
The Strategic Management of Hybrid Businesses: Constituents, Business Models and Theoretical Implications

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List of Abbreviations

AC	Absorptive capacity
BSC	Balanced Scorecard
DC(s)	Dynamic capability (/ capabilities)
EB	Entrepreneurial bricolage
HB(s)	Hybrid business(es)
HR(M)	Human resource/s (management)
MBV	Market-based view
NGO(s)	Non-governmental organization(s)
NPO(s)	Non-profit organization(s)
RBV	Resource-based view
RV	Relational view
SEO	Search engine optimization
TBL	Triple bottom line
USP(s)	Unique selling point(s)
VMO	Vincentian Marketing Orientation
VRIO	Valuable, rare, inimitable, organization

1. General Introduction

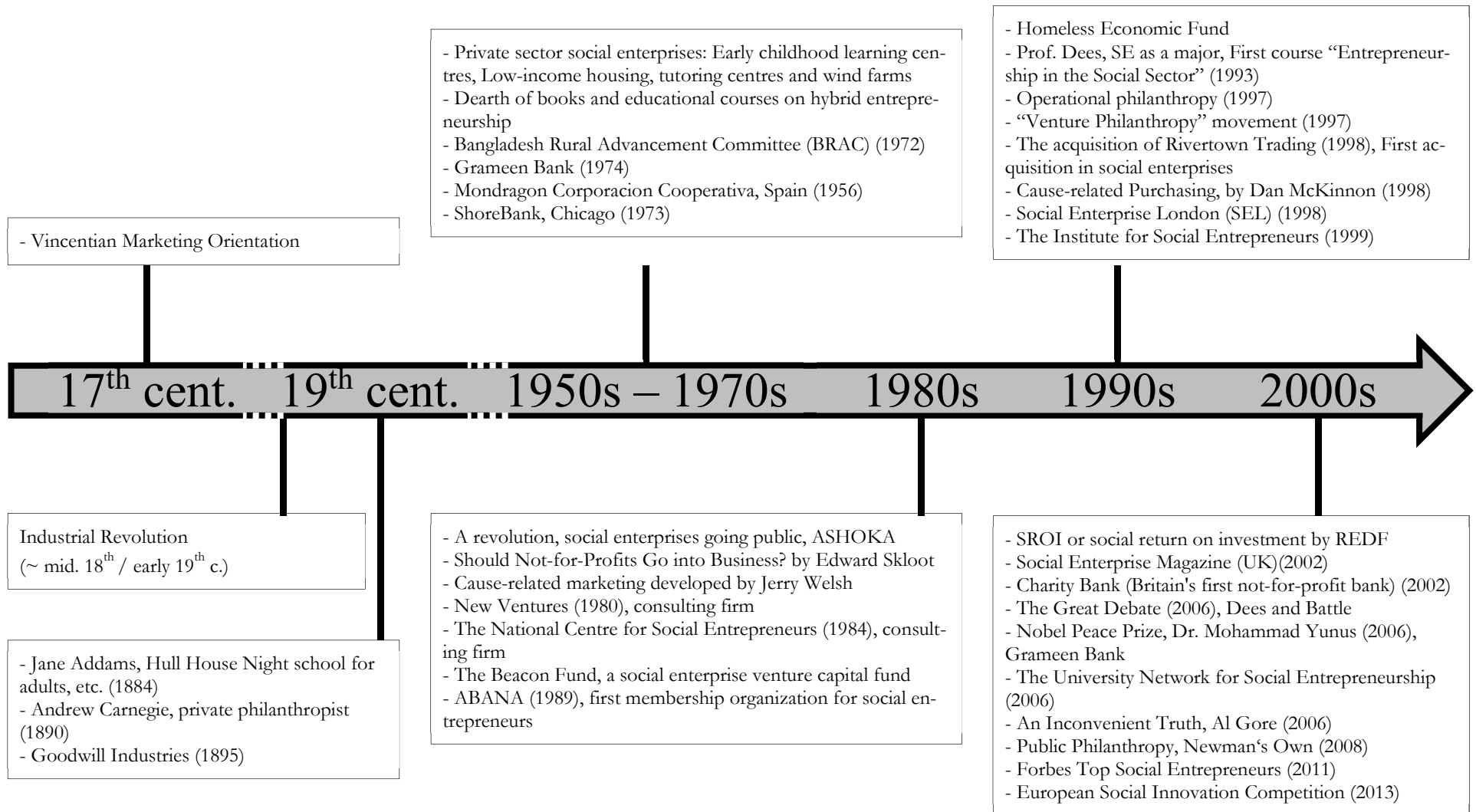
1.1. On the Background, Development, and Key Issues of Hybrid Businesses

Hybrid businesses, organizations that “pursue a social mission while engaging in commercial activities to sustain their operations” (Battilana & Lee, 2014, p. 399) exist in diverse contexts and can be found in any economic setting ranging from least developed to fully developed economies (Sunduramurthy, Zheng, Musteen, Francis, & Rhyne, 2016). With their innovative business models, these companies seek to address societal problems within the markets they operate (Hoogendoorn, 2016). Of course, such companies cannot exist based solely on the goodwill of people and governments, as might be the case for non-profit organizations (NPOs) and non-governmental organizations (NGOs). Even though a rising number of people expecting sustainable contributions from companies to society generally works in favor of hybrid businesses, these companies still must be able to create commercial value within the mainstream markets they operate to achieve their non-financial goal (Eriksson, 2014).

Examples of hybrid businesses can be found throughout history (Defourny & Nyssens, 2010). One of the first organization types recognized as essentially distinct from commercial organizations were companies that followed a Vincentian Marketing Orientation (VMO). Based on the 17th century ideas of the eponymous French priest Vincent DePaul, the “Saint of Charity,” VMO essentially embodies the very idea of hybrid businesses; that is, one that stresses the importance of a business mindset for successful and sustainable social activities (Miles, Verreynne, & Luke, 2014). However, the relevance and impact of hybrid businesses on economies on a larger scale arguably began with the industrial revolution (Connolly & Kelly, 2011). Figure 1 presents a brief overview and examples of the development of hybrid businesses (expanding on Rahdari, Sepasi, & Moradi, 2016, p. 351).

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Figure 1. Development and Examples of Hybrid Businesses



1. General Introduction

The term “hybrid” was initially used in the natural sciences, biology in particular (Hockerts, 2015; Battilana & Lee, 2014). As such, it describes a viable organism that incorporates genetic attributes of parent organisms from different species or varieties. Analogously, hybrid businesses aim to achieve viability by incorporating ‘parental’ attributes from different institutional (i.e. social and commercial) backgrounds. As a scientific field of inquiry in business studies, hybrid businesses began to receive attention during in the 1980s and 1990s (Bacq & Janssen, 2011); however, conceptualization and scholarly contributions gained momentum sometime in the early 2000s (Zahra, Gedajlovic, Neubaum, & Shulman, 2009; Dart, 2004; Swanson & Zhang, 2012) when the field of organizational hybridity was considered pre-paradigmatic and therefore developing (Nicholls, 2010; Austin, Stevenson, & Wei-Skillern, 2006).

Currently, much about how hybrid businesses function remains unknown. In fact, there is still no coherent understanding of what actually constitutes a hybrid business (Short, Moss, & Lumpkin, 2009; Ormiston & Seymour, 2011; Wry & York, 2017). Even within business studies, hybrid can establish entirely different meanings.¹ The literature, therefore, offers a plethora of different terms to describe companies that pursue multiple goals (Mair, Mayer, & Lutz, 2015; Henry, 2014; Short et al., 2009). Each label can come with different nuances in its meaning (Rawhouser, Cummings, & Newbert, 2017), entailing “divergent goals, values, norms, and identities” (Smith, Gonin, & Besharov, 2013, p. 407), leading only to contextual interpretations of scholarly investigations (Muñoz & Dimov, 2015). There is, for instance, the classic understanding of “social businesses” described by Yunus, Moingeon, and Lehmann-Ortega (2010), which focuses on social profit and the recovery of investments rather than financial profit for the sake of investors or even owners. “Environmental entrepreneurship” (Hörisch, Kollat, & Brieger, 2017), sometimes referred to as “ecopreneurship,” is centered around “opportunities for achieving profitability while simultaneously reducing environmentally degrading economic behaviors” (Dean & McMullen, 2007, p. 50). Moreover, environmental entrepreneurship comes with different managerial implications than for social businesses (Hörisch et al., 2017). Lastly, “sustainable entrepreneurship” integrates an environmental *and* social goal orientation in the pursuit of profits (Cohen & Winn, 2007). Figure 2 depicts these explications in a rough sketch.

To avoid lengthy discussions, scholars tend to use different definitions depending on the research context (Meyskens, Carsrud, & Cardozo, 2010). Further, studies centered on financially sustainable companies with a social and/or environmental orientation mostly choose labels that the companies under investigation give themselves (Mair et al., 2015; Jenner & Oprescu, 2016). Other scholars seek to consolidate the debate by subsuming such companies simply under the term “social enterprises” (e.g., Battilana & Lee, 2014; Doherty, 2011; Choi & Majumdar, 2014; Mair & Martí, 2006): as in the Anglo-Saxon literature, “social” usually includes environmental goals as well.

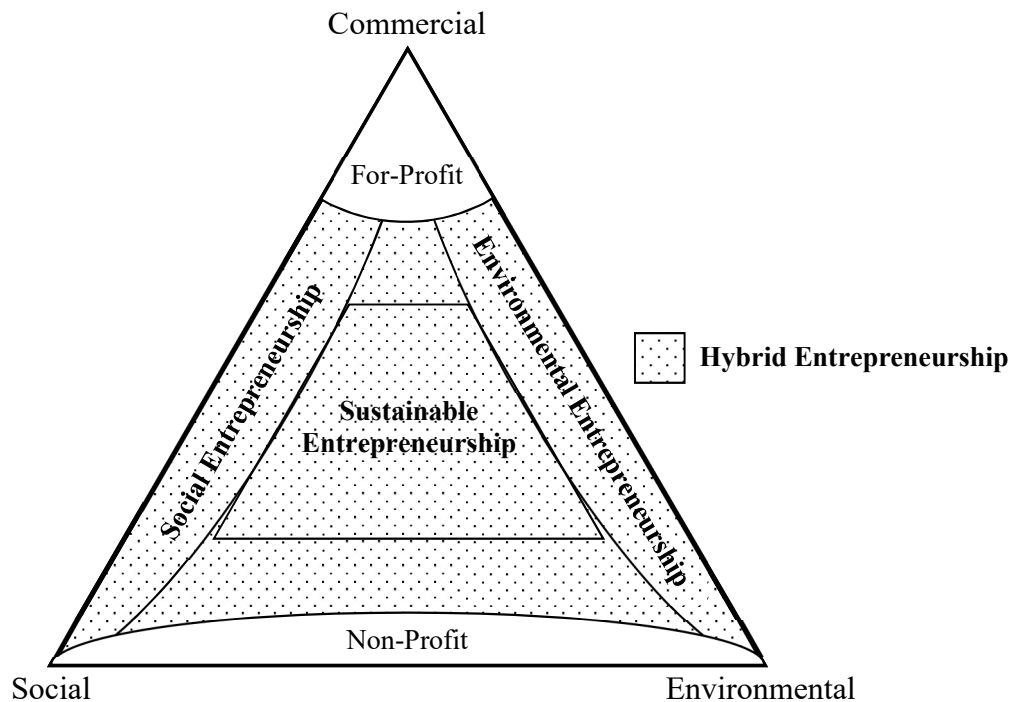
In this regard, studies on “hybrid entrepreneurship” as a field of study and social enterprises or hybrid businesses as unit of analysis are often less concerned with the definitive positioning within the triple bottom line (TBL) of commercial, social, and environmental goals, but rather focus on the hybrid logic itself that such organizations encompass in their quest to balance these

¹ For example, “hybrid entrepreneurship” can also describe the process of founding a business while being employed in another company (Folta, Delmar, and Wennberg, 2010).

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goals (Battilana & Lee, 2014; see also Chapter 2). Despite the missing consensus on a definition of hybrid businesses, publications about these organizations are growing in number (Doherty, Haugh, & Lyon, 2014) and scholars appear to have mostly accepted these terms as widely interchangeable,² at least when it comes to studying hybrid entrepreneurship.

Figure 2. Conceptual Interpretation of Hybrid Entrepreneurship in the TBL



Overall, the goal of these companies is to create social value rather than shareholder wealth while always securing financial independence (Henry, 2014).³ With this basic understanding of these companies in delimitation to commercial organizations on one hand and non-profit organizations on the other hand, studies are moving away from mere definitional debates and focus, for instance, on (founder) personalities (e.g., Hemingway, 2005; Yitshaki & Kropp, 2015), socio-political (e.g., Griffiths, Gundry, & Kickul, 2013), organizational (e.g., Mahfuz Ashraf, Razzaque, Liaw, Ray, & Hasan, 2018), institutional factors (e.g., Hoogendoorn, 2016; Jones, 1999), or competitive advantages (e.g., Fosfuri, Giarratana, & Roca, 2016; Roy & Karna, 2015; Liu, Eng, & Takeda, 2015).

By their very nature, hybrid organizations must regularly navigate institutional pluralism (Kraatz & Block, 2017). A common issue is the tensions that arise between the multiple goals that these companies pursue (Smith et al., 2013; Pache & Santos, 2013) and the managerial implications (Greenwood, Oliver, Lawrence, & Meyer, 2017) that result from the companies' efforts to access financial markets that cater to diverging and changing stakeholder expectations and to acquiring or mobilizing vital resources (Austin, Stevenson, & Wei-Skillern, 2006; Smith et al., 2013). Overall, these tensions between the social and the commercial orientation can lead to mission

² For a brief overview of terms used in the field, see Sub-section 4.4.1.

³ See Chapter 2.2 for more detailed descriptions on the nature of hybrid businesses and hybrid entrepreneurship.

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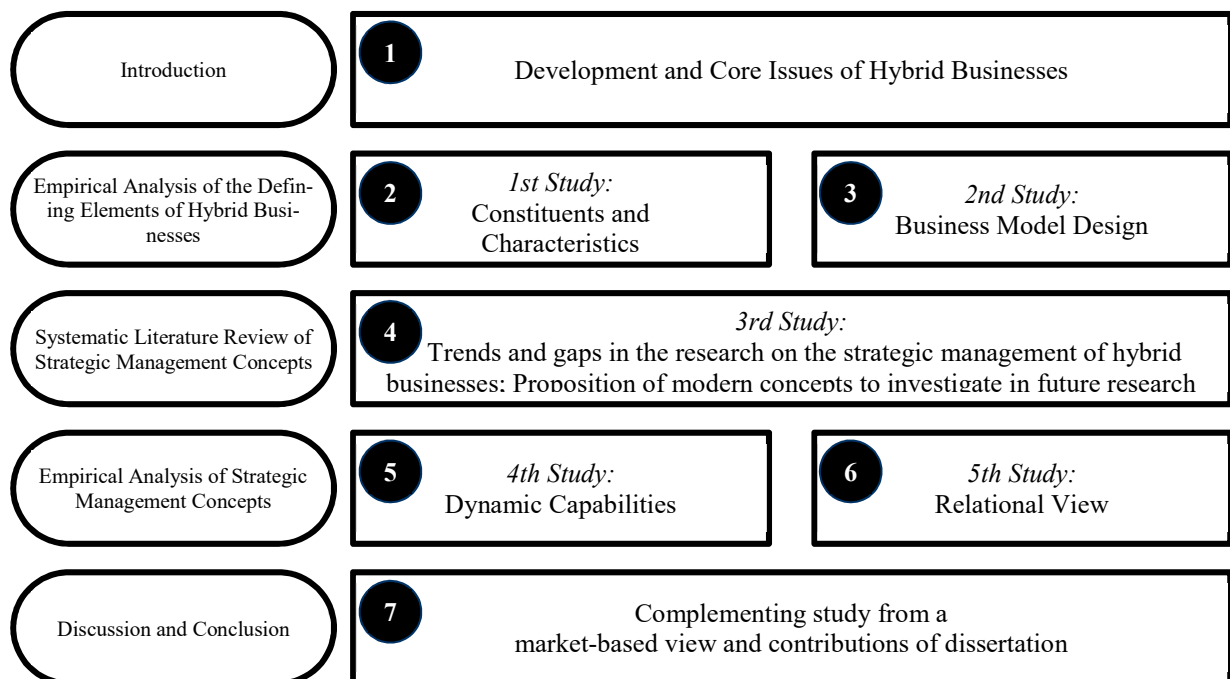
drift (Battilana & Dorado, 2010) either toward a (purely) commercial company (Ault, 2016) or toward a (purely) non-profit organization due to financial unsustainability (Fosfuri et al., 2016). In the worst case, these companies must cease operations altogether (Pache & Santos, 2010).

Against this general understanding of the logic of hybrid businesses and the indicated key issues these companies face, several questions in the strategic management of this type of organization remain unaddressed (see also Table 1). Therefore, the present dissertation set out to study hybrid businesses more closely in order to answer these questions and contribute to the advancement of research on these organizations, as detailed in the following sub-section.

1.2. Dissertation Structure, Research Questions and Summary of Studies

The dissertation consists of seven chapters (see Figure 3).

