internationalization process of SEs which enables the researcher to explore the role of external and internal variables that hinder or foster the replication of BM in new contexts. Therefore, while investigating the internationalization process, this study also reveals how the BM, in essence, and the social mission in particular, influence the cross-border expansion and transfer process of SEs. In addition, concentrating on the three theoretical frameworks enables exploring the barriers and catalyzers in the internationalization process of four case studies in the

context of Turkey. By revealing the varied role of formal and informal institutions in the BM replication process, the study's findings also present that going international decisions of SEs are contingent on the nature of the social mission and the context characteristic of host countries. Thus, internationalized SEs require applying a similar strategic approach as adjusting their BMs with the institutional contexts to overcome the external barriers through deploying dynamic capabilities and implementing business model innovation. This research, while enhancing the knowledge of the internationalization process of SEs, also advances our understanding by illuminating the function and effects that various types of BM play in the internationalization process based on the nature of the social mission of SEs. The research also suggests various implications for academics and practitioners by proposing approaches that assist social entrepreneurs in overcoming possible contextual constraints and complexities driven by macro and micro-level institutions.

**Keywords:** Social Enterprise, Social Mission, Internationalization process, Business Model, Business Model Innovation.

## ÖZET

Sosyal girişimler (SG'ler), çağır açan çözümler veya yenilikçi iş modelleri geliştirerek yerel ve küresel toplulukların en zorlu sosyal ihtiyaçlarını/sorunlarını ele alırlar. Alandaki çalışmalar, SG'lerin uluslararasılaşmasının arkasındaki ana itici güçlerin, kurumsal başarısızlıklar, küresel gelir eşitsizliği, kurumsal sosyal sorumluluk hareketleri ve teknolojik gelişmeler olduğunu göstermektedir. Bu faktörler, sosyal sorunların küresel doğasını ortaya koyarken, aynı zamanda dünya çapında SG'lerin karakterindeki çeşitliliği de ortaya koymaktadır. Bu nedenle akademisyenler, SG'lerin doğasındaki veya karakterindeki çeşitliliği, dinamik bir uluslararasılaşma sürecine neden olan ana faktörlerden biri olarak varsaymaktadır. Ancak, halen gelişmekte sosyal girişimcilik alanı nedeniyle, sosyal girişimlerin uluslararasılaşma sürecine ilişkin araştırmalar yeterli değildir. Bu tez çalışması, mevcut boşluğu doldurmaya ve SG'lerin uluslararasılaşma sürecini zorlaştıran ve hızlandıran faktörler konusunda yeni bilgiler üretmeyi amaçlamaktadır. Bu araştırma, SG'lerin uluslararasılaşma sürecini, iş modeli (İM) çerçevesinden incelemektedir. Bu yaklaşım, dış ve iç değişkenlerin rolünü ve etkileşimini İM'lerin farklı bileşenleri üzerinde incelemesini sağlarken aynı zamanda SG'lerin uluslararasılaşma sürecinde zorluklar ve karmaşıklık yaratabilecek faktörleri de keşfetmeye yardımcı olur.

Araştırmacı, tematik-anlatı analiz metodolojisini benimseyerek, sosyal misyonun, kurumsal faktörlerin ve dinamik yeteneğin rolünü SG'lerin iş modelinin farklı ülkelere replike etmesi üzerinde araştırmaktadır.

Bu çalışmanın yeniliği, SG'lerin uluslararasılaşma sürecini, İş Modeli perspektifinden incelemektedir. Bu sayede araştırmacı, iş modelini yeni ülkelere transfer ve replike etmesi halinde, farklı dış ve iç değişkenlerin rolünü ve onların zorlaştırıcı veya hızlandırıcı etkisini inceleyebilir. Sonuç olarak, uluslararasılaşma sürecini araştıran bu çalışma, esasında İM'nin ve aynı zamanda sosyal misyonun nasıl SG'lerin sınır ötesi genişlemeyi ve transfer sürecini etkilediğini de ortaya koymaktadır. Ayrıca, üç

teorik çerçeveye dayanarak, Türkiye bağlamında dört sosyal girişimin uluslararasılaşma sürecindeki engelleri ve katalizörleri keşfetmeyi mümkün kılar. Çalışmanın bulguları, İM replike sürecinde resmi ve gayri resmi düzenleyici çerçevelerin çeşitli rollerini ortaya koyarken, SG'lerin uluslararası hale gelme kararlarının, sosyal misyonun doğasına ve ev sahibi ülkelerin bağlam özelliklerine bağlı olduğunu da ortaya koymaktadır. Bu nedenle , uluslararasılaşmış SE'ler, dış engellerin üstesinden gelebilmek için benzer bir stratejik yaklaşımı benimseyerek; dinamik yetenekleri geliştirerek, iş modelinde inovasyon yaratarak İM'lerini, ev sahibi olan ülkenin makro koşullarına göre ayarlayabilmeye ihtiyaç duyabilirler. Bu araştırma, SG'lerin uluslararasılaşma sürecine ilişkin bilgileri geliştirirken, aynı zamanda, sosyal misyonunun doğasına dayalı olarak, çeşitli İM türlerinin oynadığı işlev ve etkilerini uluslararasılaşma sürecinde aydınlatarak anlayışımızı geliştirir. Araştırma, sosyal girişimcilere makro ve mikro düzeydeki kurumlar tarafından yönlendirilen olası bağlamsal kısıtlamaların ve karmaşıklıkların üstesinden gelmede yardımcı olan yaklaşımlar önererek akademisyenler ve uygulayıcılar için çeşitli çıkarımlar önermektedir.

**Anahtar Kelimeler:** Sosyal Girişim, Sosyal Misyon, Uluslararasılaşma Süreci, İş Modeli, İş Modeli İnovasyonu.

## **CHAPTER ONE**

### **INTRODUCTION**

Social enterprises (SEs), which are known as hybrid organizations (Battilana and Dorado 2010) or 'social purpose organizations' (SPO) (Best et al. 2021; Weerawardena et al. 2021), undertake significant roles and responsibilities in this globalization era in which human societies encounter diverse types of economic, social and environmental problems across nations. These organizations shaped by varied institutional logics have diverse typologies and a broad activity spectrum (Defourney and Nyseens 2017; Spieth et al. 2018) allowing them to fulfill the 'triple bottom line' by 'developing sustainable business models for people, planet, and profit' (Wilson and Post 2013). Many scholars in the field of social entrepreneurship studied the features of SEs to distinguish them from conventional business organizations (Santos 2012). Although some of SEs, similar to conventional businesses, apply market-based approaches for revenue generation through their business models, however, what distinguishes them is the primacy of social mission, which implies that SEs often design innovative BMs to improve social wealth (Zahra et al. 2009) and resolving the problems that are unmet through the market or public sector (Chen 2012; Zahra et al. 2008). Based on the adverse effects of globalization on the social and environmental aspects of human society, some researchers highlighted the rise of international SEs due to the globalization of social opportunities (Zahra et al. 2008).

Despite the development of international practices, the body of knowledge on the internationalization process of SEs has yet to develop (Alon et al. 2018; Doherty et al. 2014; Sharir and Lerner 2006; Zahra et al. 2008). Instead, many scholars concentrated on the conceptualization of SEs (Dacin et al. 2011) and the diverse typology of SEs models to explore the role of national institutional factors on the

generated models in different countries (Defourney et al. 2019; Kerlin 2012). Researchers in this field have mainly concentrated on firms operating inside communities, regions, or nations; however, empirical research evaluating SE's international operation is scarce. In a conceptual study, Misbahuddin and Nuri (2019) studied the factors that constrain the internationalization process of SEs into 'entrepreneur-specific, firm-specific and context-specific' variables (125).

On the other hand, some scholars emphasized the viability of the business model (BM) of SEs as the primary internal barrier to the internationalization of SEs (European commission 2013; Weber et al. 2015). Likewise, scholars highlighted that success in the internationalization process is contingent on the BM of SEs when they remarked that " the business model must be strong and economically viable; internationalization should take place at a later stage in the social enterprise's 'life cycle' when entrepreneurs have gained sufficient experience at a national level" (Magulious et al. 2019, 263). Moreover, some researchers suggested that international SEs must employ innovative BM and organizational structure to expand in new contexts. Weber et al. (2015) argued that international SEs often encounter barriers in scaling and replicating their BM. Therefore, while highlighting the lack of knowledge in the internationalization of SEs, the preceding studies also indicated the role of BM on the internationalization process. Given the scarcity of empirical study in this field of inquiry (Alon et al. 2018; Zahra et al. 2008), the researcher in this thesis study will investigate the internationalization process of multiple case studies to explore the following research questions.

## **1.1. RESEARCH PROBLEM AND QUESTIONS**

This exploratory research based on the existing gap and suggestion of scholars in the literature of IE and ISE (Santos 2012; Zahra et al. 2008) applies the business model perspective to first, investigate the internationalization process of SEs

empirically and second, to explore the barriers and catalyzers in the internationalization process of SEs. The research problem is the gap in the knowledge on the role and influence of social mission of the BM of SEs in the process of internationalization which is rarely attracted the attention of scholars and many scholars highlighted that SEs' internationalization practices are far beyond the theories (Alon et al. 2018; Chen 2012). For this reason, this study investigates the internationalization process to understand how the BMs of SEs influence their cross border expansion operations or transfer processes. In this way, this research will be able to explore the factors that constrain or accelerate the internationalization process of SEs when attempting to transfer and adapt their business models in new contexts. Additionally, applying BM perspective assists the researcher to explore how SEs respond to external barriers and contextual obstacles in internationalization process.

## **1.2. METHODOLOGICAL OVERVIEW**

In this empirical study, the researcher, through the qualitative research methodology, employs a thematic narrative analysis for the analysis of four case studies. The exploratory research design and methodology are determined by the nature of the research problem, which is an 'embedded unit of analysis' (Parrish 2007). As a result, the researcher adopted interpretive paradigm and qualitative research method considering the nature of the research question since many scholars highlighted the appropriation and association between the interpretive philosophy and qualitative methods (Leavy 2017; Thomas 2003; Willis 2007).

This thesis study with a deductive qualitative design employed a thematic narrative inquiry (See Alan Bryman 2012; Boyatzis 1998; Murray 2003; Riessman, 2003) in which 'theoretical thematic method' applied for investigating and revealing the hidden themes (Patterns) within the data gathered from multiple case studies (Braun and Clark 2006, 6).

## **CHAPTER TWO**

### **LITERATURE REVIEW**

#### **2.1. INTRODUCTION**

In order to explore the barriers to SEs' internationalization, the researcher reviews three different bodies of knowledge in this chapter. In the first section, literature on social enterprises (SEs) and their evolution will be reviewed. The second section, literature on business model (BM) of conventional enterprises will be reviewed, and in the third section, literature on BM of SEs will be reviewed to reveal their distinctive institutional logic (goals) and dominant logic of actions in comparison to commercial enterprises; the characteristics which incur different tension and barriers in the process of internationalization. To successfully manage their hybridity, SE encounters diverse barriers in integrating dual missions into their business models (BMs). In the section four, the literature on the internationalization of SEs will be reviewed to present different complexities that constrain the value creation and replication process when transferring their BMs to new contexts. The section incorporates three divisions in which different types of barriers to the internationalization of SEs will be demonstrated including 1. Social mission barriers, 2. External barriers, 3. Internal barriers. Finally, in the section five, the literature review will present the outcome of the internationalization of SEs in which international SEs attempt to overcome the internationalization barriers through adjusting their BMs into the context of host country.

In the following section, the researcher will take a look at some of the historical changes because socio-economic and socio-political conditions are useful as a starting point for better understanding and identifying the roots, antecedents, and

environments in which social entrepreneurship and social enterprises (SEs) have emerged and been practiced.

## **2.2. LITERATURE REVIEW OF SOCIAL ENTERPRISE (SE)**

### **2.2.1. Historical Development and Evolution of Social Enterprises (SEs)**

Literature of SE in the last three decades particularly after 1990 has witnessed extensive number of publications and great contributions of researchers from different academic background and geographic locations with diverse socio-economical contexts (Granados et al. 2010).

The study of social enterprise and social entrepreneurship theory and research by a systematic review of the literature on SE between the years 1991 -2010 revealed that SE is a mature scientific discipline; the literature is developing through theory building; however, more empirical research and validation is required for creating consensus on the field boundaries. The research also presented ‘geographical spread’ and internationalization of SE studies and identified two countries (UK and USA) as dominating areas of SE studies (Ibid). For this reason, literature on conceptualization of SE have made based on the two dominant approaches of EU and USA as two main schools of thought (Defourny and Nyssens 2010; Kerlin 2009). In the same way, some scholars discovered that the majority of studies are theoretical/conceptual research with qualitative approaches and lack of empirical and quantitative research hindered the theoretical progress and development of impact measurement models (Granados et al 2010; Saebi et al. 2018). In this regard, Saebi et al. (2018) asserted that “lack of large-scale empirical data hampers evaluating the true effects of SEs on a societal level” (20). Granados et al. (2011) discovered the theoretical and descriptive character of the SEs and social enterprise (SE) studies through a bibliometric analysis of 286 publications. The authors concluded that SE and SEs

studies are in the process of maturing and the fields require more theory development and expanding empirical analysis for resolving the boundaries (Ibid). The most recent studies also have indicated abundant conceptual studies in the context of SEs (Defourney and Nyssens 2019, Saebi et al. 2018). Despite, researchers highlighted that absence of unifying and encompassing conceptualization of SE as a ‘central issue’ that has induced high degree of heterogeneity in the identification and categorization of SE in international studies (Defourney and Nyssenes 2017, 69). Taking into account the macro-level characteristics of the various contexts indicated that the socio-economic and regulatory institutions in the pertinent country environment impact the type of SEs that emerge in the international contexts (Kerlin 2012, 2015). In addition, a result of the recent empirical analysis of EMES Network in the EU and the US presented that typology of SEs are influence by combination of ‘macro-level’ (institutional factors) and ‘meso-level’ (organizational aims) in the same country context (Defourney and Nyssens 2019, 73). According to Dees (1998), despite appearing to be a recent trend, social entrepreneurship refers to a long-standing phenomenon. It is traceable on the global history that in many institutions and movements have been created by extraordinary social change-makers throughout the history as Florence Nightingale, Susan B. Anthony, Gandhi (Nicholls 2006, Bornstein and Davis 2010). Matthew MacDonald (2018) in his historiography asserts that social enterprise is “twenty first century label” which has given way to the activities that used to be done in histories of charitable philanthropy since 1600. Similarly, Bornstein and Davis (2010) in the book *SE what everyone needs to know* pointed out that “in the past social entrepreneurs called visionaries, humanitarians, philanthropists, reformers, saints, or simply great leaders” (2). According to the authors, SEs emerged in Europe since seventeenth century when traditional structures of societies compelled and structural reforms started (Bornstein and Davis 2010). Scholars while highlighting the forces behind historic social changes emphasized on the period of “Enlightenment, the advent of political liberalism and theory of natural

rights- rights to life, liberty and property” which provided ground for SE and emerge of new sector of society as 'private sector' (Ibid, 3). Likewise, they emphasized on modern socio- economic changes after the birth of classical economic with *wealth of nations and moral sentiment of Adam Smith* which coincided with the birth of United State which conveyed to economic liberalism and emergence of legal innovations such as corporate legal structures and creation of limited liability, joint stuck corporation increased the pace of capitalism in modern history. Although, private sector’s corporations, capitalists and investors have grown immensely powerful but the shifts in economic paradigm has always affected the political-economic trends and consequently changed economic and social stability in private and public sector in which social entrepreneurship have been practicing. Roper and Cheney (2015) explained the role of historical and socio- political development on interactions between state-private sector and state- public sector which ultimately effect on the fate of private sector, conventional business, and social entrepreneurship/social enterprises in United State and Europe. The scholars highlighted that the shift of economic paradigms as; Keynesian model of social democracy, free market/neo-liberalism, and globalization have changed the level of commitment of states and governments to social welfare in different countries and contexts and led to shrinking budget and commitments in the social projects which raised the formation of nongovernmental organizations an different variety of social organizations as new societal trends in social entrepreneurship (Ibid).

Correspondingly, some other scholars stated that historic changes, socio-politic and socio-economic developments particularly ‘institutional factors of different contexts’ paved the way for the emergence of new social trends to address social issues as ‘market-based approaches’ and different typologies of social enterprises under the broad spectrum of social entrepreneurship (Kerlin 2012; Defourney et al. 2019). Some researchers emphasized the relationship between the variations of SEs’ structures and socio-economic circumstances of their respective country in this regard

(Kerlin 2009). For instance, Kerlin (2012) while illustrating a framework for presenting the role of macro-level institutions as culture, state, economy and civil society in shaping the social enterprise models and structures, explored diverse characteristics of SEs in the five countries as; “Autonomous mutualism SEs in Argentina, Sustainable subsistence SEs in Zimbabwe, Enmeshed focused SEs in Sweden, Dependent focused SEs in Italy, and Autonomous divers in United States” (106). The author argued that states and socioeconomic institutions of countries determine the type of social enterprises and highlighted the primary role of the state on the diversification of social enterprise models in different countries and emphasized that SEs models will evolve in different nations due to change in socio-economic institutions and power relations (Ibid).

Moreover, Nicholls (2006) in the ‘*New Model of Sustainable Social Change*’ studied antecedents and different ranges of drivers behind the emergence of different types of social organizations in twenty first century and highlighted poverty, environmental degradation, moral injustice as main forces behind the global expansion of SEs.

On the other hand, the author while presenting the forces of diversified sustainable SE models in international contexts (e.g. Credit Union, Grameen Bank, BRAC, and Fair Trade models) also highlighted their distinctive roles and impacts in creating systemic social changes by influencing global social behaviour (Nicholls 2006). The author asserted that that international SEs with the help of their networks and ignoring the institutional and organizational barriers generate systemic social change (impact) and sustainable innovative interventions (Ibid). Furthermore, Zahra et al (2008) emphasized on the distinctive characteristics of social opportunities which contributed to the internationalization of social enterprises and exemplified four key forces behind the globalization of social enterprises as “the global wealth disparity, corporate social responsibility movement, institutional failures, and technological advances” (254).

In general, many scholars believe that SE trends which are currently a global phenomenon – are reconfigured models of old ‘social services’ that were previously performed under ‘charities’ or ‘charitable organizations’ to solve the community problems, however now they are accomplishing in very systematic and highly innovative levels with diversified scales and impacts in different structural settings (Nicholls 2006; Kickul and Lyons 2012). In the same vein, in *the study of the politic of social enterprises*, Ridely-Duff and Bull (2016) examined how social organizations (SEs) have evolved as an economic and political reaction to the tensions caused in the global political context. Scholars argued that globalization contributed to forming new types of ‘socially responsible businesses’ (SRBs), but at the same time, it sparked ‘charitable trading activities’ (CTA) and ‘cooperative and mutual enterprises’ (CMEs) within the social sector (civil society or third sector) to restrict and fight it as well (Ibid, 89).

### **2.2.2. Definition of Social Enterprise (SE)**

In this section, before presenting some of the key definitions and conceptualizations of the term 'social enterprise' (SE), it is crucial to emphasize that the absence of clear-cut definitions of the SE in the literature has caused interchangeable application of the concepts of social enterprise (SE) and social entrepreneurship in the field. Although these concepts have different approaches and implications, only some studies in the field pointed to this issue and highlighted the overlap of these two concepts with each other (Defourney 2010; OECD 2010; Peredo and McLean 2006). According to some studies, the primary cause of this problem is the disparity between SE definitions based on the context of their operations and the socio economic and cultural environment in which they developed (Mair and Marti 2006; OECD 2010). Moreover, many scholars discussed that social enterprises (SEs) are new

organizational form that have specific features or unique dimensions which distinct them not only from commercial entrepreneurship and business organizations but other social organizations working within the public or social sectors (Alon et al. 2020; Chen 2012; Santos 2012; Zahra et al. 2014). To Lee (2015), "the simplistic view is that social entrepreneurship is the process by which social entrepreneurs pursue opportunities to create social enterprises" (271). The father of social entrepreneurship, Greg Dees, defined SEs as "different things to different people" (Dees 1998, 1); perhaps this is the finest definition that highlights the ambiguity of the term (SE) and the 'multilevel nature of SE' (Saebi et al. 2018, 15-20) or 'multiple faces of SE' (Bacq and Jenssen 2011, 2) which led to the absence of academic consensus on the implication of SE in the literature (Dacin et al. 2010; Nicholls 2010). In addition, since the majority of scholars have attempted to focus and define the process of social entrepreneurship and social enterprise the explicit involvement of SE has been neglected in the literature (Dacin et al. 2010). Therefore, the definitions of SE which will be presented in the following table (1) are also applied to define the social enterprises in this study.

**Table 2. 1.** Definition of Social Enterprise (SE)

Source	Definition
<b>Dees (1998)</b>	Social enterprise are the result of the number of processes carried out by 'change agents' who are actively engaged in the process of; 1) Adopting a mission to create and sustain social value, 2) Recognizing and relentlessly pursuing new opportunities to serve that mission, 3) Engaging in the process of continuous innovation, adaptations and learning, 4) Acting boldly without being limited by resources currently in hand, and 5) Exhibiting heightened accountability to the constituencies served and for the outcomes created" (4).
<b>Austin et al. (2006)</b>	Social enterprise generates from "innovative, social value creating activity that can occur within or across the nonprofit, business, or government sectors" (2).
<b>Mair and Marti (2006)</b>	Social enterprise "refers to the tangible outcome of entrepreneurship as the process or behavior including 1) Innovative use and combination of resources 2) exploiting opportunities to create social value by catalyzing social change and/or meeting social needs"(37).
<b>Zahra et al. (2009)</b>	Social enterprise is new form of organization that is "undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner" (519).
<b>Granados et al. (2010)</b>	Social enterprise is "an organizational form with primarily social drivers that undertakes innovative business operations in order to be auto-sustainable and guarantees the creation, sustainment, distribution and/or dissemination of social or environmental value; therefore economic drivers are means to a social end, not the end in itself" (199).
<b>Santos (2012)</b>	Social enterprises are about "developing and validating a sustainable solution to problems that often have a local expression but global impact" (348).
<b>UK Central Government's, Department for Business, Innovation (https://www.gov.uk)</b>	Social enterprise is "a business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners".
<b>Social Enterprise UK (http://www.socialenterprise.org.uk)</b>	Social enterprises are "businesses that trade to tackle social problems, improve communities, people's life chances, or the environment. They make their money from selling goods and services in the open market, but they reinvest their profits back into the business or the local community".

Source: Author's Own Elaboration

Previous conceptualization presented that SEs associates with entrepreneurs' activity, skill, and practice (Paredo and Mclean 2006) or "refers to process and behavior" of entrepreneurs in the creation and integration of social value and economic missions, however the intention of capturing economic value often is to ensure and maintain the sustainability of created social value and social organization

which is discussed by many scholars (see, Mair and Marti 2006; Zahra et al. 2009). Reviewing the preceding definition of SE also presented that existing definitions provide an ‘umbrella term’ (Saebi et al. 2018, 20) for diverse definitions of social enterprises which are identified theoretically and empirically through EMES Network studies (Defourney and Nyssens 2019). Despite the absence of common definition of SE that are presented by preceding conceptualizations, most of researchers made consensus on some distinctive elements of SE such as: double mission, social aspect, and social mission which will be pointed out in the following sections.

#### **2.2.2.1. Double Missions of SEs (Double Bottom Line)**

Some leading business school as Fuqua School defined SEs by emphasizing on double bottom line that refers “doing well financially by doing good” (Zahra et al. 2009, 521), such as; providing product and service to disadvantaged individuals and communities through business approach which result in generating social impact for beneficiaries while ensuring financial sustainability for the social enterprise (Chen 2012; Darby and Jenkins 2006). Reducing poverty and job creation through business models that create market place for products of impoverished communities (Chen 2012) and sometimes offering models and solutions for environmental problems which are well-known as triple bottom-line missions or blended value creation (Emerson 2003; Nicholls 2009, Zahra et al. 2014). What distinguishes SE from conventional for-profit businesses is their dedication to create total wealth which derive from calculation of economic wealth and social wealth (Zahra et al. 2009) or their commitment in generating mutual-benefit rather than self interest (Zahra et al. 2014).

### **2.2.2.2. Social Aspects of SEs**

Most academics studying social entrepreneurship have attempted to elucidate the traditional businesses and social ventures differences. Many researchers agreed that social enterprises (SEs) are novel organizational forms that have specific features or unique dimensions which differ them from conventional business organizations such as for-profit commercial companies (Alon et al. 2020; Chen 2012; Dacin et al.2010; Zahra et al. 2014). For instance, the ‘social aspect’ of SEs is one of the features that scholars relied on as defining characteristic and utilized similar terminologies interchangeably such as ‘social value’, ‘social wealth’, ‘social benefit’, ‘social justice’, and ‘social mission’ or ‘social purpose’ (e.g. Austin et al. 2006; Dacin and Dacin 2011; Mair and Marti 2006; Martin and Osberge 2007; Zadek and Thake 1997; Zahra et al. 2009; Defourney and Nyssens 2010, 2017). Contrasting to earlier studies, Santos (2012) avoided explaining the distinction between SEs and commercial entrepreneurship based on the tautology of the ‘social aspects’ (336). The primary distinction between SEs and traditional organizations is the “trade-off between value creation and value capture”, implying that value creation takes precedence over value capture in all SE organizational functions (Ibid, 337). In a similar vein, Zahra et al. (2014) argued that the creation of social value is not exclusive to SEs, but all commercial organizations also create social or environmental value; however, what distinguishes SEs from conventional business organizations is the serious priority given to achieving "social outcome" and increasing social impact than capturing financial profit which could be preserved in "SEs' mission statements and constitutions" (143).

### **2.2.2.3. Social Mission of SEs**

Reviewing the literature and existing conceptualizations presented that most of scholars are generally agreed on the ‘social mission’ of SE as “exploiting opportunities for social change and improvement, rather than traditional profit maximization” (Zahra et al. 2008, 521). Similarly another scholar described SEs as “a process that catalyzes social change and addresses important social needs in a way that is not dominated by direct financial benefits for the entrepreneurs. Priority is given to promoting social value development versus capturing economic value” (Mair and Marti 2006, 36). Nicholls (2006) asserted that “the primacy of ‘social mission’ over all organizational objectives is the first key determinant of a potentially socially entrepreneurial venture” (13). In the same way, Dees (1998) debated that “for social entrepreneurs the social mission is explicit and central” (2). Moreover, Austin et al. (2006) affirmed that ‘SE exists to generate social value either ‘from within or outside of the organizations boundaries’ and highlighted ‘the centrality of social purpose’ for SEs by proposing the PCDO framework (381). Ultimately, Defourny and Nyssens (2010) highlighted that “for all schools of thought, the explicit aim to benefit the community or the creation of social value is the core mission of social entrepreneurship and social enterprises” (44).

It can be concluded that there is no precise definition and this lack of consensus on the definitions originated from the investigation of the context of SEs through different fields, disciplines and scholars from variety of academic background in general (entrepreneurship, sociology, psychology, management, organizational theory, etc) and from different level or perspective in particular (the heterogeneity of a unit of analysis) (Foss and Saebi, 2017; Saebi et al., 2018). In addition, the definition of SEship and SE can vary based on geographic locations and institutional contexts, political-economic development of each country (Defourny and Nyssens 2006; Kerlin 2012). In this regard, Saebi et al. (2018) precisely illuminated that SE provides multilevel and multistage framework as it can be studied

from different level of analysis (individual level, organizational level, and institutional level) and also can be studied from different dimensions – ‘Dimensionalization of social entrepreneurship’ and offered ‘typology of social entrepreneurship’ (3). In Contrast, Dacin et al. (2010) pointed to the interdisciplinary focus of social entrepreneurship as the reason of the field’s attractiveness “as it intersects a number of boundaries drawing explicitly from anthropology, economics, political science, psychology, and sociology” (1203).

Although, preceding definitions and explanation of SE and SEs demonstrated that majority of scholars are agreed on some of the feature of SE, the level of preference given to the social missions in theory and practice is another reason for fragmentation of the field (Dacin et al. 2010; Mair and Marti 2006; Mair et al. 2012; Saebi et al. 2018, Zahra et al. 2009).

On the other hand, most of definitions stressed on social aspect as a ‘common denominator’ for explaining the SE and SEs (Dacin and Dacin 2011; Santos 2012; Zahra et al. 2008). Thereby, some scholars suggested to avoid from the tautology in using the word ‘social’ in order to enhance clarity of the concept through positive theory of entrepreneurship (Santos 2012).

### **2.2.3. Three Schools of Thought of SEs**

Defourney and Nysensse (2013) in the *international hand book on social innovation* introduced three major conceptualizations of SE models based on their history and emerging contexts. They highlighted that existing conceptual differences originated from their schools of thought in United States and Europe. The researchers also specifically emphasized on the different role of ‘social innovation’ in ‘Earned income school of thought’, ‘Social innovation school of thought’ and later introduced the EMES approach to social enterprise and discussed the link between social innovation and public policy in SE landscape.

Likewise, Ridely-Duff and Bull (2016) in the book *'understanding social enterprise theory and practice'*; explained how social entrepreneurship offers a new field of study which has originated from three schools of social entrepreneurial thought as; the social innovation school, social mission school and school of socialized ownership and control. In this regard, Defourny and Nyssens (2010) highlighted that “for all schools of thought, the explicit aim to benefit the community or the creation of social value is the core mission of social entrepreneurship and social enterprises” (44).

#### **2.2.3.1. The Earned-Income School of Thought**

Refers to stream of research that shaped by business school scholars who relied on social entrepreneurship and stressed on social mission and social purpose in defining the concept of SEs and SE (e.g. Nicholls 2006, Mair et al. 2006; Martin and Osberg 2007). The conception of SE has its origin in a ‘trend toward commercialization’ or in an ‘entrepreneurial behavior’ which has been started within ‘non-profit sector’ since the late 1970 and early 1980 in the United State (Defourney and Nyssens 2010, 2-3). According to Dees and Anderson 2006 it refers to trading approach of a non-profit organization for a social purpose. Similarly some other scholars refer the strategic move of non-profit organizations toward using commercial activities (Defourney and Nyssens 2010; Kerlin, 2006, 2009). For example Defourney and Nyssens 2013 highlighted the place of ‘earned income strategy’ in many conception of SE and referred it as ‘commercial non-profit approach’ that implies ‘market oriented economic activity serving a social goal” (Defourney 2006, 4). This ‘market oriented conception’ (Defourney and Nyssens 2010) contributes the nonprofit organization to extend the base of funding in the contexts with shortage of public resources and voluntary donations (Kerlin 2006). In recent studies it has referred as ‘mission driven business approach’ in which all forms of organization in the SE spectrum undertaking

business activities for pursuing ‘social purpose’ (Austin et al. 2006). For example the Social Enterprise Alliance defined SE as “any earned-income business or strategy undertaken by a non-profit distributing organization to generate revenue in support of its charitable mission. “Earned income” consists of payments received in direct exchange for a product, service or a privilege” (Social Enterprise Alliance).

According to Ridely-Duff and Bull, (2016) SE approach in earned income school is equivalent to offering social value in innovative manner and is comparable to innovation school in that both are concerned with cultivation social entrepreneurs. The “Eden project” for instance is a fantastic example of integration between social innovation and social purpose since in that it offers an excellent arena for promoting people’ perception of plants, resources and environment which contributes to creation of sustainable future for all. The heart of this project is beating in its social and environmental purposes. They deliver goods and services through events, exhibition, and gardens for stimulating and promoting sustainable use of plant resources as their ultimate social and environmental impacts.

#### **2.2.3.2. Social Innovation School of Thought**

According to Defourney and Nyssens, 2010, 2013 the second root of the debate on SEs and SE emphasizes on individual level of SEs or the social entrepreneurs who offer innovative solution that is designed to overcome the intractable social problems and to create systemic change. The social entrepreneur in this stream is the ‘change agent’ in Dees definition (1998) who have active role in the process of value creation similar to institutional entrepreneurs. According to Defourney and Nyssens (2010), this school primarily has supported by Bill Drayton and Ashoka organization in 1980 and the social entrepreneur first referred as ‘public entrepreneurs’ and further referred as ‘Ashoka Fellow’ who “have innovative solution to social problems which often has the potential to create systemic change across society” (3). Some scholars highlighted the vital role of ‘outcomes’ in this school which is opposite to ‘earned

income' school that is highly income oriented (Dees 1998, Mulgan 2007, Defourney and Nyssens 2013). Ridely- Duff and Bull (2016) referred 'social innovation' school to Nicholls (2006), Martin and Osberg (2007) who correlates SEs and SEs with production of different kind of innovation for improving the community well-being. Mondragon corporation in mid 1950 and its distinctive nature of the firm due to its special management model, organizational design and inventions which was based on the belief of the 'priority of labor over capital' is an excellent example of social innovation school. Mondragon has proved that it is possible to be successful without relying on transaction cost – (Coasian /Williamson) - conventional business theories of the firm. This enterprise privileged by its mission and created value (social invention- social transformation) through the political and technical education of labors to prove the subordination of interest of capital to interest of its members.

#### **2.2.3.3. Socialization School of Thought (EMES Approach to SEs)**

According to Borzaga and Defourney (2001) and Defourney and Nyssense (2010), this school of thought, emphasis is on the socialized ownership and control as crucial aspects for preserving and ensuring the democratic values and principles in organization. It implies the management model in cooperative organizations which controlling by elected local boards in contrast to the unitary boards of members who controlling multinational corporations (MNCs). "Mondragon Corporation" again is the good example due to its distinctive management model which committed to cooperative model for ensuring democratic principles. It is noteworthy that socialization school is influenced by EU 'social economy' and that social enterprises are categorized based on reciprocal interdependencies exist between three SE dimensions which imply their organizational structure and governance mechanisms in various forms of SEs. Therefore, considering the characteristic of each school of social enterprises is helpful in recognizing types of SE and their dominant

institutional logics as most of them have named as social enterprise while they are different in essence and in nature.

Among the three major schools of thought of SEs, EMES approach precisely paid attention to the inclusion of “governance dimension” in their research and analysis as a key tool to maintain the primacy of the social mission by emphasizing on; 1. democratic model of governance as “democratic control” which refers to “distributed decision making power” 2. “participatory involvement of stakeholders” or inclusion of various categories of stakeholders as “beneficiaries, employees, volunteers, public authorities and donors” in the membership or in the board of the social enterprise and creating ‘multi-stakeholder ownership’ in the governance structure of SEs (Defourney and Nyssens, 2017, 92). The scholars studied governance dimension across typology models of SE and identified diversified “governance structures” among European SEs, further analyzed them based on two different perspectives; 1. Primacy of social mission and profit distribution and identified the four features of profit distribution 2. Decision making process and identified four type of governance models across SEs models. The authors emphasized on the correlation and reinforcing power of both features (governance model and profit distribution rules) and highlighted that they ensure pursuit of organization mission and “shape respective places of the social aims and the economic objectives in most social enterprises”. (Defourney and Nyssens 2017, 93) ultimately in their other study came up with conclusion that “governance mechanisms in social enterprises appear as devices protecting them from mission drift and as key instruments enabling them to keep a sustainable balance between economic and social goals” (Defourney and Nyssens 2019, 24).

#### **2.2.4. Governance Model of SEs**

Dimension of governance (Borzaga and Defourney 2001) has highlighted as a key tool for enhancing social mission of SEs. It offers different mechanisms for “protecting from mission drift and enabling SE to keep a sustainable balance between economic and social goals” (Defourney and Nyssense 2019, 24). This dimension of SE is rarely assessed in the literature, however in practice, “European SEs” have paid more attention to governance models and applied different mechanisms such as “democratic model”, “independent model”, “capitalist model”, and “participatory involvement of stakeholders” (Defourney and Nyssense, 2010, 2019), “profit distribution constraint”, “asset lock” (Defourney and Nyssense 2016, 21-22 ). These mechanisms are more diversified across SE models and can be distinguished “from a total non-distribution constraint to limitations on the distribution of profit, but the absence of any constraint may also be observed” ((Defourney and Nyssense 2016, 21) which have discussed and illustrated broadly in different studies of EMES network (Defourney and Nyssense, 2010, 2016, 2017, 2019).

#### **2.2.5. Organizational Form of SEs**

SE is an umbrella term (Martin and Osberg 2007, Saebi et al. 2018) which contains many forms of organizations with vast array of typologies and distinct ‘activities and processes to enhance social wealth’ (Zahra et al. 2009, 519) based on diversified legal forms, mechanisms of governance, organizational designs and management models (Defourney and Neysene 2006; Nicholls 2006; Kickul and Lyons 2012, Ridley-Duff and Bull, 2015; Davis et al. 2018). Scholars investigated the difference of social enterprises, some of them emphasized on the significant role of ‘organizational structure’ and ‘organizational design’ as it directly impacts on social enterprise’ funding (Santos et al. 2015).

Social enterprises can adapt multiple and varied organizational forms (Austin et al. 2006; Lee 2015) in term of organizational structure and legal form such as for-profit, not-for-profit, non-profit or combination of these forms as hybrid organizations or other legal forms which are various based on their context of operation, such as; low-profit limited company (L3Cs) in united states or the community interest company (DTI 2002) in the united kingdom (Bacq and Janssen 2011; Davis et al. 2018 Defourney & Neysene 2006;; Kerlin 2006; Kickul and Lyons 2012; Lee 2015).

Scholars also highlighted other factors that have lead to diversity of SE and identified the importance of governance structure and the level of “structural integration or separation” (Battilana et al, 2012). Another factor is “sector of operation” (public sector, private sector, social economy or third sector) (Defourney and Nyssens, 2010, 2017) for example Davis et al. (2018) rephrased from Perrini and Vurro (2006) that for profit social enterprises are mostly establishing in private sector’s segments.

Diversity of “organizational structure” of social enterprises has illustrated through “social enterprise spectrum” (Dees 1998) or ‘the spectrum of structural options in SEs’ (Dees et al. 2001) which shows the range of “structural options” available for social entrepreneurs (Defourney and Nyssens, 2006) when deciding on organizational design. It has asserted that “organization structure can affect a social enterprise’ financing, accountability and legitimacy” – the ability of revenue generation (Kickul and Lyons 2012). They investigated different structural forms as; purely nonprofit, purely for-profit, hybrid structural forms as; for-profits with nonprofit subsidiaries, nonprofits with for-profit subsidiaries, nonprofit partnerships, and nonprofit–for-profit partnerships.

Preceding studies presented that SE are diverse type of organizations that are locating between the ‘spectrum of ‘pure-for-profit’ and ‘pure-non-profit organizations such as conventional for-profit businesses, CSR and BOP activities, non-profit charities and non-governmental organizations’ (Dees 1996).

### **2.2.6. Hybrid Organization**

Hybridity or hybrid nature refers to organization's dual mission. Some of the definitions in the literature define SE as 'hybrid organizations' (Doherty et al. (2014), however, most definitions signify the hybridity as "hybrid nature of combining a social mission' with 'entrepreneurial activities" (Saebi et al. 2018. 3). They highlighted "SE as a hybrid form, where the dual mission of social and economic value creation acts as an essential criterion to delineate SE from other related phenomena" (Saebi et al. 2018, 20). In the same way, Yunus (2008) precisely defined it as "combining characteristics of a PMP (profit-maximizing business) with those of a social business...and it can happen in limitless ways...there can be innumerable such combinations" (35). Some scholars concentrated on hybridity of SE and its implications and highlighted the permanent state of hybridity as source of organizational tensions (Smith et al. 2013). Lee (2015) asserted that social enterprises have hybrid structure" or "hybridity" is intrinsic to their natures' and caused SEs to be boundless in different sectors (Lee 2015, 284). SEs "simultaneously pursue financial and social goals, while addressing institutional voids" (Alon et al. 2020, 1). Yet, Profit making is not the primary objective; however social enterprises need to generate appropriate profit to become self-sufficient in the long run and to reinvest in the business to assure its sustainability (Lee 2015). SEs are well-known as institutionally hybrid organizations that pursuing two contrasting logics of social and financial (Battilana, 2018; Pache and Santos 2013) and need to create 'self-sufficiency' (Boschee and McClurg 2003) in order to preserve their viability and sustainability in the long run.

In addition, hybridity and the choice between dual organizational missions for creating 'social value' is the source of tension in organizational structure of SE which has studied by different scholars (e.g. Battilana and Lee 2014; Battilana and Dorado 2010). Some studies revealed the ways for managing those tensions by applying

different theoretical frameworks as organizational tension paradox theory, institutional theory stakeholders' theory, organizational identity (Battilana and Dorado 2014; Gonin et al. 2012). According to Battilana and Dorado (2010), conflicts arise from taking on multiple missions and attempting to maximize social and economic performance; in these circumstances, it would be challenging to choose between different priorities for resource allocation, organizational identity, legitimacy, and stakeholder accountability.

### **2.2.7. Typology of SE Models**

The typology of SEs models has emerged in the quest for a unifying conceptualization of SEs, since researchers concluded that ambiguity about the nature of SES and their social value, while impeding the ability to advance research and understanding of the phenomenon, also reduces field legitimacy owing to a lack of consideration as a separate concept (Defourney and Nyssense 2017; Saebi et al. 2018). More precisely, Saebi et al. (2018) asserted that the existing 'ambiguity of the term (SE), definitional issues' and absence of clear dimensionalization of SE construct have constrained researchers to "capture the heterogeneity of a unit of analysis" (3). Thereby, some of researchers have attempted differently to 'overcome conceptual barriers' (Alter 2007, Defourney and Nyssense 2017, Saebi et al., 2018) and raised conceptual clarity by proffering different typology of SEs to identify the distinctive features of SEs more sophisticatedly (Defourney and Nyssens, 2017). Saebi et al. (2018) offered a typology of social enterprises based on two dimensions 1. The social mission that refers to the creation of social value either with beneficiaries or creation of social value for beneficiaries 2. The economic mission that refers to the level of integration between social and economic activities, and identified four type of social enterprises business models' as; "Two sided value model, Market oriented model, one sided value model, Social oriented work model"

(Saebi et al. 2018., 7). The “typology allow researcher to compare SEs based on their BMs and recognize the factors that constrain or accelerate the process of social and economic value creation (Saebi et al. 2018). Similarly, Defourney and Nyssens (2010) provided typology of SE models based on two dominant traditions of SE which is rooted in US and EU as the earned income school and the innovation school. The study introduced “The EMES European approach of SE’ as third ‘school of thought’ of SE” (Defourney and Nyssense 2013). The study also contributed to researchers and practitioners by constituting a tool that contains four economic and five social indicators that are required for ‘ideal-type’ SE, however they emphasized that the tool does not offer “prescriptive criteria” rather it enables user to navigate their position “within the galaxy of SEs”. (Defourney and Nyssense 2010, 5). According to Borzaga and Defourny (2001) three characteristics identify the “ideal-typical” SE as “multiple-goal, multi-stakeholder and multiple-resource”.

The international analysis of EMES Network on the *International typology of the social enterprise model* in 43 countries across the world identified four major SE models or typologies; Entrepreneurial Non-profit (ENP) Model, Social Cooperative (SC) Model, The Social Business (SB) Model, The Public Sector social enterprise (PSE) Model (Defourney and Nyssense 2016, 2017, 2019). Further, the EMES network conducted an empirical analysis to test the typology. The results strongly supported the existence of the four major SE models in the international context of almost 40 countries (Defourney and Nyssense 2019).

Defourney and Nyssenes (2017, 2019) attempted to explore the reason behind the various typology of SEs in the international arena based on the approach that has developed since 1990 by the EMES Network. The scholars came to conclusion that diversity of SEs in the international contexts result from the mutual interdependence between three dimensions of SE which refer to 1. Nature of social mission 2. Type of economic model 3. governance structure result. EMES approach to SE has built on

the specific theoretical framework to define how three dimensions of SE (mentioned above) are shaped by broad categories namely;

1. Principles of interest which refer to ‘mutual interest, general interest and capital interest’ and explain type of ‘benefit’ that are pursuing under different organizational type of SEs as ‘mutual benefit’ or ‘public benefit’.
2. Market reliance and resource mix which refers to different type of resources and the degree of market reliance of different typology of SEs; combination of resource types that are used as; ‘dominant public funding’ such as public grants, ‘hybrid resources’ such as philanthropic resources and ‘dominant market income’.
3. Institutional trajectories refers six traditional model of organizations in the whole economy that generated from three major institutional logics (sectors of economy) 1. Non-profit and general-interest association derived from public sector 2. Mutual-interest and cooperatives that derived from social sector and SMEs and for-profit businesses that derived from traditional business sector. Defourney and Nyssens (2017) by considering the interaction between institutional logics of international contexts and the three dimensions of SEs identified ‘four major SE typologies as; 1) Entrepreneurial Non-profit (ENP), 2) Social cooperative (SC), 3) Social business (SB), and 4) Public sector social enterprise (PSE).

In the same vein, Kerlin (2009) emphasized the association between the diverse typology of SE and the socioeconomic situations of each country. For instance, Kerlin (2012) proposed a framework that illustrates the role of macro-level institutions such as culture, state, economy, and civil society in shaping the social enterprise typologies in the international context. Applying the framework revealed diverse typologies of SEs in five countries such as "autonomous mutualism SEs in Argentina, Sustainable subsistence SEs in Zimbabwe, Enmeshed focused SEs in Sweden, Dependent focused SEs in Italy, and Autonomous divers in the United

States" (Kerlin 2012, 106). In conclusion, given the dynamic characteristics of socioeconomic conditions in different contexts and taking into account the interdependence of the diverse features of SEs, it increases the likelihood that different models of SEs could be generated under diverse institutional settings (Defourney and Nyssens 2019; Kerlin 2012).

### **2.3. LITERATURE REVIEW OF BUSINESS MODEL (BM)**

#### **2.3.1. Overview of BM History**

The business model has roots in the exchange model of pre-classical times. (Amit and Zott 2011, Teece 2010), but the first notion of the business model was coined about six decades ago by Lang (1947) and later by Bellman et al. (1957), which was not related to commercial firms and the field of business management (Peric et al. 2017; Writz et al. 2016). The initial and original definition of the business model has been found in the context of 'information technology' and primarily has been used as activity plan or 'process models' only in creation of information system but later its usage expanded in organization of companies entirely as it was facilitating decision making process of managers (Writz et al. 2016, 37).

Prevalence and prominence of the business model concept in practice and academic research (fields of information management, entrepreneurship, organization theory, business management and strategy) started with the advance of technological development and advent of internet era as the web and e-commerce and 'dot.com' boom since the mid-1990s, (Ghaziani and Ventresca, 2005, Osterwalder et al. 2005, Teece, 2010, Zott et al., 2011). Later the scholars defined the business model concept heterogeneously and alternative terminologies have revealed and used interchangeably through different scholars from diverse disciplines.

### **2.3.2. Definition of Business Model (BM)**

BM research has developed through diverse ‘academic silos’ (Zott et al. 2011, 1019), so fragmentation of the BM literature has led to heterogeneous conceptualizations of the concept (Writz et al. 2016; Foss and Saebi, 2017). This section, is going to present different perspectives of BM definitions in the fields of strategic management and entrepreneurship, I will cite the most frequently cited definitions of scholars based on chronological order in Table 2:

**Table 2. 2.** Definition of Business Model (BM)

Source	Definition
<b>Timmers (1998)</b>	BM is “architecture of the product, service and information flows, including a description of the various business actors and their roles; a description of the potential benefits for the various business actors; and a description of the sources of revenues” (4).
<b>Weill and Vitale (2001)</b>	BM is “A description of the roles and relationships among a firm’s consumers, customers, allies, and suppliers that identifies the major flows of product, information, and money, and the major benefits to participants” (34).
<b>Amit and Zott (2001)</b>	BM is “a unit of analysis” in which "depicts the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities" (511).
<b>Magretta (2002)</b>	BMs are “stories that explain how enterprises work. A good business model answers Peter Drucker’s age old questions: Who is the customer? And what does the customer value? It also answers the fundamental questions every manager must ask: How do we make money in this business? What is the underlying economic logic that explains how we can deliver value to customers at an appropriate cost?” (4).
<b>Afuah and Tucci (2004)</b>	“A system that is made up of components, linkages between the components, and dynamics.’ or ‘the set of which activities a firm performs, how it performs them, and when it performs them as it uses its resources to perform activities, given its industry, to create superior customer value (low-cost or differentiated products) and put itself in a position to appropriate value” (9).
<b>Morris et al. (2005)</b>	BM is a “concise representation of how an interrelated set of decision variables in the areas of venture strategy, architecture, and economics are addressed to create sustainable competitive advantage in defined markets” (727).
<b>Johnson et al. (2008)</b>	BM “consists of four interlocking elements that taken together, create and deliver value” as customer value proposition, profit formula, key resources, and key processes” (52).
<b>Teece (2010)</b>	BM “describes the design or architecture of the value creation, delivery, and capture mechanisms (a firm) employs. The essence of a business model is in defining the manner by which the enterprise delivers value to customers, entices customers to pay for value, and converts those payments to profit” (172).
<b>Zott and Amit (2010)</b>	BM is “a system of interdependent activities that transcends the focal firm and spans its boundaries, this activity system enables the firm, in concert with its partners, to create value and also to appropriate a share of that value” (216).

Source: Author’s own elaboration

### 2.3.3. Stream of Research in BM Studies

Reviewing preceding literature presented heterogeneous comprehensions and different definitions of the BM concept due to varying perspective of researchers. Zott et al. (2011) explored that BM concept and studies were developed in three main disciplines or academic silo as:

**1. Silo of organization researchers:** In this stream researchers attempted to understand how firms particularly ‘e- businesses’ were doing business electronically. Generic e- business models were described through distinguishing e-business model component and classification of e- businesses to different typologies (Timmers 1998; Magretta 2002; Mahadevan, 2000); the main purpose was revealing their roles in their respective ecosystems.

**2. Silo of strategy researchers:** In this stream scholars interested in strategic issues such as firm’s activities and value creation mechanisms for improving firm performance and competitive advantage; therein concentrated on 1. the networked nature of value creation; 2. the relationship between business models and firm performance; 3. the distinction between the business model and other strategy concepts (Zott et al. 2011, 1031). For instance, Amit and Zott (2001) concentrated on value creation mechanisms through networked markets and introduced four value drivers of BM (Amit and Zott 2001). Likewise, Hamel (2000) highlighted the importance of firm’s activities with its network and suggested creation of ‘value networks’ in firm’s BM for enhancing value creation and value capture (Hamel, 2000). Mainly in this stream most of the conceptualizations of BM were based on activity system and scholar attempted to identify to the role of BM on competitiveness and interaction between BM activity and value creation (Zott et al. 2011).

**3. Silo of technology management researchers:** In this stream, scholars have functionalist perspective and concentrating on innovation dimension of BM to demonstrate two different roles and functions of BM. It is not only the tool for

commercialization of innovative ideas (technological innovation) but also is a new subject of innovation and can be shaped by technological innovations (Mitchell and Coles, 2003). Teece (2010) simply articulated the two functions of BM by noting that “new business models can both facilitate and represent innovation” (176). The scholars while asserted the importance of technological innovation on firm performance however they suggested unique business model design is necessary for fully realization of commercial potential of technological innovation (Chesbrough and Rosenbloom, 2002; Chesbrough 2010). Studies introduced different modes and approaches for business model innovation as open innovation (Chesbrough, 2003) and collaborative entrepreneurship (Miles et al. 2006). One of the keys finding of the studies in this stream is the effect and role of business model innovation on firm performance and there is an increasing consensus that organizational transformation and renewal are consequence of business model innovation either incrementally or radically (Demil and Lecocq, 2010; Doz and Kosonen, 2010). The review Zott et al. (2011) have revealed the fragmentation of business model studies through multidisciplinary approaches also identified that scholars and conceptualizations converge on four emerging themes as “1) BM provides a new unit of analysis, 2) BM emphasizes a system-level, holistic approach to how firm “do business, 3) BM encompasses not only the focal firm but at the same time can involve boundary spanning activities as different range of activities play important role on focal firm, and 4) BM demonstrates not only the process of value capture but the value creation” (1038). Moreover, Lambert and Davidson (2013) reviewed BM research during 1996 to 2010 and analyzed 69 articles that were applied BM concept in empirical research. They classified BM studies into three dominant streams of research as: “1. Business model as the basis for enterprise classification 2. Business models and enterprise performance 3. Business model innovation” (673). In the same way, Foss and Saebi (2017) by systematically reviewing of BM studies between 2000 and 2015 explored the same streams of research which will be review briefly as follow;

### **2.3.3.1. Stream of Business Model as Basis for Enterprise Classification**

The concept of business model in this research stream applied to uncover and identify different characteristic of BMs in a specific group of companies or an industry. Early in the twenty-first century, the emergence of e-commerce and the popularity of e-business initiatives drew attention to the need to identify and categorize the value drivers of e-business models (Amit and Zott, 2001; Magretta 2002). Amit and Zott (2001) defined four business model's value drivers and classified them as novelty-centered, efficiency-centered, lock-in-centered, and complementarily centered. Indeed, business models applied as a new analytical framework for classifying the firm population into homogeneous grouping.

In the next stream of research, the classification studies provided a foundation for analyzing the interaction between business models, firm performance, and innovation, in the following streams.

### **2.3.3.2. Stream of Business Models and Enterprise Performance**

The studies in this stream attempted to identify the drivers of enterprise success and the relation between business model and enterprise performance (Baden-fuller and Morgan 2010; Dunford et al. 2010). Scholars studied firms' success through identifying financial and non-financial performance measures (De Young 2005).

Diverse range of factors have constituted to firms' non-financial performance such as 'creation of value networks' in the composition of BM (Mair and Schoen 2007, 59); Accordingly, business models in many studies have argued as driver or indicator of firm performance or enterprise success (Dunford et al., 2010). Some scholars highlighted role of BM imitation (Chesbrough 2010; Teece 2010) and some studies highlighted role of replication of BM (Doz and Kosonen 2010; Winter and Szulanski 2001) as determinant factor on successful types of business models. These studies

contributed to BM literature by identifying driving force of BMs on enterprise performance.