Figure 3. Dissertation Structure



Following this introductory first chapter, Chapters 2 and 3 build the project's foundation by empirically delivering defining elements of hybrid businesses on which the project builds its understanding: an empirical conceptualization as well as business model designs of such companies. Specifically, Chapter 2 represents the first study entitled "Constituents and Characteristics of Hybrid Businesses: A Qualitative, Empirical Framework" (co-authored with Rüdiger Hahn). Based on the largely missing conceptualization of hybrid businesses in the research, this chapter seeks to answer the question: What characterizes and constitutes hybrid businesses? In answering the question, the study moves beyond the often illusive, conceptual discussions and further scrutinizes the defining elements of what actually constitutes hybrid businesses by providing phenomenon-driven research. To do so, the study assesses what characterizes hybrid businesses and drives their founders by means of an abductive analysis of 18 ventures. Findings are discussed for the outcome of the business model, organization of the

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business model, and underlying aims of hybrid entrepreneurs to build an empirical framework of constituents and characteristics. Results show participatory patterns of organization and emphasis on knowledge sharing about sustainability. The general profit and growth orientation are often a means to an end of achieving sustainability goals. Finally, entrepreneurs are driven by nonmaterial motives.

Building on this empirically defined understanding of hybrid businesses, Chapter 3 presents the second study entitled “Business Model Design in Sustainable Entrepreneurship: Illuminating the Commercial Logic of Hybrid Businesses” (co-authored with Rüdiger Hahn and Patrick Spieth). As outlined earlier, hybrid businesses need to be profit-oriented in their quest to achieve a social mission to remain financially independent; and entrepreneurs of hybrid businesses often rely on innovative approaches and business models to build a commercial logic for achieving these goals. However, the commercial orientation of hybrid businesses is under researched and studies on hybrid business models that enable these companies to compete in commercial, mainstream markets are rare and unsystematic. The study employs a deductive multiple-case study that builds upon a business model design framework to illuminate the commercial logic of hybrid businesses to answer the question: How do sustainable entrepreneurs strive for commercial stability in their businesses, to reach multiple sustainability-related goals? The study identifies four clusters of design themes and elements: niche novelty, integrated novelty, intermediary approaches, and platform approaches. Findings are linked to the extant literature and suggestions provided for researchers and sustainable entrepreneurs to put these design elements and themes into practice.

Chapter 4, then, centers the project on the strategic management aspects and concepts that may help to explain how hybrid businesses function as companies that pursue a social and commercial goal. As recently, studies on understanding hybrid businesses have proliferated and begun to move to investigating the strategic management of hybrid businesses, to date, this literature remains scarce, often covers only select, fragmented aspects, and lacks much needed theoretical anchoring for a coherent understanding of this topic. Therefore, in Chapter 4, I present the third study entitled “Toward Theoretical Anchoring of the Strategic Management of Hybrid Businesses: A Systematic Literature Review of Management Aspects.” In this study, I seek to answer two questions. (1) What are the major trends, gaps, and shortcomings in research on strategic management of hybrid businesses? And, (2) which modern strategic management concepts and theories can potentially close the identified gaps and provide the most fruitful insights into how hybrid businesses deliver on their social value proposition while remaining commercially viable? I employ a systematic literature review to develop and discuss a framework of critical gaps and trends in the academic discussion of the strategic management of hybrid businesses. Furthermore, from this discussion I propose that the concepts of bricolage, dynamic capabilities (DCs), and the relational view (RV) are the most promising lenses for evaluating strategic management in hybrid businesses in future studies.

Chapters 5 and 6 provide empirical investigations for two of the proposed strategic management concepts in the context of hybrid businesses. Hybrid businesses often find themselves confronted with changing stakeholder expectations and difficulties in accessing the means to secure survivability in commercial markets. However, hybrid businesses have mostly been approached from a non-profit perspective, and studies fall short in accounting for strategic considerations in the often volatile balance between finding and pursuing social as well as commercial opportunities. Because the dynamic capabilities framework is one of the most

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promising conceptual anchors to analyze strategic management in hybrid businesses, the fourth study identifies how DCs facilitate the survivability of social enterprises amid the tensions that these companies typically face on commercial markets. Thus, the purpose of Chapter 5, “Dynamic Capabilities and Survivability of Social Enterprises: A Qualitative Analysis of Sensing and Seizing Capacities” (co-authored with Rüdiger Hahn), is to answer the question: How do dynamic capabilities facilitate the survivability of social businesses? The study employs an abductive analysis of 18 social enterprises in Germany and proposes three capabilities. (1) Establishing passive communication with stakeholders enables inexpensive and direct sensing and shaping of opportunities. (2) Selective signaling helps to access critical resources and to capitalize on the business model to seize opportunities, whereas (3) integrating collaborators expands the company’s reach and strengthens strategic decision-making. Finally, key implications are drawn for dynamic capabilities in social enterprises.

Since business partners and stakeholders are of critical importance to the success of hybrid businesses, these companies access large networks to gain strategic benefits. However, the specifics of the relational rents that result from cooperation as well as the managerial implications for governing these relationships are largely unknown. The fifth study in Chapter 6, “Holistic Value Co-Creation of Social Enterprises: A Qualitative-Empirical Investigation of Relationship Designs” (co-authored with Felix Ostertag and Rüdiger Hahn), therefore, asks: How do social enterprises generate holistic value through their partnerships? To answer the question, the study identifies the determinants for creating holistic value through partnerships of social enterprises. Findings from 18 cases suggest that based on their ability to identify suitable collaborators, most social enterprises generate value either by integrating partners in the businesses’ structures or by venturing into deeper personal connections through extensive knowledge sharing that can culminate in partner-specific assets. The study shows how social enterprises can take two distinct paths in designing their relationships: A human-centered or a structurally integrated path.

As most studies take an internal perspective of hybrid businesses, in Chapter 7 I employ a complementing study based on the market-based view (MBV). Through this study, I seek to enrich the knowledge that the previous studies provided, with insights from an external perspective before closing the dissertation with a final conclusion on each study’s contributions.

The five studies in this dissertation were written for publication in peer-reviewed, international academic journals. Table 1 provides an overview of these studies, detailing research questions, co-authorships, and publication status. Lastly, it should be noted that throughout the studies, several different terminologies are used to describe organizations that essentially “pursue a social mission while engaging in commercial activities that sustain their operations” (Battilana & Lee, 2014, p. 399). While these terms are used synonymously as described above, the divergent labels were mostly the result of academic exchange during the publication process.

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Table 1. Overview of Studies, Co-Authorships, and Publication Status

Study	Research Question	Status
1st Study (Chapter 2) Constituents and Characteristics of Hybrid Businesses: A Qualitative, Empirical Framework (Rüdiger Hahn and Inan Ince)	What characterizes and constitutes hybrid businesses?	Published in the Journal of Small Business Management Hahn, R., & Ince, I. (2016). Constituents and Characteristics of Hybrid Businesses: A Qualitative, Empirical Framework. <i>Journal of Small Business Management</i> , 54(6), 33-52. https://doi.org/10.1111/jsbm.12295
2nd Study (Chapter 3) Business Model Design in Sustainable Entrepreneurship: Illuminating the Commercial Logic of Hybrid Businesses (Rüdiger Hahn, Patrick Spieth, and Inan Ince)	How do sustainable entrepreneurs strive for commercial stability in their businesses, to reach multiple sustainability-related goals?	Published in the Journal of Cleaner Production Hahn, R., Spieth, P., & Ince, I. (2018). Business model design in sustainable entrepreneurship: Illuminating the commercial logic of hybrid businesses. <i>Journal of Cleaner Production</i> , 176, 439-451. https://doi.org/10.1016/j.jclepro.2017.12.167
3rd Study (Chapter 4) Toward Theoretical Anchoring of the Strategic Management of Hybrid Businesses: A Systematic Literature Review of Management Aspects (Inan Ince)	What are the major trends, gaps, and shortcomings in research on strategic management of hybrid businesses? Which modern strategic management concepts and theories can potentially close the identified gaps and provide the most fruitful insights into how hybrid businesses deliver on their social value proposition while remaining commercially viable?	Working Paper
4th Study (Chapter 5) Dynamic Capabilities and Survivability of Social Enterprises: A Qualitative Analysis of Sensing and Seizing Capacities (Inan Ince, Rüdiger Hahn)	How do dynamic capabilities facilitate the survivability of social businesses?	Forthcoming in the Journal of Small Business Management Ince, I., & Hahn, R. (in press). How Dynamic Capabilities Facilitate the Survivability of Social Enterprises: A Qualitative Analysis of Sensing and Seizing Capacities. <i>Journal of Small Business Management</i> , 7(3), 289. https://doi.org/10.1111/jsbm.12487 Earlier version nominated for best-paper award (G-Forum, Kassel, 2015)
5th Study (Chapter 6) Holistic Value Co-Creation of Social Enterprises: A Qualitative-Empirical Investigation of Relationship Designs (Inan Ince, Felix Ostertag, Rüdiger Hahn)	How do social enterprises generate holistic value through their partnerships?	Working Paper Nominated for best-paper award (G-Forum, Stuttgart, 2018) Several international conference presentations

2. Constituents and Characteristics of Hybrid Businesses: A Qualitative, Empirical Framework⁴

Co-authored with Rüdiger Hahn

⁴ Published (double-blind, peer reviewed) as:
Hahn, R. & Ince, I. (2016). Constituents and Characteristics of Hybrid Businesses: A Qualitative, Empirical Framework. *Journal of Small Business Management*, 54(6), 33-52.

2. Constituents and Characteristics of Hybrid Businesses: A Qualitative, Empirical Framework

2.1. Introduction

Numerous cases illustrate that a narrow view of business shaped mainly by a financial perspective is not (or is no longer) adequate. New business models often pursue social or ecological goals in addition to or even before economic goals (e.g., Zahra, Gedajlovic, Neubaum, & Shulman, 2009). Such ventures are increasingly subsumed under the heading of “hybrid organizations” in high-profile scholarly literature (Battilana & Lee, 2014; Doherty et al., 2014; Pache & Santos, 2013).⁵ Battilana and Lee (2014) identify social enterprises as ideal forms of hybrid organizations that “pursue a social mission while engaging in commercial activities that sustain their operations” (p. 399). Unlike purely commercial business models that might incorporate some sustainability aspects *ex post*, hybrids proactively engage sustainability as part of their business models, while unlike organizations from the nonprofit sector, also building upon commercially-oriented business models (cf. Doherty et al., 2014).

There seems to be a general consensus that these ventures fall under a new type of business that substantially deviates from conventional businesses in terms of characteristics and constituencies (Austin et al., 2006). However, despite initial efforts to understand hybrid organizations, to the best of our knowledge there has been no deeper empirical insight into the question of what actually characterizes such ventures nor any uniform understanding of what constitutes them (Choi & Majumdar, 2014). Although the topic in general is of significant practical, political, and academic interest, the hybrid business still demands the academic community gain a better understanding of “the distinctive nature of [its] mission, processes, and resources leveraged” (Dacin, Dacin, & Matear, 2010, p. 53; cf. Wilson & Post, 2013). In the present study, we will argue and show that, to fully understand hybrid entrepreneurship and deliver a profound basis for further research on such enterprises, the nature of hybrid businesses must be further scrutinized through phenomenon-driven research.

Billis (2010), for example, comments that “there is no evidence that [hybrid businesses] have distinctive and explicit *principles* of management and operation [that] set them apart from other sectors” (p. 57; emphasis in original). Against this backdrop, we seek to contribute to the understanding of these organizations by discussing the pertinent evidence at hand. We will empirically establish a framework of hybrid-enterprise constituents and characteristics and, thereby, help make sense of a field of study that otherwise remains elusive. While recent literature discusses specific elements of hybrid businesses (Doherty et al., 2014), our hope is to contribute to the literature through a holistic approach by culling this new type of venture’s typically unifying characteristics and elements from available in-depth, empirical observations. In other words, we will delve into what constitutes a hybrid venture on a level deeper than that of general definitions and isolated treatments. In so doing, we hope to clear up misunderstandings due to speculation and anecdotal inferences by offering a holistic view of our topic.

Our providing an understanding of the self-conceptions, constituting elements, and general orientations of hybrid ventures should subsequently help pave the way for further empirical research. We deem this necessary to enabling further examination of, for example, success factors for hybrid businesses, their performances on different levels, the constraints thereon, etc. By starting from a uniform understanding of the nature of hybrid ventures, then, future research can

⁵ Other terms such as *social entrepreneurship*, *social enterprises*, *social business*, *social ventures*, and *conscious capitalism* are currently in contemporary currency.

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avoid being criticized for building on ill-defined concepts from multiple, varying conceptualizations. Furthermore, the envisioned framework of hybrid-enterprise constituents and characteristics, it is hoped, will also spur greater practical and political interest in the topic, as it is first necessary to understand hybrid businesses' peculiarities before policies and strategies for promoting such ventures can be developed. To achieve these aims, we will abductively analyze 18 examples of hybrid businesses in depth, exploring their unifying constituents and characteristics. The present paper is structured as follows: first, we will shed light on the nature of hybrid businesses based on the extant literature; second, we will explain our method of collecting and qualitatively analyzing our data; third, we will present our findings; fourth, we will propose a new analytical framework for studying hybrid businesses; and fifth, we will conclude the present paper by discussing the implications of our findings and suggesting avenues for further research.

2.2. The Nature of Hybrid Businesses and Hybrid Entrepreneurship

A heightened academic interest in businesses pursuing more than purely financial goals emerged in the 1980s and 1990s (Bacq & Janssen, 2011). One starting points for contemporary investigations of social entrepreneurship and hybrid businesses is the work of Muhammad Yunus, who, in 1976, proposed the notion of helping communities using business logics (cf. Yunus et al., 2010), defying the predominant risk-reward paradigm for engaging in commercial activities (Pache & Santos, 2013; Zeyen et al., 2013). Since then, many scholars have attempted to define the term hybrid business and delineate social entrepreneurship from other forms of for- and nonprofit endeavors (e.g., Austin et al., 2006; Doherty et al., 2014; Haigh & Hoffman, 2012; Pache & Santos, 2013; Wilson & Post, 2013; Yunus et al., 2010; Zahra et al., 2009). In his seminal work "The roots of voluntary agencies: A question of choice," Billis (1991) touches on the root of what we know as hybrid businesses; he would later refine his thoughts, creating one of the first, tentative theories of third-sector organizations, by differentiating between and synthesizing core elements such as ownership, governance, operational priorities, human resources, and other resources in companies whose structures combine aspects of public and private organizations (Billis, 2010). However, what constitutes a hybrid business on a deeper level in terms of an overarching definition has only recently received some attention. Knowledge about organizational hybridity is still in a pre-paradigmatic stage (Nicholls, 2010) and, therefore, rather fragmented, often focusing on isolated issues and anecdotal descriptions (Nicolopoulou, 2014). The present paper will present these descriptions and issues to build a preliminary groundwork for understanding the nature of hybrid businesses.

The initial desire to found a hybrid business often comes from personal circumstances such as family experiences or the recognition of the market's failure to meet societal needs (Cohen & Winn, 2007; Hockerts & Wüstenhagen, 2010). In this regard, Yitshaki and Kropp (2015) recently identified push (societal failure) and pull (life events, social awareness, and personal ideology) as motivating factors that lead entrepreneurs to found hybrid enterprises. With regards to the overarching identity of hybrids, it follows that their shared goal is to address long-standing basic needs but through an entrepreneurial approach (e.g., Austin et al., 2006; Murphy & Coombes, 2009). In a study examining this dual identity, Moss, Short, Payne, and Lumpkin (2011) find that hybrid organizations generally do consider themselves businesses, albeit businesses driven by more normative identities in which societal orientation is generally stronger

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than financial orientation. This is corroborated by Wilson and Post (2013) who, in an exploratory, multi-case study, scrutinized the process by which social businesses are designed and showed that mission is integral to hybrids—it is not, that is, tangential, as with traditional for-profit companies, which often pursue a CSR strategy to legitimize their pursuing financial goals.

Battilana, Lee, Walker, and Dorsey (2012) list the challenges and conflicting institutional demands that arise from the multiple goals of hybrid businesses. Doherty, Haugh, and Lyon (2014) argue in their literature review that hybrid organizations seek legitimacy by conforming themselves to the public, private, or nonprofit sector and, therefore, to particular stakeholder groups. Thus, they embody various sources of potential organizational tension, including inconsistent goals, norms, and values (Costanzo, Vurro, Foster, Servato, & Perrini, 2014; Pache & Santos, 2013; Smith et al., 2013), and this can lead to multiple, incompatible identities within such organizations. Such tensions stem from the hybrid nature of such ventures, which inhabit a space somewhere between nonprofit and traditional enterprises (Battilana, Lee, Walker, and Dorsey 2012). Thus, when a hybrid organization fails to form a coherent identity it risks having to cater to a broad, often conflicting, set of stakeholders (Battilana & Dorado, 2010). However, this is neither entirely avoidable, nor undesirable, as hybrids regularly depend on conflicting interest groups simultaneously. For instance, Doherty, Haugh, and Lyon (2014) describe how being equally beholden to financially and socially oriented stakeholders has helped some organizations successfully secure their operations. Furthermore, multiple identities offer the potential of resolving intractability and sustaining intergroup harmony, which can lead to greater acceptance of integrative goals (Costanzo et al., 2014). This relationship between social and financial goals, however, is understandably rather delicate, as conflicts arise when there is pressure to capitalize on a market segment (Haigh & Hoffman, 2012) or to simply secure operations by involving potential financiers (Doherty et al., 2014; Smith et al., 2013). In this regard, Stevens, Moray, and Bruneel (2014) show an inversely proportional relationship exists between the social and commercial missions of such organizations and this can ultimately pose considerable challenges to their strategies (Moizer & Tracey, 2010; Pache & Santos, 2013) and their abilities to adjust to and interpret contextual factors (Battilana & Lee, 2014; Katre & Salipante, 2012). It therefore makes sense that revenue is mostly treated as a means of ensuring the financial sustainability and independence such organizations need to fulfill their social missions, as proposed by further conceptual studies (Bacq & Janssen, 2011; Dart, 2004; Haigh & Hoffman, 2012; Murphy & Coombes, 2009; Nicolopoulou, 2014; Zahra et al., 2009).