### **2.3.3.3. Stream of Business Model Innovation**

For the first time in the literature, Mitchel and Coles (2003) highlighted the functions of the BM as its innovativeness, which allows it ‘to be both a vehicle for and a topic of innovation’ (Zott et al. 2011, 1033-1034). Amit and Zott (2001) also emphasized that “firm’s business model is an important locus of innovation and a crucial source of value creation for the firm and its suppliers, partners, and customers” (493). It has also broadly elaborated in the study by Teece (2010) in which asserted that “the new business models can both facilitate and represent innovation as history demonstrates” (176). Foss and Saebi (2017) analyzed large numbers of studies on BMI and revealed the massive evolution of the BM literature over the last two decades (2000 - 2015). Their research presented that scholars only were agreed on the components of BM as “the firm’s value proposition and market segments, the structure of the value chain required for realizing the value proposition, the mechanisms of value capture that the firm deploys, and how these elements are linked together in an architecture” (202). Foss and Saebi (2017) explored three streams of research in BM studies as 1) BM as basis for enterprise classification 2) BM as antecedent of heterogeneity in firm performance 3) BM as potential unit of innovation” (202). Scholars in this stream, emphasized the dynamic character of the BM and explored the positive influence of BM innovation on enterprise performance (Foss and Saebi 2017; Lambert and Davidson 2013). The dynamic characteristic of the BM which implies the interconnectedness between the components of BM also has motivated the scholars to scrutinize the innovation dimension of business model from different perspectives (Foss and Saebi, 2017). Demil and Lecocq (2010) while identifying the underlying reason behind the dynamic nature of BM, also clarified two different implications of the BM concept through identifying static approach and transformational approaches

to BM studies. Static approach analyzes the consistency of BM in relation with performance, however, in transformational approach, “the BM is a tool to address change and focuses on innovation either in the organization or in the BM itself” (Demil and Lecocq 2010, 228). So, the transformational approach explains the process of change of BM whereas static approach uses the BM to analyze the consistency of the BM with successful performance. Thereby, it has highlighted that “BM is in a permanent state of transitory disequilibrium” which means focal firm require to maintain business model sustainability through adaptation to environment (Demil and Lecocq 2010, 240).

In the following section, the most frequently cited definitions of BMI will be presented based on chronological order in table (3), and further, the relevant streams of research in the literature on BMI will be reviewed.

**Table 2. 3.** Definition of Business Model Innovation (BMI)

Source	Definition
<b>Mitchell and Coles (2004a)</b>	“by business model innovation, we mean business model replacements that provide product or service offerings to customers and end users that were not previously available. We also refer to the process of developing these novel replacements as business model innovation” (17)
<b>Markides (2006)</b>	“Business model innovation is the discovery of a fundamentally different business model in an existing business” (20).
<b>Santos et al. (2009)</b>	“Business model innovation is a reconfiguration of activities in the existing business model of a firm that is new to the product service market in which the firm competes” (14).
<b>Gambardella and McGahan (2010)</b>	“Business-model innovation occurs when a firm adopts a novel approach to commercializing its underlying assets” (263).
<b>Yunus et al. (2010)</b>	“Business model innovation is about generating new sources of profit by finding novel value proposition/value constellation combinations” (312)
<b>Amit and Zott (2012)</b>	BMI is redefining; 1) content (adding new activities), 2) structure (linking activities differently), and 3) governance (changing parties that do the activities) (45).
<b>Bucherer et al. (2012)</b>	“We define business model innovation as a process that deliberately changes the core elements of a firm and its business logic” (184).
<b>Abdelkafi et al. (2013)</b>	“A business model innovation happens when the company modifies or improves at least one of the value dimensions” (13).
<b>Aspara et al. (2013)</b>	BMI is defined as “a change in the perceived logic of how value is created by the corporation, when it comes to the value-creating links among the corporation’s portfolio of businesses, from one point of time to another” (460).
<b>Berglund and Sandström (2013)</b>	“A BMI can thus be thought of as the introduction of a new business model aimed to create commercial value” (276).
<b>Casadesus-Masanell and Zhu (2013)</b>	“business model innovation refers to the search for new logics of the firm and new ways to create and capture value for its stakeholders; it focuses primarily on finding new ways to generate revenues and define value propositions for customers, suppliers, and partners” (464).
<b>Khanagha et al. (2014)</b>	“Business model innovation activities can range from incremental changes in individual components of business models, extension of the existing business model, introduction of parallel business models, right through to disruption of the business model, which may potentially entail replacing the existing model with a fundamentally different one” (324).

Source: Author’s own elaboration

#### **2.3.4. Research Streams in BMI Studies**

In the literature of BMI, Teece (2010) well elaborated on the subject of change and innovation in the BM by stating that “whenever a business enterprise is established, it either explicitly or implicitly employs a particular business model that describes the design or architecture of the value creation, delivery, and capture mechanisms it employs” (172) on the other hand however the author included that “developing a successful business model is insufficient to assure competitive advantage as imitation is often easy” (173). Therefore enterprise success and sustainability is not only influenced by the design of a business model that corresponds to feasible revenue and cost architecture but also related to maintaining the model and delivering sustainable profit (Teece 2010). In this vein, scholars highlighted the essential role of two different factors as differentiation and adaptation to competitive environment through business model innovation. So, Business model innovation “can itself be a pathway to competitive advantage if the model is sufficiently differentiated and hard to replicate for incumbents and new entrants alike” (Teece 2010, 173). In the same way, Amit and Zott (2001) also stated that firm’s business model is an important locus of innovation and a crucial source of value creation for the firm and its suppliers, partners, and customers (493).

Considering the role of BMI in the successful performance of enterprises, the researcher in this study presented the perspective of scholars by citing the mostly cited definitions of BMI (Table 3) to demonstrate the evolution of concept. Foss & Saebi (2016) explored that BMI is ‘extension of BM literature’ (202). Zott et al. (2010) identified innovation as a main research theme in BM literature by reviewing 103 articles. Researchers in BMI stream, highlighted the innovativeness and adaptability of BM which implies that BM is not only a tool for the commercialization of innovative ideas but also as a new subject of innovation or source of innovation which first identified by Mitchell and Coles (2003) and later

some researchers scholar suggested that BM can be shaped by technological innovations as well (e.g. Chesbrough and Rosenbloom, 2002; Calia et al., 2007; Chesbrough 2010; Amit and Zott 2001, 2011).

Similarly, Lambert and Davidson (2013) analyzed 69 articles on BMs and identified BMI as one of three research streams. Likewise, Writz et al. (2016) reviewed 681 studies in the BM literature, identified innovation as one of the four essential areas among eleven research foci. Bryle (2014), proposed a conceptual framework as “emerging innovation in social business models” (330) in social and private sectors for studying different types of SEs. The author endeavored to explain the emergence of innovative social business models by application of evolving social contract theory and social and economic drivers. The study highlighted that the social enterprises with their distinct features and innovative business models present an opportunity for a shift in social and environmental outcomes. However, the first review of BMI research was conducted by Schneider and Spieth (2013); the study extracted three essential themes of BMI research by reviewing 35 articles; 1. Prerequisites of conducting BMI, 2. Element and process of BMI, and 3. Effects achieved through BMI.

Finally, Foss and Saebi (2017) conducted the comprehensive systemic review of 150 scholarly articles since 2000- 2015 and provided the history of BM and BMI literature. The study classified four streams of research in BMI as: “1) BMI conceptualization, 2) BMI as an organizational change process, 3) BMI as an outcome (act or process), and 4) consequence of BMI (firm performance)” (Ibid, 207-208). Based on the existing gaps Foss and Saebi (2017) suggested new definition of BMI as “designed, novel, non-trivial changes to the key elements of a firm’s business model and/or the architecture linking these elements” (216).

## **2.4. LITERATURE ON THE BUSINESS MODEL OF SEs**

### **2.4.1 Introduction**

BM studies in the recent decade have increased both academic and practitioners' attention; however, despite the bulk of research on the business model, research focus on the 'social business model' has remained limited. (e.g., Seelos and Mair 2007; Spieth et al. 2018; Wilson and Post 2013; Yunus et al. 2010). This gap reveals the need for a well-defined social business model framework (e.g. Grassel, 2012; Lee 2015); since, the existing theoretical framework of the business model in the strategic management has built on the assumptions of conventional businesses and does not adequately explain the specificities of SEs and their context of operation (Spieth et al. 2018; Lee 2015).

Accordingly, some scholars presented that SEs are distinct from conventional businesses from many perspectives, particularly in terms of context, institutional logic and degree of value creation and captured value (Saebi et al. 2018; Santos 2012; Spieth et al. 2018; Mair and Schoen 2007; Wilson and Post 2013; Yunus 2010.). These scholars attempted to reveal these differences and laid grounds for theoretical development and, in this way, contributed to the growth of the body of knowledge. In this section, to find out the role of BM on SEs performance and to reveal the barriers in the internationalization process, I review the studies that concentrated on the BM of SEs.

Moreover, some scholars emphasized the vital role of the BM as the holistic unit of analysis for studying SEs performance and suggested to apply BM perspective for identifying the factor that create tension in the process of social and economic value creation (Saebi, et al. 2018; Santos, 2012). In this regard, Spieth et al. (2018) asserted that "BM concept provides an adequate perspective to capture the complex structural and cognitive configurations behind these activity systems" (3). Correspondingly, Santos (2012) suggested that since the main purpose of SE is

generating social and sustainable solutions rather than achieving complete advantage so to the researcher require considering the BM as a useful unit of analysis for investigating the SEs performance. Also, Santos (2012) elucidated that “sustainable solutions are defined at the level of the system, which is the unit of accrual of created value; thus, a prediction from my theory is that the central unit of analysis for social entrepreneurship research may be the solution and its underlying business model, not the organization” (346).

This reasoning indicated the critical role of BM on SE’s process and performance. Therefore, in this section, the relevant literature on the intersection of SE and BM will be reviewed to find out how SEs integrate social and economic mission under the unit organizational setting through their BM.

#### **2.4.2. The Business Models of SEs**

Santos (2012) established a very striking research to develop the positive theory of social entrepreneurship to reveal the central distinction between social and commercial entrepreneurship. He attempted to answer how SE addresses neglected problems with positive externalities in a distinctive way than commercial organizations. Unlike the previous studies, the author avoided explaining the difference between SEs and commercials based on the tautology of 'social' concepts that have pervaded the literature under various terms, such as 'social value' and 'social purpose' or 'social mission'. The author emphasized that "a rigorous definition of social entrepreneurship should avoid using the word social" (Santos 2012, 336). Instead, he relied on 'the holistic conception of value' to reject the 'dichotomy between economic and social outcome' or 'value'. Santos (2012) argued that the central distinction between SEs and conventional businesses is the trade-off between value creation and value capture, which implies the primacy of value creation in all organization activities of SEs (Ibid).

The authors identified the distinction between SEs and other institutional actors of modern economy as governments, charities, commercial businesses, and social activism by focusing on their role in economic system, dominant institutional logic (goals) and dominant logic of action. To show the distinctions, he highlighted that the 'predominance focus on value creation' in SEs is opposed to 'profit-seeking motivation', 'value capture', 'achieving sustainable advantage', and 'commercial logic of control', and 'self-interest' which represent the goals, roles and logic of action of commercial enterprises (Santos 2012, 337- 349). Further, Santos (2012) identified the 'distinctive domain of action' and 'distinct approaches' of SEs, in pursuing the value creation logic.

The study first argued that SEs perform as a distributed mechanism for the identification of 'positive externalities' and addressing 'neglected problems'. Second, SE's dominant institutional goal is to deliver 'sustainable solutions' through innovative BM to address neglected problems rather than achieve 'sustainable advantage'. Third, 'empowerment of others' as the logic of action both inside and outside the organization distinguishes SEs from other institutional actors that adopt the logic of control in commercial organizations or logic of regulation in public organizations (Ibid).

Santos (2012) developed several propositions by relying on the role of value creation logic on SEs' approaches and performances and suggested that "the central unit of analysis for social entrepreneurship research may be the solution and its underlying business model, not the organization" (346). Therefore, employing BM as a tool for studying the performance of SEs is a response to the scholars in Alon et al. (2018) highlighted the lack of consensus among scholars on studying the performance of social enterprises in international process of SEs.

Mair and Schoen (2007) conducted a comparative case study analysis to assess three successful social business models in the context of developing economies. They identified the shared patterns that have allowed the social entrepreneurial

organizations to achieve scale and sustainability without sacrificing social mission particularly despite lack of institutions, networks and resources requiring for supporting growth. The study employed four major business model components proposed by Hamel (2000) as core a strategy, strategic resources, and customer interface and value network. The authors proposed three approaches which contributed to setting up the business models which facilitating sustainable growth and successful social value creation and appropriation as; 1) early stage creation of value networks in composition and structure of value networks, 2) procurement of strategic resources which refers to early stage consideration of critical resource and innovative building of business model accordingly, 3) and the management of the customer interface which refers to early stage integration of target group into the social value network ( Mair and Schoen 2007).

Afterward, *in creating the world without poverty* Yunus (2008) explicitly declared that “unfettered markets in their current form are not meant to solve social problem” (17) and “surely capitalism is amenable to improvements” (27) but through emergence of “new type” of businesses that are not bound to serve the single objective of one dimensional human beings rather the businesses that set up to serve the higher objectives of multidimensional personalities. It’s noteworthy that the social business differs from non-profit and charities, it inherently and explicitly performs as a classic business in every sense, it must generate income and revenue in an efficient and sustainable manner, and there are two possible options for building the social business as follow:

“The first type are companies that focus on providing a social benefit rather than on maximizing profit for the owners, and they are owned by investors who seek social benefits such as poverty reduction, health care for the poor, social justice, global sustainability, and so on, seeking psychological, emotional, and spiritual satisfactions rather than financial reward” (Yunus 2008, 32).

The second type operates in a rather different fashion: Profit-maximizing businesses that are owned by the poor or disadvantaged. In this case, the social benefit is derived from the fact that the dividends and equity growth produced by the PMB will go to benefit the poor, thereby helping them to reduce their poverty or even escape it altogether” (Ibid).

Subsequently, Yunus et al (2010) made an indirect call for action by introducing the social business model framework. The authors proposed the lessons and strategies applied in the Grameen model with the intention to change the traditional assumptions of doing business for improving the quality of life for everyone in society. Yunus et al. (2010) declared that “business model concept offers a consistent and integrated picture of a company and the way it generates revenues and profit” however they highlighted that “building social businesses require building new business models” in which “new value propositions and new value constellations” are required to yield positive profit equation (312). As a result, they resembled the design of social business model to conventional business model innovation. The authors also presented five strategies derived from Grameen bank experience for building social business in which three strategies signified the “similarities with conventional business model innovation as 1) challenging conventional wisdom and basic assumptions, 2) finding complementary partners, 3) undertaking a continuous experimentation process” (314). Two strategies indicated specificities of social business models “as 4) favoring social profit-oriented shareholders, 5) clearly and early specifying the social profit objective” (314). The authors emphasized on the ‘type of value’ and the “relative priority given to social wealth creation vs. economic wealth creation” (311) as the major distinctions between social business and conventional business in which the focus of value maximization shift from the shareholders to the stakeholders and “the profit-maximization principle replaced by the social-benefit principle” (Yunus 2008, 29). Therefore, social business models as new organizational forms are powerful driver of

inclusive economy and social innovation by addressing overwhelming global concerns (Yunus 2008).

Wilson and Post (2013) conducted an empirical-qualitative study for micro-level analysis of hybrid social businesses. The study presents the important role of BMI in the performance of SEs. The main aim of the study was exploring the process or activities that contributed the jointly creation of social and economic value which has suggested in the study by Mair & Schoen (2007) and Harding (2004). To do so, the authors focused on social businesses' design and process and attempted to explore the hybrid social business design's specificities, the challenges faced by SE and the solutions were taken for managing the paradoxical missions. The study elaborated how social businesses could manage the hybridity successfully or how they could effectively achieve two paradoxical and competing missions simultaneously. Their presented six emerging theories regarding the process by which hybrid social businesses synthesize social and economic goals through market based approach as; "1) Social mission as the driving design principle for the social business, 2) Multiple rationales support the deliberate choice to address social missions through a market based approach, 3) Deliberately for-profit but deliberately not profit-maximizing, 4) Requirement for business model and value chain invention or reinvention, 5) Social business design and refinement takes patience and time, 6) Mission-aligned capital and governance structures" (Wilson and Post 2013, 722-728). The study highlighted "social mission is built into the DNA of the business model" and "the tight coupling of the social mission, the market-based approach, and the business model" (Ibid, 728) is the key for jointly pursuing of social and economic value and fulfilling multi-stakeholder promise.

Furthermore, Lee (2015), considering the dissonance between the design and conceptualization of conventional BM and the distinctive characteristic of SEs, proposed a conceptual 'social business model' appropriate for effectively creating social and economic missions. The developed model demonstrated that achieving

social and economic missions results from dynamic changes at an organization's internal and external levels activities. The author highlighted that the internal changes are purposeful changes or innovations (Teece 2010) which may lead to change in other components of the BM and governance structure and remarked, "while the internal changes initiated by the social entrepreneurs are the main driver of the model dynamics, external factors such as government regulations, competition, and the economy may also affect the model dynamics" (292).

Another conceptual study conducted by considering the dual institutional logics of public and private sectors; Margiono et al. (2018) employed the resource dependency (RDT) and public administration theories to define the business model of social ventures. They identified key characteristics of social ventures as; "1. mission to create public / social value 2. private ownership logic 3. public or private funding 4. public or private control (634). They came up with four typology of social ventures' business model such as: "public funding/public control and lock-in centered configuration 2. private funding/public control and novelty-centered configuration 3. private funding/private control and efficiency-centered configuration 4. public funding/private control" (637).

Finally, Spieth et al. (2018) conducted a qualitative empirical analysis of social businesses to distinguish between social business models and conventional business models. To do so, the study identified the characteristic of social business models: "1) the interdependence of their social and economic benefits, 2) their social value integration, 3) their social value priority, 4) their social value community development" (8) to explore the effects and contributions of these particular features on value creation of social businesses. Further, the authors employed the activity system based approach of the business model (Amit and Zott 2001) and attempted to reveal the value drivers of SEs by considering the valued drivers of conventional businesses as "efficiency, complementarity, lock- in, and novelty" (Zott and Amit 2010, 221). The study explored four new value drivers of the social business model:

1) responsible efficiency; 2) impact complementarities; 3) shared values; 4) integration novelties” (9-11). The authors argued that the underlying value logic of the conventional business model does not sufficiently explain the heterogeneous value offered by SEs in which they combine multiple institutional logics for pursuing economic, social and environmental goals. Thereby, the study gave the insight that a comprehensive understanding of SEs' business models requires considering the implication and effect of integration of social value into social business models' value offering and creation which leads to the emergence of unique value drivers of social business models.

### **2.4.3. Conclusion**

In the previous section, the studies on conventional BMs demonstrated that the value focus of the BM studies, either in the value-based perspective (Baden-Fuller and Mangematin 2013, Teece 2010) or in the activity-system perspective (Zott and Amit 2010), are defined based on the commercial value capturing, which contradicts with the social value creation of SEs (Santos 2012).

Thereby, many researchers in the context of SE have attempted to reveal the distinctive feature of SEs and laid grounds for theoretical development and, in this way, contributed to the growth of the body of knowledge (Santos 2012; Spieth et al. 2018; Lee 2015; Mair and Schoen 2007; Wilson and Post, 2013; Yunus et al. 2010). All the studies in the section of SEs' business model presented that the dominant institutional goals and logic of action of SEs force them to design their BMs to achieve the social and economic mission. In pursuit of a dual mission, SEs require integrating the social value creation on the different components of their BMs. The approach triggers many tensions and barriers to the SEs' performance, so the internationalization process.

In the next three sections, I will review the barriers and tensions that SEs face in integrating social and economic missions in their BM, which constrain their internationalization process.

## **2.5. INTERNATIONALIZATION PROCESS OF SEs**

### **2.5.1. Social Mission Barrier to Internationalization of SEs**

Zahra et al. (2008) endeavored to explain the emergence of international SEs by applying the behavioral theory of the firm, since social and entrepreneurial (hybrid) nature of SEs has compelled explanatory power of the economic theories for internationalization of SEs such as transaction cost economic (Williamson, 1975, 1983) and internalization theory (Hennart 2001). In the same vein, Alon et al. (2020) alluded to the scholars in the field that have adopted a behavioral perspective for defining and analyzing the internationalization process of SEs. Extant body of literature suggested that international entrepreneurship theory is more consistent theory for conceptualizing the internationalization of SEs in which it has viewed as a process driven by opportunity discovery (Chen, 2012; Randoy et al. 2015; Zahra et al. 2008, 2014). In this way, Zahra et al. (2008) defined internationalization of SEs as a behavior-oriented approach of the change agent, not as economic-oriented decision making of the economic man. In the quest for unified definition of SE, they also proposed the well-known definition of SE by integration of 20 definitions as "activities and processes are undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner" (Zahra et al. 2008, 118). Considering that SEs emphasize blended value creation and provide 'blends of financial, social, and environmental values' (Zahra et al. 2014, 139) the authors synthesized the definition of social entrepreneurship (SE) international entrepreneurship (IE) (Oviat and

McDougall 2005, Zahra and George 2002) and proposed the definition of international social ventures (ISVs) as “the recognition, formation, evaluation, and exploitation of opportunities across national borders to create new businesses, models, and solutions for value creation, including financial, social, and environmental” (Zahra et al. 2014, 138).

Similarly, the internalization theory (Hennart 2001) which facilitated the formation of international SEs has been emphasized to elaborate that having internalization advantages or developing capabilities such as “proprietary knowledge, access to networks, innovative business models, or important assets such as well-skilled entrepreneurs and staff” contribute social entrepreneurs to create SEs that can go international from inception (Zahra et al. 2008, 125). SEs that possess the ‘internalization advantages’ cultivate the benefit of internationalization as “increasing efficiency, maintaining quality, ensuring consistency, and leveraging different skills” (Zahra et al. 2008, 126). However, as SEs’ main aim of formation is value creation not value capture (Santos 2012) thus, transaction cost economics theory cannot fully explain the formation of international SEs as they are not necessarily created “for minimizing economic transactions compared with market transactions but to meet some unfilled social need” (Chen 2012, 134).

Moreover, Zahra et al. (2008) emphasized that the internalization theory works well when market exist and perform well, which is rarely the case with social opportunities, since efficient markets rarely exist and institutional failures are common” (Zahra et al. 2008, 125). Therefore, only some of SEs are benefitted from these internalization advantages when establishing their ventures across borders. Hence, the unique nature of SEs in which pursuing contrasting institutional logics (profit and welfare motives) has compelled the explanatory power of the economic theories in explaining the social aspect and welfare logic of the international SEs. Therefore, some scholars (Zahra et al. 2008, Chen 2012) have been applying some social theories for analyzing the (hybridity) of international SEs. Since social theories

extend the motivations for internationalization from purely economic drivers toward mix of economic and non-economic reasons (Alon et al. 2020; Chen 2012; Mersland et al. 2019, Siqueira et al. 2018, Zahra et al. 2008 ). In this vein, Chen (2012) employed Molm's (2003) social exchange theory among many types of social exchange theories that assumed the "common set of analytical concepts as actors, resources, structures and processes" as a basis for conceptualizing international social ventures. It is noteworthy to mention that "a key assumption in social exchange theory is that actors seek to obtain more of the resources they value and they do so through the process of social exchange" (133). So it is more significant for social ventures as it provides a useful framework for examining the social and economic interactions of actors with different stakeholders.

Furthermore, Chen (2012) extracted from Toyne (1989) and viewed "international business as social exchanges that take place between two or more actors in different countries and that may be influenced by noncommercial considerations (e.g., political factors) as part of a wider exchange" (133). The scholars also introduced a socioeconomic perspective for analyzing conditions for creating sustainable international social ventures by integration of social exchange to international new venture (INV) theory (Oviatt and McDougall 1994).

Similarly, Zahra et al. (2008) employed several social theories such as regime theory (Krasner 1983), cosmopolitanism theory (Beck 2006), prosocial theory (Eisenberg and Fabes 1998) to elaborate the formation of international social ventures though revealing different aspects of SEs such as humanity or "other regarding" aspects which economic theories are unable to explain (Santos 2012, 349).

Correspondingly, Santos (2012) defined that SEs are about "developing and validating a sustainable solution to problems that often have a local expression but global impact" (348). Zahra et al. (2008) suggested social theories as alternative to internalization theory for SEs that pursue social opportunities in location where there is institutional failures and lack of efficient market. Similarly, Santos (2012) pointed

out that SEs are about “exploiting opportunities for value creation that were neglected by other institutional actors” (p. 348). Therefore, *the regime theory* describes how social agents' international decision-making is driven by consideration of moral factors and the development of mutual understanding between stakeholders rather than economic consideration. Besides, *the cosmopolitan theory* emphasizes the decisions taken by the development of friendship feeling toward humanity and universal ideals and beliefs, and *the prosocial theory* insists on the influence of empathy on social agents' decision making (Zahra et al. 2008). Thus, social theories explained well the reason of existence and formation of SEs in regional and international contexts and at the same time disclosed how multiple attributes of social opportunities compel actors' decision making when they are operating internationally or seek to replicate their model and establish a new branch in new location. Moreover, Santos (2012) pointed out that SEs “facilitate the dissemination of the solution so that others are compelled to adopt it as well; this process involves innovation and leading by examples as opposed to pressuring” (348). Nevertheless, social opportunities also can be considered as initial reasons that can hinder or foster the formation international SEs. Zahra et al. (2008) rephrased Weerawardena and Mort (2006) and stated that “social opportunities can inherently fraught with vagueness, possibly explaining why research on social entrepreneurship is sparse, fragmented” (120). To show the ambiguity argued on dissimilar nature of social and commercial opportunities, they scholars remarked that “a major factor separating social entrepreneurship from similar activities is the presence of social opportunities that entrepreneurs can exploit” (Ibid, 120). The authors further elaborated that traditional conceptualization of opportunities mainly refers to commercial opportunities and reflects only economic goals which are “usually proxied as profit maximization” (121). Likewise, Austin et al, (2006) highlighted that “despite on a conceptual level, opportunities may seem similar across commercial and social entrepreneurship, however, in practice, the opportunity dimension of the framework

is perhaps the most distinct owing to fundamental differences in missions and responses to market failure” (375).

Therefore, since explaining the internationalization of SEs based on traditional concept of opportunity could not properly cover the diversity exists in the range of social missions, Zahra et al. (2008) applied behavioral theory of the firm (Cyert and March 1963) to offer useful conceptualization of social opportunities which could define both economic and non-economic goals of SE and then through identifying the attribute of social opportunities as; prevalence, relevance, urgency, accessibility, and radicalness (122) offered a framework that have two essential implications for SE’s internationalization process. So, the framework proposed the implications of different types of social opportunities on the timing and scope of internationalization of SEs as the process of opportunity recognition, evaluation, and exploitation (Zahra et al. 2008). Precisely, the framework in the first hand indicates that “the entrepreneurs have several options to capitalize on social opportunities” (125) which indicate diverse motivations of social entrepreneurs (individual level drivers) that might encourage them to attract toward establishing born global social enterprise or gradual internationalization. Also, the implications or affects of opportunity attributes presented how social entrepreneurs perceive and evaluate opportunities either as salient social problem, or as risky and difficult to implement. For instance, pervasiveness of social opportunity (social problem) is the sign of widespread need so it might increase the aspiration of entrepreneur to tackle those problems because “global prevalence of some social problems makes them more salient” (Zahra et al., 2008, 123). Pervasiveness of social opportunities as the widespread need might reduce the value of psychic distance due to different cultural values and socioeconomic structures (Ibid).

Furthermore, the framework disclosed the diversity in nature of social missions of SEs, which generates diversity in internationalization pattern of SEs that pointed out by Defourney and Nyssens (2019) as well. Likewise, Zahra et al (2008) endeavored

to disclose that diversity in nature of social opportunities will lead to emergence of diverse internationalization pattern of SEs. Accordingly, the scholars elaborated influence of five attributes of opportunities on timing (speed) and geographic scope of social enterprises to present their positive and/or negative roles on internationalization process. In other words, the study suggested the multiplicity of attributes of social opportunity might have deterministic role in two dimensions of internationalization; 1. Determining speed of internationalization of SEs and explaining the reason why some SEs could go international from inception and others go incrementally. 2. Determining scope of internationalization of SEs and explaining the reason why some SEs could diffuse their solutions or business models on a broad geographic scope and others on specific regions. In this way presented ‘barrier role’ or ‘catalyzer role’ of each type of social opportunities (social mission) on SEs’ internationalization.

The good news is that “social opportunities are global in nature and social entrepreneurs have become adept in devising innovative solutions and organizational forms to address these global needs” (Zahra et al. 2008, 118), and “international social ventures pursue social concerns on a global scale and are also international in scope” (Zahra et al. 2014, 139), beside born global SEs “aim to serve needs that exist in several countries” (Chen 2012, 132). However, different obstacles constrain the process of internationalization of SEs which arising from external environment “as political, technological, and socioeconomic uncertainties” and internal environment since the nature of social mission or social opportunities hinder the process of localization and adaptation of BM in target country (Zahra et al. 2008).

Many other scholars evidenced the significant role of the strong social mission in the international operation of SEs (Cwicklicki 2019; Chen 2012; De Beule 2020; Evans et al. 2019, Kalinink and Pater, 2013; Magoulios et al. 2019; European commission 2013).

I will attempt to elaborate on the other side of the coin of “social opportunity”, which is the social mission that the business model of SEs addresses. Zahra et al. (2008) in the framework, demonstrated the correlation between the type of social opportunities and social mission in which prevalence, relevance and accessible social opportunities contribute to the creation of a ‘viable business model’ or ‘strong social mission’ which are highlighted as compulsory characteristic or criteria of ‘extroverted SEs’ in Europe (Magoulios et al. 2019, 261). Particularly, European commission reported lack of viable business model as the most critical barrier in the list of internal environment obstacles to the internationalization of SEs (European Commission 2013; Weber 2015). In this vein, Zahra et al. (2008) well elaborated the role of business models among several other factors that promote the scope of expansion and scalability of SEs by remarking that “variations in the scope of social ventures’ operations are likely to reflect social entrepreneurs’ preferences and motivations, the resources they have or could assemble, their perceptions of the risks involved, the business models they use, and their ability to coordinate across international borders” (127).

In addition, Alon et al. (2020) highlighted the business models of SEs (including their international scope) are a function of the entrepreneurs’ abilities to discover social opportunities and assemble resources to pursue them” (2). Similarly, many scholars emphasized the positive role of social mission on the performance of SEs as controlling and managing resources which lead to successful hybridity (Chell 2000; Dees 1998; Zadek 1997; Kalinik and Pater 2013; Nicholls 2006). In this vein, Defourney and Nyssens (2010) asserted that “for all schools of thought, the explicit aim to benefit the community or the creation of social value is the core mission of social entrepreneurship and social enterprises” (44). Defourney and Nyssens (2017), in result of a broad cross country analysis of SEs in 43 country revealed that “the kind of social mission is likely to shape the type of business model and governance structure; conversely, the chosen economic model is likely to influence the way in

which the social mission is pursued and/or evolves, and the primacy of the latter may be better ensured by some forms of governance” (2494).

Indeed, SEs evaluate the international context based on their social mission and at the same time are being evaluated by contexts and the stakeholders through the value of the social mission that is reinforced by profitability, for this reason ‘explicit social mission’ has much power to pull SEs to rapid internationalization (Evans et al. 2019; Cwiklicki 2019; Chen 2012; Kalinik and Pater, 2013).

The study by Xing et al. (2020) is a good example to show the role of explicit social mission and strong social orientation of international SEs on the achieved governmental support despite lack of regulatory institutions. In this regard, Alon et al. (2020) suggested that “social mission of the SE might in itself influence the choice of foreign entry mode” (4). Social mission and the motivation for social value creation open the door to leverage multiple and multi level partnerships (Sundaramurthy et al. 2013). Although some researchers highlighted that social mission is able to create complexity to the BM and organization structure (Chen 2012, Dart 2005; Zahra et al, 2008), however explicit social mission may attract more range of supports from social impact investor, government, financiers which in turn create virtues cycle between social commitment and financial self- sustainability (Evans et al. 2019; De Beule, et al. 2021; Kalinik and Pater 2013; Xing et al. 2020). Since, forces underlying social missions could be different in host country context, these differences lead to lack of standardization of BM and the need to adaptation might require. Therefore variance in nature of social mission constrains the adaptation of BM and also triggers different type of challenges for the whole organization (Zahra et al. 2008).

On the other hand, Austin et al. (2006) discussed how social mission of SEs challenges social impact measurement and quantifying the social achievement which leads to additional complexity in accountability and stakeholders relations. Difficulty in performance measurement of SEs also constrains their access to financial resources (Smallbone and Walter 2001). However, given that SEs are mainly concerned with

promoting social improvement and value creation rather than capturing economic value (Mair and Marti 2006; Santos 2012; Zahra et al. 2014) it is not realistic to compare the market value of two different social missions with each other. (Zahra et al. 2008). “The challenge of measuring social change is great due to non-quantifiability, multi-causality, temporal dimensions, and perceptive differences of the social impact created” (Austin et al, 2006, 372). SEs are an “innovative economic/business model driven by social mission (Defourney and Nyssens 2017, 2495) and “social mission is explicit and central” (Dees 1998, 2) for change makers in the process of internationalization because it affects the way entrepreneurs identify and exploit the new opportunities in the target context (Zadek 1997) “Because of social mission contexts are fundamentally different assessed” and probably for this reason SEs follow very distinct internationalization pattern in comparison to commercial enterprises (Kalinik and Pater 2013, 1).

In similar vein, “the social mission of SEs is an asset for overcoming challenges of internationalization, and SEs will be more successful at internationalizing in countries with collectivistic cultures, feminine cultures and cultures with weak uncertainty avoidance (Evans et al. 2019, 85). The authors elaborated that social mission is the driver of internationalization; particularly strong social mission of SEs accelerates the pace of international expansion. Since SEs with strong social mission and social orientation facilitate community building with local, and promote reciprocal exchanges with internal and external stakeholders; engaging in reciprocal exchanges reinforce rate of social embeddedness and accelerate knowledge and informational exchange between SEs and their stakeholders (Ibid). In this way, SEs overcome the number of external barriers and complexities in transferring and adapting the ‘proven solution’ (BM) such as, ‘lack of visibility’, ‘lack of support networks’, public awareness and recognition (adequate public support), lack of access to range of information, resources and alternative source of funds, difficulty in accessing market (Evan et al. 2019; European commission 2013; Massa 2012).

The concept of ‘strong social mission’ also defined as the ‘proven business model’ or ‘proven solution’ in different reports (European Commission 2013). In the report of scaling social impact in Europe (Weber et al. 2015) identified it as the ‘viable business model’ and highlighted as the first success factor and major challenges in the process of international scaling. Achieving viable BM is challenging process since it is a design that has proved its efficiency before scaling out which entails its ‘self-sufficiency and sustainability’ or ‘robustness and suitability’ (Weber et al. 2012, 2015). European commission (2013) highlighted that “transferring and adapting proven solutions to specific national or regional needs through a longer-term process of transnational learning” (38). Magoulous et al. (2019) remarked that “the underlying business model must be strong and financially viable in order to fulfill its social mission in the long term. They should have already achieved the necessary escalation at national level so they can rely on previous experience when working with different target groups and in different environments” (260). Similarly other scholars highlighted the importance of achieving ‘strong business model’ as a design that is “neutral from market sources, well-resourced, recognized in the public sphere” (Cwiklicki 2019, 112). The “strong social mission” (Evans et al. 2019; Kalinik and Pater 2013; Marshal, 2011) in essence and “strong business model” in particular (Cwiklicki 2019; European Commission, 2013, Magoulous et al. 2019; Weber et al. 2015) may attract social investors in foreign countries (Alon et al. 2020; De Beule 2021; Wang et al. 2015), however forces underlying the type of social opportunities such as pervasive, radical and urgent social opportunities that addressed by the business model of SEs are able to create complexity and challenge in the international operation of SEs in several ways (Wang et al. 2015; Xing et al. 2020; Zahra et al. 2008). These significantly different underlying forces arise from contextual differences of host countries such as cultural, ideological, and institutional variances (Drori et al. 2020; Wang et al. 2015; Xing et al. 2020) which might challenge the adaptation or ‘applicability of BM (Tayabali 2014), or replicability of

BM (Weber et al, 2015) and in consequence constrain the internationalization of standard business model of SEs (Zahra et al. 2008).

Therefore, existing studies showed that internationalization trajectory of SE is not only influenced by the attribute of social opportunities that are recognized and pursued abroad but also by the types of innovative solutions or missions that are generated from the business model of SEs.

In this section, by advocating the scholars that insist on centrality of social mission in social value creation as the primary mission of SE I infer that the multiple attributes of social opportunities represent diverse type of social mission of SEs and it's plausible to propose that,

***Proposition 1:** The Type of social mission of SEs is likely to influence the process of internationalization of SEs which could be viewed as barrier or catalyzer.*

### **2.5.2. Overview of the Barriers and Tensions in Internationalization of SEs**

Extant studies in the field of international business (IB) presented that commercial businesses are constrained by different types of barriers which can be external to the organizations, such as; liability of foreignness and psychic distance, which are identified in the stage model theories or incremental theories of internationalization (Cavusgil 1980; Johanson and Vahlne 1977).

The liability of outsidership is another barrier that is revealed by network theories of internationalization (Johanson and Mattsson 1988; Johanson and Vahlne 2009), and the liability of smallness and newness (Anderson et al. 2004) refer to internal barriers of the organization due to resource scarcity and small volume of the enterprise (Cafferata et al. 2009; Hessels and Parker 2013; Oparaocha 2015).

Reviewing the literature on internationalization in the field of SE, however, presented that distinctive characteristic of SEs not only challenges the internationalization process of SEs in different ways but also compels the relevance and nature of the assumed internationalization barriers of conventional businesses to SEs. (e.g. Alon et al. 2020, Chen 2012; Evans et al. 2020, Davies et al. 2018; Rebelo 2019; Kalini and Pater 2013; Mersland et al. 2020 Misbahuddin and Nabi, 2019; Zahra et al. 2008). These scholars highlighted the primacy of social mission and creation of social impact as the reason that leads SEs to follow distinct internationalization processes and to assess the context of the host country differently; besides, the primacy of social mission is able to reduce the value of psychic distance in the internationalization of SEs (e.g. Kalinic and Pater 2013; Mersland et al. 2020; Zahra et al. 2008). In the same way, considering the primacy of social mission alongside pursuing financial margin, some scholars highlighted that SEs encounter idiosyncratic barriers and challenges in the process of internationalization (Corner and Kearnes 2021; Fardig and Hakansson 2014; Kalinik and Pater 2013; Marshall 2011; Rebelo 2019; Yang and Wu, 2015). Considering these specific barriers, scholars argue that SEs “have to find a different market entry, service procedure, and pricing option in order to serve the underprivileged sections of society” in the international contexts (Misbahuddin and Nabi 2019, 121). To successfully manage these activities, SEs require adapting innovative BM and organizational structure to be able to utilize collaborative strategies and global sources of funds (Zahra et al. 2008).

Moreover, some scholars pointed to the contributions of SEs to weak institutional environment through “correcting perceived market and government failures” (Santos 2012, 345) and filling institutional voids at various levels of local, national, and global contexts (Mersland et al. 2020, McMullen and Bergman 2017, Magoulios et al. 2019, Zahra et al. 2008) in which generate various social and economic benefits to the host countries (Alon et al. 2020). Considering the positive social and economic outcomes of some scholars highlighted that less developed markets (Fardig and

Hakansson 2014) and bottom of the pyramid markets (BoP) are highly preferred locations for international SEs (Zahra et al. 2014). Developing countries that suffer from disequilibrium due to state failure and weak institutional environments are among the highly favorable locations for international SEs since these locations provide multiple social opportunities for social improvement and the creation of positive social and economic impacts (Doh et al. 2016; Fardig and Hakansson 2014; Tashman et al. 2019; Zahra et al. 2014). Besides, some scholars highlighted that social and economic outcomes of internationalization enhance the level ‘embeddedness’ (Evans et al. 2019; Yang and Wu 2015, 39), mutual and reciprocal relationships (Evans et al. 2019) and ‘political goodwill’ these positive outcome in turn reduce the value of liability of foreignness when entering to the new country (Alon, et al. 2020, 4). Interestingly, Angulo Ruiz et al. (2020) while advocating the local embeddedness of SEs (Mair and Marti 2006), presented an opposite view and elaborated on the negative effect of local embeddedness on the internationalization of SEs since the “local embeddedness of similar enterprises in the host market may create tensions” and challenge the value, legitimacy and relevance of international SEs (269).

Furthermore, several scholars pointed out the unique approaches of SEs which might reduce the liability of foreignness and newness, such as; leveraging social exchange, which lead to maximization of “some other social benefits such as sustaining a local community and creating social capital and sustaining social relationships” (Chen 2012, 134) and leveraging local trust through community building (Evans et al. 2019; Zahra et al. 2014). Reciprocal exchanges are the catalyst for faster information and data exchange (Evans et al. 2019). Similarly, co-creation of the value with customers and beneficiaries fosters easy access to experiential knowledge and reduces information asymmetries (Sundarmurthy et al. 2016). More interestingly, Zahra et al. (2008) assessed the impact of social opportunities on internationalization of SEs and suggested that nature of social opportunities particularly “accessibility” (124) could

reduce the value of liability of foreignness and newness and “pervasiveness and urgency” nature of social opportunities might render the value of liability of foreignness and psychic distance meaningless (122).

Alongside, in the prior studies, researchers argued that internationalization barriers to SEs arise from the "multiplicity of cultural, social, political, and economic systems" (Marshall 2011, 186). Wang and Yu (2015) highlighted that "regardless of type, when a social enterprise expands internationally, it faces a more complicated operational environment and obstacles may arise from factors such as different cultural, social, economic, legal, and governmental systems, and as a result, appropriate international strategic solutions are required" (32). In the same way, Marshall (2011) and Evans et al. (2019) highlighted the significant role of geographical, cultural, language, economic and educational differences in the value creation and internationalization process of SE.

The European Commission (2013) identified the external and internal barriers that constrain the development of SEs in Europe, including 1. Lack of visibility due to low public awareness and recognition of the concept of social enterprise, 2. Lack of support network and infrastructure required for business development, 3. Lack of access to alternative sources of funds, 4. Lack of specialized training and education, 5. Lack of uniform regulation and supportive policies, 6. Limited application of procurement law for supporting access to public markets, 7. Lack of suitable mechanisms for impact measurement, monitoring and evaluation, 8. Explicit social mission 9. Proven solution or business model, 10. Weak entrepreneurial culture and managerial capabilities (European commission 2013, 81). The report highlighted the lack of regulatory framework and comprehensive support policies as the significant barriers to the international development of SEs due to cross country socio-economic differences (European Commission 2013). Various obstacles constrain the process of internationalization of SEs which stem from external environment “as political, technological, and socioeconomic uncertainties” and internal environment since the

nature of social mission or social opportunities hinder the process of localization and adaptation of BM in target country (Zahra et al. 2008).

Generally, researchers in the field identified that internationalization barriers to SEs arise from the internal and external environments, which can be categorized into the three levels as:

**Individual level barriers** (Angulo-Ruiz et al. 2020; Saebi et al. 2018; Marshal 2011, Misbauddin and Nabi 2019; Ritvala and Riikkinen 2019; Sunduramurthy et al. 2016, Tukamushaba et al. 2011; Zahra et al. 2008, 2009).

**Organizational level barriers** (Chen 2012; Davies et al. 2018, Fardig and Hakansson 2014; Kalinik and Pater, 2013; Marshall, 2011, Rebelo, 2019; Misbauddin and Nabi 2019; Wang et al. 2015; Xing et al. 2020; Yang and Wu 2015).

**Institutional level barriers** (Alon et al. 2020; Angulo et al. 2020; Debeule et al. 2020; Defourney et al. 2019; Drori et al. 2020; Davies et al. 2018; Mersland et al. 2020; Misbauddin and Nabi 2019; Veronica et al. 2020; Wang et al. 2015; Xing et al. 2020).

In the next part, I will review the literature to disclose the role of external environment variables, particularly institutional barriers, on the international operation of SEs.

### **2.5.3. External Barriers to Internationalization of SEs**

In this section, the literature on the internationalization of SEs will be reviewed to explore how international operations, particularly BM adaptation of SEs, are affected by different external pressures or contextual dynamics.

### **2.5.3.1. Role of Contextual Barriers on Internationalization of SEs**

Some researchers studied the role and impact of the host country's formal and informal institutional environment, including the differences in cultural norms and practices, rules and regulations, and government policies on the internationalization process of SEs (Angulo et al. 2020; Davies et al. 2018; Desa 2012; Drori et al. 2012; De Beule et al. 2020; Kerlin 2012; Magoulios et al. 2019; Mersland et al. 2020; Misbauddin and Nabi 2019; Veronica et al. 2020; Wang et al. 2015; Xing et al. 2020). According to North (1990) institutions are "the humanly devised constraints that structure human interaction" which are known as "rules of the game" (3). Scott (1995) classified institutions to three pillars as "regulative, normative and cognitive structures and activities that provide stability and meaning to social behavior" (3). The author defined that regulatory pillar are formal intuitions refer to rule of laws while normative pillar are semi-formal institutions and point to individual and organizational actions and behavior or standard expectation of society from individual and organizations, and cognitive pillar are informal intuitions and define cultural and shared norms and beliefs (Scott 2001).

Similarly, Peng et al. (2008) highlighted that institutions in general can be classified into formal and informal; formal institutions refer to macro aspects of institutions such as country level law and regulation that are require to govern the political and legal aspects of society's transactions. Informal institutions refer to micro aspects of institutions such as culture, social rule, ethical norms and values that requires for governing the individual activities and organizational behavior (Peng et al. 2008). Scholars in the institution-based view studies by focusing on the relationship between organizations and their broader environment highlighted that organization success is not only a reflection of industry condition and firm capabilities but also reflection of institutional environment (e.g. Ring et al. 2005; Teegen et al. 2004; Zhou et al. 2006). There is dynamic interaction between formal and informal institutions and organizations performance (Peng 2003, 2006). Peng et

al. 2008 asserted that institutions play critical role on the strategic choice and sustainability of the organizations by remarking that “institutions are much more than background conditions, they directly determine what arrows a firm has in its quiver as it struggles to formulate and implement strategy and to create competitive advantage” (923). The institutional theory explains that institutions are tools for building legitimacy and organization need the support of different institutions to preserve their legitimate positions and thus to able to secure and access new resources (Aldrich and Foil 1994, Dimaggio and Powel 1991, Scott 2001). Some scholars in the field of international entrepreneurship studied the role of institutions on entrepreneurial settings in emerging economies (Laanti et al. 2009; Yamakawa et al. 2008) and developed economies (Shane and Cable 2002). Institutions have critical role on entrepreneurship since they can enable and constrain the entrepreneurial activities (Ahlstrom and Bruton 2006). Similarly, some scholars in the field of SE pointed to the supportive and restrictive roles of institutions on the development of innovative solutions (Dees 1998; Short et al. 2009).

Likewise, Desa (2012) highlighted the enabling and constraining role of normative, regulative and cognitive institutional environment on resource mobilization in international social entrepreneurship. The authors in the empirical study of technology social ventures in 45 countries, explored that SEs confronted with barriers in the process of resource mobilization that arise from constraining regulatory, political and technological institutions which refer to unsupportive normative institutions, weak regulative institutions, and lack of cognitive legitimacy. Despite facing restrictive institutions and serious resource scarcity, employing bricolage mechanism, not only allowed international SEs to mobilize resources but also enabled them to bring institutional change through integrating new practices into informal institutional structure (Desa 2012). Correspondingly, Wang et al. (2015) highlighted that immaturity of regulative structure of host country due to weak formal institutional environment are able to constrain the international operation of SEs in

entering to the new country, however immaturity of the market and social sector of host country can provide new opportunities for establishing a new international SEs. In the study of entry mode choices of foreign SEs in China, Xing et al. (2020) explored the restrictive role of formal institutions (regulatory and normative framework) on the internationalization of SEs. The study identified that SEs surpassed the institutional barriers that stemmed from government policies and social norms or practices by adapting their BM through deploying dynamic mechanisms such as managing hybridity dynamically and developing a collaborative mode of entry. Despite the restrictive role of government policies, the findings identified the supportive role of the government in fostering political reform in regulatory structure and, in this way, contributed to Scott (2001, 2008) the regulative pillar of institutions by showing mixed effects of government policies and regulations on SEs' hybrid management.

Moreover, Xing et al. (2020) underlined that international SEs must adapt to specific requirements of the three institutional logics of foreign countries (governmental, commercial and social) to manage their hybridity. The study filled the gap of previous studies by revealing the role of 'governmental logic' as a salient institutional logic in managing the tensions of hybridity and extended Battilana and Lee (2014) and the view that only considered the roles of social and commercial logics in managing the hybrid mission and ensuring the sustainability. Similarly, the studies of Veronica et al. (2020), concentrating on the role of the institutional environment, particularly local government on SEs' international growth and BM development, explored the facilitator role of government on BM adaptation. The study highlighted that SEs overcome governmental and institutional barriers by adopting the twin organizational setup that allows them to leverage different types of resources more effectively.

Furthermore, some researchers investigated the role of institutions, particularly cultural, socio-economic and regulatory institutions, on the development

of SE models across different contexts (Defourney et al., 2017, Defourney and Nyssenes, 2019; Kerlin 2012). Scholars identified that institutions shape different models of SEs, and their diversity across countries is the outcome of the "rich mix of culture, local (social classes), regional and global hierarchies, political-economic histories" (Kerlin 2012, 94).

Based on a vast dataset of 45 European and 153 developing countries, Marsland et al. (2020) investigated the role of the macroeconomic conditions in the international market selection of SEs. By concentrating on institutional quality (strong and weak institutions), the host country's development level, and country risk, the authors developed a conceptual model that reveals the criteria for international market selection of SEs. Mersland et al. (2020) identified that international SEs, to balance their dual institutional logics and preserve hybridity (Mair and Marti 2006; Mair et al. 2015; Pache and Santos 2013) prefer targeting the less developed countries with weak institutions but hesitate from the riskiest countries. However, there are opposite views on this subject and scholars debated regarding the role of institutional quality on SEs' performance; there are two divergent institutional perspectives in the literature;

1) Institutional voids perspective: Weak institutions play a supportive role and encourage SE's performance in the operating context. In this stream, countries with institutional failure and weak institutional environments provide many social opportunities for social development due to an abundance of social problems, insufficient resources and government failure (Desa 2012; Koch et al. 2009, Mair and Marti 2009; Zahra et al. 2014). However, Aidt (2009) highlighted that the lack of enforcement mechanisms in a weak institutional environment could hurt the social impact and performance of SEs.

2) Institutional support perspective: Strong institutions encourage and support the performance of SE in the context of operation. In this stream, countries with strong formal institutions facilitate a range of resources and partnership opportunities

through government agencies and community groups (Stephan et al. 2015; Zahra and Wright 2011). De-Beule et al. (2020) highlighted that SEs in advanced institutional environments have stronger bargaining power with the virtue of the social and economic benefits they create in the host country, which at the same time can turn to higher support and legitimacy for extending their social impact in new markets (Alon et al. 2020; Kibler et al. 2018). “Countries with stronger institutions seem to provide conducive environments for economic exchange” (Mersland et al. 2020, 3). In addition, De Beule et al. (2020) investigated the influence of the weak institutional environment of the base of the pyramid markets (BOP) on the performance of local and international SEs. Interestingly, they evidenced that international SEs, despite severe institutional voids, exhibited better performance than local SEs. International SEs have several advantages over the local business because of severe institutional failure (Ibid). Market failure in BOP allows the SEs to take advantage of internationalization by internalizing their BM and gaining a competitive advantage by filling the gap in the market (Ibid). The study also highlighted the influence SEs' resources and capabilities such as having proven innovative BM, which compensate the complexities of weak institutional context by leveraging international finance and network competency.

Many researchers highlighted the significant impact of culture on the internationalization of SEs (Evans et al. 2019; Drori et al. 2020; Kibler et al. 2018; Marshal 2011; Magolius et al. 2019; Zahra et al. 2008). Alon et al. (2020) precisely elaborated that "the balancing of the two logics may prove particularly challenging for SEs with international activities when members do not share a common culture or language or when dealing with different local institutional logics" (3). While learning cultural norms is a crucial enabler in opportunity identification and exploitation, on the hand, cultural differences in a new context might create complexity for the whole organization and constrain the adjustment of BM or alignment of the social innovation (social mission) (Zahra et al. 2008). In the same way, Yang and Wu

(2015) emphasized that similar culture and product preferences are the destinations of international SEs since the cost of adapting to local environments could be higher. Marshal (2011) highlighted the obstacles that arise from cultural values by remarking that "distinct cultures, and building market bridges across these cultures, brings significant complexity to international enterprise" (Marshal 2011, 187). In the study of scaling social impact in Europe, Weber et al. (2015) highlighted that SEs require to take serious the socioeconomic contexts and cultural dimensions and institutions of the international contexts since "they are the foundation for rough estimations of the internal and external transfer cost" (48). To overcome the cultural and geographic barriers the report suggested to start with countries that are as similar as possible to the country of origin in term of geographic and cultural proximity (Weber et al. 2015).

Evans et al. (2019) assessed the role of national culture and identified the three cultural dimensions that accelerate the internationalization of SEs as collectivist, femininity, and weak uncertainty avoidance. Noteworthy that the three national cultures, in essence, accelerate the level of reciprocal relationships and rate organizational embeddedness with local stakeholders of the host country, which enhance the speed of opportunity exploitation (Robinson 2006; Zahra et al. 2008). Misbahuddin and Nabi (2019) broadly elaborated on the significant role of different dimensions of institutional contexts (contextual forces) on the SEs' internationalizations' and highlighted that "cultural barriers and social agreements are inhibitors" for international SEs (130).

In their study of the Microfinance industry (MFIs), Drori et al. (2020) revealed that MFI's social mission is not universal but contingent on the cultural context. The study explored that MFIs adapted their social mission and business model to the local culture by employing different targeting strategies, which allowed them to maximize their social mission in highly gendered cultures and ensure self-sustainability. In other words, MFIs responded to the cultural complexity of foreign

countries by adapting their mission to the local culture with the help of gender marking and formulating gender targeting strategies appropriate to the socio-economic needs of women in the new contexts. In this way, SEs in this study MFIs surpassed the trade-off between social mission and financial sustainability often discussed in the literature (Battilana and Dorado 2010). Drori et al. (2020) also presented the supportive impact of culture on the internationalization and market selection, which enabled the SEs to outreach their double mission without relying on local or international affiliations and consequently extended their social impact and scalability (Bloom and Smith 2010) and create a 'virtuous circle' between the dual missions (De-Beule 2020) and preserve their strong BM (e.g. Cwiclicki 2019; Evans et al. 2019) and further reinforced their BM viability by challenging the 'local cultural bias' of the conventional banking system (Yunus 2011). Finally, responding to the cultural needs and values of the target markets and the resulted performance in managing the contrasting logics under the same organizational structure presented why institutional contexts are matter (Boehe and Cruz 2013). The study also contribute to Scott (1995, 2001) by presenting the role of normative, regulatory, and cognitive pillars of institutions in the internationalization of SEs. Scholars also highlighted that international country selection strategy of SEs depends on the local culture of the operating contexts. SEs require to target countries where there is consistency between the nature of their social mission and the culture of the new context (Drori et al. 2020).