Moreover, in addition to experiencing the conflicts endemic to balancing the interests of financial and nonfinancial stakeholders, hybrid organizations often experience conflicts due to disagreements within and among nonfinancial-stakeholder groups. While expectations from financial stakeholders are much more predictable, expectations from the other stakeholders hybrids must satisfy can vary greatly (Doherty et al., 2014; Moizer & Tracey, 2010; Smith et al., 2013).

Meanwhile, another interesting aspect of hybrid organizations concerns their missions and general attitudes. Zahra, Gedajlovic, Neubaum, and Shulman (2009), as well as Haigh and Hoffman (2012), conclude that hybrids actively seek market entrants and invite them to further extend the value chain or even to directly copy their own business models. While this might seem irresponsible from a business standpoint, hybrids tend to have a different interpretation of “competition,” which seems to be treated much more as “competitive cooperation” (Yunus et al.,

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2010; Zeyen et al., 2013), as the primary goal of hybrid enterprises is to achieve their goals throughout society (Santos, 2012). Access to a network is therefore a powerful tool and seen as a general enrichment whereby every participant can (and, in many cases, must) benefit from its fellow members (Katre & Salipante, 2012) through, for example, access to resources (Doherty et al., 2014). Thus, such organizations tend to develop further opportunities together (Bacq & Janssen, 2011; Corner & Ho, 2010).

Finally, growth can be pursued, in the case of every business, to increase profits or to ensure survival alone. Hybrid businesses, however, consider growth mainly as a means of extending their societal impacts (Haigh & Hoffman, 2012; Hynes, 2009; Smith et al., 2013). Corner and Ho (2010) assert that respective businesses primarily resort to organic growth strategies to achieve such impacts. This seems to be marked by slower, more independent approaches that are responsive to stakeholder expectations for three main reasons: (1) it is difficult to quantify social profits (Yunus et al., 2010), (2) organic growth takes time to implement and develop (Smith et al., 2013), and (3) hybrid strategies are more focused on sustainable solutions, which again, take time to implement and shape through validation and revision (Santos, 2012).

As mentioned above, then, several attempts to describe and explain hybrid businesses have already been made based on these organizations' key aspects such as mission, growth, profit, conflicts, human resources, networks, and legitimacy. However, this research has mostly centered on isolated issues and is only tenuously connected to an overall view of the matter. When it comes to actually depicting hybrids—to describing what their nature is and how they work—the existing definitions remain largely conceptual and are supported by few empirical findings.

2.3. Methods

In the present study, we employed an abductive methodology based on interview material gathered from 18 hybrid businesses. We ensured replicability of this approach by maintaining detailed documentation, as described below:

2.3.1. Sample and data collection

We selected the businesses examined using purposeful sampling, which allowed us to identify information-rich typical cases (Palinkas et al., 2015; Patton, 2015). This was appropriate for our research goal of deriving an empirical characterization of hybrid business. We sought to identify companies that fit the broad description above of organizations that “pursue a social mission while engaging in commercial activities that sustain their operations” (Battilana & Lee, 2014: 399), so as to elaborate on and examine this construct (Palinkas et al., 2015; Patton, 2015). Meanwhile, to identify manifestations of hybrid businesses, we conducted an extensive Internet search for potential ventures during which we read through news clips, blogs, and social-network posts focused on keywords such as “hybrid business,” “social business,” and “social entrepreneurship.” Upon identifying a potential company we continued collecting information on its mission and business model. Aside from the information available from our initial sources, we also examined each potential subject's website, as these were readily available. A company was deemed suitable if it voiced a distinctive social mission that seemed to hold greater weight than or was equally important to its financial concerns. Examples of such social missions included, for

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instance, integrating disabled people into the workforce and promoting sustainable consumption (see Table 3 for an overview of the selected organizations' business ideas and social focuses).

Crucial as well was that the selected organizations expatiated social missions were pursued using business logic; that is, each company had to have a working business model that entailed the purveyance of goods or services to customers such that the business was not dependent on donations or similar sources of nonbusiness income. It was not relevant whether the company called itself a "hybrid business" or a "social business." Instead, both researchers involved in the present project had to agree that a given company met these initially stated criteria before contact was initiated.

To enhance reliability, we purposely selected the founders or cofounders of the selected businesses as our key informants, because these were typically the best sources for in-depth information on and insights into the underlying motives and goals that shaped their respective hybrid organizations. All interviews were conducted face-to-face.

Data collection took place in two stages. In the first stage, the interview consisted of 14 questions regarding the organizations' general conceptions of their business models (e.g., "Can you describe your business model?" and "How would you characterize and categorize your business model?"), the nature of value creation (e.g., "How are profits distributed and to whom?" and "Do you generate value beyond profits? If so, what is this?"), the current stage of development (e.g., "When did you start developing your business?" and "What must be done in the future?"), etc. We also attempted to record the founder's or co-founder's perception(s) of value creation aside from financial motivations and where each saw her venture within the larger overall market context, with regards to, for instance, its relationships with its suppliers, customers, and other stakeholders. Initially, we conducted seven interviews, and these were transcribed, then returned to the interviewees for validation; subsequently, we coded these as described below to further increase their reliability.

Two additional interviews were not transcribed but, instead, removed from the sample. These two companies initially seemed suitable, yet on closer inspection, they failed to fit the definition of a hybrid business based on our criteria. In these cases, the information gathered from publicly available sources proved to be misleading when examining the true nature of these businesses, and this became clear during the interview stage.

The coding of the remaining seven interviews only led to partial theoretical saturation, resulting in several new insights, codes, and impressions. Thus, we decided to identify additional hybrid ventures to allow for a deeper analysis. Another 11 interviews were conducted by repeating the previously mentioned search procedure several months after completing the first seven interviews. The interviews were again transcribed, validated, and coded. From the analysis, we concluded that the number of example companies in our sample was sufficient to provide a meaningful picture of hybrid ventures.

We then conducted a second series of interviews with the same organizations to ensure we had recorded every nuance relevant to our study. All told, we interviewed 16 of our original 18 ventures a second time. (The remaining two could not accommodate second interviews.) In this second stage, the organizations' contacts were presented with a 14-question survey. These questionnaires inquired into the initial inspiration for each business's founding (e.g., "What

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brought about your business concept?” and “How did you identify the opportunity your business takes advantage of?”), then moved on to asking about prerequisites, processes, and resources (e.g. “What knowledge did you and your cofounders bring to your venture?”; “How would you describe the market environment in which you operate?”; and “What would you consider your most important processes or inputs?”), and general strengths and challenges (e.g., “What are the your company’s strengths?” and “How does your business react to changes and challenges?”).

Following our second stage, we had completed our data collection stage, having reached theoretical saturation; that is, we had reached a point in which we were confronted with phenomena repetition, making the addition of further coding sets unnecessary, as it was unlikely that we had missed the majority of phenomena and further data would only marginally affect our conclusions (Glaser & Strauss, 1967). Overall, the data collected from the 18 companies interviewed comprised roughly 140,000 words, or nearly 20 hours, of interview material. The validated primary data were then triangulated using information from the businesses’ websites, news clips, and blogs. These sources complemented the data collected, helping us to construct an approximate “true story” for each business (Pentland, 1999). Moreover, each constructed narrative was repeatedly checked against the available source data to enhance its internal validity. Table 2 presents a preliminary overview of the interviewed companies.

Table 2. Overview of Case Interviews (in Alphabetical Order)

Case Number	Location	Duration of First Interview	Duration of Second Interview
1	Kassel	18 min.	57 min.
2	Kassel	38 min.	54 min.
3	Berlin	42 min.	38 min.
4	Frankfurt	31 min.	-
5	Augsburg	28 min.	13 min.
6	Helmbrechts	28 min.	16 min.
7	Berlin	28 min.	26 min.
8	Berlin	21 min.	15 min.
9	Berlin	27 min.	41 min.
10	Berlin	57 min.	-
11	Berlin	34 min.	59 min.
12	Berlin	43 min.	37 min.
13	Bonn	37 min.	27 min.
14	Kiel	42 min.	26 min.
15	Munich	23 min.	43 min.
16	Munich	30 min.	16 min.
17	Freiburg	28 min.	33 min.
18	Berlin	45 min.	37 min.

2.3.2. Data analysis

In analyzing the data collected in the previously described stages, we took an abductive, interpretative approach, shuttling continually from our data, to our emerging conceptualizations, to the existing literature (e.g., van Maanen, Sorensen, & Mitchell, 2007; Reichertz, 2010; Timmermans & Tavory, 2012). Timmermans and Tavory (2012) describe abduction as a “form of

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reasoning through which we perceive phenomena as relating to other observations, either in the sense that there is a cause and effect hidden from view, in the sense that phenomena are seen as similar to other observations already experienced and explained in other situations, or in the sense of creating new general descriptions” (p. 171). This approach conformed well to our research aims. Furthermore, van Maanen, Sorensen, and Mitchell (2007) have suggested that the data in abductive reasoning “should be sufficiently detailed, rich, and complex” (p. 1,149), which was a given in the case of our empirical material. Our coding, then, was guided by the material at hand instead of following a set of predefined theoretical concepts; still, our coding procedure was theoretically sensitive, given our prior knowledge of the topic, and was further refined during the research process and subsequent literature review.

Additionally, we coded the transcripts individually to enhance the validity and reliability of their combined analysis and limit subjectivity to an acceptable level, which is important when attempting to identify deeper meanings in texts (Duriau, Reger, & Pfarrer, 2007). Timmermans and Tavory (2012) suggest following a grounded theory’s methodological steps as heuristics in abductive data analyses. Our coding process thus consisted of three partially iterative coding methods: (1) open (conceptual), (2) axial (structural), and (3) selective (dimensional) (Strauss & Corbin, 1990). This entailed testing, comparing, discussing, and retesting over several different stages to ensure the creation of coding guidelines that provided an optimal balance between reliability and validity.

During the open-coding stage, our main goal was to identify general attributes within the observed phenomena. Our interpretations of particular elements were largely independently from those for the rest of the data material and any possible connections between them. The primary goal was to identify as many attributes as possible to shape our first several categories (Strauss & Corbin, 1990), and this initially led to incoherent, unstructured results.

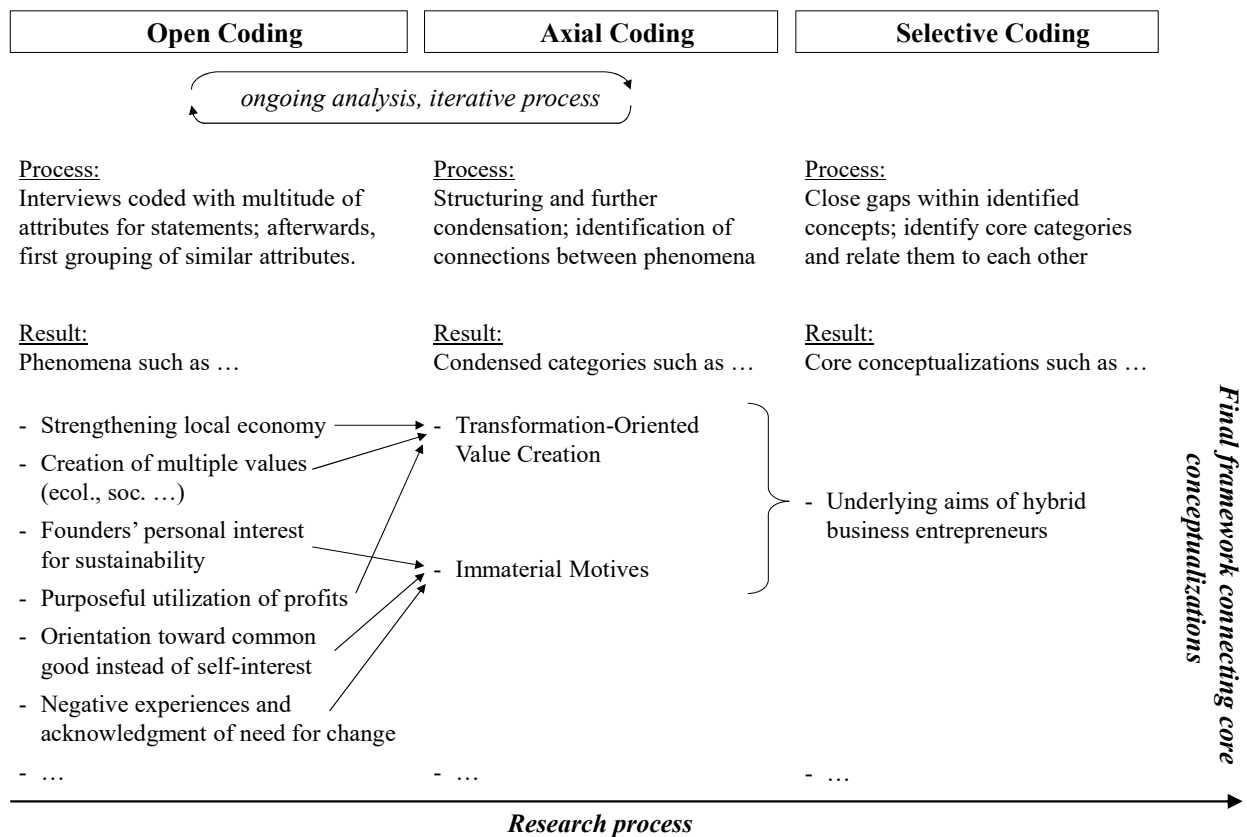
Hence, our open coding of each interview and the secondary data we had collected on each business led to an abundance of phenomena and concepts. Actual order and coherence was shaped during the axial-coding stage, in which the identified attributes were refined and connected along a logical axis. This allowed us to gradually arrive at a greater level of abstraction by forming categories and subcategories. Moreover, our open and axial coding was constantly shaped throughout our investigation as ongoing analyses, resulting in even greater validity (Kempster & Parry, 2011) by allowing us to identify nodes in passages that had been openly coded previously and connecting them to attributes in other code sets. Differences in judgment also arose between us, especially during our first few coding phases. These differences were assessed case by case in a discursive way, which helped us gradually reconcile the discrepancies in our mental schemas (Seuring & Gold, 2012). Our aim was to arrive at a series of categories that served as a pattern by which additional data could be organized.

Utilizing this interplay, our selective coding sought to close any extant gaps within the identified concepts to deliver core conceptualizations (as per Bryant & Charmaz, 2010). In the next stage, then, our investigation was oriented toward identifying properties and attributes that further defined the subjects in our samples. Figure 4 shows an excerpt of our iterative, three-stage process, while tables 4, 5, and 6 in the following section provide a holistic illustration of our core conceptualizations and their preceding subcategories, phenomena, and illustrative quotations.

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Locke (2001) describes this as “discriminate sampling” because it is highly focused on closing explanatory gaps and pinpointing explanatory patterns that fit every case in a given sample.

Figure 4. Illustrative Exemplary Excerpt from the Coding Process



2.4. Findings⁶

Table 3 provides insights into the 18 sampled companies' business concepts. In this section, we will examine the peculiarities of each subcategory and explain how they emerged from the gathered data.

⁶ All quotations presented in this section were translated by the authors.

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Table 3. Overview of Hybrid Business Models

Case #	Description of Business Idea
1	Marketing of beanies/woolly hats crocheted by the elderly for modern consumers and youngsters while promoting intergenerational contact and positively engaging the elderly.
2	Decentralized processing of drinking water at places with insufficient infrastructure for renewable energy.
3	IT consultancy that employs people with Asperger syndrome (autism) as IT consultants, thus providing specialized services to its business customers while offering new meaning to the lives of their employees.
4	Crowdfunding platform specializing in energy efficiency projects; helps finance respective projects and thus improve energy efficiency while realizing above-market interest rates for investors.
5	Online platform presenting sustainable companies and their products. In raising the publicity and attractiveness of these companies, the company tries to push the sustainable change of the economy.
6	Production and distribution of “organic clothing”; street- and sportswear brand with a modern lifestyle attitude.
7	Production of high-quality mushrooms in urban cellars by using coffee grounds as nutrient medium, thus recycling otherwise wasted material and creating a resource-efficient and local production.
8	Design and sales of aquaponic farms for the resource-efficient urban production of vegetables and fish.
9	Online marketplace designed as a co-operative for trading organic and fair-trade goods.
10	Online platform for borrowing and buying used products from people in the neighborhood. The aim is to enlarge the service life of products.
11	Inexpensive supply of spices from controlled, organic farming without intermediaries, thus enhancing the income of producers.
12	Textile agency distributing organic and fair-trade fabrics and clothes. In offering collective orders, the company tries to enable young designers to procure small amounts of these fabrics.
13	Seasonal gardens for rent in urban areas. The idea is to make urban households more self-sufficient in the provision of food by providing them with prepared gardens and specialist advice from regional farmers.
14	Cooperative bringing companies, designers, and sheltered workshops together to include disabled persons in the normal world of employment.
15	Provision of 100% green energy to private households. Additionally, with each new customer, the company provides clean energy for one family in a developing country. The idea is to inspire people concerning global energy turnaround and facilitate the switch to renewable energies.
16	Sale of social beer and sharing the “social profit” with the neighborhood. The idea is to strengthen the local economy by selling simple consumer products.
17	A citizen shareholder corporation supporting sustainable agriculture throughout the whole value chain. The idea is to create sustainable regional structures through citizen participation.
18	Marketplace with special incentive systems for the placement of sustainable products. Education of consumers through a self-developed and easily comprehensible “sustainability signal-light” that informs customers.

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2.4.1. Outcomes of our business-model queries

The first two sub-categories concentrated on the sampled organizations' business models. Table 4 provides an overview of the main elements of these categories, along with illustrative quotations from our interviews.