Accordingly, the existing literature presented the role of different institutions in scaling and balancing the dual logic of SEs. In this section, different studies converged together to reveal why "international SEs are often confronted with unfavorable normative, regulatory, and cognitive institutional environments (Desa 2012, 727). Preceding studies demonstrated that the legal, cultural institutions and governmental rules and regulations, which in institutional theory refer to 'rules of the

game' (North 1990) and define the normative, regulatory and cognitive pillars (Scott 2008) of formal and informal institutions (Peng et al. 2008) have supportive or restrictive roles in managing the hybrid missions and internationalization of SEs (Desa 2012). Many scholars highlighted that international SEs require to adapt their BM to the diverse institutional logics of the host country (Drori et al. 2020; Mersland et al. 2020; Wang et al. 2015; Xing et al. 2020). In other words, the successful internationalization of SEs might be contingent on the adaptation of the BMs into the "cultures, ideologies and intuitions" of the operating environment (Zahra et al. 2009, 129). Therefore considering the supportive and restrictive roles of the institutions on the social impact, hybridization and performance of SEs, it is plausible to infer that;

***Proposition 2.** Contextual variances are likely to constrain the applicability of focal firm BM in the host country, such as formal and informal institutional differences.*

#### **2.5.4. Internal Barriers to Internationalization of SEs**

In this section, the literature on the internationalization of SEs will be reviewed to explore how the focal SEs' BMs might require dynamic capabilities to overcome the barriers through adjusting and modifying the existing BMs.

##### **2.5.4.1. Role of Organizational Capabilities in Internationalization of SEs**

Considering that SEs are concerned with creating value more than value capture, so unlike conventional enterprises, achieving a sustainable solution to the social problem is more significant than achieving a 'competitive advantage' (Santos 2012). That is why this section is built on the positive theory of social entrepreneurship by Santos (2012), which suggested that "the central unit of analysis for social entrepreneurship

research may be the solution and its underlying business model, not the organization" (346).

Accordingly, in this research, the business model defines the interconnected set of activities or transactions designed in an organization's content, structure, and governance to create value by addressing a particular need (Amit and Zott 2001). Some scholars debated the importance of organizational capabilities and highlighted the significance of the internal capability of organizations as the prerequisite for successful and early internationalization (McDougall et al. 1994; Zahra et al. 2000). Knight and Cavusgil (2004) highlighted the role of internal capabilities, such as the ability to sustain innovation through 'innovative culture' by entering into foreign markets, which refer to the entrepreneurial principles (Kalinik and Pater 2013) entrepreneurial capabilities (Zahra et al. 2014) and opportunity recognition, identifying and exploiting of SEs. Many scholars presented how international SEs particularly 'Born Global SEs' are innovative in this regard (Chen 2012; Marshal, 2011; Zahra et al 2008, 2014). For instance, according to internalization theory (Hennart 2001), organizations that are equipped with internalization advantages can cultivate the benefit of internationalization by innovative internalizing their BM in new countries. In this regard, Zahra et al. (2008) asserted that SEs for internationalization from inception have different types of internalization advantages or facilities such as "proprietary knowledge, access to network, innovative business models, and important assets as well-skilled entrepreneurs and staff" (125) and among them emphasized on employing innovative organizational structure and business model as a tool for exploiting social opportunities, since BM can provide organizational capability (Knight and Cavusgil 2004) for speedy and effective transfer and replication of the innovative and proven solution of the focal firm into the new contexts (Zahra et al. 2008). They stated that "social enterprises are likely to internationalize when they have or can develop particular capabilities that could be deployed to serve unique social needs" (Zahra et al. 125). Correspondingly, Knight

and Cavusgil (2004) highlighted the role of organizational capability as a type of distinct knowledge which contributed to internationalization from inception by noting that the "superior ability of certain firms to sustain innovation and, as a result, create new knowledge leads to the organizational capabilities, consisting of critical competencies and embedded routines" (Knight and Cavusgil 2004, 126). Hence, BM can be considered a distinct resource (Teece 2010) or 'organizational capability' (Knight and Kavusgil 2004) that might impact the internationalization process of SEs differently either as barrier or catalyzer.

Moreover, Zahra et al. (2008) elaborated that the wide scope and rapid internationalization of SEs, which is a process of social opportunity exploitation, depends on several internal variables; among them emphasized the vital importance of organizational capabilities or the firm-specific factors, which are discussed by (e.g. Angulo-Ruiz et al. 2020; Misbauddin and Nabi 2019). Many scholars emphasized the diverse form of organizational factors as enablers of both internationalization processes of SEs as such; possessing diverse, unique resources such as technical, financial, human and tangible resources (Knight and Cavusgil 2004, Misbauddin and Nuri 2019), the capability of resource assembling such as bricolage (Desa 2012; Sunduramurthy et al. 2016), the ability to coordinate the international operation through employing cooperative strategies (Zahra et al. 2008), community development and network competency (Zahar et al. 2014) ability to create innovative and alternative governance structures by employing social exchanges (Chen 2012) capability to leverage specific resources through global social networks (Kalinik and pater 2013). International SEs have distinct organizational capabilities as social impacts and system change capabilities in comparison to profit enterprises (Zahra et al. 2014). Kalinik and Pater (2013), based on an empirical study, identified internationalized SEs as 'social cosmopreneurs' who follow distinct internationalization processes and mechanisms due to their 'strong social orientation' and 'entrepreneurial principles' and 'cosmopolitan awareness' (4). They explored that

international SEs, with the virtue of the Cosmopolitan View, have the distinct capability to create innovative governance structures that differentiate them from the negotiated exchange structure of the commercials by adopting reciprocal, indirect and productive exchanges. Indeed, Kalinik and Pater's (2013) study confirmed Chen's (2012) conceptual model in which highlighted the role of the ability to employ alternative social exchange structures and socially embedded resources in the long term sustainability of international SEs and remarked, "international social ventures provide an alternative to traditional market and public-sector solutions by using social exchange structures that more effectively leverage available resources" (Chen 2012, 137). According to Kalinik and Pater (2013), the internationalization process of SEs, compared to commercials, is constrained by idiosyncratic barriers and complexities rooted in the social mission and strong social orientation of the ventures. However, SEs "merely neglect country borders as barriers; rather, international differences are opportunities" (Ibid, 5). International SEs employ reinforcing mechanisms or capabilities that allow them to surpass cultural, social and economic complexities due to psychic distance and liability of foreignness, such as; the ability to leverage specific resources or knowledge at hand, which refer to as 'bricolage' and resource mobilization by (Desa 2012; Chen 2012; Yang and Wu 2015) and the ability to build strong networks of like-minded around the globe (Marshal 2011; Yang and Wu 2015). Misbauddin and Nabi (2019) proposed a framework for the internationalization of SE and discussed the potential enablers and inhibitors of the process at different levels. The authors identified three barriers to the internationalization of SEs; congruence in needs, social problems, and the foreign country's contextual environment, which arise from firm-specific, context-specific and entrepreneur-specific factors (Misbauddin and Nabi 2019). The authors, also described that firm-specific factors refer to organizational capabilities of social business such as "social value creation motive, tangible and intangible resources,

networks, manpower issues, information availability, information usage, and partners for the international entry" (125).

Likewise, scholars on the firm-specific factors pointed out the role of the firms' BM model on internationalization (Rondoy et al. 2015; Marshal et al. 2011; Zahra et al. 2009). Some scholars discussed on the crucial role of organizational capabilities in the BM replication and adaptation of SEs in the foreign country and highlighted the capability to leverage social networks to gain the necessary resource and the ability to develop collaboration and partnership (Marshal et al. 2011; Yang and Wu 2015; Yunus et al. 2010). In the same way, Teperi (2018) explored the international SEs' capability to enhance capacity building and knowledge transfer through new partnerships. Marshal (2011), by three case studies, demonstrated the role of capabilities in BM scaling in which the ability to leverage social networks led to developing alliance building and facilitating information, expertise and building a supply chain.

In an empirical study, Yang and Wu (2015) explored that SEs deploy various 'creative' strategic solutions in their operational modes, target market and country selection. The study highlighted the creative ability of SEs in resource mobilization, which refers to the bricolage capability that SEs engage for value creation (Desa 2012; Sunduramurthy et al. 2013, 2016). They also emphasized that SEs require dynamic capabilities to respond to different aspects of internationalization issues by remarking that "SEs need to match supply and demand across countries and build a sustainable BM for the benefit of themselves, local social groups, and consumers" (35). Moreover, Yang and Wu (2015) empirically identified the distinctions between the internationalization strategies of for-profit and not-for-profit SEs. They highlighted that SEs face idiosyncratic barriers in the internationalization process with no regard to their types which stem from the issue of "double-embeddedness" and the issue of "adaptation to the local environments" due to the lack of standardization of BM (39), which the latter, is similarly highlighted by Zahra et al.

(2008). However, they pointed to the adaptation capability of international for-profit SEs due to diverse sources of income (Yang and Wu 2015).

Similarly, several researchers emphasized that the internationalization of SEs is the outcome of BM's transfer to a new country, which is strongly dependent on the capacity to recognize and create social opportunities that generate resources for the social mission (Randoy et al., 2015, Zahra et al., 2009).

On the other hand, Zahra et al. (2008) discussed that the internationalization process of SEs constantly constrained by standardization across countries and adaptation to local environments. The authors emphasized that one of the internationalization barriers of SEs might be the BM; since the nature of the social mission in new contexts due to institutional differences can constrain the transfer and replication of a BM and organizational structure due to lack of standardization (Chen, 2012, Kalinin and Pater, 2013, Misbahudin and Nuri, 2019, Zahra et al. 2008). In other words, the adaptation of BM to the new environment (localization) might reduce the entrepreneur's motivation due to two different reasons 1. It may increase operational costs, and 2. Localization requires identifying the socio-economic characteristics of new contexts, such as cultures, ideologies, and institutions (Zahra et al. 2008).

Moreover, Davis et al. (2018) and Rebelo (2019), in the result of the empirical analysis of the barriers to SEs' growth and internationalization, unfolded social mission-driven barriers of SEs at the individual, organizational and institutional levels. The study while revealing the three BM barriers of SEs as access to finance, human resources, and identity authenticity, also presented that organizational barriers stemmed from the BM of SEs. The authors also highlighted the interconnectedness between personal value and institutional barriers and the BM components (Ibid).

In addition, the prominent SCALERS model established by (Bloom and Chatterji 2009) identified seven organizational capabilities as drivers of scaling social impact; Staffing, Communicating, Alliance building, Lobbying, Earnings generation,

Replicating, and Stimulating market forces in certain situational contingencies (115). The authors highlighted certain situational contingencies that influence the effectiveness of each capability in the process of scaling. Situational contingencies are the firm-specific and context-specific variables that can hinder or foster the scalability of international SEs and include in; "labour needs, public support, potential allies, supportive public policy, start-up capital, and dispersion of beneficiaries. (Bloom and Chaterji 2009). Correspondingly, Cwiklicki (2019), in the finding of an empirical analysis of SCALER capabilities, presented the 'viability of the business model' as the first success factor required for the internationalization of SEs; which shows the financial robustness and sustainability of SEs' BM in the home operation (Tayabali 2014; OECD 2013; Weber et al. 2015). In this regard, some academics underlined the need for SEs to initiate international expansion after a successful start-up in their home country (Magoulios et al. 2019; Yang and Wu 2015).

In addition, some scholars identified that effective deployment of the seven organizational capabilities in certain situational contingencies results in the creation of the "strong BM, neutral from market sources, well-resourced, recognized in the public sphere" (Cwiklicki 2019, 56). Moreover, the study explored the 'antecedents of international scaling' or 'political skills' (Frances and Antadze 2010) as communicating, lobbying, and alliance building capabilities that have allowed SEs to achieve strong BM so that higher legitimacy, recognition, support, and resource in their operating environments. These findings show the role of SCALER capabilities in enhancing the level 'double embeddedness' in 'plural environments' in which international SEs engage and refer to "the degree of connection and interaction with local actors or stakeholders in the community" (Yang and Wu 2015, 39). Some scholars highlighted the capabilities of SEs in using appropriate internationalization strategies to overcome the complexity that arises from diverse contextual differences in emerging economies, particularly institutional impediments due to a lack of legal

framework and supportive regulations (Janssen et al. 2018). In this regard, Wang et al. (2015) assessed the challenges of the emergence of international SEs in china and presented the way SEs respond to challenges by highlighting the role of organizational capabilities in leveraging the appropriate strategic solution. The study revealed the constraining role of the local government and regulatory environment on the organization structure and arrangements of SEs. The scholars evidenced the influence of internal competency and dynamic capabilities of SEs in overcoming and responding to the institutional challenges and environmental complexities (Ibid). The authors indicated that replicating the BM through the franchising approach is an intricate process, particularly in unstable and dynamic emerging economies, since SEs require aligning or adjusting their BM to fit into diverse institutional logics of the context (regulatory institutions). That's why; some researchers asserted that SEs, have to find innovative solutions in transferring their BM from developed to developing countries since it requires the 'mixture of reactive and proactive approaches' to surpass the challenges and problems in the working environment (Ibid, 68).

Furthermore, some scholars highlighted that the franchising approach would require some fine-tuning only in a familiar environment; however, this approach turns to intense challenges and will require a radical organizational response in an environment with fundamentally different institutions and socioeconomics (Wang et al. 2015, 68). Similarly, the studies of Veronica et al. (2020) highlighted the role of unique capabilities, skills, and network competencies SEs deployed to adopt the twin organizational setup that allows them to mobilize different types of resources effectively. Xing et al. (2020) empirically assessed the organizational response of five international SEs to the institutional complexity in China by focusing on their entry mode selection. The authors revealed that employing dynamic approaches enabled SEs to respond to social, institutional, and governmental barriers by developing a collaborative entry mode and dynamically managing the hybridity. Xing et al. (2020)

demonstrated that SEs to be international changed their organizational structure (collaborative partnership) in the host country to deal with institutional barriers and manage and organize the hybridity dynamically.

As an appropriate response to institutional complexity, the collaborative partnership resulted in change and adjustment in the BM of international SEs, which refers to BMI implementation by Amit and Zott (2010, 2012). Amit and Zott (2012) highlighted that firms require redefining the activity system of content, structure and governance to establish a new way of doing business by exploiting new opportunities.

Likewise, deploying the dynamic approaches reflects SEs' dynamic capabilities (e.g. Teece 2018; Best et al., 2021; Bock et al., 2012) in response to external forces and environmental uncertainty. These applied organizational capabilities resonate with the dynamic capability that defined by Teece et al. (1997) as "the firm's ability to integrate, build, and configure internal and external competencies to address rapidly changing environments" (516).

In the same way, some scholars pointed to the influence of dynamic capabilities on organizations' performance (Eisenhardt and Martin, 2000; Weerawardena et al. 2015) by highlighting that international SEs create social value by generating a new source of value creation despite the challenges and complexities of evolving markets in emerging countries. Possessing dynamic capabilities enables SEs to develop innovative approaches and strategic responses by developing new organizational knowledge and reconfiguring existing resources and routines (Eisenhardt and Martin, 2000; Weerawardena et al. 2015).

Moreover, dynamic capabilities enhance the strategic flexibility of SEs when trying to change and adapt new resources and activities in response to macroeconomic forces and environmental issues (Bock et al. 2012). For instance, Olofsson et al. (2016) through an empirical study, identified that SEs require modifying their BM to generate a new source of value creation and emphasized the

significant role of creation of innovative BM on the SEs successful performance. In addition, some scholars pointed to the struggle that SEs encounter during global scaling, which forced them to adjust their business model in foreign countries (Bacq et al. 2011; Bocken et al. 2016; Ritvala et al. 2019). In the same way, other scholars pointed out that SEs need to reach new customers and beneficiaries when entering an industry, so they need to adopt a new mechanism for generating and balancing value creation (Bohnsack et al. 2014).

On the other hand, literature on the dynamic capability view of the firm disclosed the interactions between BM and dynamic capability and organization performance as follows;

Eisenhardt and Martin (2000) described dynamic capabilities as an organizational endeavor for changing "the firms' resource base by acquiring, shedding, integrating, and recombining" extant resources in order to create a new source of value creation (Sapienza et al. 2006, 3). Sapienza et al. (2006) remarked on the distinction between dynamic capabilities and ordinary capabilities by noting that "capabilities are configurations of routines and resources that allow an organization to achieve its goals (Nelson and Winter 1982), whereas dynamic capabilities reflect a firm's capacity to reconfigure its capabilities to adapt to its environment (3). Teece (2007) argued that an enterprise with strong DCs would be able to innovate the existing BM through the "capacity (1) to sense and shape opportunities and threats, (2) to seize opportunities, and (3) to maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise's intangible and tangible assets" (1348). Teece (2018) elaborated on the reason why firms require dynamic capabilities for modification and adjustment of the BM by highlighting that "business models are enabled by dynamic capabilities in the sense that a dynamically capable organization will be able to rapidly implement, test, and refine new and revised business models" (45).

Internationalization is the process of "transfer and adaptation of validated business models require continuous sensing, seizing and flexibility at local and headquarter levels" (Teece 2018, 48). Dynamic capability requires "developing and orchestrating" inter-organizational resources (Teece 2018, 43), reconfiguring a firm's resources and routines in a new way (Zahra et al. 2006) when a firm attempts to adapt validated BMs to different geographies (Teece 2018). Zahar et al. 2006 discussed that "building dynamic capabilities allow firms to conceive of new resources and explore new uses for their resources" (950).

In conclusion, as Teece (2018) asserted, preceding literature presented that "business model, dynamic capabilities, and organizational design are mutually interdependent" (48). The scholars highlighted that organizations might need to modify their BMs and implement BMI in response to external forces to fit into the local requirements of the new context to maintain their profitability over the long run (Best et al. 2021; Bock et al. 2012; Teece 2018).

In this section, I attempted to gather the literature on the nexus between the organization capabilities, particularly dynamic capabilities, BM, and internationalization, in which scholars within the context of international SEs pointed out the significance of dynamic capabilities as key organizational variables that determine the organization's response to the change and complexities in new context/ during internationalization process (Wang et al. 2015; Xing et al. 2020; Yang and Wu 2015 , Zahra et al. 2008). The existing studies presented that significant internal barriers that might challenge the internationalization process of SEs arise from the business model of the focal firm since the institutional characteristic of a new context might compel the business model adaptation in a new country (Davis et al. 2018; Spieth et al. 2018; Teece, 2018; Wang et al. 2015; Zahra et al. 2008).

Therefore, BM might require dynamic capabilities to overcome the barriers through adjusting and modifying the existing BM. Based on this assumption, I consider the SE's BM as a unit of analysis and a valuable asset that can transfer to a new context to reach higher social impact and infer that;

***Proposition 3:*** *The Internal barriers at the organizational level might constrain the BM adjustment in the host country.*

## **2.6. BMI AS THE OUTCOME OF INTERNATIONALIZATION OF SEs**

### **2.6.1. The Barriers and Tension of SEs in Pursuit of Dual Mission**

BM studies in recent decade have increased both academic and practitioners' attention; however, despite the bulk of research on the business model, research focus on the social business model has remained limited (e.g., Seelos and Mair 2007; Spieth et al. 2018; Wilson and Post 2013; Yunus et al. 2010). This gap reveals the need for a well-defined social business model framework (e.g. Grassel 2012; Lee 2015), since, the existing theoretical frameworks of the business model in the strategic management has built on the assumptions of conventional businesses and does not adequately explain the specificities of SEs and their context of operation (Lee 2015; Spieth et al. 2018). In other words, the value focus of the BM studies either in the value-based perspective (Baden-Fuller and Mangematin 2013; Teece 2010) or in the activity-system perspective (Zott and Amit 2010) are defined based on the commercial value capturing, which contradicts with the social value creation of SEs so their applications may hinder the achievement of dual mission (Spieth et al. 2018; Santos 2012; Santos et al. 2015). Thereby many scholars have attempted to reveal the distinctive feature of SEs and laid grounds for theoretical development and, in this

way, contributed to the growth of the body of knowledge (Best et al, 2020; Santos 2012; Spieth et al 2018; Lee 2015; Mair and Schoen 2007, Wilson and Post; 2013 Yunus et al. 2010). Moreover, some scholars emphasized the important role of the BM as the holistic unit of analysis for studying SEs (Saebi et al. 2018; Santos, 2012; Spieth et al. 2018), and highlighted that BM “provides an adequate perspective to capture the complex structural and cognitive configurations behind these activity systems” (Spieth et al; 2018, 4). Correspondingly, Santos (2012) elaborated “the central unit of analysis for social entrepreneurship research may be the solution and its underlying business model, not the organization” (346).

Many researchers indicated that SEs are constrained by diverse issues in managing their hybridity and achieving the dual missions (Best et al. 2021; Battillana 2018; Batillana and Lee 2014; Ebrahim et all. 2014, Pache and Santos 2010; Smith et al 2013; Spieth et al. 2018; Smith and Besharov 2019) or balancing mission and margin (Best et al. 2021). The issues that arise from hybrid nature of SEs stem from conflicting nature of the two institutional logics as social welfare and financial sustainability (Battilana and Dorado 2010, Batillana and Lee 2014; Defourney et al. 2019; Doherty et al. 2014; Pache and Santos 2013) which drive them to combine the characteristic of three sectors; public sector, social sector private sector (Defourney et al. 2019) or share the characteristic of both for-profits and not-for profit firms (Paredo and McLean 2006). For this reason, the biggest challenge of SE in internationalization is the mission integrity problem (Besley and Ghatak 2017; Ramus and Vaccaro 2017). Considering the fact that most of the time “the focus on profit can lead to a social cost when profitable actions do not reflect social values” (Besley and Ghatak 2017, 19) SEs confront with dilemma between the conflicting values and difficulty in achieving right trade- off between mission and margin (Ramus and Vaccaro, 2017). International SEs often restricted by environmental constraints (Smith and Besharov 2019) and external pressures since they often operate in volatile environments (McDonald et al. 2020; Weerawardena et al. 2010). Mersland et al.

2021 highlighted that “in selecting international markets, social enterprises target countries with high country risk but not those that are most risky” (3), thereby SEs require considering the host countries’ macro-economic conditions to be able to select the countries that offer the opportunities for desirable balance between social and economic logics (e.g. Mersland et al. 2020; Veronica et al. 2020; Wang et al. 2015; Xing et al. 2020). In addition to social and economic logics SE require to consider the governmental logics of host country for choosing an appropriate mode of entry (Xing et al. 2020).

In addition, international operation of SEs also constrained by internal barriers due to their business model since the nature of social mission challenges its adaptation to the new context (Davis et al. 2018; Magoulios et al. 2019; Wang et al. 2015; Zahra et al. 2008). Beside, SEs development in regional and international level constraints by idiosyncratic challenges in generating social and economic values (Rebelo 2019; Weerawardena et al. 2021), managing the expectation of diverse stakeholders (Costanzo et al. 2014; Pache and Santos 2013) with diverging objectives and values (Smith et al. 2013), which forced them to ‘bow before dual gods’ (Smith and Besharov 2019).

Moreover, in result of an empirical study Spieth et al. (2018) revealed the negative and the positive aspects of combining the dual social-economic logics; the negative aspects are the tensions arise from integration of dual mission in ‘an under explored multi-stakeholder network context’ (Best et al. 2021) which refer to conflicting demand of stakeholders from diverse institutional logics (social, economical, and governmental logics) (Costanzo et al. 2014; Pache and Santos 2013; Smith et al. 2013; Mair et al 2015). The positive aspects refer to the creation of four novel values that are generated from the integration of dual missions in result of innovative approaches; as 1) responsible efficiency; 2) impact complementarities; 3) shared values, and 4) integration novelties (Spieth et al. 2018). The study concentrated on the positive aspects of integration of dual institutional logic of SE

while many scholar's explored the negative aspects and highlighted the resulted tensions in pursuit of social mission and financial margin, namely the paradoxical tensions at organizational level (e.g. Smith and Lewis 2011; Smith and Besharov 2019; Pache and Santos 2013) such as “belonging tensions, learning tensions, organizational tensions, performing tensions” that are extracted from 360 papers (Smith and Lewis 2011), adaptive or paradoxical tensions during BMI (Best et al. 2021), and the tension of mission drift (Best et al. 2021; Ebrahim et al. 2014) which arise from balancing between mission and margin.

Furthermore, the scholar in the international context of SE highlighted that unlike commercial enterprises, internationalization of SEs are hindered by idiosyncratic barriers particularly when entering to the new context (Angulo-Ruiz et al. 2020, Davis et al. 2018; Fardig and Hakansson, 2014; Kalinik and Pater 2013; Marshall 2011; Rebelo 2019; Yang and Wu, 2015). To put some; in the study of barriers to SEs' growth, that refers to both the scale up and scale out, Davis et al. (2018) identified that SEs in pursuit of dual missions are constrained by diverse barriers in the three levels; individual, organizational and institutional barriers. The study reveled that barriers in institutional level stem from institutional norms particularly cultural and normative differences which refer to the consumer behavior and traditional business norms; barriers in organizational level arise from the BM of SEs which refers to resource scarcity and identity authenticity, and the barriers in individual level arise from value base barriers which refers to ethical value differences, growth philosophy and ethical principles. Value based barriers also were identified in another study by Rebelo (2019) which include in the ethical values differences with stakeholders, mission integrity problem (mission drift), and social mission constraints (Rebelo 2019).

Additionally, in the study of Canadian social hybrids, Angulo Ruiz et al. (2020) highlighted that SEs, due to their dual-core objectives reacted differently to the traditional internationalization variable, and also they emphasized the negative

role of local embeddedness on the tendency of SE toward internationalization. They assessed the role of internal and external organizational variables such as social and economic network ties, government support, and institutional isomorphism on the SEs' internationalization. The study explored the different values and interesting influence of the variables on the cross border expansion of SES. They identified the negative role of the social network ties and government support besides the positive role of economic network and institutional isomorphism in the internationalization of SEs.

Besides, in the study of the effect of geographic context on international scaling of SEs, Corner and Kearnes (2021) highlighted that scale out is not the first act of social entrepreneurship since SEs often face formidable hurdles due to dissimilarities between home and host country which prevents their tendency toward rapid international scaling. They explored the main challenges of international scaling are product modification, different partnerships, and idiosyncratic resource configurations and suggested the standardization and generic resource configurations as a new research focus which can bring valuable insights for scale of social impact to new geographical contexts.

### **2.6.2. BMI as Organizational Response to Barriers of Internationalization of SEs**

Extant studies in the field suggested the use of some approaches for successfully managing the co-existence of social welfare and economic logics in the hybrid nature of SEs, such as; selective coupling to gain legitimacy (Pache and Santos 2013), aligning business model and organizational design (Santos et al. 2015), identifying and deploying appropriate mechanisms in the business model and organizational structure (Weerawardena et al. 2021). Beside, Zahra et al. (2008) highlighted that the pace and scope of internationalization of SEs could be accelerated by adopting

innovative BMs and organizational structures since they can employ collaborative strategies and utilize global sources of funds.

Moreover, a group of scholars emphasized that all the activity system of the BM needs reconfiguration to integrate and balance the demands of dual institutional logics (Best et al. 2020; Battilana and Lee 2014; Spieth et al. 2018; Lee 2015; Mair and Schoen 2007; Yunus 2010; Wilson and Post 2013). Reconfiguring the BM components allows SEs to create and exploit new opportunities and promote collaboration with diverse networks, ecosystems and partners (Best et al. 2021; Spieth et al 2018; Wilson and Post 2013). To add some; in a comparative case study of the widely recognized SEs in developing economies, Mair and Schoen (2007) applied Hamel's (2000) business model components to explore the approaches contributed SEs to balance their dual institutional logics and preserve hybridity. The study highlighted that the SEs had managed their hybridity successfully without jeopardizing their dual goals despite institutional and organizational barriers, which refer to the lack of resources, networks, institutions and supportive structure. The study identified that SEs achieved significant scale and long-term self-sustainability by deploying 'common features' in the business model design, such as; 1. The proactive development of value network, 2. Using innovative resource strategies, and 3. Redefining the customer interface by integrating new target groups or beneficiaries. Based on the findings, the authors suggested three propositions, 1) "early-stage creation of value networks in composition and structure of value networks, 2) procurement of strategic resources, which refers to early-stage consideration of critical resource and innovative building of business model accordingly, 3) and the management of the customer interface which refers to early-stage integration of target group into the social value network" (Mair and Schoen 2007).

Thus, SEs require utilizing innovative mechanisms and entrepreneurial approaches to integrate social and economic value creation in all components of their

BM, which enables them to balance their dual institutional logics and thus maintain their hybridity in the long run (Ibid). Thus, these propositions stand as the basis for a new proposition regarding BMI implementation among SEs as an appropriate mechanism for creating balance and integration between conflicting institutional logics.

Further and for the first time in the field, Yunus (2010), in his conceptual study explicitly highlighted the necessity of BMI for establishing SEs. He resembled the design of social business models to the conventional business model innovation. He highlighted that “building social businesses requires building new business models” in which “new value propositions and new value constellations” are required to yield a positive profit equation (312). The study suggested some strategies for building SB, such as 1) challenging conventional wisdom and basic assumptions, 2) finding complementary partners, 3) undertaking a continuous experimentation process” (314). Each of the three strategies emphasized employing BMI as a helpful mechanism for building a new social business or redesigning the existing SEs to enhance social impact scaling.

Moreover, in the exploratory research, Wilson and Post (2013) concentrated on the hybridization management of SEs to explore the activities and approaches that contribute to the joint creation of the social-economic value. They identified practical approaches that enabled SEs to achieve the dual goals simultaneously despite constraining through diverse barriers. The study suggested:

1. The necessity of developing a ‘new design’ in the social business model may require applying a radical redesign in the configuration of the activity system between the value chain and the stakeholders,
2. The refinement of the social business model demands time and patience,
3. The alignment of a social mission with the capital and governance structure.

Accordingly, these propositions converge together to indicate that “the creation of social and economic value does not have to be seen as inconsistent and incompatible” in SEs (Wilson and Post 2013, 730). Instead, overcoming the trade-off as the biggest challenge of SEs requires designing a new business model or redesign process to ensure long-term sustainability through creative synthesis and tight coupling of social and economic mission in the activity system of the content, structure and governance of the SEs. In this way, the study provided valuable insights regarding the explicit role of implementing BMI in overcoming the tensions and obstacles in managing their paradoxical missions.

Furthermore, Lee (2015), considering the dissonance between the design and conceptualization of conventional BM and the distinctive characteristic of SEs, proposed a conceptual 'social business model' appropriate for effectively creating social and economic missions. The developed model demonstrated that achieving a social-economic mission results from dynamic changes at an organization's internal and external levels. The author highlighted that the internal changes are purposeful changes or innovations (Teece 2010) which may lead to change in other components of the BM and governance structure and remarked, "while the internal changes initiated by the social entrepreneurs are the main driver of the model dynamics, external factors such as government regulations, competition, and the economy may also affect the model dynamics" (292).

In addition, Spieth et al. (2018) in an empirical study of the value driver of SEs, identified the four unique characteristics of SEs that contribute to the creation of different value drivers that emerge from the combination of social and economic value creation. In other words, the study revealed the unique particularities of SEs as “interdependence of social and economic benefits, 2) social value integration, 3) social value priorities, 4) social value community development. The study demonstrated how SEs, in virtue of their particularities, generated different patterns in social value creation through diverse BMI efforts. The authors highlighted the

positive aspects of integration of conflicting institutional logic by concentrating on BMI implementation of SEs, which refer to the creation of four novel value drivers that are resulted from the integration of social and economic missions and define the themes of social business models as well; 1) responsible efficiency; 2) impact complementarities; 3) shared values; 4) integration novelties (Spieth et al. 2018).

Finally, in a recent empirical study of the UK social enterprises, Best et al. (2021) investigated the process of BMI, which adopted as a response to change in the operating environment and as an effective mechanism to manage the tension of dual missions and also as a helpful approach for ensuring the sustainability of SEs. They identified that SEs to overcome their resource barriers and achieve a new source of value creation (government funding) engaged in BMI to modify their BM to the network BM to create change in the supply chain. They explored that SEs in the BMI process, which necessitates changes and reconsideration in different components, resources and strategies (Teece 2018; Zott et al. 2012), confronted with adaptive tensions (network-level tensions) in the different stages of BMI, which are manageable through dynamic capabilities. The authors highlighted that "BMI can help SPOs to facilitate the alignment of their value propositions, value creation and value capture activities with a complementary network of SPOs who are all interested in securing sustainability and growth" (Best et al. 2021, 33).

Consequently, preceding studies revealed that SEs since endeavor to balance the social and economic values during growth and scale at regional, national and international levels, constrained by several key issues and barriers (e.g. Drori et al. 2020; Davis et al. 2018; Kalinik and Pater, 2013;; Wang et al. 2015; Xing et al, 2020; Yang and Wu 2015). Besides, some studies proposed that SEs by employing BMI as an organizational response to the different internal and external dynamics (see, Lee 2015) might preserve their hybridity, viability, and long term sustainability (e.g. Best et al. 2021; Foss and Saebi 2016; Spieth et al. 2018, Teece 2018). Some studies demonstrated that SEs engaged in BMI through different approaches for different

reasons as; remaining viable in a competitive and resource-constrained context (Baraket et al. 2016), balancing the dual mission through new networks, contexts, and ecosystems (Best et al. 2021, Foss and Saebi, 2016; Spieth et al. 2018), achieving new source of value creation in new contexts (Spieth et al. 2013), creating value through exploiting new opportunities (Zahra et al. 2008), developing a network and duality of purpose for creating dual missions in a mutually reinforcing manner (Mair and Schoen 2007; Santos et al. 2015), integration of social and economic missions and for ensuring long-term sustainability (Wilson and Post 2013), creating a new value proposition, value creation, and value constellation (Yunus et al. 2010), responding to change in operating environment or for achieving dual mission in multi-stakeholder networks (Best et al. 2021).

Drawing on Amit and Zott (2001) BM depicts the transactions or activities that are designed in the content, structure and governance of an organization. BMI refers to the changes or fundamental redesign and reconsideration in the three components to create novel value through exploiting new opportunities which comprises; (1) adding novel activities into the content, (2) novel way of linking activities in the structure (3) changing parties that do the activities in the governance of an organization (Amit and Zott 2012).

Similarly, Chesbrough (2007) and Baden-Fuller and Haefliger (2013) defined BMI as creating change or reconfiguration in the offering product and service or changing the way of delivering the created value. According to Khanagha et al. (2014), BMI “can range from incremental changes in individual components of business models, extension of the existing business model, introduction of parallel business models, right through to disruption of the business model, which may potentially entail replacing the existing model with a fundamentally different one” (324).

Above all, to successfully manage the process of BMI, scholars highlighted the necessity of dynamic capabilities (DCs) (Best et al 2021, Eisenhardt and Martin

2000; Sapienza et al. 2006; Schoemaker et al. 2018; Teece 2018, Zott et al. 2011). Scholars also pointed to the influence of dynamic capabilities on the firm's performance and highlighted that dynamically capable organizations will be able to rapidly implement, test, refine and revise their BM" in accordance with needs and new opportunities (Teece 2018, 45).

Likewise, Sapienza et al. (2006) stated that DCs “reflect a firm’s capacity to reconfigure its capabilities to adapt to its environment” (3). Teece et al. (1997) defined DCs as “the firm’s ability to integrate, build, and configure internal and external competencies to address rapidly changing environments”(516). Teece (2007) argued that an enterprise with strong DCs will be able to innovate the existing BM through the “capacity (1) to sense and shape opportunities and threats, (2) to seize opportunities, and (3) to maintain competitiveness through enhancing, combining, protecting, and, when necessary, reconfiguring the business enterprise’s intangible and tangible assets” (1348). Developing DCs contribute SEs to manage and overcome the paradoxical tensions when engaging in BMI (Bock et al. 2012; Best et al 2021). DCs enhance the strategic flexibility of SEs during BMI in which trying to change and adapt new resource and activities in response to macroeconomic forces and environmental issues (Bock et al. 2012).

Accordingly, I infer that existing BM of SEs require BMI approaches for enhancing their capability of fulfilling the dual missions and thus achieving the longtime sustainability in the process of internationalization (e.g. Best et al. 2021; Bock et al. 2012; Foss and Saebi 2016; Spieth et al. 2018; Mair and Schoen 2007; Olofsson et al. 2016, Teece 2018, Wilson and Post 2013; Weerawardena et al. 2021; Yunus et al. 2010).

***Proposition 4:*** *Business model innovation is the outcome of SEs’ Internationalization, since SEs require engaging in BMI when dealing with institutional dynamics and complexities.*

### List of Propositions

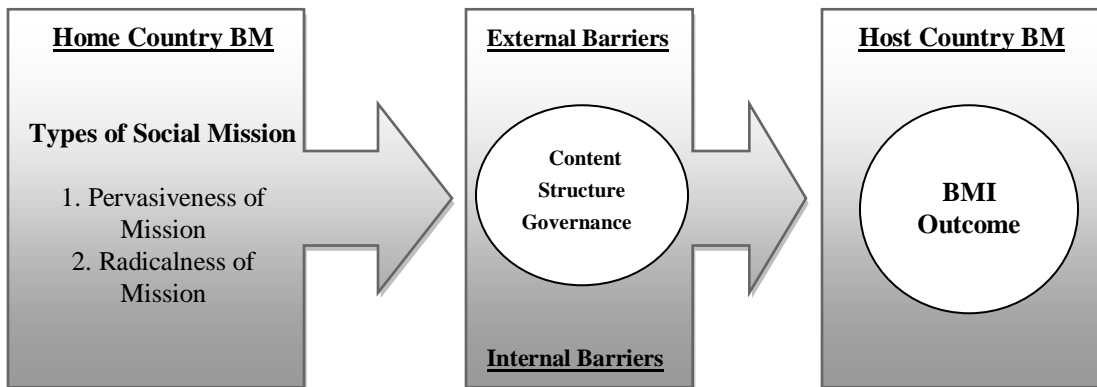
**Proposition 1:** The Type of social mission of SEs is likely to influence the process of internationalization of SEs which could be viewed as barrier or catalyzer.

**Proposition 2:** Contextual variances are likely to constrain the applicability of focal firm BM in the host country, such as formal and informal institutional differences.

**Proposition 3:** The Internal barriers in organization level might constrain the BM adjustment (BMI) in host country.

**Proposition 4:** Business model innovation is the outcome of SEs' internationalization, since SEs require engaging in BMI when dealing with institutional dynamics and complexities.

### Internationalization of SEs through Transferring Business Model



**Figure 2.1.** Research's Conceptual Model

## **CHAPTER THREE**

### **RESEARCH METHODOLOGY**

#### **3.1. INTRODUCTION**

A research methodology presents the underpinning theoretical perspective that guides any scientific study and also represents the position and perspective of the researcher toward the subject of analysis. According to Sobh and Perry (2006), research methodology identifies the techniques and procedures that the researchers choose to discover reality. This thesis study with a deductive qualitative approach employs a thematic narrative inquiry (see; Alan Bryman 2012; Boyatzis 1998; Murray 2003; Riessman, 2003) for identifying, analyzing, and reporting patterns (themes) within data” through the application of theoretical thematic method (Braun and Clark 2006, 6). In this chapter which encompasses three sections, the researcher will present the approached research design and methodology in analyzing the multiple case studies.

In the next section, the research methodology and the philosophical paradigm will be explained. In section three and four, the sample selection, used criteria, list of case companies and the data collection process will be explained in detail. In section five, the process and different phases of analysis of data will be demonstrated.

#### **3.2. RESEARCH METHOD**

This exploratory thesis study based on the existing gap in the international SE literature applied the business model perspective to investigate the internationalization process of SEs and explore the barriers and catalyzers in the internationalization process of SEs. The research problem is the role of social mission

of the BMs of SEs in the process of internationalization. The research question is the factors that constrain or accelerate the internationalization process of SEs.

In this thesis project, the research design and methodology are determined by the nature of research problem (BM) which is an ‘embedded unit of analysis’ (Yin 2003). Therefore, due to the nature of research question which required adopting the interpretivist paradigm, the researcher applied qualitative research method since many scholars highlighted the appropriation and association between the interpretive philosophy and qualitative methods (Leavy 2017; Thomas 2003; Willis 2007). For instance, Thomas (2003) declared that interpretivist researchers apply qualitative method to deliver meaning to activities and to explore the “world in which reality is socially constructed, complex and ever changing” (6). Thereby, this research follows constructivism’s interpretative paradigm and applies exploratory research design through multiple case studies. Considering the nature of research problem and question, following the interpretivist paradigm allowed the researcher to find answer to the research problem by understanding the underlying the meaning of reality from SEs founders perception. Since, interpretivist look at the research problem from inside to understand the perception of the people about the reality and to extract it form significations people attach to reality (Negyen and Tran 2015). For constructivists “realities are apprehendable in the form of multiple, intangible mental constructions, socially and experientially based, local and specific in nature, and dependent for their form and content on the individual persons or groups bolding the constructions” (Guba and Lincoln, 1994, 110). Since this research project intends to explore the factors that constrain or accelerate the internationalization process of SEs through the BM perspective; researcher attempts to analyze the research questions based on the conceptual model which developed from existing literature. For this reason, the researcher adopted deductive qualitative design for testing the propositions derived from theoretical framework of this research’s conceptual model (Figure.1).

One should know when the research logic is deductive, the data is collected for testing the theory and the researcher moves from preexisting theory (rule) to data to arrive at the theoretical explanation (result) (Bayatzis 1998; Parish 2007). Deductive or theoretical thematic analysis is a foundational method for different type of qualitative analysis such as grounded theory, discourse analysis or narrative analysis (Braun and Clark 2006).

This thesis study with a deductive qualitative design employed a ‘thematic narrative analysis’ (see Alan Bryman 2012; Boyatzis 1998; Murray 2003; Riessman 2003) for identifying, analyzing, and reporting patterns (themes) within data” through application of theoretical thematic method (Braun and Clark 2006, 6). Many researchers suggested narrative inquiry, as an appropriate approach “to the analysis of qualitative data that emphasizes the stories that people employ to account for events” (Bryman 2012, 584). Researcher introduced diverse approaches for narrative analysis (see Cortazzi, 2001; Mishler, 1995). Riessman (2003) suggested four typologies for narrative analysis and among them, the thematic analysis employed to explore the research question and research problem because this approach allows the researcher in this study to “theorize across a number of cases - finding common thematic elements across research participants and the events they report” (3). Also, as the main research question in this study focused on what questions by addressing the barriers or catalyzers, a thematic approach is appropriate method as it emphasis on the “what” of the content of stories or process of event (Riessman, 2003, 2).

According to many researchers, thematic method, despite its poor branding and disadvantages (see Braun and Clark 2006; Holloway & Todres, 2003), is a widely used qualitative research method, since it allows the researchers to interpret and assess the research topic from various aspects (Boyatzis 1998; Ryan and Bernard 2000). Moreover, other scholars highlighted the thematic analysis as a highly flexible approach because it allows the researcher to examine the rich, detailed and complex account of data and also explore new ideas and insights by comparing similarities and

differences generated from extracted themes (Braun and Clarke 2006; Nowell et al. 2017). Likewise, Bogdan and Biklen (1982) suggested that thematic analysis is a useful method in illuminating the research questions when the analyst investigates the experiences of the participant informants and examines the relationship and interaction in the processes and activities or in a particular setting and context which is match with the field of inquiry in this study.

Furthermore, narrative research facilitates the researcher in telling the ‘story’ of the organizations (Boje 2001, Rhodes and Brown 2005) and revealing the events through “creative redescription of the process such that hidden patterns and hitherto unexplored meanings can unfold” (Kearney 2002, 12). In the same way, Xing et al. (2020) emphasized that employing narrative approach or story telling as appropriate qualitative methods for analyzing the internationalization process of SEs since, they “may capture the nuances and complexities of social enterprises in different international contexts and offering additional insights in tackling societal and economic challenges in international management (4).

### **3.3. SAMPLE SELECTION**

This research project encountered with limitation in the context of selected population of the study, since there are limited numbers of international SEs in the context of the emerging country of Turkey due to different internal and external conditions. On the other hand, methodological boundary made restriction on sampling and the researcher selected a small number of companies for the analysis because this study applied deductive qualitative approach for analyzing the case narratives and scholars suggested targeting smaller sample is more appropriate for the studies that apply thematic analysis in which requires detailed analysis of themes particularly in latent and interpretive level (Braun and Clark 2006).

Moreover based on the suggestion of Wahyuni (2012) research problem determined the appropriateness of the sample case characteristics for the analysis. Since in this study, research problem addressed the effect of BM on internationalization process, so it was critical to select the sample SEs with proven BMs. Some scholars categorized the barriers to the internationalization of SEs into entrepreneur-specific, firm-specific and context-specific variables (125). Other scholars highlighted the viability of the BMs as the primary internal barrier to the internationalization of SEs (European commission 2013; Magulious et al. 2019; Weber et al. 2015). The scholars highlighted that success in the internationalization process is contingent on the BM of SEs by remarking that "the business model must be strong and economically viable; internationalization should take place at a later stage in the social enterprise's 'life cycle' when entrepreneurs have gained sufficient experience at a national level (Magulious et al. 2019, 263).

On the other hand, Zahra et al. (2008) suggested that SEs require employing innovative BM and organizational structure to expand in international contexts. Thereby, the significant role of the BM and its viability in the internationalization process of SEs created boundary in the sample selection of this research. After meeting with the thesis supervisor and the committee members, we decided to select the social enterprises with proven BMs from the network of Ashoka fellows in Turkey. Because of the field investigation, the researcher employed purposeful sampling criteria in selecting the case studies to minimize the issues regarding the viability and scalability of the BM and for being able to explore the additional barriers that might constrain the international operation and transferring of the SEs' BMs into new contexts.

Criteria 1: Selected SEs must approach market based solutions to either social or environmental issues.

Criteria 2: Selected samples must have sustainable and proven BMs.

Criteria 3: Selected samples must have initiated their international negotiations and operations at least in one or two countries.

Accordingly, the researcher selected four international social enterprises from Ashoka Turkey who generated transformative system changes in different sectors. All of four case companies represent well-known and sustainable models in the social entrepreneurship ecosystem of Turkey in result of their proven BMs and scaling high social impact for beneficiaries and stakeholders.

### **List of Sample Case Companies**

1. **E-Bursum (Microfon)** A social enterprise that has established as limited business company in Turkey since 2015, intends in democratizing scholarship ecosystem through minimizing inequality of opportunity in reaching funds and scholarships. E-Bursum delivers three solutions for facilitating equal, easy and fast access to diversify ranges of students through its online scholarship platform. It's the only provider of such solution system in education sector of Turkey, and it has also a distinguishable and strong model comparing to the rare and similar global models. The competitive advantage of the model arises from the comprehensiveness of value proposition in which offering several services to beneficiaries and brings together different stakeholders, mentors and grantors under the platform.
2. **B-Fit** A social enterprise that has registered as anonymous business company in Turkey since 2005 with the purpose of supporting female social entrepreneurship and empowering women through establishing sport centers for creating not only employment but facilitating socialization platform and enhancing their physical and mental powers. The company missions are realizing though different activities such supporting programmes for

increasing women social entrepreneurship in Turkey, giving social franchise licensing for establishing B-Fit's centers, and organizing social events, projects. Therefore, B-Fit model has attempted eradication of some of the social needs and problem of women population in Turkey through providing a platform for women's economic independence and empowerment.

- 3. Good4Trust** A social enterprise has established since 2014 in Turkey. It has registered as Goodness limited company (utility company) and designed an online platform which basically attempts for creating changes on people minds and specifically on the consumer behavior of different societies through community building in order to make new economic model. The philosophical idea behind G4T is the complexity theory as the founder believes "if enough agents in a given system adopt simple rules which they all follow the system may shift". So, the ultimate vision of company is making paradigm shift from a consumer economy to a circular economy through prosumer economy which "is a macro-scale circular economy with minimum negative or positive ecological and social impact, an ecosystem of producers and prosumers, who have synergistic and circular relationships with deepened circular supply chains/networks, where leakage of wealth out of the system is minimized" (Ozesmi 2019, 1). This company offers a community platform for bringing together the producers and the prosumers who their jointly responsible production and responsible consumption of ecologically and socially just products encourage 'pro-environmental' and 'prosocial behaviour' (Ozesmi 2019, 19) which are necessary cultural prerequisites for development of prosumer economy in different countries. Platforms' software is available as an open source for social franchise licensing as the vision of founder is expanding the prosumer economy

through replication of the platform BM across the world for minimizing the environmental degradation.

4. **NeedsMap** The social enterprise has established since 2015 as a social cooperative (non-profit) in Turkey. It is an online platform or an innovative matchmaking system between needer and supporter; connecting diversified stakeholders, volunteers, supporters, granters with the people in need, not only for facilitating the needs but also for recognizing and verifying different categories of needs in all cities of Turkey. Its underlying mission is making a system for revealing the existing needs and calling for action, collaboration and supports. These innovative system attempts to tackle the socio-economic problems of society and the needs of vulnerable groups (Women, disadvantaged, children, unemployed, animals) through collection of trustful, transparency, visualized data. Therefore, Needs Map provides solution through data platform which is 24/7 available and traceable for reaching the needs, delivering supports and effective engagement and collaboration through all beneficiaries.

### **3.4. DATA COLLECTION**

The data collection process started after approval from The Social Science Research Ethics Board of Istanbul Bilgi University. Afterwards, the researcher obtained the required consents of the research participants for recording the online interviews. In this study, two type of data as primary and secondary data are collected. This study gathered primary data through interviews which were performed as online meetings via Zoom platform, and each interview completed in 120 minutes. In addition to the interview data as the primary data set, this study also utilized secondary data in which the websites and annual reports and articles provided broader information and pieces

of knowledge regarding the vision of the founders, BMs and the type of the social missions of the sample cases.

In data collection, the in-depth interviews with the founders of four case studies performed through semi-structured questions because this study employed a thematic narrative analysis. Murray (2003) highlighted the importance of in-depth semi-structured interview in narrative analysis by noting that “unlike the traditional structured interview that has a detailed series of questions to be answered, the narrative interview is designed to provide an opportunity for the participant to give a detailed narrative account of a particular experience” (117). The researcher followed the interview protocol in which designed the interview questions based on the conceptual framework which has developed from the extant literature to be able to explore the factors that constrained or accelerated the internationalization process when attempting to transfer the initial BM into foreign countries.

### **3.5. DATA ANALYSIS**

This thesis study with a deductive qualitative design employed a thematic narrative inquiry (see Alan Bryman 2012; Boyatzis 1998; Murray 2003; Riessman 2003) for identifying, analyzing, and reporting patterns (themes) within data” through the application of theoretical thematic method (Braun and Clark 2006, 6). The thematic narrative analysis conducted in the five phases to investigate the role of list of themes extracted from the literature. In this way, the researcher applied the conceptual model which has developed from existing theories to guide the analysis.

In the phase one, researcher started familiarizing and reading the transcripts for several times for perceiving the relevant themes in the narrations to explore their interactions with the research questions and propositions.

In the phase two, since the intention of researcher was answering the research questions deductively through testing the propositions so it was necessary to develop

a framework for analysis. To do so, the researcher developed a ‘thematic map’ (Braun and Clarke 2006) or ‘codebook’ (Ryan and Bernard 2000) or ‘coding framework’ (Nowell et al. 2017) to examine the raw data from a theoretical perspective and extract the theory-related materials from the data set. The development of the codebook is an essential stage in the process of ‘deductive coding’ as it literally guides the researcher to conceive and recognize the codes within the transcribed data (Braun and Clarke 2006). Moreover, some scholars suggested that employing codebook for increasing the trustworthiness of the thematic analysis and highlighted “the use of a coding framework provided a clear trail of evidence for the credibility of the study” (Nowell et al. 2017, 7). Each code in the codebook has a label, definition, and descriptions which defined the themes characteristic related to each propositions or the primary constructs or variables under the scrutiny of the study (Braun and Clarke 2006; Ryan and Bernard 2000). Afterwards, the initial codes generated deductively based on the developed codebook and the proposed theoretical framework (conceptual model). In other words, the codebook guided the researcher to look at the raw interview data through the lens of the conceptual model to find out the code, themes, or patterns in the narratives of participants that deemed relevant to the propositions and the research question.

In the phase three, for searching themes in the narrative of participants, particular themes and sub-themes were considered as the main focus of the thematic narrative analysis as; 1. Type of social missions 2. Three pillars of institutions as cultural, normative and regulative institutions, and 3. The dynamic capabilities. Broadly, the researcher concentrated on all meaningful chunks of data that reflected the interaction of these variables with the internationalization process and in particular with the BM replication or localization. To answer the first proposition, it was important to recognize the themes in narratives which reflect the effects of the nature of the social mission on the motivation, attitude and behaviour of the founders in internationalization. For these reason the researcher employed two different

approaches for identifying the relevant themes in interview data. The *semantic approach* is applied to identifying the motivational effects of the nature of social mission in which explicit or surface meanings of data (participant statements) are extracted for analysis (Boyatzis 1998). Thematic approach in semantic or explicit level is simply describing the face value meaning “to provide a more detailed and nuanced account of one particular theme, or group of themes, within the data” (Braun and Clarke 2006, 11). However, in responding to the other propositions, *the latent approach* is employed to identify the interaction of the institutions and dynamic capabilities with internationalization process as the process of transferring and localization of the BMs in new context. Latent approach defines the process of interpretation of the data in which beyond-the-surface meaning of the participants’ narrations occurs (Boyatzis 1998). Correspondingly, Murray (2003) highlighted that “narrative can be defined as an organized interpretation of a sequence of events, narrative offers an integrated account of an event. Unlike an open-ended piece of discourse, a narrative has a finished structure” (Murray 2003, 113-114). Thereby, thematic narrative approach assisted the researcher to theorize to the most relevant part of the data and argue their meanings and implications in writing the finding and discussion (Patton 1990).

In phase four, for reviewing or refining the emerging themes in narrations, first the researcher searched among emerging themes and further attempted to match them with the codebook themes. To do this, it was essential to iteratively check the emerging themes with the existing literature to be able to recognize the theme of extracted narratives and explore their relation with codebook themes. After identifying the expected themes, this study conducted cross-case analysis to compare the differences and commonalities in the process of internationalization of each case study in different international contexts.

Finally, in the phase five the researcher attempted to respond the research propositions by making cross-case analysis between the explored narratives which

demonstrating the role of target themes in international operation of SEs. To make the comparison between the findings first it was necessary to cluster the thematic narrations related to each proposition. Accordingly, the researcher categorized the relevant narrations that reflect the influence of the target themes (aforementioned) in the internationalization process and further scrutinized their interactions with the propositions. The extracted narratives provided the detailed aspects of the data that researcher intended to explore to test the veracity of the propositions offered based on the conceptual model and existing literature. Therefore, data analysis and discussion contain two types of extracted narrations; 1. Descriptive narratives are organized to present the pattern at a semantic level. 2. Interpretive narratives are summarized to demonstrate the significance of the patterns and their broader meanings and implications across the data (Braun and Clarke 2006, Murray 2003).