All companies generate revenue and are, therefore, in some way profit-oriented. This in itself is not surprising considering a general business mindset is necessarily part of the definition of what constitutes a hybrid business, as explained above, and we purposely based our sampling criteria on this characterization. And yet, the underlying phenomena endemic to this subcategory are far more interesting than one might imagine from such a basic interpretation. Naturally, hybrid businesses offer goods and services just as any "ordinary" company would but with the primary goal of recovering costs and, sometimes, the added benefit of generating profits. A closer examination, however, reveals two general attitudes toward profit orientation, which might point, early on, to differences in how hybrids weigh their economic and noneconomic goals. Some companies seem to be rather defensive about their for-profit motives. For example, the founder of case company 14, a company that acts as intermediary between sheltered workshops, designers, and other actors to help people with disabilities engage in normal work, underscored this point: "We are not economically oriented, but still, we do want to earn money with it." Similarly, the founder of case company 4, an IT-focused company offering a crowdfunding platform for energy-efficient projects, said, "Sustainability always comes before profit orientation."

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Table 4. Subcategories, Phenomena, and Illustrative Quotes on Outcome Categories

General Profit Orientation	<ul style="list-style-type: none"> - Financially self-sufficient or - Aiming for financial independence - Providing goods and/or services
<p>“(…) that is why, as a non-charitable social enterprise, our very existence depends on making revenues. These revenues should ideally be higher than the costs incurred.” (case 3, founder)</p> <p>“It should be clear that you still somehow have to follow the basic principles of business, i.e., to generate profits.” (case 11, founder)</p> <p>“we try to at least recover the costs.” (case 14, founder)</p> <p>“Nevertheless, we are a business and want to earn money with it.” (case 4, founder)</p> <p>“(…) the credo that it has to be self-sufficient. I am not a fan of donations and these things because this soon reaches its limits.” (case 18, founder)</p>	
Strategic Sustainable Growth	<ul style="list-style-type: none"> - Growth as a means to an end - Long-term business relationship - Transparent and simple business processes
<p>“(…) when somebody offers a sustainable product, the business should grow because of that and even make a few profits. […] a good idea has to grow so that it reaches as many people as possible.” (case 5, founder)</p> <p>“(…) we want to design our commercial relationships without putting pressure on prices (…) in order to build long-lasting commercial relationships.” (case 12, founder)</p> <p>“We have set clear rules in our statutes regarding profit distribution that prevent anyone from skimming high profits. (…) They are distributed—but among many.” (case 9, founder)</p> <p>“We want to pursue fair economic activities and remain fair inside and outside.” (case 9, founder)</p> <p>“It’s not as it is with listed companies, where making money is the aim; rather, solving the problem is the aim. And money is a means to reach that end and the more the better.” (case 18, founder)</p>	

Others, meanwhile, take a more proactive, profit-oriented position. Several interviewees even emphasized that they are indeed “real” businesses clearly focused on generating revenue and that this distinguished them from nonprofit organizations. The founder of case company 3 vividly voiced this point: “We consider ourselves a regular IT consulting company. ... After all, we are a regular economic enterprise.”

In general, despite their community orientations, hybrids look to their financial bottom lines and acknowledge they must achieve certain financial goals to remain in business. Still, not all ventures are successful in this. Some are self-sufficient and profitable, whereas others continue to incur losses and must develop their revenue streams further, scale their business up, etc. While this is not surprising, given the early stages some of the sampled ventures found themselves in at the time of our interviews, it remains to be seen whether the latter group will succeed in becoming financially sustainable.

Directly connected to this last issue is the subcategory of strategically sustainable growth. Interestingly, many interviewees directly asserted that they regarded growth as a means of achieving sustainable societal benefits from their business models. This, it seems, adds to their drive to expand, in pursuit of sustainable growth strategies, as their influence is magnified as they

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progressively reach more customers.⁷ Thus, we identified a preference for moderate growth with transparent, simplistic, reliable, independent, long-term, and customer-oriented business approaches, operations, and communications. Furthermore, some organizations seemed especially concerned with serving their regional economies by strengthening and making use of regional or local structures.

2.4.2. Organization of the business model

Our second set of subcategories deals with how hybrid businesses are organized. Table 5 offers abstract summaries with illustrative quotations.

The intensive inclusion of various stakeholders in the core of the sampled organizations' business models seems a dominant characteristic of hybrid businesses in general. Case company 16 for example, includes its neighborhood in matters of profit distribution and has built a close connection between its brewing business and strictly selling its beer locally; thus, not only is the company's community its scope of distribution, but a majority of its profits go to a local charity: "The new thing is that the profit does not flow to a single person or company but to the community where the company's products are consumed. ... Two-thirds of our profits go to social projects in the community and one-third to [the company], which we use to cover our expenses. ... In short, we sell social beer and want to promote the regional economy and neighborhood. We want to manage our quarter." Similar patterns evincing the close inclusion of local stakeholders can be found, for example, in the cases 13 and 17. The former company is also an example of how hybrids often build on the active involvement of customers in certain steps of the value-creation chain; its customers actually create value, literally taking part in the production process by cultivating and harvesting their own crops.

⁷ One entrepreneur, however, also mentioned that growth is not an option due to limited personal time and other entrepreneurial endeavors. In this case, the hybrid business in question is stagnating, and the founders hope to continue without growing and without putting forth any further major efforts.

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Table 5. Subcategories, Phenomena, and Illustrative Quotes on Organization Categories

Participatory	<ul style="list-style-type: none"> - Active inclusion of various stakeholders - Cooperation as marketing instrument - Networks as organizational form <p>“(...) it is generating networks (...) [T]hrough our activities, people get together, and this results in new partnerships (...) that are organized beyond pure profit.” (case 12, founder)</p> <p>“It is more like a community project than ‘everyone for themselves’.” (case 9, founder)</p> <p>“I see every customer or service provider as a partner. It is not just a relationship on paper—I’m appointing you as person.” (case 7, founder)</p> <p>“(...) we are basically connecting the customers of all sustainable companies.” (case 5, founder)</p> <p>“[We have] over 700 partners, with whom we work together. And then 300 bloggers and journalists, 600–700 online shops, and, of course, all of the major unions and, funnily, companies that are not yet sustainable, enterprises that we partially help in improving one or another criteria.” (case 5, founder)</p>
Communicative; Knowledge- Imparting	<ul style="list-style-type: none"> - Promotion of exchange, sharing of contacts - Offering information and consultation - Learning through information exchange <p>“The topic of marketing/corporate social responsibility is becoming more important for companies, which is why we see ourselves as a communicative device to make the sustainability management public.” (case 4, founder)</p> <p>“Of course, we mutually exchange knowledge.” (case 14, founder)</p> <p>“We promote sustainable products, especially communication, which is of very important value: communication about sustainable products.” (case 5, founder)</p> <p>“And another important thing is that we do not allow sponsored ads but to provide information for responsible consumption (...).” (case 9, founder)</p> <p>“There is this ‘open innovation’ approach, which means we collect knowledge, but we also impart knowledge. Everyone can visit our farms, examine, and copy them. (case 8, founder)</p> <p>“Our goal is to inform and to give orientation. The value we create is to help sustainable consumption being for the masses because it is not so cumbersome anymore.” (case 18, founder)</p>

In summary, the existence of dense networks (comprising customers, suppliers, etc.) seems directly connected to hybrids’ value creation, and this is a distinctive characteristic of their business models. It is also obvious that, in many cases, the provision of a platform that enables sharing, buying, selling, and communicating (about sustainability) helps hybrids facilitate direct interactions. And this aspect is directly linked to the next subcategory.

All 18 sampled organizations heavily emphasized communication and exhibited a strong desire to exchange information with customers, partners, and suppliers, allowing them to stay abreast of trends and developments in the areas of sustainability and, furthermore, to facilitate information flows around the topics of sustainable goods and services. Case company 13, for example, works closely with farmers to offer seasonal organic-vegetable gardens for rent in urban areas. One of its cofounders stated,

For us, topics such as rationality and seasonality are very important. People should learn again which vegetables grow where and when. ... Sustainability is a central theme for us because we are trying to strengthen local agriculture and enable regional and seasonal nutrition for the people. (founder, company 13)

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Inherent to this is a great degree of knowledge dissemination that is not simply a byproduct of the aforementioned processes but a purposeful tool for raising awareness of current issues and societal problems, on which topics such organizations also offer customers and stakeholders educational opportunities. Case company 12 serves as a lively example, as its founder's remarks show:

Our business model definitely generates awareness of sustainable clothing and has an educational character. It generates networks. Our business activities bring people together, which leads to new projects. Partnerships and connections develop; interest groups, I dare say, that are organized around more than simply profits. (founder, company 12)

2.4.3. Underlying aims of hybrid entrepreneurs

The final two subcategories pertain to the underlying aims of entrepreneurs in founding hybrid businesses (e.g., those reported by our sampled organizations, as listed in Table 6).

Most of the discovered phenomena seem to paint hybrids as idealistic and, therefore, show they contribute less tangible than intangible value (e.g., sustainable development, community welfare, and education) to their markets. This is indicated especially by the various founders' taking personal interest in topics like sustainability and how their individual (sometimes negative) prior experiences in certain sectors led them to found their own (sustainable) hybrid businesses. The founder of case company 12 is illustrative of this:

I lived in India for two years. ... My first thoughts when developing our business model were on the confrontation and the unequal business relationships between industrialized and developing countries, with all their negative consequences for local ecologies, economies, and social structures. My goal was to build a different kind of relationship by providing intercultural aspects and facilitating economic interactions on a level playing field, so to speak. (founder, company 12)

All the investigated organizations not only sought to achieve financial goals, then, but added value in terms of their triple bottom lines by pursuing social and ecological goals that supported shifts toward a more sustainable society. This was done by passively or actively promoting sustainable consumption for products such as energy, textiles, and food. However, the interviewed hybrid entrepreneurs often went beyond the mere production and sale of (more) sustainable products by, for example, promoting recycling and reuse or by simply supporting community solidarity. Thus, our findings suggest hybrids are oriented toward societal transformation much more deeply than other organizations, as they seem intent on conveying their philosophies by proving that business processes need not necessarily focus mainly (or even exclusively) on financial interests.

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Table 6. Subcategories, Phenomena, and Illustrative Quotes on Underlying Aims

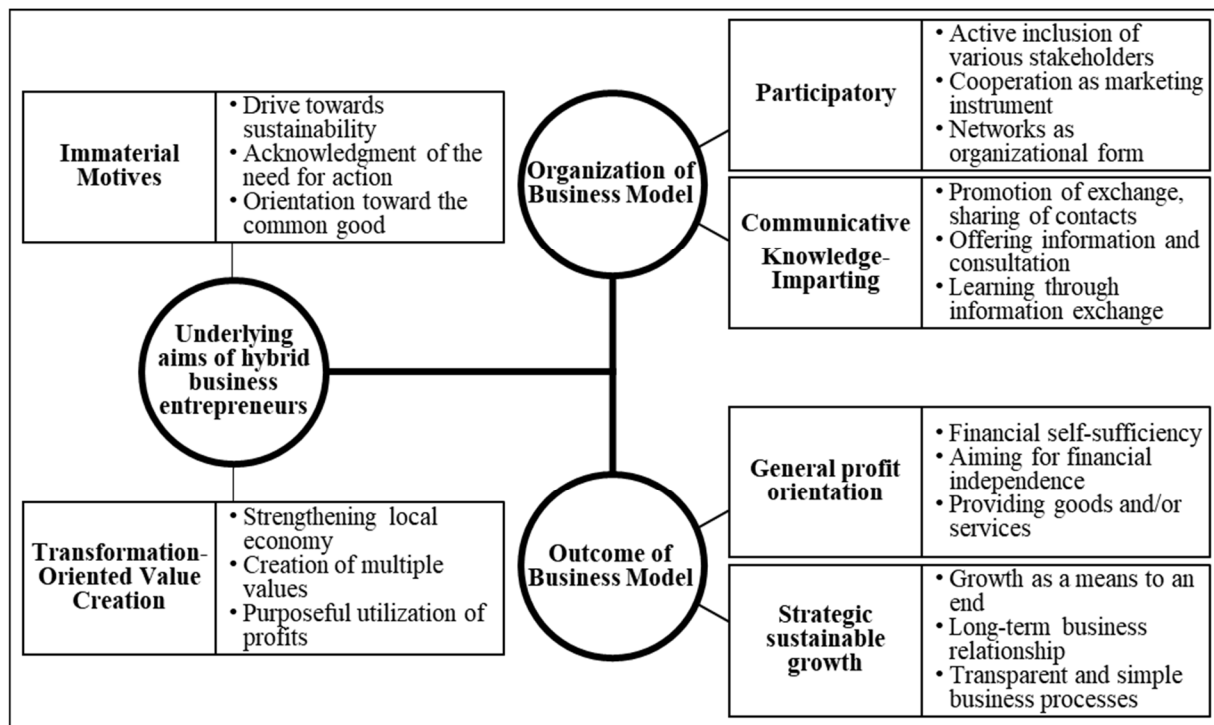
Immaterial Motives	<ul style="list-style-type: none"> - Founders' personal interest for sustainability - Negative experiences and acknowledgment of the need for action - Orientation toward the common good instead of self-interest <p>“That’s when we said, ‘Ok, if utility companies do not want to act, we will do it ourselves.’ And from that, the idea of [our company] emerged.” (case 15, founder)</p> <p>“Especially in major cities, it [used coffee grounds] is often accumulated, which is why we thought to ourselves, ‘If nobody else is doing it, we’ll do it. Let’s just found and get started.’” (case 7, founder)</p> <p>“The case 8 was sustainable from the beginning. (...) Ever since we started, we were super-positively surprised that we could start a company with which we can not only earn money but also generate social value for society.” (case 8, founder)</p> <p>“Before, I was head of marketing at [a competing company] (...) since this was everything else but sustainable, sometimes even damaging the partner, I quit.” (case 5, founder)</p> <p>“We all wanted to do something meaningful. We do it because of the social impact, because it’s a cool thing.” (case 18, founder)</p>
Transformation-Oriented Value Creation	<ul style="list-style-type: none"> - Strengthening local economy - Creation of multiple values (social, ecological) - Purposeful utilization of profits <p>“Profits are not to be used as ends in themselves but for the region and neighborhood.” (case 16, founder)</p> <p>“(...) we want to conduct business and at the same time realize an ecological and social return besides the financial one.” (case 15, founder)</p> <p>“[We do this] in urban areas, which means that production takes place close to consumers, which has ecological advantages (...) from now on and for the future so that we do not harm the world but instead see that we work for future generations and regard the three pillars of the economy, ecology, and social as equitable.” (case 8, founder)</p> <p>“It has to fulfill both purposes. It has to foster both ecologic and social value, and it has to be economically functional.” (case 4, founder)</p> <p>“[What drives me] is to draw young people to this topic. It therefore has a pedagogic effect, more or less, but without a raised finger and, moreover, the lifestyle factor.” (case 6, founder)</p>

2.5. Discussion

As a final analysis of the data from our interviews, we have condensed all the aforementioned sub-dimensions into the formal hybrid-business framework presented in Figure 5. This framework should help future research characterize hybrid businesses more precisely—an essential step in advancing research in this vein. Below, then, we will further elaborate on our framework’s various dimensions by placing them in the context of existing knowledge on hybrid businesses and social entrepreneurship. We will close the present discussion with a recapitulation and appraisal of our conclusions and their implications, as well as suggestions for further research.

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Figure 5. Dimensions of Hybrid Business Entrepreneurship



Traditional theories of entrepreneurship state that companies in free-market economies are generally founded on opportunity- and advantage-seeking behavior (Alvarez & Busenitz, 2016; Audretsch, Lehmann, & Plummer, 2009; De Carolis & Saporito, 2006; Ketchen, Ireland, & Snow, 2007). To date, little is known about how opportunities, especially for hybrid entrepreneurship, originate (Mair & Marti, 2009). Entrepreneurs in our sample predominantly reported acting from their realizations or perceptions that deficiencies existed in the market and that there were opportunities to solve certain societal problems with them (cf. Bacq & Janssen, 2011). Thus, while classic for-profit entrepreneurs search for opportunities based largely on material motivations and only sometimes take social welfare into consideration as afterthoughts (Newbert, 2003), hybrid businesses are founded mainly on immaterial motivations that help them recognize and attempt to mitigate societal ills. As mentioned above, Yitshaki and Kropp (2015) recently showed, in a life-story analysis of 30 Israeli hybrid entrepreneurs, that the inspiration for founding hybrid ventures comes primarily from push (societal failure) and pull (life events, social awareness, and personal ideologies). Expanding upon these findings, our data reveals that the founders of hybrid businesses often hope to change how society thinks and this leads them toward strong transformation orientations. In this sense, hybrid businesses can challenge larger, more established businesses to shift at least incrementally toward sustainability (Hockerts & Wüstenhagen, 2010) by offering social value. All of this conforms to Santos's (2012) theory-based argument that "the phenomenon of social entrepreneurship challenges our assumptions about human behavior and economic action" (p. 349-350).

Hybrid organizations have business mindsets just like for-profit organizations. However, hybrids use this mindset to address societal and ecological issues born from their societies' unfulfilled needs by, for instance, appealing to their communities to change their ways of thinking with regards to doing business. This might go as far as an organization's sharing its ideas with and

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inviting new market entrants to replicate their successful business models and further benefit society (Doherty et al., 2014; Haigh & Hoffman, 2012). Case company 11, for example, built its own venture on the successful idea of a predecessor in another product category: “We were aware that such a model already exists, so we didn’t need to reinvent the wheel. ... That’s why the three of us [the founders of the company] decided to band together with the former four founders [of a similar business] this year to found [our company].”