## **CHAPTER FOUR**

### **FINDINGS AND DISCUSSION**

#### **4.1. INTRODUCTION**

This exploratory study aims to investigate the barriers and catalyzers in the internationalization process of SEs. Based on the existing gap in the international SE literature, the research applied the business model perspective to study the internationalization of SEs to explore why scholars emphasized that “SEs that operate internationally have to employ innovative organizational structures and business models” (Zahra et al. 2008, 129). In doing so, the researcher, inspired by the seminal research of Zahra et al. (2008) and the implication of social opportunity in international SE, developed a new conceptual model in which particular theoretical frameworks considered for investigating the internationalization process of SEs.

Based on the conceptual model, a thematic narrative analysis supplemented with cross-case analysis to assess the interaction or influence of the diverse nature of the social missions (BM) on the internationalization process to discover the role of the social missions and BMs in the process and to explore the factors that constrain or accelerate the transfer of the BMs into new contexts.

The following section discusses the implication and effect of the three constructs/variables as types of social missions, institutions, and dynamic capabilities on the internationalization process of SEs. In this analysis, internationalization process defined as the process of “recognition, formation, evaluation, and exploitation of opportunities across national borders to create new businesses models, and solutions for value creation, including financial, social, and environmental” (Zahra et al. 2014, 138).

## 4.2. CASE STUDIES' RESULTS AND DISCUSSION

This section first introduces the definition of the pervasiveness and radicalness of social missions. Second, it exemplifies the nature of social missions in each case study by relying on the extracted narrations from the cases. Further, the finding and discussion reveal the roles and implications of the pervasive and radical natures of the social mission or solution on the internationalization process of SE.

**Definition of pervasive nature of social mission:** In this research, inspired by the seminal paper of Zahra et al. (2008), the pervasive type of social mission defines a solution to the problems that are dispersed and prevalence in different countries and also means there are many market opportunities to exploit or they are the sign of widespread needs (global demand) which can conceive by managers as salient or worthy to attention or even significant for intervention.

**In below the extracted narrations demonstrate the pervasive nature of the social mission in the cases of (Alpha and Beta).**

**Pervasiveness of the social mission in the case of Alfa:** *“Our education focused fintech solution offers three models of funding for students in the Turkey and UK... While students in Turkey spend 3K dollars for tuition fee, in the Uk it costs 30K dollars per year, so its ten times more which means that students in the UK are much more desperate to search for financial aid” ( Founder of case Alpha).* MOTIVATED FOUNDER /GLOBAL VISION/ PROACTIVENESS

**Pervasiveness of the social mission in the case of Beta:** *“Our technological solution facilitates community platform for connecting supporters with real and validated needs...we made several attempts for internationalization... the idea is becoming a global platform where the supporters and who are in needs can match through the*

*platform and acting as a global... since our value proposition is attached to our technological solution so our product and validation system can be easily globalized because in each country each person suffers the same problem” (Case Beta).*

MOTIVATED/ PROACTIVENESS

**Definition of Radicalness of social mission (Solution):** Inspired by the seminal research of Zahra et al. (2008), the radicalness of the social mission of SEs defines the solution that is hard to implement and difficult to replicate, thereby reflecting serious risk and complexity which might reduce the motivation and intention to be internationalized. In these cases, the radicalness of the social mission not only reduces the founders' willingness but might increase the perceived difficulty of transferring and replicating the BM with its radical nature in their local contexts. Zahra et al. 2008 defined the radicalness of social mission as "the extent to which a major innovation or social change is necessary to address a particular problem" (124).

**In below the extracted narrations demonstrate the radical nature of solution in the cases of (Gamma and Delta).**

**Radicalness of the social mission in case Gamma: (The model for creating a new economic system as “the prosumer economy” to achieve fairness and justice for people and the planet)**

*“...We need a new economic system that is based on ecology to meet the needs of the planet, and social justice to meet the needs of people... In order to prevent the reduction in structural biodiversity, and collapse of civilization, we propose a new economic system that we call the Prosumer Economy... The expansion of the prosumer economy to different locales, cities, regions and countries is indispensable for facing our planet’s global as well as local problems...If the prosumer economy is*

*to succeed in contributing to the transition to an ecologically and socially just planet, we need tens of thousands of Good4Trust.org type platforms to emerge" (Ozesmi, 2018, founder of case Gamma). GLOBAL VISION WITH LESS INTENTION, NOT PROACTIVE BUT OPPORTUNITY BASED*

**Radicalness of the social mission in case Delta: (Empowering women in a men-dominated business sector)**

*"Our unique business model offers women exclusive sports and socialization settings for empowering women entrepreneurship in a sport industry which used to be a men-dominated business environment in Turkey" (Company Delta). DEMOTIVATED, Week global vision or intention/not proactive/ opportunity based.*

Based on the preceding statements, the thematic analysis of the type of mission in four case studies identified two sub-themes for defining the attributes or nature of social missions (BMs) of the sample cases.

**Theme 1: Pervasiveness of social mission (Case Alpha, Beta)**

**Theme 2: Radicalness of social mission (Case Gamma and Delta)**

In the following section, while responding to the first proposition, the first interaction between the social mission and internationalization of SEs will be revealed. In doing so, the thematic narrative analysis will assess the motivational influence of the social missions with pervasive and radical natures in each case study to discover whether they play a barrier or a catalyzer in the internationalization process of SEs.

**Question 1: What is the role of “type of social mission” in the internationalization process of SEs?**

**Proposition 1: Type of social mission of SEs is likely to influence the process of internationalization of SEs which could be viewed as barrier or catalyzer.**

In result of the cross-case thematic analysis of the founders’ statements (previous statements), this study explored that the pervasiveness of the social mission played as catalyzer in the process of internationalization of the cases (Alpha and Beta). Consistent with the literature (Evans et al. 2019, Zahra et al. 2008), in practice also the social mission of SEs with pervasive nature enhanced the motivation and intention of the local founders and the foreign partners in the process of opportunity recognition of internationalization. The BMs of the cases of (Alpha and Beta) with pervasive missions are transferable to any contexts where the target customers or beneficiaries require the same solutions. In the case Alpha, as highlighted by the founder; “student in the UK are much more desperate to search for financial aid” which means there are intense needs and demands to the financial aid solution which is the offering service of the BM of the case Alpha.

Similarly, in the case of Beta, the founder highlighted that the prevalence of the same issue/ problem by remarking that “in each country each person suffers the same problem and our model can be easily globalized to serve the needs”. Indeed, existence of widespread needs (global demand) conceived by the founder of Beta as salient or worthy to attention and also as easy to implement. Thereby, for both cases (Alpha and Beta), recognizing the extensive needs in the target country had positive impact on the motivation and encouraged the founders’ willingness to take action for internationalization.

As a result, UK was approachable destination for internationalization of both cases in term of the validity (applicability) of their missions or value propositions. In this regards, some scholars identified that sustainability of the internationalization of

SEs is contingent on the four conditions in which pervasiveness of social need or scope of demand plays the critical role. Chen (2012) highlighted the first condition for sustainable internationalization of SEs appears when there is an unmet social need. Likewise, Magoulous (2019) identified the congruency between the solution (social mission) and nature of the problem in the context of host country.

Therefore, in the case studies, the existence of the same issues or ‘urgency of need’ in the context of host country is discovered as one of the main criteria of country selection for the international SEs (Alpha and Beta) which encouraged their founders to transfer their BMs into the UK. The findings demonstrated that the BM of both cases by addressing pervasive social mission which highlight the globalizing characteristic of needs (problem) influenced on the process of opportunity recognition and evaluation and contributed the case studies to achieve different collaborative opportunities in their target countries. As a result, the pervasiveness of social mission played as catalyzer in the process of SEs’ internationalization because “when opportunities are pervasive, social entrepreneurs are likely to be motivated to create ventures that offer solutions to these rampant problems, alleviating the suffering of many around the globe” (Zahra et al. 2008, 126).

Hence, this analysis in responding to the first proposition discovered the catalyzer effect of pervasiveness of social mission of both cases (Alpha and Beta) and also supported that the early internationalization of SEs is contingent on pervasiveness of social mission or solution (Zahra et al. 2008).

**On the contrary, regarding the radicalness of social mission (solution) of the cases (Gamma and Delta), this study discovered different results as below:**

As a result of the cross-case thematic analysis of the founders' narrations, this study explored that the radicalness of social mission despite difficulty in implementation did not play as a barrier in the inception of internationalization of

both cases (Gamma and Delta), particularly in the stage of entering into the host countries. At the same time, this study explored the reasons why the radicalness of social mission of the cases (Gamma and Delta) could not discourage or reduce the motivation of the founders in the stage of inception of internationalization. However, the founders of case Delta faced the negative effect of its radical solution after establishing their franchise centres in North Cyprus and Germany, which directed their internationalization toward failure.

In general, the global vision of the case Gamma is highly evident in comparison to the case Delta, both founders pointed to their global vision and intention in the following statements:

*“The expansion of the prosumer economy to different locales, cities, regions and countries is indispensable for facing our planet’s global as well as local problems...If the prosumer economy is to succeed in contributing to the transition to an ecologically and socially just planet, we need tens of thousands of Good4Trust.org type platforms to emerge” (Case Gamma).*

*“We had many challenges in the local scaling of this model in Turkey, so it is only possible to diffuse our model with determined foreign partners who want to replicate it in her country. Any ambitious partner is most welcome, and we are ready to collaborate. Otherwise, we are not looking for partnership or franchisees actively, but we are ready to support our franchisees by giving them know-how” (Case Delta).*

Further, this study discovered that in spite of having a solid global vision, the founder of case Gamma had also a weak global intention similar to the case Delta. For both founders, internationalization was not a priority; rather they have preferred to concentrate on the local scaling of their social impact and did not have highly

proactive endeavors for expansion of their model in global contexts. Both of founders expressed that:

*“We have the internationalization decision, but we do not deal with it proactively, so we are not looking for partnerships and franchisees. However, any franchisee request is most welcome, and we accept coming requests and prefer to decide on internationalization based on current opportunities” (Case Delta).*

*“We have postponed our broad international commitments... since at the moment, our primary mission is scaling this model in Turkey, so we prefer to deal with internationalization only based on forthcoming international request and opportunities” (Case Gamma).*

The previous statements presented the new emerging themes as the 'global vision' (Oviatt and McDougall 1995; Zahra and George 2002) and 'entrepreneurial actor perception' (Oviatt and McDougal 2005), which influenced the internationalization of SEs. These statements explained the incremental process of internationalization of the case Gamma and Delta, because the global vision and perception of the founder as "the person or group that discovers or enacts an opportunity who is central to the dynamic of international exploitation" are mediating forces in the speed of internationalization of SEs (Oviatt and McDougal 2005, 542). Above all, both founders (Gamma and Delta) highlighted the relevance and interaction of their radical missions (solutions) with the foreign partners' (franchisees) knowledge, skills, experience and aspiration. Both founders emphasized the significant role of decisiveness and dynamic capabilities of the foreign partner organizations in the process of adaptation of their BM in the host countries (Best et al. 2020; Wang et al. 2015).

*“People rarely feel excited about our mission, and we have rarely faced with foreign implementers who are determined and passionate about replicating our model. Besides financial resources, two factors have critical roles in adapting our model in their countries; the motivation of the partners and the implementation capabilities and capacity of the foreign partner organization is much more important than the entrepreneurial capability of the founder” (Case Gamma).*

*"We are looking for ambitious partners or franchisees, since this model requires profound motivation and skills besides the know-how and training courses we provide. As in result of a lack of motivation and digital adaptation in our BM, 70 branches were closed during COVID-19 ... beside this model's difficulties and dynamics, our main challenge is franchisees' adaptation to working and business life. That is why the willingness and implementation capability of the franchisees is vital for their survival” (Case Delta).*

Accordingly, the founders of both case studies while disclosing their main challenges and difficulties that raised from radicalness of their solution also highlighted the importance of relevance or consistency between social mission and foreign actors (Zahra et al. 2008). The interaction of social mission and foreign franchisees' capabilities presented the significant role of dynamic capability in the process of adaptation and internationalization (Best et al. 2020; Sapienza et al. 2006; Teece 2018; Wang et al. 2015). Thus, both case studies in pursuit of opportunities for establishing social franchise branches, not only required to assess the prevalence of needs and problems in the host country also need to search and consider the relevance of the mission (problem) to the entrepreneur's aspiration, skills and capabilities. As suggested by Zahra et al. (2008), the radicalness of social missions (solutions) could have mixed effects on the internationalization process of SEs because they might raise the perception of risk and difficulty of managers, which compel the broad

expansion of SEs unless the foreign partner or franchisee can be equipped with the necessary, skills or resources and capability to create such a solution internationally. For this reason, the scholars emphasized on the relevance or consistency between social missions and foreign partners by remarking that ‘the relevance between social mission and the social agents’ aspiration, resources and capabilities might increase the motivation to create such a solution on an international scale or “might lower the perceived risk and uncertainty of operating on a broad international scale” (127). Despite, in this research, the thematic analysis identified a new theme as network relationship that contributed to the cases (Gamma and Delta) to surpass the so called complexities in the inception of internationalization. So, this study explored that internationalization of the case Gamma and Delta in the stage of inception and entering into the host countries did not hindered by negative interaction of type of mission with the motivation and capability of foreign partners (franchisees), because both case studies succeeded to find out the appropriate franchisees through their own network ties (preexisting network). Thereby, considering the challenges and perceived difficulty in pursuit of appropriate opportunities in the host countries, this analysis explored that both founders have been relied on their network relationships and the capability of preexisting networks in order to be able to transfer their radical solutions into abroad, when expressed:

*"Both of the founders of the franchisees are my previous colleagues from green peace and another social organization, and the only reason for transferring our platform to both countries was network relationship and having a close and trustful relationship" (Case Gamma).*

*"Ashoka fellowship and Endeavour fellowship have made us more visible in the market; through a network of mine, we got the franchise requests... we did not engage in any marketing approaches for being international since we do not deal with the*

*internationalization seriously; however, we do not refuse the existing opportunities as well (Case Delta).*

These statements exemplified the common role of network relationships that contributed to establishing international SEs abroad. The founders of both cases highlighted that the only reason behind their internationalization and transferring their models to foreign countries were capturing appropriate opportunities from their network ties, particularly preexisting networks, which points to their ability to build a strong network of like-minded around the globe (Marshall2011, Yang and Wu 2015). In this regard, Yang and Wu (2015) well elaborated that “key factor for successful entrepreneurs is their ability to leverage social networks to gain the necessary resources and assemble these resources for creating marketable outputs” (34). Correspondingly, many scholars highlighted the critical role of international business networks (Oviatt and McDougall, 1995) and the founder's network (Rasmussen et al. 2001), which appeared to help founders to overcome their psychic distance and identify new opportunities for international market development (McDougall et al., 1994). Oviatt and McDougall (2005) explained that "networks help entrepreneurs identify international opportunities, establish credibility, and often lead to strategic alliances and other cooperative strategies" (544). Similarly, Chen (2012) emphasized that the social networks as foreign location advantage have significant roles in entering into the foreign markets.

Furthermore, the analysis explored that the case Delta despite rapid internationalization from inception constrained by complexities which hindered their further commitments and process of internationalization. The scope of internationalization of the case Delta, due to the radicalness of the solution and the inconsistency between the mission and foreign agents affected negatively by the franchisees' lack of aspirations, experience, and dynamic capability. Indeed this analysis explored the interrelation between local founder motivation (intention) and

franchisees' aspirations and capabilities because low consistency between mission and franchisee negatively influenced the local founder's motivation and her global intention. The following two narrations from local of Delta demonstrate the interrelation when she stated:

*“Co-creation of value with the target group who don't have work experience and the required skills is the main challenge and difficulty for scaling this model either in national or international level, beside the routine work and business dynamics that exist we are challenged by the women adaptation to work and business life” (Case Delta).*

*“We had many challenges in the local scaling of this model in Turkey, so it is only possible to diffuse our model with determined foreign partners who want to replicate it in her country. Any ambitious partner is most welcome, and we are ready to collaborate. Otherwise, we are not looking for partnership or franchisees actively, but we are ready to support our franchisees by giving them know-how” (Case Delta).*

Consequently, internationalization of Delta was negatively affected by the inconsistency between the radicalness of the social mission and the franchisees' aspirations and capabilities, who were at the same time the main beneficiaries of the SEs. These inconsistencies are evidenced as the main reason that deterred the founder's global intention and explained the reluctance of the founder to pursue opportunities with an ambitious effort to scale internationally. For this reason, Zahra et al. (2008) highlighted that pursuing a social mission incompatible with the founders' (entrepreneurs or franchisees) skills can also decrease the founder's psychic outcome and lead them to lose the sustained "motivation to endure the challenges associated with internationalization" (127).

Thus, in this section the findings from cross-case analysis of the case Gamma and Delta demonstrated that in the process of opportunity recognition and evaluation for internationalization, the case Gamma and Delta faced with additional challenges in compare to the cases Alpha and Beta in result of the nature of their social missions. Recognizing prevalence social problem or same needs in the context of host countries offered and advantage for creating international scaling opportunities for both SEs (Gamma and Delta), however, their radicalness of solutions at the same time required additional efforts and considerations. Nevertheless, the radicalness of their social missions (solutions) in both cases (Gamma and Delta) did not play as a barrier in the inception of internationalization of both cases due to positive effect of network relationship on internationalization of the SEs. However, unlike the case Gamma, such nature of solution played as barrier in the process of internationalization of the case Delta, due to negative effect of radical solution on the motivation of founders and complexity that stemmed from interaction of mission and dynamic capability of the franchisees.

The findings revealed the role of global vision, entrepreneurial perception, dynamic capability, and network ties and relationships as significant factors that contributed to the SEs establishing their social enterprises despite the challenges of the nature of their solutions or solutions.

As a result, the catalyzer or barrier effect of a radical social mission or solution is contingent on to the foreign actors (partner or franchisee) aspirations, skills, resources, and their organizational capabilities. Internationalization of SEs not only is related to the type of social mission but to relevance or congruency of social mission to the foreign actors' aspiration, dynamic capability, knowledge and networks as the factors which simultaneously influence on the organizational capacity and capability of the potential partner organization in the new context as well (Teece 2018; Zahra et al. 2008; Wang et al. 2015).

**Question 2: What is the role of contextual variances, particularly institutional differences, on the internationalization process of SEs?**

**Proposition 2: Contextual variances are likely to constrain the applicability of focal firm BM in the host country, such as formal and informal institutional differences.**

As a result of the cross-case thematic analysis, this study explored the forces underlying social mission, which refer to contextual variances constraining the applicability of the focal BM of SE in the host country. The analysis discovered that contextual variances such as market and institutional differences (regulative, normative and cognitive) constrain the internationalization process of SEs because they hinder the local adaptation of initial BMs in the host countries.

**In the case of Alpha catalyzer effect of market and the mixed effect of the institutional environment are evidenced; (Supportive role of governmental regulation and mixed role of formal or regulative pillar of institutions)**

In the process of opportunity recognition, before deciding to transfer their business model, the founder discovered the 'foreign location advantage' (Chen 2012) in the UK context among different target countries. The location facilitated their internationalization by providing several conditions that were required for the effective replication of the BM (Chen 2012; Zahra et al. 2008). For instance, the founder indicated the two important contextual differences in the UK market by expressing the following statements:

*“Cost of education in the UK is ten times more than turkey so student in UK is much more desperate to search for financial aid (first market difference)...In addition in the UK there are so many associations, foundations and ‘students supports’*

*ecosystem players while in Turkey in comparison we have less and they pay less... in Turkey the amount of student finance ecosystem is around 3-4 billion dollars, in the UK even though they have less students in the country the amount of student financing ecosystem is around 30 billion...Moreover, in the UK institutions and financial supporters are more technological friendly so they are more able to use digital solutions effectively so in the UK is much easier for us to reach our target group with these institutions or foundation (biggest institutional difference)” (Case Alpha).*

The founder of case Alpha first highlighted the supportive influence of the market due to the existence of market needs (demand) or opportunities in the country, which was rarely achievable for the other three case studies. Indeed, the Internationalization of the case Alpha to the UK contributed to them replicating their BM in a location where their innovative solutions are most needed. Similarly, Zahra et al. (2008) asserted that "internationalization also takes social ventures closer to where their services and skills are most needed" (125). The founder not only pointed to the existence of a market and relevant opportunities (Zahra et al. 2008) but also emphasized the 'unfulfilled social need', which Chen (2012) highlighted as the primary condition for sustainable internationalization of SEs. Considering the founder's narration, it is conceivable that the primary reason for the internationalization of case Alpha was to meet some unfilled social need in that market in which existing models (competitors) were unable to meet the need. The BM model of case Alpha', captured the gap and the market opportunity in the UK market by offering a comprehensive model 'over the market solutions' (Chen 2012).

Thereby, the positive effect of the pervasiveness of social mission appeared in the case of Alpha since they found the critical market need for pursuing their social mission. In addition, Zahra et al. (2008) discussed that effective replication of the BMs of SEs is possible when the market exists and performs well. For this reason, the

existence of a ready market for the innovative solution of case Alpha, while enabling the speedy and effective replication of their proven BM from Turkey to the UK, also accelerated the internationalization process of the case.

As the second contextual difference, the founder highlighted the most significant country advantage of the UK by remarking on the positive effect of institutional differences, which referred to advanced economic and financial institutions in terms of budget and amount of players in the student support ecosystem. Technologically friendly behavior also indicates the supportive role of technological institutions by increasing the coordination and efficiency in distribution channels among beneficiaries and supporters. These institutional differences as formal or normative pillars of institutions played supportive roles in internationalization; since they accelerated the BM replication by facilitating the required resources and stakeholders, such as institutions, associations, and foundations, which had critical roles in their BM as the sources of value creation.

On the other hand, the restrictive role of formal regulations, which refers to the regulative pillar of institutions, is also evidenced when the founder pointed to the intense implementation of GDPR in the UK when expressed:

*“GDPR (General Data Protection Regulation) in the UK is so difficult even harder than the Turkey. While in the Turkey we are able to get every information of the students if she/he accepts our terms but in the UK collecting these information are not possible so we can’t have a partnership with the banks which are being the financial institutions in our business model, so its kind a complicated (Case Alpha). Under this condition, the BM and the value proposition will not work effectively in connecting supporters with read and validated needs unless the founders replace an alternative validation system that enables the mission in the host countries” (Case Alpha).*

Under this condition, effective replication of the BM will be constrained, and the value proposition will not enable them to successfully offer their solution through the banking system unless the partners substitute other financial institutions and stakeholders for changing the source of value creation in the BM structure.

**In the case of Beta barrier effect of market and restrictive role of institutional environment are evidenced; (restrictive role of cognitive and regulative pillar of institutions).**

Unlike the previous case (Alpha), two sides of contextual variances, as market and institutional barriers constrained the internationalization process in the case of Beta. The following statements present the forces underlying the pervasive nature of the social mission and the obstacles that case of Beta faced in the process of opportunity recognition before establishing the social enterprises in London, Tunisia, and Colombia.

*“Actually we had limited opportunity, despite NeedsMap has a global market opportunity however when we start analyzing the market we recognized that it’s hardly achievable in real meaning. Although collaboration and co-working through donation is a global phenomena but it’s not easily achievable because of different level of social consciousness; in every country people do not know how to help each other, and there is lack of trust regarding the validity of person in need and need itself (Nobody knows whether it is real need and/or real person)” (Case Beta).*

In comparison to the case of Alpha, as a result of market research, this case (Beta) is forced with insufficient market opportunities for pursuing their social mission in the context of the UK. Despite their expectation and the pervasive nature of their social mission (problem) in global contexts, they could barely access the

actual needs or demand, which reduced the applicability of the solution or the value proposition in the UK. The founder highlighted the restrictive role of cultural and cognitive pillars of institutions by emphasizing the negative influence of cultural variances as social consciousness and social sensitivity and trust. At the same time, these contextual differences indicated how cultural forces underlying the mission create complexity in the speed of internationalization of their BM since they require creating a market to replicate the model in the context despite the cultural distance (Zahra et al. 2008).

In addition, similar to case Alpha, the restrictive role of the governmental regulations as the formal or regulative pillar of the institution is evidenced when the founder highlighted the requirement for alternative validation methodology due to difference in the state identity system of the UK by expressing that:

*“In Turkey each citizen has identity number so we can validate citizens through the state identity validation system and if we want to establish needs map in any other country we need to find the new validation solution system in which our platform be able to work accurate in that country... We need to create different validation model for each host countries as Tunisia, London, Colombia” (Case Beta).*

Under this condition, in the case Beta, the BM and the value proposition will not work effectively in connecting supporters with real and validated needs unless the founders find and replace an alternative validation system that enables the mission in the host countries.

**In the case Gamma barrier effect of market and institutional environment are evidenced; (mixed effect of cognitive and normative institutions in two different host countries).**

Similar to the previous case studies (Alpha and Beta), contextual barriers that stem from the host countries' institutional environment and market variances is expected to constrain the internationalization process and the transfer of the initial BM in both host countries, Chile and South Africa. The only difference is that, unlike the previous case studies, contextual barriers have risen from radical nature of social mission of the case Gamma. The following statements present the different forces underlying the radical nature of the social mission and the obstacles that case of Gamma faced in the process of opportunity recognition for replicating their business model and developing their international operations in Chile and South Africa.

*“Based on market research and **existing potential producers such as the fair trades and prevalence of ecologic products** and also due to having similar market characteristic in term of **people awareness and consciousness** regarding the social need and problem that we are tackling, in Chile we are not expecting very specific challenges for developing business model operation, however, when we made market research in south Africa we could **rarely discover appropriate fair production companies** or businesses that can be match to our model...So, the franchisees require to develop market to reach to new **fair trades** which are social and environmentally fair producers. That’s why, **community building** is essential part of our community platform for increasing public awareness about prosumer economy and attracting socially mind businesses for developing ‘**the market of prosumer economy**’ which we use in Turkey since our inception, however, the franchisees might use different approaches for business development and community building **as an approach for***

*market growth and integrating more beneficiaries and stakeholders (prosumers and producers) to the platform” (founder of case Gamma).*

Before the founder introduced their model, "the prosumer economy as an approach to exclude and resist the profit-maximizing corporate producers" to make the consumer economy obsolete (Ozesmi 2018, 29). The author also expressed that the underlying purpose of the global replication of this model is to develop new markets or new ecosystems with the social and ecological principles around the world in which the supply side includes "conscious producers" and the demand side includes "conscious prosumers" (Ozesmi, 2018).

In addition, market research in the two host countries identified the difference between the market characteristics of Chile and South Africa in terms of cultural and normative institutions. In comparison to Chile, they discovered the intense restrictive role of the cultural and normative pillars of institutions by highlighting the insufficient social awareness and consciousness, which also led to the lack of social and ecological products and fair businesses in the market of South Africa.

Thereby, these contextual obstacles demonstrated that the pervasiveness of the prosumer economy at the global level is likely to be contingent on consumer value and behaviour (Davies et al. 2018), particularly the 'pro-environmental consumer behaviour' (Taufique and Vaithianathan 2018) and post-materialist cultural value which refers to non-materially motivated producers and consumers (Stephan et al. 2015).

Moreover, the founder emphasized community building and leveraging social networks as the main capability of social franchisees, which contribute to developing markets and surpassing the negative role of cultural and normative pillars of institutions in host countries. In this way, the case study presented the role of dynamic capability in developing and replicating the initial BM for overcoming the

institutional barriers in the internationalization process (Sapienza et al. 2006; Teece 2018).