The quest for change and mission of pursuing nonfinancial goals can be directly connected to these organizations’ shared goal of using sustainable growth as means of achieving societally beneficial ends (as conceptually proposed by Dees, Battle Anderson, & Wei-Skillern, 2004, or Haigh & Hoffman, 2012). As described above, in the case of hybrid businesses, growth does not necessarily entail value creation and vice versa. In other words, societal- and ecological-value creation is at the core of hybrid businesses’ goals, and one can view their pursuits of sustainable growth as merely the logical consequence of their seeking to spread their missions further.

That said, some scholars have warned that undifferentiated quests for growth might detract from hybrids’ original missions (e.g., Austin et al., 2006; Smith et al., 2013) and, thus, threaten their legitimacy. On a smaller scale, the above-mentioned quest for change entails the direct involvement of multiple stakeholders and connects to our initial conception of hybrids as “educational” businesses. Various stakeholders, especially the customers of the hybrid businesses in our sample, rely on these businesses’ products, input, and information to facilitate more sustainable lifestyles. This also speaks to the strong networking initiatives hybrids undertake. In contrast, while non-contractual relationships are not uncommon in for-profit ventures (Wincent, 2008), our findings show that they are practically the dominant form of network for hybrid businesses. “Entrepreneurial behavior is a result of the interplay of environments (i.e., social networks) and certain cognitive biases in entrepreneurs” (De Carolis & Saporito, 2006: 41).

In light of our findings, then, we can argue that (1) this cognitive bias is the main driver for hybrid entrepreneurs’ general alignment, which is to serve society and the environment, and (2) that hybrid businesses are therefore heavily embedded in, and mutually dependent on, their contexts. This network orientation thus has two facets: on one hand, it directly enables hybrids to promote their social and environmental missions; on the other, it helps them secure additional resources (cf. Corner & Ho, 2010; Doherty et al., 2014). While stakeholders are, of course, also important to ordinary for-profit organizations, they contribute considerably to the success of hybrid businesses, due to their direct integration into the value chains of such organizations’ business models (cf. Di Domenico, Haugh, & Tracey, 2010). Every organization interviewed in our sample had unique requirements with regards to its use and integration of the various actors in its network. For example, work-placement agencies (e.g., case company 14 arranges work placement for the disabled, and case company 1 does so for the elderly), suppliers (e.g., case company 13 seeks guidance from farmers), alternative financiers (e.g., case company 10 buys and lends, and case company 9 provides a cooperative for trading organic goods), and community-based businesses (e.g., case company 17 strengthens its regional economy, and case company 16 gives two-thirds of its profits to its community) have developed specific ways of interacting with their stakeholders. Di Domenico, Tracey, and Haugh (2009) argue that collaborations between for-profit firms and social enterprises can potentially align community welfare with wealth creation. As an extension of this argument, we posit that the partnerships between hybrids and their stakeholders go even further: forming the aforementioned networks seems one way hybrid

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businesses strengthen reconciliations between their for-profit and nonprofit goals, and it seems the existence of such networks is, consequently, one defining characteristic of hybrid businesses.

Traditionally, knowledge has remained a highly important resource in every business because, among other things, it can be hard to imitate if kept confidential (Alvarez & Busenitz, 2016; Kang, Morris, & Snell, 2007); thus, a vital part of maximizing profits in for-profit endeavors is protecting proprietary knowledge, as “rents will only accrue to the entrepreneur until knowledge has disseminated in the market and competitors have had the opportunity to react” (Cohen & Winn, 2007: 37). We argue this to be true for hybrid businesses as well but that, as Bacq and Janssen (2011) argue, social entrepreneurs rely on collective wisdom and experience instead of personal competencies and knowledge. Indeed, based on our findings, we posit that the most value is generated for hybrid businesses when their knowledge is actually circulated among their stakeholders and not strictly withheld. Take, for example, case company 13: information the company gathers on crop cultivation becomes explicit (Alvarez & Busenitz, 2016); it is not hard for others to obtain and, therefore, the company’s business model is easy to emulate. What turns this into a strength, however, is the fact that disseminating knowledge and communicating with stakeholders becomes a key process that leads to social and financial gains; it raises public awareness of the company’s brand and widens its consumer base as it enhances public awareness of environmental issues, thereby also helping to further the company’s mission of improving urban food supplies in an environment-friendly way.

Finally, turning to the outcomes one might expect for hybrid businesses, all the interviewed companies were striving for financial independence to help them solve the societal and ecological issues they hoped to address. This is not surprising given how hybrid businesses must generate revenue to sustain their operations and, thus, pursue their nonfinancial missions (e.g., Doherty et al., 2014; Zahra et al., 2009). However, while many have asserted that profit is the primary driver for every entrepreneur, interestingly, several of the entrepreneurs we interviewed became defensive when discussing this aspect of their business models (Table 4). This might be an expression of the previously mentioned tensions (e.g., Smith et al., 2013) that arise in hybrid organizations when their nonprofit and for-profit goals clash. Previous research suggests the danger of mission drift (Battilana & Lee, 2014; Zahra et al., 2009); that is, favoring the interests of a particular group of stakeholders can lead to the displacement of some of an organization’s original goals. Building on resource dependency and institutional theory, Battilana and Lee (2014) argue that hybrid businesses are prone to favoring their customers’ interests over their beneficiaries’ and their societal goals because the former provides key resources for economic survival. Based on this, Smith, Gonin, and Besharov (2013) propose that the duality of hybrids’ missions can threaten their organizational legitimacy (cf. Battilana & Lee, 2014) and that this poses a considerable challenge to hybrid organizations (Ruebottom, 2013). Indeed, as previously stated, by the founder of case company 17, hybrids face a dilemma when, for instance, trying to communicate to potential and existing investors what actual value they create: “It is imprinted so deeply in the minds of the people that ‘gains’ and ‘losses’ always translate into money. ... Changing this is our greatest challenge.”

While probably not every founder of a hybrid business is explicitly aware of these circumstances, we think hybrid entrepreneurs should anticipate these potential tensions and act so as to explicitly present how their financial goals serve their missions of creating social and ecological value. In doing so, they can show their strong orientations toward nonfinancial stakeholders and more

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effectively justify their profit generation. Some of our interviewees' defensive stances toward profits might even be an expression of what Dey and Teasdale (2015) term tactical mimicry, which can be directly attributed to the interviewees' quests for legitimacy with stakeholders concerned with creating nonfinancial value (cf. Moizer & Tracey, 2010; Renko, 2013). Ruebottom (2013) demonstrates how, to secure this legitimacy, hybrids often resort to rhetorical strategies that enable them to "problematize the current situation, legitimize alternatives, neutralize or polarize opinions, and motivate others to participate" (p. 100). As for this, we were able to identify several attempts to frame certain decisions and actions with the possible intention of, for example, entering into valuable cooperative ventures with potential partners or catering to both financial and social goals. Take, for example, case company 8: "You can earn money with it, which is indispensable, because otherwise a company cannot function—and there is nothing condemnable about it." Here, the company's founder explicitly stresses how the company's financial goals are vital to its social goals.

Nevertheless, we also found further support from our interviews for the argument that hybrid organizations still consider themselves businesses, albeit always with strong drives toward socially beneficial missions. Specifically, some hybrid entrepreneurs vigorously maintained that they were indeed "real" businesses, and this was in line with the views of scholars who have proposed that hybrids "tend to go to great lengths to present themselves as not being distinct from businesses" (Low, 2006).

In summary, the existence of both positions (defensive stances toward for-profit characteristics and proactively embracing them) points not only to the heterogeneity that exists among hybrid businesses but also to how their quests to truly integrate for-profit and nonprofit elements (e.g., Battilana & Dorado, 2010; Jay, 2013; Wilson & Post, 2013) are still ongoing. Furthermore, it leads one to wonder whether hybrid businesses' social and financial missions exist on a continuum, between purely profit-driven and purely socially driven orientations, or in a hierarchical relationship, with one goal eventually prevailing over the other. Based on our interview data, we were able to gather differing views from the founders in our sample with regards to the balance between their social and financial missions. All seemed to share the basic belief that social and financial gain, at least hypothetically, exist on a continuum. Of course, some put more emphasis on the commercial aspects of their business models, as they want to be taken seriously by the markets. Others, meanwhile, were more focused on serving specific stakeholders or societal goals and more actively sought social, rather than financial, success. And yet, the conflicts between profits and social and ecological agendas mentioned by our interviewees might also be due to the different "roles" these spokespeople play in their organizations and whom they are addressing.

There is therefore an evident need for further research that accounts for these rhetorical and sense-making aspects in hybrid businesses. Likewise, future research should also investigate the conditions and situations under which hybrid entrepreneurs are prepared to favor one dimension over another and why they might, at any given moment, position their organizations at certain points on the continuum between social and financial goals.

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2.6. Conclusion

Research on hybrid business is a fast-growing area of academic and practical interest. Nevertheless, scholarly efforts are still fragmented, as their focus is only slowly moving from a definitional phase toward more phenomena-driven examinations. The latter is highly relevant presently because only through knowing what actually constitutes a hybrid business can we lay the groundwork for making recommendations to practitioners, discern research implications for academics, and further clarify the currently cluttered landscape. Against this backdrop, the present study has investigated the nature of hybrid businesses and empirically established a framework of their constituents and characteristics, based on an abductive, in-depth analysis of 18 hybrid businesses. It was discovered that, while recent literature already discusses some of the specific elements of hybrid businesses (see Doherty, Haugh, and Lyon 2014, for an extensive literature review), it does not provide the holistic, empirically grounded picture this paper presents. Our analysis illustrates, for example, that hybrid businesses often say their profit- and company growth-driven orientations are merely means to the ends of achieving their societal and ecological goals. Clearly, this picture needs to be more deeply scrutinized in the future to determine the relationships between hybrid organizations' various, often conflicting goals.

Our framework also enriches the current understanding of how hybrid businesses utilize highly participatory, communicative organizational patterns and emphasize sustainability by sharing information on sustainable practices and operation models with other stakeholders. Furthermore, our findings indicate that every entrepreneur interviewed was driven by nonmaterialistic motives and an orientation toward sustainability. Building on this, future research can now begin taking a more grounded approach to studying these businesses with a greater knowledge of what makes hybrid organizations "tick."

As illustrated by the sampled companies, hybrid businesses come in different flavors but follow the same basic tenets: all of the constituents and characteristics identified in the present paper are common to hybrid enterprises that strive for environmentally and socially focused value creation. Our framework illustrates that underpinning the aims, hybrid entrepreneurs report motives contrary to those classically supposed by the lion's share of business literature and are instead nonmaterialistic (and sometimes anti-materialistic); sometimes, too, such entrepreneurs' motivations include a shared desire to transform society (or, at the very least, to raise awareness of societal and environmental issues). Meanwhile, communication and participation (as two related sub-dimensions) remain at the core of creating such societal and environmental value.

Turning, then, to the outcomes predicted for such business models, we find them to be valid and, indeed, financially viable. By definition, a business, no matter its mission, must generate income to survive. However, for hybrid businesses profit generation is a means of achieving strategically sustainable growth and more equitable value distribution, with participation in this process coming from such companies' stakeholders. Still, albeit profit is necessary, the pursuit of it is sometimes characterized as anything but by hybrid business owners.

Overall, the present study might be limited due to the small number of cases sampled and their regional peculiarities. Cultural aspects, for example, might have had a major impact on our data, as our sample consisted solely of German hybrid entrepreneurs and their organizations. Therefore, while each hybrid business in our sample seemed to have its own unique culture so

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that national culture might be of secondary importance, it would still be interesting for future research to address this issue.

Additionally, quantitative analyses could help improve the generalizability of the present findings, as small, but perhaps significant, peculiarities might depend on variables like organization type, size, and sector. It also remains to be seen whether our framework applies in other settings and contributes to, for instance, the emerging theory of bricolage with regards to the “recent calls for more studies to understand mechanisms and processes for reducing poverty, as well as for situating the activities of organizations within their social, cultural, and political environments” (Mair & Marti, 2009: 420). Other such frameworks could be devised by examining companies that, unlike the companies in our sample, began as hybrid businesses and transitioned to purely for- or nonprofit models and vice versa.

Furthermore, some of the companies in our sample are still in their startup phases and have not yet reached profitability. They might therefore lack this essential dimension of financial sustainability. Still, even these companies aim to achieve sustainability in the near future. Given the general limitations of our qualitative research design, then, we view the present study as an important first step in exploring the constituents and characteristics of hybrid businesses and refining the academic community’s understanding of hybrids. For instance, conventional wisdom would caution against a company’s extensively sharing information or even describing the particulars of its business model because this, traditional reasoning states, can result in the loss of valuable intangible assets. Our findings, however, show that such sharing is an essential part of hybrid organizations’ business models. In this way, our paper helps pave the way for more phenomena-driven research that advances academic and practical conceptions of hybrid businesses by empirically scrutinizing them.

Moreover, with the understanding of hybrid ventures presented herein, future research can now begin helping these organizations. For example, on the most basic aggregate level, values are the principle drivers of hybrid entrepreneurs; however, these values occasionally lead to conflicts, and though a certain amount of profit orientation is generally seen as an acceptable, vital part of every business model, many hybrid entrepreneurs widely treat this aspect of their businesses with aversion. Future research could therefore investigate these discrepancies to discover why some hybrid entrepreneurs voice such aversion and others do not. Furthermore, as hybrids are generally seen as existing between social and financial value creation, longitudinal studies might be able to discern whether hybrid enterprises are generally no more than nodes that fill temporary social gaps or whether they can be robust, competitive companies.

Finally, on a more radical note, one might even question the idea that businesses, even in the form of socially-oriented hybrids, be seen as means of dealing with significant societal issues and critically ask who is responsible for the issues facing humanity, for which finding market-based solutions is difficult. A promising starting point for such an endeavor could be to further examine hybrids’ strong emphases on participation and knowledge sharing and scrutinize whether this helps to change our understanding of entrepreneurial organizations and ecosystems.

3. Business Model Design in Sustainable Entrepreneurship: Illuminating the Commercial Logic of Hybrid Businesses⁸

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3. Business Model Design in Sustainable Entrepreneurship: Illuminating the Commercial Logic of Hybrid Businesses

3.1. Introduction

In recent years, a new stream of entrepreneurial activities and corresponding research have received increasing attention: businesses and entrepreneurs that pursue social and/or ecological goals while being guided by a distinct business mindset and some form of commercial orientation (e.g., see Battilana & Lee, 2014; Doherty et al., 2014). Such endeavors are often discussed with terms such as hybrid businesses, sustainable entrepreneurship or social enterprises. A very recent study by Todeschini, Cortimiglia, Callegaro-de-Menezes, and Ghezzi (2017) describes this phenomenon as born-sustainable business models, which follow shared values and principles of sustainability built upon collaboration and innovation. Such entrepreneurs and their respective ventures are said to be of significant practical, political, and academic interest (Haigh & Hoffman, 2012; Mair & Martí, 2006). One aspect that has attracted significant attention in research on hybrid and sustainable businesses is the entrepreneur's motivation (Cohen & Winn, 2007; Yitshaki & Kropp, 2015, see also Chapter 2). Beyond this microperspective, there is high demand to develop a better understanding of "the distinctive nature of the mission, processes, and resources leveraged" (Dacin et al., 2010, p. 53). This understanding is especially relevant in the sustainable and hybrid business context, where business approaches reside somewhere between nonprofits and traditional companies (Battilana et al., 2012) to align social or ecological goals with economic ones (Zahra et al., 2009).

Recently, the business model peculiarities of such sustainability-oriented organizations have become the focus of academic research (see for an overview, e.g., Bocken, Short, Rana, & Evans, 2014; Schaltegger, Hansen, & Lüdeke-Freund, 2015). Other than pure nonprofit organizations or charities, hybrid businesses often do not rely on donations or similar sources of income to pursue their nonfinancial goals; thus, hybrid businesses regularly seem to focus on innovative approaches to achieve the companies' mission (Murphy & Coombes, 2009; Wilson & Post, 2013). Specifically, hybrid businesses implement a business model following a commercial logic as a prerequisite for achieving sustainability for themselves and to contribute to a more sustainable society. However, little is known about the peculiarities of hybrid or sustainable business models with regard to their ability to successfully operate on commercial markets as a prerequisite of achieving social/ecological goals and research has only recently begun to dig deeper into issues of business models in this domain (see again, e.g., Bocken et al., 2014; Schaltegger et al., 2015).

Similar to the topic of hybrid businesses and sustainable entrepreneurship, academic focus on business model design has sharply increased in recent years (Spieth, Schneckenberg, & Ricart, 2014; Schneider & Spieth, 2013). Research on startup firms usually emphasizes the development of the business as a function that supports the firms' strategic development (Spieth et al., 2014). This emphasis on the business model design of new ventures will help identify opportunities and create sustainable competitive advantages (Amit & Zott, 2001; Morris, Schindehutte, & Allen, 2005). Various business model elements and themes have been shown to affect company performance (e.g., Bock, Opsahl, George, & Gann, 2012; Desyllas & Sako, 2013; Zott & Amit, 2007, 2008). So far, however, insights from this stream of research have not been utilized to shed light on the commercial grounding of hybrid businesses. We thus see a missing link between the business model domain and the context of hybrid businesses. We deem this omission to be relevant for two reasons. On the one hand, the (non-financial) performance of a hybrid business can be directly linked to its success in achieving social or ecological goals. On the other hand, the

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(financial) performance of a hybrid business is relevant already because it is a prerequisite of achieving social/ecological goals.

We address this gap and build on these two emerging research streams to help explain the commercial stability of hybrid businesses as a prerequisite for achieving social or ecological goals and how these two aspects (i.e., commercial orientation and societal goals) are connected. We conduct a deductive multiple-case study that applies a business model design framework from an entrepreneurship perspective to 18 in-depth case studies of hybrid businesses. The framework is structured along two dimensions (see Amit & Zott, 2001; Zott & Amit, 2010): a) four business models design elements (novelty, lock-in, complementarities, and efficiency) and b) three business model themes (content, structure, and governance) that go beyond interdependencies among the activities or notions of network structure. This framework allows us to map the various hybrid businesses' commercial business models, which serve as their economic foundation to reach different social and ecological goals. With this framework, we will shed light on our research question: How do sustainable entrepreneurs strive for commercial stability in their businesses, to reach multiple sustainability-related goals? In sum, we contribute empirically to the emerging research fields of business model design and hybrid businesses by identifying distinct business model approaches in hybrid businesses.

The paper is divided into five sections: First, we briefly illustrate the status quo of research on hybrid businesses and derive our analytical framework from the literature on business model design. Second, we illustrate our method for collecting and qualitatively analyzing the data from 18 case studies of hybrid businesses. Third, we illustrate our findings before discussing the elements of business model design in the context of hybrid businesses in a fifth and final section along with limitations of our approach and suggestions for future research.

3.2. Conceptual Background and Analytical Framework

A wide range of terms and definitions currently describes ventures and entrepreneurs that aim to improve social or ecological sustainability while—unlike non-profit organization—building upon a commercial orientation and striving for financial independence. Among these terms are hybrid organizations/businesses (Battilana & Dorado, 2010; Doherty, Haugh, and Lyon 2014; Haigh & Hoffman, 2012; Pache & Santos, 2013), social enterprises or businesses (Smith et al., 2013; Yunus et al., 2010), sustainability-driven organizations (Keskin, Diehl, & Molenaar, 2013; Parrish, 2010), sustainable entrepreneurship (Hockerts & Wüstenhagen, 2010), social entrepreneurship (Bacq & Janssen, 2011; Mair, Battilana, & Cardenas, 2012; Santos, 2012; Zahra et al., 2009) or born sustainable business models (Todeschini et al., 2017). The respective authors and studies usually only differ gradually (if at all) in their viewpoints of what constitutes their object of study while adhering to the general outline of the particular businesses as introduced above. For consistency reasons, we use the term sustainable entrepreneur(ship) throughout the paper and additionally refer to hybrid businesses when generally referring to respective ventures also beyond their start-up phase. We deem this approach to be consistent with previous literature, because both concepts usually refer to businesses or entrepreneurs which aim to achieve non-financial (i.e., social and/or ecological) goals alongside financial goals. Furthermore, we build upon insights from the different mentioned streams of research where appropriate.

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3.2.1. Business Model Issues in Hybrid Business and Sustainable Entrepreneurship Research

To date, a number of studies have examined questions specifically related to the topic of business models for sustainability. In a literature review, Bocken et al. (2014) propose eight sustainable business model archetypes. They offer an insightful overview of the ecological or social traits of the respective organizations in terms of their value proposition, creation, and delivery. In a similar vein, Wells (2015) and Upward and Jones (2015) conceptually describe different elements and principles as characteristics of business models for sustainability. Turning more specifically to social businesses as an ideal form of hybrid businesses (Battilana & Lee, 2014), Yunus, Moingeon, and Lehmann-Ortega (2010) provide a well-known single-case study (i.e., Grameen Bank and its subsidiaries), listing five lessons learned and comparing the results to conventional business models when building a hybrid business. One of the most obvious characteristics that differentiate hybrid businesses from conventional businesses is their mission: The mission of hybrid businesses purposefully includes a distinct focus on social and/or ecological goals (Austin et al., 2006; Stevens et al., 2014; Wilson & Post, 2013). Katre and Salipante (2012) conclude that successful sustainable (or specifically social) entrepreneurs focus on social goals first before developing an economic opportunity to achieve social change. To this end, Haigh and Hoffman (2012) propose that hybrid businesses are deeply connected to their environment and to various stakeholders. It seems as if these multiple actors are often directly linked, share information, and work collaboratively to achieve their various nonfinancial goals (Corner & Ho, 2010; Katre & Salipante, 2012).

Nonetheless, the focus on nonfinancial goals linked to simultaneous efforts to achieve profitability often leads to various tensions for these businesses, which may hamper them (e.g., Pache & Santos, 2010, 2013, 2013; Smith et al., 2013). These tensions create challenges at the business model level, because it leads to highly complex strategies and operations for aligning the different goals (Moizer & Tracey, 2010). Furthermore, hybrid businesses often seem to be confronted with a distinct scarcity of resources (Austin et al., 2006; Moizer & Tracey, 2010). Against this background, some authors argue that hybrid businesses often find innovative solutions and adopt new business model approaches (Wilson & Post, 2013; Di Domenico, et al., 2010) that enable these businesses to achieve nonfinancial objectives alongside financial ones (Murphy & Coombes, 2009). Interestingly, although researchers have discussed business models for sustainable innovation (for an overview, see Boons & Lüdeke-Freund, 2013), researchers have not focused on the innovation of the hybrid business models themselves. While Bocken et al. (2014) specifically refer to the term business model innovation, they follow a general business model perspective by building upon the well-known business model canvas by Osterwalder and Pigneur (2010) instead of discussing elements of business model design elements (Zott & Amit, 2010) that influence the commercial orientation of hybrid businesses as a prerequisite for their multiple-goal orientation. Furthermore, Bocken et al. (2014) generally focus on (established) sustainability-oriented companies and offer an overarching view without specific insights into *entrepreneurial* activities. Regarding commercial success, Renko (2013) emphasizes the high novelty level in socially oriented startups concerning routines, competencies, as well as offerings, and also shows that such startups are initially less likely to be successful compared to purely for-profit startups. This research forms a bridge to our research question how sustainable entrepreneurs pursue their commercial orientation through their business models, because hybrid businesses

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need to eventually generate revenue to sustain their operations and, thus, follow their nonfinancial missions (e.g., Doherty et al., 2014; Zahra et al., 2009).

3.2.2. Business Model Design

The present attractiveness of business model design has its origin in the emergence of the Internet and related e-business activities (Amit & Zott, 2001; Massa, Tucci, & Afuah, 2017; Wirtz, Pistoia, Ullrich, & Göttel, 2016). Business model design offers a wide range of avenues for further investigation into innovations concerning the value proposition, its value creation/architecture, or revenue model (Schneider & Spieth, 2013; Hock, Clauss, & Schulz, 2016). A business model is a tool or concept “to position the value proposition in the value chain” (Sabatier, Mangematin, & Rousselle, 2010, p. 442) and “helps to describe an economic activity or potentially a framework” (Lecocq, Demil, & Ventura, 2010, p. 214), which describes how a firm generates profit (Casadesus-Masanell & Zhu, 2010; Gambardella & McGahan, 2010; Yunus et al., 2010). According to Massa et al. (2017), research has included efforts to empirically test hypotheses about the role of business models in explaining differences in firm performance as well as in understanding the sources of value creation in innovative business models. Despite its popularity, there are several ongoing debates about the business model concept’s robustness and its theoretical foundation (Massa et al., 2017). Zott and Amit (2013) replied to this criticism by pointing out that business models have developed theoretical roots: “business models can create value through efficiency (anchored in transaction costs economics), novelty (through Schumpeterian innovation), complementarities (anchored in resource-based theory), and lock-in (inherent in strategic networks)” (p. 403).

In order to set our analysis, we utilize the business model conceptualization of Amit and Zott (2001, 2015) owing to its rich theoretical foundation and its capacity to consider a firm’s entire activity system. This concept is widely used and accepted. It defines business models as “the content, structure, and governance of transactions de-signed so as to create value through the exploitation of business opportunities” (Amit & Zott, 2001, p. 511) and differentiates among four architectures of an activity system (design elements):

Novelty-focused business models refer to new ways of conducting economic exchanges among various participants (Zott & Amit, 2007, 2010). Furthermore, activity systems can also be arranged for *lock-in*—the power to keep third parties attracted as business model participants. Lock-in can be manifested as switching costs or as network externalities that are derived from the structure, content, and/or governance of the activity system (Zott & Amit, 2010).

Complementarities are present whenever bundling activities within a system provides more value than running them separately (Zott & Amit, 2010). Finally, *efficiency-focused* business models refer to the measures firms may take to achieve transaction efficiency through their business models (Zott & Amit, 2007).

Additionally, in terms of business model themes that describe the sources of the activity system’s value creation, Zott and Amit (2008) define a business model as the (1) structure, (2) content, and (3) governance of transactions between the focal firm and its exchange partners. These themes describe the holistic character of a firm’s business model and facilitate its conceptualization and measurement (Zott & Amit, 2008). The design theme *content* refers to the selection of activities (e.g., what is being designed, including the factors that shape the business model and characterize its outcomes). The design theme *structure* describes how the activities are linked (e.g., the sequencing between them) and captures their importance for the business model. Design theme

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governance refers to who performs the activities. Zott and Amit (2010) note that the different parameters of activity systems can occur independently and orthogonally but also interdependently.

In line with Zott and Amit (2013), we decided to keep with this idea and thus to apply their framework of activity systems as illustrated in Figure 6 as a lens to guide the following analysis of our interviews in the context of hybrid businesses and sustainable entrepreneurship.

Figure 6. Analytical Framework

Activity systems	Design elements (architecture of an activity system)	Novelty	Adopting innovative content, structure or governance
		Lock-in	Building in elements to attract and keep customers
		Complementarities	Bundling activities to generate more value
		Efficiency	Reorganizing activities to reduce transactions costs
	Design themes (sources of the activity system's value creation)	Content	What activities are performed?
		Structure	How are the activities linked and sequenced?
		Governance	Who performs the activities, and where?

3.3. Data and Method

We chose a multiple-case study approach and followed the deductive case study logic of Yin (2014), who regards case studies as “natural experiments” (Welch, Piekkari, Plakoyiannaki, & Paavilainen-Mäntymäki, 2010, p. 746) that facilitate the testing, modification, and refinement of existing concepts and theories. Thus, our research starts from a general, deductively derived analytical framework of business model design and seeks to verify its concrete applicability against the background of the specific conditions and environments of hybrid businesses. We identified case studies as a particularly suitable tool for this effort, because there is little empirical work in this area and the qualitative case data provides rich information, which enabled us to delve into the domain of business models in hybrid ventures. While inductive approaches dominate in qualitative case study research, deductive approach are also regularly applied and deemed appropriate here, because the applied framework is well researched and suitable for explaining the commercial orientation in sustainable entrepreneurship contexts (for the general approach, see Barratt, Choi, & Li, 2011). This enables us to analyze the business models more precisely by starting from a well-established framework of business model design. Despite not being as widespread as inductive case studies, a deductive approach can be useful (for reasoning see, for example, Barratt et al., 2011; Bitekhtine, 2005) and it allows us to explore the existing framework in a new field— hybrid businesses. In doing so, we can provide a detailed subsequent discussion of the suitability of certain forms of business model design to ensure commercial stability in hybrid businesses.

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A structured process for case studies guided our research (Stuart, McCutcheon, Handfield, McLachlin, & Samson, 2002), and we applied a purposeful sampling approach, seeking information-rich cases that help answer our research questions (Palinkas et al., 2015). We collected the data during a research project on sustainable entrepreneurs and their respective hybrid businesses, focusing on those ventures in Germany. The sampling was based on a broad understanding of hybrid businesses—that is, businesses that “pursue a social mission while engaging in commercial activities that sustain their operations” (Battilana & Lee, 2014, p. 399). To identify suitable case companies, we conducted an extensive Internet search for potential hybrid businesses in our overall project on hybrid businesses (see also Chapter 2). We utilized news clips, blogs, and social-network posts focusing on keywords such as “hybrid business,” “social business,” and “social entrepreneurship.” Upon identifying potential companies, we continued collecting information on their mission and business model. Here, the main source of information, apart from the mentioned initial sources, about the businesses was their various websites, which were readily available. A company was deemed suitable if it voiced a distinctive nonfinancial mission as being at least of equal importance to its commercial concerns. Furthermore, we searched for organizations that pursued their nonfinancial goals using business logic; that is, the respective businesses were not dependent on donations or similar sources of noncommercial income. Within our multiple-case design, the general unit of analysis (Yin, 2018) was the various ventures with their respective business models. On a subordinate level, following the deductive approach, we specifically investigated the above-mentioned design elements and themes identified for the different case companies as embedded units of analysis.

To gain a high-level understanding of the business models, we conducted interviews with the founders of 18 hybrid businesses. The founders of the respective ventures likely shaped the relevant business model elements, as they were the principle decision makers at the genesis of their companies. Furthermore, targeting the founders enhances reliability, because they are equipped with in-depth knowledge and are able to provide in depth insights into the underlying motives, goal, and processes. At 16 companies, we conducted two interviews within a period of roughly one year to gather in-depth insights into the respective business model, the companies’ missions and goals, and development. In two cases, only one interview could be conducted⁹, leading to 34 interviews.

To reduce the likelihood of a confirmation bias on the interviewer and interviewee sides, we did not ask questions specifically targeting certain codes of the deductive framework on business model design elements. Nevertheless, the questions all referred to relevant aspects of a business model and the way the open questions were asked, interviewees were encouraged to engage in a narrative storytelling to elicit information rich statements. The first interviews were guided by questions regarding the general conception of the business model itself (“Can you describe your business model? How would you characterize and categorize your business model?”), the nature of value creation (“How is this profit distributed, and to whom? Do you generate value beyond profit? If so, what kind of value?”), the current stage of development (“When did you start developing your business? What needs to be done in the future?”), and relationships with suppliers, customers, other stakeholders, and so on. The second wave of interviews was

⁹ These two companies, respectively their founders, were not willing to conduct a second interview due to general concerns about such interviews and a multitude of inquiries which were addressed toward them by various channels and actors (e.g., media and researchers).

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conducted to gain further insights on aspects, which were rather neglected in the open answers of the interviewees during the first round of interviews. These interviews thus explored the founding of the business (“What brought about the business idea? How did you identify the opportunity to start your business?”) and then moved on to prerequisites, processes, and resources (“What knowledge did you and your co-founders bring to your venture? How would you describe the market environment you are operating in? What would you consider your most important processes and/or inputs?”) and general strengths and challenges (“What are the strengths of your company? How do you react to changes and challenges?”). The sum of open questions (and respective) answers led to rich interview data which was transcribed, returned to the founders for validation, and then subsequently coded along with secondary data as illustrated below.

Overall, the data from the 18 cases accounted for roughly 20 hours or 140,000 words of interview material. The average length of each interview was about 34 minutes (anything between 15 and 59 minutes per interview). In addition to this primary data, we went through extensive secondary data from company internal sources to obtain an in depth picture of the respective company’s “story” on the relevant aspects of their business models. This included the websites from all companies (with relevant information on the respective business models such as customers, revenue streams, and partly also key resources or partners etc.) and, where applicable, social media pages, blogs etc. Additionally, we triangulated this data with company external sources (esp. articles, news clips etc.). Interestingly, there was quite extensive third-party material on many companies despite the fact that they were rather small. However, due to the novelty of their approaches and the public interest in the topic of sustainable and hybrid businesses there were, for example, quite many articles on the companies in form of portraits of the ventures or their founder etc. We used these data, for instance, to further locate the commercial orientation within the various business models when it was not explicitly mentioned in the interviews, as in the case of company 7. In a video report, the founder acknowledges that the primary customer appeal lies in freshness and quality of their products (i.e., not in the ecologic value alone), without which the company would not be able to operate. Other than providing a clearer picture, this procedure also helps mitigate potential response bias (Muñoz & Dimov, 2015). In sum, we acquired extensive data from multiple sources and perspectives on each of the 18 case companies (see Appendix A). Overall, the data at hand was suitable for answering our research question of how sustainable entrepreneurs strive for commercial stability in their businesses, to reach multiple sustainability-related goals.

We used qualitative content analysis to examine the data (Duriiau et al., 2007) based on the pattern of analytical categories that we had deductively developed beforehand. Mayring (2010) views qualitative content analysis as the systematic, rule-governed, and theory-driven analysis of fixed communication. This approach was our response to Siggelkow’s (2007) call for a strong theoretical background in case study research that consistently filters data according to conceptual arguments and reduces the data to the most relevant information. Other than in an inductive qualitative study, which builds higher-order categories from an abundance of lower-order codes identified from an open coding (Saldaña, 2016; Strauss & Corbin, 1990), our deductive approach started with a given set of analytical categories from the framework of business model design as introduced above. Two of the authors independently attributed any information derived from the interviews and from secondary data to the respective categories in

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the framework. With regard to the deductively derived analytical categories, these codes were, by definition, constructed codes (Strauss, 1993) as they followed an existing conceptual framework (see again section 2.2). The codes within each category of the deductive analytical framework, however, also contained elements of in vivo codes which explained how specifically the case companies filled the different elements of business model design with life. We then shaped the actual order and coherence of these codes through an axial (structural) coding, in which the identified attributes were refined and connected to gradually arrive at a greater level of abstraction by forming our distinct subcategories (themes) within the existing framework as illustrated in the next section. Through interaction and discussions, in which we discursively assessed differences as well as commonalities of our coding, we then closed the remaining gaps within the identified concepts to arrive at common themes in the final stage of selective coding. Tables 8 and 9 in the following section provide illustrations of the common themes identified or the categories and sub categories along with illustrative quotations.