Furthermore, the case study presented how cultural and normative institutions and psychic distance created obstacles and complexity in BM replication and the pace of internationalization (Zahra et al. 2008).

**In the case Delta mixed effect of institutional environment is evidenced; (mixed role of cultural or cognitive pillar of institutions and positive role of regulative pillar)**

The following statement, while showing the radical nature of the social mission, which is an approach to creating gender equality and empowering women in a men-dominated business sector, also presents the underlying cultural force that this radical solution attempt to address and change by women's entrepreneurship.

*“Our unique business model offers women exclusive sports and socialization settings for empowering women where sports, business life and entrepreneurship are defined as specific areas traditionally for men. We use entrepreneurship as a means of access to sports and gender equality and we support them to thrive in a men-dominated business environment in Turkey... we also collaborate with women who are **determined** to support women in their country by replicating our franchise dealership model” (Case Delta).*

In this case the radical mission or solution's main difficulty is a systemic change or societal transition that they attempted to address through women's entrepreneurship at the local or international level. As the founder highlighted, the mission is essentially to support women in a society where people have generally ignored women's presence in business life, sport and entrepreneurship, "the

traditionally identified areas for men". So the underlying mission is challenging embedded cultural norms and values to generate social value and impact; for instance, according to their social impact report, they could reduce gender stereotypes about women's role in the family and change entrepreneurs' family relations.

The analysis explored that similar to the previous case (Gamma), the forces underlying their radical mission could play mixed effect (supportive and restrictive role) in the internationalization process of the case of Delta. The forces underlying the radical mission refer to contextual differences, such as cultural differences in foreign countries that might create challenges and complexities in the international operation. In their international expansion into different destinations, while the cultural context of Germany was supportive of their international operation, the cultural context of North Cyprus had yet to play a negative role in their internationalization. In addition, formal regulations such as the government stimulus package and subvention in Germany played supportive roles in their internationalization process.

In conclusion, the current section by concentrating on the interaction of the nature of social missions and institutions through thematic narrative analysis demonstrated the role of contextual barriers (institutional barriers) on the internationalization of the case studies. The summary of results will be presented in table 4.1.

The analysis of four case studies, consistent with Desa (2012) while revealing the mixed effects of the institutions (restrictive and supportive roles) on the process of internationalization of the SEs, also exemplified the interaction between the type of social missions and forces underlying social problems. In other words, the internationalization of SEs are contingent not only on the nature of their social mission but also on the congruency between the missions and institutional context of the host countries.

Recognizing the type of social mission of each case and considering the progress and developments of each case in different destinations, particularly in a developed economy of the UK and in an emerging economy of the South-Africa which are culturally distant countries in comparison to their home country, demonstrated the interaction of their types of social mission and internationalization and confirmed that pervasiveness and urgency of social mission contributed SEs in overcoming the psychic distance and liabilities of foreignness when targeting countries and regions “with markedly different cultural values and socio economic structures” (Zahra et al. 2008, 122). Consistent with the suggestion of Alon et al. (2020), the three case studies (Alpha, Beta, Gamma) revealed that international SEs endeavour to transfer and replicate their BMs to the new contexts despite contextual barriers and complexities with not regarding the psychic distance and liability of foreignness.

The cross-case analysis of four case studies presented that the contextual barriers at institutional levels constrain the international operation of the SEs because they hinder the local adaptation of initial BMs in the host countries. Notably, accessibility to an efficient market, appropriate opportunities (Zahra et al. 2008) and lack of supportive institutions or institutional void in the context of international operation appeared to be the main reason for their gradual internationalization. Considering the role of host countries' contextual variances and the interaction between BM and macro-level institutions, the findings demonstrated that going international decision of SEs is a context-dependent decision (Alon et al. 2019), and the replicability of the BM depends on the institutional context of the host country (Misbahuddin and Nuri, 2019; Weber et al. 2015; Zahra et al. 2008). That is why, scholars suggested, entrepreneurs need to identify the applicability of their social mission or the validity of the value proposition based on the host country's institutional environment (Drori et al. 2020; Fahim 2020; Mersland et al. 2020; Wang et al. 2015; Xing et al. 2020; Zahra et al. 2008).

Consistent with the suggestion of Zahra et al. (2008), these barriers jeopardize the effective replication and transfer of BM (solution) in wider geographical contexts. Thereby, To overcome these obstacles, some scholars highlighted that international SEs require to adapt their BM to the diverse institutional logics of the host country (Drori et al. 2020; Mersland et al. 2020; Wang et al. 2015; Xing et al. 2020; Zahra et al. 2008). Many scholars highlighted that the social mission of SEs is not universal but contingent on the context of host country since cultural and socio economic, legal and governmental systems or regulatory institutions create complexities and impediments (Alon et al. 2020; De-Beule et al. 2020; Drori et al. 2020, Evans et al. 2019, Marshal 2011, Kerlin 2012; Misbahuddin and Nuri, 2019; Ritvala and Riikkinen; 2019, Veronica et al. 2020; Weber et al 2015; Yang and Wu 2015).

### **BMI is the outcome of BM adjustment for internationalization of SEs**

In the previous section, the study displayed how institutional barriers constrained the internationalization process of SEs. In this section, the study attempts to discover how SEs respond to institutional barriers when attempting to transfer and replicate their BMs in the host countries in order to explore the answers to the following propositions:

**Question 3: What is the role of dynamic capability in the BM adjustment of SEs in the host country?**

**Proposition 3: The Internal barriers in organization level might constrain the BM adjustment (BMI) in the host country.**

**Question 4: Do SEs need to implement business model innovation to be internationalized?**

**Proposition 4: Business model innovation is the outcome of SEs' Internationalization, since SEs require engaging in BMI when dealing with institutional dynamics and complexities.**

**The nexus between BMI and internationalization in the cases Alpha and Beta**

The cross-case thematic analysis of four case studies assessed the nexus between the BM adjustment and internationalization. The analysis discovered that internationalized SEs require applying similar strategic approaches as adjusting their BMs with the institutional context of host countries to create the same value in different ways, which will be demonstrated in the following statements from each case study.

In the following statements, the thematic analysis of the case Alpha and Beta identified the similar themes such contextual differences which presented that formal regulations in the UK context that refer to regulative pillar of institutions constrained their internationalization process.

*“Regulatory system variance between two countries, for example; GDPR (General Data Protection Regulation) in the UK is so difficult even harder than the Turkey. While in the Turkey we are able to get every information of the students if she/he accepts our terms but in the UK collecting these information are not possible so we can't have a partnership with the banks which are being the financial institutions in our business model, so its kind a complicated (Founder of case Alpha).*

*“Nature of the problem is quiet similar but the solutions or the regulations are so different that’s why we had to change. we need to adapt our model to the requirement of UK due to existing contextual differences... actually we have to redesign the application and the platform itself for fitting to the UK market. (Adapting platform from TURKISH TO UK version) (Founder of case Alpha).*

*“In Turkey each citizen has identity number so we can validate citizens through the **state identity validation system** and if we want to establish needs map **in any other country we need to find the new validation solution system in which our platform be able to work accurate in that country... We need to create different validation model for each host countries as Tunisia, London, Colombia**” (Founder of Case Beta).*

In the aforementioned statements, the cross case analysis of the two case studies with pervasive nature of mission demonstrated that the cases (Alpha and Beta) to overcome the barriers that stemmed from institutional context of UK required adjusting their BM for enabling their mission in the new context. Indeed, difference in formal regulations such as GDPR regulation (in case Alpha) and lack of national ID verification system (in case Beta) constrained the applicability of their value proposition in UK context.

In the following statements, similar to the case Alpha, company Beta engaged in BMI since they were obliged to create change in the components of the BM in order to be able to deliver the created value in the target country in result of contextual variances of the target countries due to differences in the institutional norms and regulations.

*Change in structure and governance of BM: we will work with the financial support institutions, foundation and association in the UK. but in Turkey we don't really work with universities as source of value creation (universities in TURKEY are IMPORTANT for us as they are source of student for us but they don't give scholarship so we don't talk them) while in the UK market they are source of value creation for our business model because as they are not free rather expensive and we will work with them so that they can distribute scholarships, however most of our sources of value creation will stay the same as Turkey. So, universities as the new source of value creation will be added to the workflow of business model (Founder of case Alpha).*

*Change in the content of BM for localization and prominence of same value proposition through different methodology) (new validation methodology: if we want to establish needs map in any other country we need to find the new validation solution system in which our platform be able to work accurate in that country. To proceed we need to embed these new validation methodologies into the Needsmap platform (General manger of case Beta).*

The analysis also identified that both cases required implementing BMI, which refers to replacing alternative resolution in the BM of the host country by creating change in the component of the initial BM of focal SEs. According to Rask (2014) “Internationalization through business model innovation is only about new domestic activities solely driven by domestic actors” (153). Amit and Zott (2012) defined BMI as specific changes or fundamental redesign and reconsideration in the three components of the BM as; (1) adding novel activities into the content, (2) novel way of linking activities in the structure (3) adding new parties or changing the parties that governs the activities. Content refers to the what activities are done for offering the value proposition (social mission), structure refers to how the activities

are linked for generating the intended value and impact, governance refers to who are engaged in value generation activities (Zott and Amit 2010). In this study by applying the BMI definition of Amit and Zott (2012), the case Alpha was forced to withdraw its partnership with the banks that were the source of value creation in the initial BM (Turkish version of BM). This type of change refers to adjustment in the governance component of the BM (UK version of BM). They removed banks and replaced universities as new alternatives that govern the activities for value generation in the BM of the UK. In this case study, the BMI engagement was the SE's response to the difference in formal institutions or regulative differences such as GDPR and economic differences. Similar to case Alpha, case Beta engaged in BMI since they were obliged to create change in the BM components to deliver the created value in the target country. Unlike Alpha, this case required adjustment in the structure instead of governance of the initial BM. The case required finding an alternative to the validation methodology that was the critical tool for delivering the value proposition in the Turkish BM (initial BM) since there was no governmental validation system in the UK. Similar to the case (Alpha), the reason behind the need for BMI engagement was contextual variances as formal regulative institutions.

As a result, the cross-case analysis of two cases (Alpha and Beta) exemplified that internationalized SEs require implementing BMI. BMI could be evaluated as SEs' response to contextual differences (barriers) which might constrain their global scaling and internationalization. This approach requires for enabling their mission to overcome the internationalization barriers, through which preserving the value proposition of SE in response to the complexities arise from institutional differences.

## **The nexus between BMI and internationalization in the cases of Gamma and Delta**

Contrary to the previous case studies (Alpha and Beta), due to the radicalness of their social missions (solutions), the BMs in the cases (Gamma and Delta) are negatively affected by limited market characteristics of the host countries.

The thematic analysis demonstrated that both cases, while addressing widespread social and environmental issues on a global scale, rarely found the required market and enough need or demand, for developing their business and pursuing their mission in the host countries. For instance the following statement exemplifies the lack of market demand and opportunities in the case of Gamma:

*“If this global system of platforms **reaches enough prosumers** and these prosumers primarily buy goods and services **only from ecologically and socially just producers**, **slowly but surely** the economy will reduce overall material consumption and people’s exploitation” (Founder of case Gamma).*

Further, the cross-case analysis discovered a similar approach in the internationalization of both cases which facilitated them to create the required market and to reach their target beneficiaries and the critical stakeholders for pursuing the value proposition of the initial BM in the new contexts.

In the following statements, the founders highlighted their essential requirement to develop new markets around their social missions through community-building approaches and strategies; however, they emphasized the different capabilities and strategic approaches that facilitate franchisees in community-building activity based on their country.

*Community building is essential part of our community platform for increasing public awareness about prosumer economy and attracting socially mind businesses for developing ‘the market of prosumer economy’ which we use in Turkey since our inception, however, the franchisees might use different strategies for business development and community building as an approach for market growth and integrating to more beneficiaries and stakeholders (prosumers and producers) to the platform” (Case Gamma).*

*"The core component of our franchise model is creating community; without community building, we have never been able to generate impact, so the core activity of this model either in local or international level is creating the community for empowering solidarity and support among women...we give the know-how to the franchisees, however they must have their required network and capability to use different approaches for community building based on their countries, for instance; while supporting women under our community platform, we have also started to provide additional support and services for women in five different areas under our sister association BizBizze platform" (Case Delta).*

The founders emphasized community-building as an approach for market creation and business development to integrate with local communities, increase public awareness about their approach and deepen the supply chain of their BMs through new collaborative activities. Indeed, the main feature of these case studies with their platform BMs was an endeavour to build community, not only to create a stable ecosystem around the social missions but to achieve legitimacy in the host countries (Zahra et al. 2008). As the scholars suggested the radicalness of the solution in case Gamma and Alpha limited the perceived legitimacy of the SEs in foreign countries and led them to difficulty reach to target customers, beneficiaries, and key stakeholders. For instance, the founder of Gamma highlighted the role of trust as the

main impediment in the scaling process by remarking that "living by these ecological and social principles are still complex in terms of finding and trusting products and producers" (Ozesmi 2018, 30). In this regard, academics have underlined the need for community-building skills and capabilities in the early phases of internationalization to harness local trust and strengthen the legitimacy of SEs in the market-building process (Zahra et al. 2014). Similarly, some scholars also asserted that community-building through "collaborative activities could expedite internationalization and enhance the legitimacy of social ventures, ensuring their survival and mission accomplishment" (Zahra et al. 2008, 124).

Some researchers stepped forward and emphasized the community development for the development of a stable ecosystem around the social mission of SEs and highlighted that creating a robust ecosystem around the social mission as a consequence of effective market development facilitates achieving desired social change and promises better future for the target group (beneficiaries) and society (Lee 2015; Zahra et al, 2014).

Moreover, in the findings of the previous section, under the role of contextual variances, this study presented that the market differences, such as business norms and practices and individual cognitive or cultural institutions, such as 'low social awareness', 'consumer values or behaviour and customer inertia' (Davies et al. 2018), played significant roles in the internationalization of these cases (Gamma and Delta). In this vein, some scholars discovered the role of anchoring, networking and communication strategies in overcoming these institutional barriers by raising customer awareness, interest, desire and actions (Ibid). The researchers highlighted that "anchoring in communities feeds into social enterprise identity creation and networks form a micro-environment in which macro institutional norms provide a context for shaping local action" (Davies et al. 2018, 15).

Correspondingly, Zahra et al. (2014) emphasized the role of community-building capabilities of the SEs that facilitate connection to different market

opportunities and stakeholders. Consistently, in these two case studies the thematic analysis also explored the significant role of community-building capabilities in building market for the purpose of BM development and replication in the new country. In addition, the founders explained that the franchisees must have the relevant network (social relationships) and capabilities to use different collaborative actions for community-building, appropriate to the nature and requirements of any foreign market. For instance, the founder of Delta pointed to the ability of adopting twin organizational setup (hybrid organizational structure) as they adopted in Turkey for mobilizing different type of resources effectively which was similarly highlighted by Veronica et al. (2020).

Furthermore, while highlighting the role of dynamic capabilities (DCs) in market creation and BM development, these findings also presented that foreign franchisees' need to apply new activities for integrating into the local markets and building a community around the mission (Best et al. 2022; Bock et al. 2012). This finding, presented the role of new "domestic activities" in the process of BM development which resonates with the assertion that "internationalization through business model innovation is only about new domestic activities solely driven by domestic actors" (Rask 2014, 153). In the same way, Amit and Zott (2012) defined BMI as specific changes or fundamental redesign and reconsideration in the three components of the BM as; (1) adding novel activities into the content, (2) novel way of linking activities in the structure (3) adding new parties or changing the parties that govern the activities.

Therefore, the analysis of these cases discovered that international franchisees might require implementing BMI or apply new domestic activities to adjust the initial BM according to the market characteristics of the host countries.

In addition, the founder of the case, Gamma, highlighted the need for BMI implementation by asserting that "in any country, we require to integrate our BM with the local requirements and to adapt our software solution with formal regulations

such as GDPR, local tax and accounting systems or any other financial regulations". Thereby, all case studies supported that BMI implementation was a crucial stage of the internationalization process of SEs to deal with contextual barriers (Rask 2014; Zahra et al. 2008; Misbahuddin et al. 2022).

In this section, the analysis investigated the outcome of the internationalization of SEs to discover how they respond to external barriers as institutional dynamics and complexities. The thematic analysis of the four case studies confirmed the proposition that SEs need to engage in BMI when attempting to adjust their BMs to the institutional requirements of the host countries. The analysis also demonstrated the significant role of DCs that contributed to the BM adjustment of the SEs in the internationalization process thereby confirmed that internal barriers in organization level such as DCs might constrain the BM adjustment in host country.

**Table 4. 1.** Summary of Results

		<b>Proposition 1</b>	<b>Proposition 2</b>	<b>Proposition 3</b>	<b>Proposition 4</b>
<b>Sample Cases</b>	<b>Type of Mission</b>	<b>Role of Mission</b>	<b>Role of Context (Institutions)</b>	<b>Role of DC</b>	<b>BMI Outcome</b>
<b>Alpha</b>	Pervasive	+	<b>Supportive:</b> (Market & Gov) <b>Restrictive:</b> GDPR	+	+
<b>Beta</b>	Pervasive	+	<b>Restrictive:</b> Culture & Gov (ID Verification System)	+	+
<b>Gamma</b>	Radical	+/-	<b>Mixed Effect:</b> Culture & Business Norms: (Social Awareness Consumer Value/Behaviour)	+	+
<b>Delta</b>	Radical	+/-	<b>Mixed Effect</b> Cultural Norms	+	+

### 4.3. THEORETICAL IMPLICATIONS

This study attempted to reveal the factors that constrain or accelerate the internationalization of SEs which defined as the process of “recognition, formation, evaluation, and exploitation of opportunities across national borders to create new businesses models, and solutions for value creation, including financial, social, and environmental” (Zahra et al. 2014, 138). It also while offering a novel perspective for

studying the internationalization process of SEs revealed that four cases studies due to the nature of their BMs which stemmed from their types of social missions constrained with diverse institutional obstacles. In other words, the three aspects of institutions which categorized into regulative, normative and cognitive played restrictive roles on the process of internationalization since they forced the process of replication and transfer of the BMs in the context of host countries.

In addition, the result of cross-case analysis in this thesis study relying on the conceptualization of social mission (Zahra et al. 2008), institutional theory (Dimaggio and Powel 1991; Scott 2001) and dynamic capability (Spieth et al. 2018; Teece, 2018; Zahra et al. 2008; Wang et al. 2015) attempted to demonstrate how SEs, despite different types of complexities and barriers imposed by the contextual environment of the host countries decide to be internationalized. In response to these questions, the discussion demonstrated that dynamic capable international SEs might surpass their barriers by relying on the BM; as a tool that facilitates reconfiguration and orchestration of their activities based on the market requirement and institutional logic of host countries (Amit and Zott 2012; Best et al. 2021; Rask 2014).

This analysis revealed that sample case studies could overcome internationalization barriers by managing their BMs and engaging in BMI to fit into the new contexts despite the lack of efficient markets and supportive institutions. Consistently with the suggestion of different scholars (Best et al. 2021; Desa 2012; Drori et al. 2020; Misbahuddin and Nuri. 2019; Misbahuddin et al. 2022; Wang et al. 2015; Xing et al. 2020; Veronica et al. 2020), the findings also exemplified why academics in the field emphasized that "international SEs have to employ innovative organizational structures and business models" (Zahra et al. (2008, 129). Thereby, as scholars (Zahra et al. 2008) suggested, this study revealed that the pervasiveness in nature of the social mission of international SEs reduces the theoretical value of psychic distance and liabilities of foreignness as main barriers in international social entrepreneurship.

According to the suggestion of scholars (Santos 2012; Zahra et al. 2008), this study applied the BM perspective for analyzing the internationalization process of SEs. This approach allowed the researcher to examine the role of SEs' BM and particularly the nature of social mission in the internationalization process. Moreover, this research responded to the call of Zahra et al. (2008) to research why SEs decide to go international despite contextual complexities, even where there are institutional failures.

Furthermore, employing BM perspective for investigating the internationalization process filled the gap in the literature of social entrepreneurship (SEs), international business (IB), and international social entrepreneurship (ISE), since academics highlighted the lack of empirical studies to examine the role and influence of the different types of BM in the organization level of SEs (Saebi et al. 2019) and the process of internationalization of SEs (Zahra et al. 2008). Besides, the emphasis of this research on empirically investigating the process of internationalization process responded to suggestions of scholars (Chen 2012; Wang et al. 2015; Zahra et al. 2008). Alon et al. (2018) highlighted that “ontological and epistemological gaps exist in the research on international social enterprises (2).

In addition, the application of the BM perspective in the investigation of the internationalization process contributed to the body of knowledge by confirming that international SEs require to adapt their BM into the context of the host country (Xing et al. 2020; Wang et al. 2020) in order to preserve and develop their sustainable solutions (Santos 2012). Accordingly, this thesis study broadly attempted to enhance the knowledge in the field of SE and ISE by investigating the internationalization process of SEs by revealing that the role of nature of social BMs, in general, and the role of social missions, in particular depends on the context of foreign country (Alon et al. 2020; Misbahuddin et al. 2022; Veronica et al. 2020). In this way, this research contributed to ISE and IE literature by revealing the interaction between the BM and

the internationalization process of SEs and also contributed to BM and BMI literature by revealing the role of BMI in the internationalization of SEs.

#### **4.4. MANAGERIAL IMPLICATIONS**

This study will help international SEs practitioners in the pre-internationalization stage by demonstrating the critical role of social mission and forces underlying the social mission, which refer to institutional and market variances. These factors present a guideline for SEs managers to recognize the critical factors that might impede the development of their BMs in new contexts. While revealing the role of BMI and dynamic capabilities, this study presented that SE's internationalization is contingent on recognizing and finding new opportunities or a new source of value creation in which SEs could pursue their social mission by adopting different activities in the component of the BMs. Therefore, this study suggests two critical factors for assessment before deciding to go international decision; 1. Assessing the value of the social mission (value proposition) or the applicability of the BM in the new context. 2. Recognizing and learning the forces underlying the social mission, which presents the nature of the contextual environment of the target country. Considering these key factors will help SE managers to choose their most appropriate destinations and allow them to decide an optimal entry mode and adjust (align) their operation efficiently into the host country market, despite obstacles that might impose from contextual variances.

#### **4.5. LIMITATION AND DIRECTION FOR FURTHER STUIES**

The single domain of this study is the first limitation of the study; since the study population cover only international SEs from Turkey, future comparative study will help to evaluate the value of finding in different counties. On the other hand,

since this research concentrated on international SEs in the context of an emerging country of Turkey, the study domain also reduces the generalizability of findings in other countries, mainly developed economies countries with totally different natures and characteristics with emerging economies' countries. Moreover, the limited number of international SEs in the study population restricted the researcher from testing the value of findings through a quantitative methodology. Further studies would benefit from empirically investigating the value of conceptual models under different contextual settings with a large population based on quantitative research methodologies. Moreover, this study demonstrated how several aspects of institutional settings could impede the BM transfer and replication process in the entry stages of internationalization process of SEs that attempted their initial move to only one country. Further research into and comparing the interplay between social mission, BM, and institutions in the internationalization process of SEs in diverse contexts and numerous destinations might yield fruitful results and add new insights to the body of knowledge.

## CONCLUSION

This thesis study attempted to explore the factors that constrain or accelerate the internationalization of SEs, which is defined as the process of "recognition, formation, evaluation, and exploitation of opportunities across national borders to create new businesses models and solutions for value creation, including financial, social, and environmental" (Zahra et al. 2014, 138). In doing so, this study suggested a novel approach for studying the internationalization process of SEs and attempted to investigate the process through the BM perspective, which allowed the researcher to explore the role of BMs, particularly the nature of social missions when SEs attempt to transfer and adapt their home country's BMs into foreign counties. This thesis study first applied narrative analysis to recognize the nature of the social mission of four case studies in Turkey, categorized as pervasive and radical missions. Further, the study supplemented cross-case analysis to respond to the following research questions; 1. What is the role of "type of social mission" in the internationalization process of SEs? 2. What is the role of contextual variances, particularly institutional differences, on the internationalization process of SEs? 3. What is the role of dynamic capability in the BM adjustment of SEs in the host countries? 4. Does SE need to implement BMI to be internationalized?

The four case studies analysis presented that the pervasiveness of social mission (solution) plays a catalyzer role and contributes to the early internationalization of SEs. The pervasive nature of the social mission of international SEs increases not only the founders' motivation and 'global vision' but the 'global intention', which enhances proactiveness for opportunity recognition and intervention on a broad geographic scale.

On the other hand, this research explored why the radicalness of social mission, besides difficulty in the implementation of solution, could not play a barrier role in the inception and the stage wherein SEs attempt to enter the host countries.

The analysis explored several reasons that could reverse the barrier role of the radicalness of social mission in the internationalization process of SEs.

In addition to the foreign partner organizations' DCs, social agents' decisiveness, aspiration and congruency or relevance of social mission to social agents' skills and resources play catalyzer roles in internationalization when SEs strive to replicate and adapt their BMs, particularly with radical missions in the host countries.

This study also explored the catalyzer role of network relationships; to a great degree, preexisting networks contribute to international SEs surpassing the contextual barriers and complexities in the inception of internationalization. Notably, international SEs with radical missions that intend to create systematic changes on a global scale could successfully adapt their radical solutions (BMs) in the host countries by finding appropriate franchisees from their preexisting networks. In this way, international SEs could overcome the adverse interaction of radical missions with the motivation and capability of foreign partners (franchisees).

Moreover, the findings revealed that success in the internationalization process of SEs is context-dependent and SEs due to the nature of their BMs, which stems from the nature of social missions constrained with diverse institutional complexities and barriers. Contextual barriers at institutional levels constrain the international operation of the SEs because they hinder the local adaptation of initial BMs in host countries. In other words, the three aspects of institutions, regulative, normative and cognitive pillars, played diverse roles (either restrictive or supportive) in the internationalization of SEs. The restrictive roles of institutions challenge the BM transfer and adaptation of the focal SEs in the context of foreign countries.

Therefore, internationalization of SEs is contingent not only on the nature of their social mission but also on the congruency between the social mission (value proposition of the BM) and the institutional context of a host country. Institutional complexities and differences in the new context generate the need for BM

adjustments, which lead the newly established SEs to engage in BMI to make reconfigurations in their BMs in the host countries.

Finally, this research explored that SEs could overcome internationalization barriers by managing their BMs because BM serves as a tool that facilitates reconfiguration and orchestration of SEs activities based on host countries' market requirements and institutional logic. Accordingly, dynamic capable SEs, with the help of network relationships, could overcome internationalization barriers by managing their BMs and engaging in BMI to fit into the new contexts despite the lack of efficient markets and supportive institutions.

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## **APPENDICES**

### **APPENDIX A: INTERVIEW QUESTIONS**

1. Are there significant variances in the nature of the mission (problem) that you are trying to solve at host country?
2. If yes, what are the significant variances that can challenge or contribute your operation in host country?
3. How your current localized solution (the social innovation or the innovative business model) able to cope with those variances at host country? Have your operation affected positively / negatively?
4. If negatively, does your business format or business model will work as it is working in parent company (Turkey)?
5. If no, how the franchisee could localize the BM to fit in host country? (Any changes in work flow were required)?
6. If yes, what kinds of adjustment or modification were required in this adaptation process for localization at host? (How your work flow has changed in compare to model that works in turkey?)
7. What are core components of your BM that franchisee must conform to?
8. What kinds of resources, skill or capacity parent companies require for successful transfer and adaptation of business model to new country?

## **APPENDIX B: ETHICS BOARD APPROVAL**

Ethics Board Approval is available in the printed version of this dissertation.