Finally, we used several measures to ensure the quality of the entire process. We ensured the transparency and replicability of the research design through thorough and detailed documentation. Construct validity is supported by relying on a deductively derived analytical pattern based on the framework by Zott and Amit (2010) and Amit and Zott (2001), which is frequently cited in the scholarly literature and has been used for similar purposes in other contexts (see, e.g., Cheng, Shiu, & Dawson, 2014; Cortimiglia, Ghezzi, & Frank, 2016; Mezger, 2014; for an overview see Zott & Amit, 2013). The thoughtful selection of key informants, as well as the careful transcription and validation of the collected interview materials, contribute to high reliability and high internal validity. We carefully checked each case against the original data and through intensive discussions among the research team members and with colleagues during and after various conference presentations (Gibbert & Ruigrok, 2010). Two of the authors are senior academics with an extensive background in business model design and hybrid business, respectively. To reduce potential personal biases and subjectivity, all authors independently reviewed all the data (Barratt et al., 2011). We assessed the few different judgments on a case-by-case basis and resolved them through discussion to gradually assimilate discrepancies in the coders' mental schemes (Seuring & Gold, 2012).

3.4. Findings on Hybrid Businesses for Sustainability: Analysis from the Perspective of Business Model Design

Our empirical research aim here is to shed light on our research question of how sustainable entrepreneurs strive for commercial stability in their ventures, allowing them to achieve multiple sustainability-related goals. We identify distinct business model approaches in hybrid businesses through illustrating the clusters of business model types that emerged from the analysis of the 18 cases. Table 7 provides an overview of the case companies' primary elements.

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Table 7. Overview of Cases

#	Description of companies overall approach	City	Main customer focus	Main revenue-generating product	Sustainability orientation (social and/or ecological)
1	Marketing of beanies crocheted by the elderly for modern consumers and youngsters while promoting intergenerational contact and positively engaging the elderly.	Kassel	B2C (esp. young people)	Beanies	Integration of seniors in meaningful and entertaining activities
2	Decentralized processing of drinking water using renewable energy at places with insufficient infrastructure.	Kassel	B2B (municipalities, companies...)	Water treatment facilities	Sustainably supplying safe drinking water in developing regions
3	IT consultancy that employs people with Asperger syndrome (autism) as IT consultants, thus providing specialized services to its business customers while giving new meaning to their employees' lives.	Berlin	B2B	IT services	Integrating otherwise unemployed people with Asperger autism in stable employment, thereby improving social connections and appreciation
4	Crowdfunding platform that specializes in energy efficiency projects. It helps to finance projects and thus improve energy efficiency while realizing above-market interest rates for investors.	Frankfurt a. M.	B2C, C2C	Investment platform for crowd investments	Fostering energy efficiency by enabling crowd investments
5	Online platform that presents sustainable companies and their products. In raising publicity for these companies and making them more attractive, it seeks to instigate and accelerate sustainable change within the economy.	Hamburg	B2C	Online marketplace	Raising awareness for sustainable products and consumption
6	Production and distribution of 'organic clothing' – a streetwear and sportswear brand with a modern lifestyle attitude.	Helmrechts	B2C (especially young people)	Sustainable clothing	Improving social and ecological sustainability in the clothing industry
7	Production of high-quality mushrooms in urban cellars by using coffee grounds as nutrient medium, thus recycling otherwise wasted material and creating local and resource-efficient production.	Berlin	B2B (restaurants); B2C	Mushrooms	Fostering ecological sustainability via urban recycling
8	Design and sales of aquaponic farms for the resource-efficient urban production of vegetables and fish.	Berlin	B2B, B2C	Aquaponic farms (B2B); vegetables and fish (B2C)	Closed-loop production of vegetables and fish in urban locations, which improves ecological sustainability

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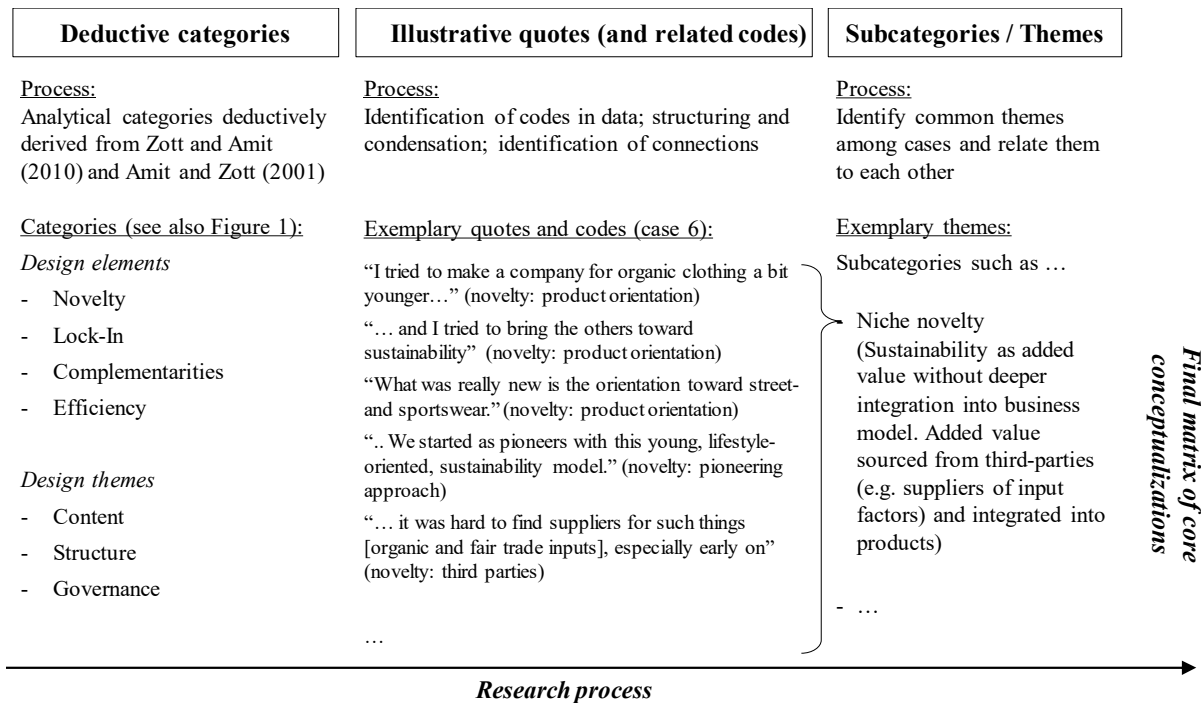
9	Online marketplace designed as a cooperative for trading organic and fair-trade goods.	Berlin	B2C	Online marketplace	Promoting sustainable production and consumption
10	An online platform for borrowing and buying used products from people in the neighborhood. The aim is to increase products' service lives.	Berlin	B2C	Online sharing platform	Promoting a shared economy by enabling the multiple use and reuse of goods
11	Inexpensive supply of spices from controlled organic farming without intermediaries, thus enhancing producers' incomes.	Berlin	B2C	Spices	Promoting organic production of spices and improving spice producers' incomes
12	Textile agency that distributes organic and fair-trade fabrics and clothes. In offering collective orders, the company enables young designers to procure small amounts of sustainable fabrics.	Berlin	B2B	Organic and fair-trade fabrics	Fostering sustainability in the textile supply chain
13	Seasonal gardens for rent in urban areas. The idea is to make urban households more self-sufficient in food provision by providing them with prepared gardens and specialist advice from regional farmers.	Bonn	B2C	Urban rental gardens for organic vegetables	Promoting the ecological sustainability and self-sufficiency of city dwellers
14	A cooperative that brings together companies, designers, and sheltered workshops to include disabled persons in mainstream employment.	Kiel	B2B	Know-how and network that connect sheltered workshops with customers	Building a network for a sustainable working culture that integrates disabled people
15	The provision of 100% green energy to private households. Further, with each new customer, the company provides clean energy for one family in a developing country.	Munich	B2C	Sustainable energy	Promoting energy transition towards renewables and improving sustainability in developing countries
16	The sale of social beer and sharing of 'social profit' with the neighborhood. The idea is to strengthen the local economy by selling simple consumer products.	Munich	B2C	Beer	Promoting the local economy and regional social structures
17	A citizen shareholder corporation that supports sustainable regional agriculture throughout the value chain. The idea is to create sustainable regional structures through citizen participation.	Freiburg	B2C	Network for agricultural products	Fostering the regional economy and sustainable agriculture
18	Marketplace with special incentive systems for the placement of sustainable products. Education of consumers through a self-developed and easily comprehensible 'sustainability signal light' that informs customers.	Berlin	B2C	Online marketplace	Promoting sustainable products and consumption by raising awareness

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Zott and Amit (2010) describe four sources of value creation in business models: novelty, lock-in, complementarities, and efficiency (see also Amit & Zott, 2001). When investigating hybrid businesses, we must first identify the different forms of value creation. Hybrid businesses seek to simultaneously achieve value in different dimensions—financial as well as social and/or ecological. However, in our analysis, we primarily focused on commercial aspects as the enabler of further value creation in hybrid businesses. The interviews revealed subtle differences in the founders’ attitudes concerning the balance between the firms’ commercial mission and social mission as follows. All founders seemed to perceive their ventures as existing somewhere in the middle of a continuum between social and financial goals. Some specifically emphasized how the company’s financial goals are vital to follow its social mission. Others focused even stronger on the commercial aspects and that they indeed consider themselves as “real” companies, albeit always with strong drives toward achieving social goals. These nuanced differences toward the commercial pillar in the companies at hand, however, did not impact the results of our analysis, because commercial success is generally regarded as a prerequisite (and means) to achieve societal goals by *all* companies in the sample. In our sample cases, we found a distinct focus on novelty and efficiency as sources of such commercial value creation in hybrid businesses. For the novelty as well as for the efficiency-oriented models, we identified two venture clusters, each with a distinctly different approach, which leads us to different implications, which we will present in this section. Figure 7 illustrates for the example of the “niche novelty” cluster (see section 4.1.1) how we arrived at the following findings based on the coding technique introduced above.

Figure 7. Exemplary Overview of Analytical Process



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3.4.1. Novelty-focused Business Models in Hybrid Businesses

Novelty-focused business models occurred in two clusters in the sample companies. These ventures add some form of sustainability focus to a common good or service sold to different customers in the business to business (B2B) or (mostly) the business to consumer (B2C) segment. Thus, the various businesses directly link their commercial orientation to their social or ecological mission. Here, novelty is constituted by a previously nonexistent (or underdeveloped) sustainability dimension. This sustainability aspect is often a benefit for sustainability-conscious customers and ultimately for other stakeholder groups, which benefit from a more sustainable product.

3.4.1.1. Niche novelty

In the first cluster, businesses add nonfinancial value by procuring input factors from sources that are more socially or ecologically sustainable compared to the common status quo in that industry. We named this cluster *niche novelty*, because sustainability value is used as an add-on to the general product features and sometimes even as a unique selling proposition for a specific clientele. Thus, sustainability value is directly connected to the commercial orientation in the respective business models. Case company 7, for instance, sells mushrooms with a distinct sustainability trait to restaurants and urban consumers (for additional examples, see Table 8). The mushrooms are grown in urban cellars in Berlin on the remains of coffee production; the company claims to foster a circular economy by putting much organic waste to efficient use, thus mimicking natural ecosystems. The venture consistently uses this ecological feature to enrich an everyday product with a message of local production, recycling, and overall sustainability, as illustrated in the following example:

(...) we all eat mushrooms that basically have the nutritional value of cardboard (...). You would only buy high quality mushrooms, if at all, when they are on sale at [a German supermarket chain] for 4 Euros a kilo. That is simply not viable anywhere in Europe. Not even in deepest Romania (...). So, we took a slight turn and said 'ok, if people want that, we provide them with our growing kits for their homes' (...). Traditional mushroom production works with lots of chemicals. Our principle: We take a resource that would be considered waste [used coffee grounds] (...). We want to produce within the region, for the region. (founder, company 7)

Thus, this approach adds a novel orientation of ecological sustainability to the product feature. Therefore, we coded this approach as a novelty approach in the content theme. The example illustrates how the ventures in this cluster put much effort into providing the novel sustainability-oriented approach. The prevalent industry structures often simply do not consider the newly integrated sustainability aspect. Therefore, input factor markets sometimes had to be built from scratch. However, despite these efforts, there is no deeper integration of novelty in the respective business model as can be seen in the example of case company 7. The company was innovative in the sense that the founders actively pursued a recycling approach for growing urban mushrooms. This sustainability trait had to be specifically built into mushroom production, and new raw material sources (i.e., coffee grounds) had to be integrated into the process from scratch. However, this raw material is neither scarce nor difficult to identify; therefore, we did not code this case as novel structure or governance.

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3.4.1.2. Integrated novelty

In the second cluster, hybrid businesses integrate sustainability more deeply into their operations (*integrated novelty*). In this cluster, sustainability is a resource that is, at least to an extent, unique to the ventures in question, compared to the cases of external sourcing of input factors with sustainability traits. Companies achieve organization-specificity, for instance, through vertical integration by incorporating the specific sustainable resource into the organizations' processes or by engaging in activities that are difficult to replicate, for instance, due to specific knowledge about interrelationships or procedures. Case company 14 is an example of this cluster (for additional examples, see Table 8): The venture is set up as a cooperative that connects designers and workshops for handicapped people to develop new products that meet B2B clients' needs with individualized product or service solutions, while integrating people with disabilities into a regular work environment. The founder of the company explains how they achieve this:

We are a mix of different types of organization – classic company, cooperative, and, on the other hand, charitable association. These three things come together and form our strength (...). And that is where we see our main field of action in the future; not only in purely economic terms, but also in terms of controlled development or development projects, where we can and should offer our services (...). For this, you must be able to master all the organizational issues that enable you to make it together. (founder, company 14)

The venture occupies a key position between all actors and integrates resources that would be difficult to source on the market. The venture's cooperative structure integrates multiple partners with unique capabilities and expertise. Thus, we coded the venture as an integrated novel approach comprising several sources of value creation according to the framework.

Table 8 illustrates these two novelty clusters with three additional examples and accompanying illustrative quotations, to provide a broader picture of the classification and coding of the different ventures.

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Table 8. Characteristics and Examples of Novelty Clusters*

Case No.	Description	Illustrative quotes	
6	Procuring ecologically superior fabrics and other input material to introduce sustainability aspects into streetware fashion	<p><i>I think we were at the right place at the right time. We started as pioneers with this young, lifestyle sustainability model. ... What was truly unique was the focus on streetwear and sportswear.</i></p> <p><i>The thing is that it was hard to find suppliers for such things, especially early on.</i></p>	<p>Niche novelty: Sustainability as added value without deeper integration into business model. Added value sourced from third-parties (e.g. suppliers of input factors) and integrated into products</p>
12	Holistic sustainability pioneer in organic and fair trade clothing; sustainability as differentiator in the clothing industry	<p><i>I see sustainability as a differentiator to the conventional industry. Our business model is a product innovation in the existing market and it helped us to develop a niche in which we are a pioneer.</i></p> <p><i>Organic fabrics... produced under fair conditions, which are superior to the average in the producing countries.</i></p>	
15	100% green energy for private households with an added donation model in which every customer automatically donates for green electrification in developing countries	<p><i>The business model itself is not new. ... we are an independent energy provider that sells green electricity and 100% green gas. Our access to 100% green gas based solely on residual material is new; this is our innovation.</i></p> <p><i>We approach the energy change worldwide... One not only buys green and sustainable electricity and gas, but also do something good. ... If you buy our green electricity and gas, a family in Cambodia gets clean energy.</i></p>	

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1	Engaging elderly people in knitting hip beanies for young customers with the added value of social activities and appreciation for senior citizens; close personal contact as enabler in the ‘supply chain’	<p><i>We organize trips and other events for these old ladies. generation exchange. ... Without this social aspect, we would not have a story, and you simply could not sell beanies for 40 euro each.</i></p> <p><i>We were totally unprepared when we started, and initially received harsh criticism. They [these old ladies] thought we wanted to teach them to knit, and so on. It cost us much cake and egg liqueur to fix that. ... You cannot split functions, because many soft factors are involved.</i></p>	Integrated novelty: Sustainability as added value integrated into business operations and leveraged as an organizational resource
3	IT services (enriched via the special skills of autistic IT consultants) with added value of social responsibility via integration; builds on own ‘innovative’ human resources and specific integration skills	<p><i>Our business model is IT consulting. ... And we create value in terms of respect, tolerance, the diversity topic, and social claims.</i></p> <p><i>We think of ourselves as a normal IT consultancy, albeit with special employees. ... we are the first in Germany to follow this approach.</i></p> <p><i>We must be very sensitive... we must mentally stabilize them [our employees] and offer tailored communication.</i></p>	
16	Sale of ‘social beer’ by sharing profit with the neighborhood; the company acts as local facilitator in a distinctly regional supply chain and coordinates the donation of generated profits	<p><i>Two-thirds of our profits go to social projects and one-third stays with [the company] to cover the costs.</i></p> <p><i>The new thing is that the profit does not stay with a single person or company; the region benefits. ...</i></p> <p><i>We sell to owner-managed beverage stores. We want to strengthen the local economy. The brewery is a cooperative. ... It procures the raw materials locally.</i></p>	

Note: * Quotes translated by the authors.

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3.4.2. Efficiency-focused Business Models in Hybrid Businesses

Efficiency-focused business models in hybrid businesses also occurred in two clusters. In these models, the ventures act as sustainability enablers in various supply chains and their business-efficiency is used to bring together previously unconnected actors and help establish more sustainable solutions in different areas. The ventures leverage their enabling role as a primary offering to their customers to generate revenue. Thus, in this case, the sustainability orientation is directly linked to the commercial orientation, as we show.

3.4.2.1. Intermediary approach

In the first cluster, hybrid businesses engage as *direct* intermediaries in the supply chain (the *intermediary approach*). Their personal contact with upstream and downstream actors helps create products that are sustainable. One distinct element of this cluster is a high process knowledge level in that supply chain. The companies function as a bridge between suppliers of certain goods and/or services that previously lacked access to certain markets and B2B or B2C customers who were often previously unaware of the existence of certain sustainability-related goods or services. Case company 11 is an example of this approach (for additional examples, see Table 9):

To serve them [the market], you simply need to be transparent and honest. We are not doing it because of that, but because we wanted to know, where it comes from ourselves. We even visit the fields (...). When we started, all products came from wholesalers. Since last year, we successively worked on getting everything directly from the farmers. (founder, company 11)

The company sells organically grown spices from fair trade producers directly to end consumers without intermediaries in the supply chain. The lean supply chain enables the company to transparently trace all its steps and to guarantee the products' sustainability traits. This is ensured through direct relationships with suppliers and customers. The example illustrates how personal contact with both sides of the supply chain enables these ventures to bridge a previous divide. The ventures provide efficiency gains for both sides by reducing transaction costs and by offering exchanges between previously unconnected actors in economically feasible ways, which led to their classification as efficiency-centered activity systems concerning structure and governance in the business model.

3.4.2.2. Platform approach

The second cluster is characterized by businesses that engage in a *platform approach*. Other than in the intermediary approach, where the companies connected directly and personally, we found companies using an *indirect* method of connecting previously unconnected actors, as can be seen in case company 9 (for additional examples, see Table 9):

We simply try to support certain companies. Small companies that offer high quality products that, ideally, are traded fairly or use fairly traded resources. Although that is not an exclusion criterion. We also try to give special visibility to products or suppliers who value sustainability. Of course, consumers can also buy used things. We support that as well. (founder, company 9)

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The company provides an online marketplace for sustainable and fair-trade products. This marketplace is organized similarly to regular e-commerce websites that provide a space for businesses to offer products to a wide range of customers browsing the online marketplace. However, the venture is organized as a cooperative that claims to be an alternative to the large incumbent e-commerce players with a distinct focus on sustainable and fair-trade products. Such products receive preferred treatment on the website with prominent labels for *fair* or *eco* offerings and reduced transaction fees for respective traders. The company does not produce and sell such goods but provides an e-commerce platform that emphasizes sustainability and thus caters to a specific clientele. In a similar sense, all startups in this cluster do not directly communicate with both sides of the supply chain but offer technical solutions that help the two sides make contact with each other. Specialized sustainability-related social networks, Internet platforms, and online marketplaces can offer efficient means for social or environmental-conscious individuals and producers of sustainability-related goods and services to initiate exchanges. Here again, the companies offer methods for reducing transaction costs and helping create more sustainable ways of doing business, which is why we coded these companies as embracing an efficiency-enhancing architecture that focuses on the structure and governance of creating value. However, instead of direct contact with a few players on both sides, as in the intermediary approach, platform companies attempt to span larger networks through technical solutions. Therefore, we introduced the platform approach cluster with similar business model elements, which differ from the intermediary cluster, as illustrated in these examples and in Table 9, which provides an overview of three additional examples of the two efficiency clusters.

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Table 9. Characteristics and Examples of Efficiency Clusters*

Case No.	Description	Illustrative quotes	Intermediary approach: Hybrid businesses act as facilitators between different actors to enable a more sustainable supply chain
12	Acts as facilitator for buying organic fabrics; brings together designers and producers of fabrics with its know-how on organic and fair trade textiles and supply chains	<p><i>Our centralized buying enables our customers to buy small amounts of organic fabrics... We make them available via an organized platform. It is like a reverse-auction model, a sales tool; the community helps us to make the goods available.</i></p> <p><i>We have key partners... a pioneer designer in green fashion, the Frankfurt trade fair, ... the Berlin fashion scene... suppliers in India and Turkey where we build long-term partnerships... collaborations with fashion schools...</i></p>	
13	Offers organic gardening to urban residents; acts as an intermediary between farmers and consumers by providing added value to both	<p><i>In every location, we cooperate with a local farmer who cultivates the [centrally located] vegetable gardens. ... Customers rent them for a seasonal fee, which also covers the use of equipment, water, and guidance. Local farmers... bring in agricultural expertise and offer these hobby gardeners consultation hours. And we [the company] bring in business expertise in terms of marketing and distribution.</i></p>	
14	Connects companies, designers, and sheltered workshops to include disabled people in mainstream employment	<p><i>We work in a project-based way. We assemble and match the right people to projects... We try to connect these workshops for disabled people together with, designers, and companies so that they can develop products or services that find buyers. ... We are in the key position. Previously there were no connections.</i></p>	

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4	A crowdfunding platform as an efficient means to bring together investors and investment seekers; energy efficiency projects are financed by the crowd and energy savings generate returns for investors	<p><i>The new thing is the combination of [monetary] savings from energy efficiency projects generating yields for the crowd. ... We think of ourselves as network partner for all actors that are needed to implement the energy efficiency measures.</i></p>
5	One-stop (online) shop for green product deals; efficient for B2C customers by bundling sustainability-related products on its platform and for B2B customers by offering a low-cost means to generate scope	<p><i>We provide our partners with a broad range of customers... even small partners, which are new to the market, get the same reach.</i></p> <p><i>We link all the customers of the different companies.</i></p> <p><i>We offer a [virtual] showroom for the most sustainable products.</i></p>
10	A social media platform that facilitates the borrowing of used products in the neighborhood	<p><i>We are a social network with a marketplace for rentals and sales.</i></p> <p><i>The idea was that there are so many things that are used very little in their product life, and that it would be very useful to know where those items are, so that others can also use them. And this takes place through our platform.</i></p>

Platform approach: Hybrid businesses as Internet-based central contact points bringing together multiple actors without itself engaging in exchange activities

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Figure 8 provides an overview of the main clusters and their relationships to the business model types and activity systems. The numbers in the matrix refer to the cases in Table 7.

Figure 8. Matrix of Business Model Clusters in Hybrid Businesses

		Design themes (sources of the activity system's value creation)		
		Content (what activities should be performed?)	Structure (how should they be linked and sequenced?)	Governance (who should perform the activities, and where?)
Design elements (architecture of an activity system)	Novelty (adopting innovative content, structure or governance)	Niche Nov. 1, 3, 6, 7, 12, 13, 14, 15, 16, 18	Integrated Novelty 1, 3, 4, 14, 16, 18	
	Lock-in (building in elements to attract and keep customers)	<i>No focus</i>	<i>No focus</i>	<i>No focus</i>
	Complementarities (bundling activities to generate more value)	<i>No focus</i>	<i>No focus</i>	(17)
	Efficiency (reorganizing activities to reduce transactions costs)	<i>No focus</i>	Interm. Approach 11, 12, 13, 14 <hr/> Platform Approach 4, 5, 9, 10, 18	

Mainly technological innovations: 2, 8

3.5. Discussion and Conclusion

3.5.1. Theoretical Implications

Researchers continue to dedicate considerable attention to hybrid businesses. However, little is known about the commercial orientation of hybrid businesses as a prerequisite for contributing to a more sustainable society. This study thus responds to the calls for research on what the architecture of a hybrid business activity system looks like (Hargadon & Douglas, 2001; Romme, 2003; Venkataraman, Sarasvathy, Dew, & Forster, 2012) in order to design a business model to achieve (economic) sustainability for themselves and to contribute to a more sustainable society (Murphy & Coombes, 2009; Wilson & Post, 2013). We analyzed business models in hybrid ventures from the perspective of business model design to shed light on the question of how sustainable entrepreneurs strive for commercial stability in their ventures, allowing them to attain multiple sustainability-related goals. We find that the case companies fit well into Bocken et al.'s (2014) conceptual archetypes of sustainable business models. Against this background, the results of the empirical study revealed several notable findings, which also provide fruitful insights for academia.

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Specifically, we went beyond conceptual categorization and focused on the prevalent novelty- and efficiency-related design elements of hybrid business models (Zott & Amit, 2007; 2010). Here, we found that novelty-focused business models occurred in two clusters: *niche novelty* and *integrated novelty*. In the niche novelty cluster, sustainability aspects function as an add-on and a unique selling proposition for a specific clientele. In the integrated novelty cluster, sustainability is a resource that is unique to the various ventures' external sourcing of input factors with sustainability traits. This differentiation of two distinctive characteristics of the novelty-focused business model element extends earlier research by Zott and Amit (2010) and Bocken et al. (2014) by providing a more sophisticated view of hybrid businesses from the perspective of business model design. When examining the activity systems in these cases, we found that novel activities in the niche novelty cluster focus primarily on content. We identified a market-based approach in the sense that the various hybrid businesses seem to—at least implicitly—follow a differentiation strategy (Bambenger, 1989; Zott & Amit, 2008) by concentrating on filling a sustainability niche that has not (or not sufficiently) been previously served (Schaltegger & Wagner, 2011), with the added value of sustainability sourced from third parties. Novelty in this case is characterized by relative novelty compared to the status quo of the sustainability orientation of incumbent players (Hockerts & Wüstenhagen, 2010). In the integrated novelty cluster, activity systems concentrated on elements of structure and governance, complementing the novelty of sustainability content. In these cases, added value was not sourced externally but was more deeply integrated in the company's core activities and engagements in the supply chain. While Zott and Amit (2013) relate complementarity-based business model designs to the resource-based view as described by Barney (1991) and Peteraf (1993), we hold this to be true also for the cluster of integrated novelty.

Our case analysis also resulted in two clusters for efficiency-focused business models: *intermediary efficiency* and *platform efficiency*. In the intermediary efficiency cluster, hybrid businesses engage as direct intermediaries in the supply chain through personal contact with upstream and downstream actors, thus enabling exchange relationships for more sustainable products. In the platform efficiency cluster, hybrid businesses indirectly connect previously unconnected actors and offer technical solutions that enable both sides in the supply chain to make contact with each other. The various business models also focused primarily on structure and, in particular, governance. In the intermediary approach, the facilitating role is a valuable resource that is hard to imitate (Barney, 1991). It builds on unique knowledge about partners and the ability to expertly strike the keys in a network of previously unconnected actors, which, when working collaboratively, generate social and/or ecological value that was not previously achieved. In the platform approach, hybrid businesses also assume a facilitating role. Instead of personal contact and exchange, the value of these business models is their ability to leverage their platforms' network effects (Aspara, Lamberg, Laukia, & Tikkanen, 2013; Chesbrough & Rosenbloom, 2002; Tikkanen, Lamberg, Parvinen, & Kallunki, 2005).

Finally, some of the case companies were associated with two clusters (see again Figure 8). The corresponding ventures combined aspects of a novel sustainability focus in a specific (niche) market with an efficiency focus of bridging different parts of a supply chain in economically feasible ways. These double classifications were a direct result of the deductive coding process introduced above

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and illustrated in Figure 7 and point to the complexity of the business models at hand. This extends our understanding of sustainable entrepreneurship and hybrid businesses and is in line with earlier findings by Zott and Amit (2010), who noted that the parameters of activity systems could also be interdependent.

3.5.2. Practical implications

Our results are also relevant for managers and policy makers. Through bridging the gap between the business model domain and the context of hybrid businesses, we provide fruitful insights on how to facilitate commercial grounding of hybrid businesses to enable achieving social or ecological goals. Moreover, we demonstrated that hybrid businesses focus on novelty and efficiency business model approaches in their commercial orientation in order to create social or ecological value. Managers of hybrid businesses striving for a novelty business model approaches seek to accumulating a previously nonexistent or underdeveloped sustainability dimension within the business model. Turning this into practice, this can lead either into an add-on and a unique selling proposition (niche novelty) or to various ventures' external sourcing of input factors with sustainability traits (integrated novelty). For the former case, Zott and Amit (2008) indicate that novelty-centered business models coupled with a differentiation strategy can indeed enhance company performance. However, we posited that companies in the niche novelty cluster source the added value of sustainability from third parties (e.g., suppliers of input factors). If this is not connected to the companies' own distinct resources (such as knowledge, an exclusive partnership, etc.), the novelty focus might erode when followers (Fosfuri, Lanzolla, & Suarez, 2013) step in or when the entire industry is forced to move toward more sustainable practices and products (Hahn, 2011). If this happens, hybrid businesses are pioneers, which might cease to exist if the niche becomes mainstream, thus ultimately leading to business models that are only temporarily successful owing to eroding revenues following increasing competition. In fact, Haigh and Hoffman (2012) even propose that hybrid businesses actively invite followers and offer insights into successful (and sustainable) product offerings for the benefit of society. In the latter case of integrated novel business model approaches, there is a greater focus on organizational resources that might more difficult to imitate compared to the external sourcing of added value as in the niche novelty cluster.

In the case of acting as sustainability enablers in supply chains, managers could opt for an efficiency business model approach. Here, two ideal types seem to be promising for new hybrid businesses—namely intermediary efficiency and platform efficiency—based on the focus of rather engaging as direct intermediaries in the supply chain or just indirectly connecting previously unconnected actors and offer technical solutions. In the case of the indirect platform approach, the ability of the respective hybrid businesses to reach sustainability-related goals and generate revenues lies in the technical domain of providing a (virtual) contact point for multiple actors. Thus, founders and managers of such businesses are advised to constantly challenge the sustainability performance of their platform partners to ensure that the social or ecological goals do not perish over time.

Finally, and from an overarching perspective, managers in traditional businesses are not very often highly in contact with hybrid businesses so that our analysis gives them an inspiring overview on

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how sustainable entrepreneurs strive for commercial stability in their businesses to reach multiple sustainability-related goals.

3.5.3. Limitations and Further Research

This study has helped us better understand business models in hybrid ventures from the perspective of business model design. We emphasized themes and elements to invent new business models with a sustainability-oriented character. However, our research approach has limitations.

Our qualitative method embraced a significant amount of exploration. The focus on the various business models' revenue generation motivated the use of the applied framework, which provides a valuable analytic lens in this regard. However, we cannot claim to have provided a complete picture of business models in hybrid businesses, for several reasons.

First, the limited number of cases in the study, coupled with the qualitative method we employed, does not allow for statistical generalizations beyond the given data and we cannot rule-out that there are hybrid businesses following other design themes. Nonetheless, 18 in-depth case studies exceeds the minimum number of cases (at least four) proposed for such a purpose (Eisenhardt, 1989), and the deductive approach allowed us to overcome the challenges of reporting results for a larger number of cases (exceeding 10; Piekkari, Welch, & Paavilainen, 2009). However, to enhance our results' external validity, the scope of cases could be expanded, for instance, to additional industries and/or cultural backgrounds. Future research should also investigate hybrid business approaches in a quantitative research setting in which, for instance, the dimensions of business model themes and elements identified by Zott and Amit (2010) can be used and further specified.

Second, although the data richness arising from the qualitative research design is a key strength of this study, the results are limited by the research approach in terms of its representativeness, unavoidably retrospective nature, and potential informant biases. To diminish potential response biases, we double-checked the interview statements against company-related documents and website research. For this, we drew on a sizable amount of secondary data which was readily available due to the fact that the sample companies, especially (though not exclusively) during their founding stages, were and are at the center of attention of several news outlets, blogs, and social media websites. Thus, to the best of our abilities and diligence, the findings constitute the interviewees' realities in the firms and the basis for the companies' future actions. Although we purposefully concentrated on founders as highly informed interviewees, future researchers could cover different informants from one company and could contact the same companies after periods of significant time and/or growth.

Third, the deductive approach allowed us to decontextualize the excavated pieces of knowledge and to raise them to a higher application level through conceptual abstraction (Avenier, 2010; Gibbert & Ruigrok, 2010). However, the generalizability of the findings is limited by the fact that we concentrated on case studies from one specific economic setting (i.e., hybrid businesses in Western Europe, specifically Germany). We did this purposefully to achieve better comparability within the study and to enhance internal validity. Firms in the same region or country develop implicit social norms and behavioral rules embedded in the social environment and specific to the community (Lorenzen, 2016). Katre and Salipante (2012) illustrate the importance of contextual factors for the

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success of hybrid ventures (similar to Austin et al., 2006). Our approach eliminated contextual factors based on the country of origin or proximity aspects. However, hybrid businesses in developing countries face a distinctly different economic environment (Seelos & Mair, 2005; Yunus et al., 2010) and, thus, are likely to focus on other social and/or ecological issues in their approach and must likely cope with various obstacles, leading to different business model design implications. To compare results across cultures and contexts as well as to account for (geographical) proximity, multi-sample analysis could be applied.

Fourth, we explored hybrid business models to identify and illustrate different clusters based on their business model themes and elements. However, some companies were associated with two clusters. We also identified three companies that we did not assign to any of the clusters. Reasons for this were that their sustainability-oriented approach was not directly linked to aspects of the business model but instead built on proprietary technical inventions or that we identified a single company to be based on the complementarity design theme for which we decided not to introduce a separate cluster. While these double or non-classifications were a direct result of the coding process introduced above and in Figure 7, having companies belonging to more than one or no cluster points to a certain fuzziness of the analytical framework at hand.

Lastly, the analysis reveals that hybrid businesses do not seem to focus on activity systems that aim for lock-in or complementarities. None of the case companies seemed to keep third parties attracted as business model participants through switching costs (Zott & Amit, 2010) or bundling activities within a system (Zott & Amit, 2010). However, the explanation may be found in volition, expressed in the general mission of hybrid businesses. Aside from the fact that customers of these types of organization are attracted often by the inherent social value alone, these companies appear to reject the idea of business model architectures that entail high switching costs for customers. As for the bundling of activities, to a certain degree, all hybrid businesses are dependent on an inclusive network of partners and stakeholders. In this regard, complementarity becomes more of a necessity than a conscious design element. However, this needs further investigation beyond a deductive analysis, thus leaving the scope of the present study. Therefore, we cannot offer a perfect taxonomy of archetypal hybrid business models. Nevertheless, these cases move beyond the microperspective of contemporary research on sustainable entrepreneurship and also illustrate the complexity of business models in the cases at hand. Overall, this helps better understand business models of hybrid businesses and provide future research with the means to draw on implications for design and management of these organizations.

**4. Toward Theoretical Anchoring of the Strategic Management of Hybrid Businesses:
A Systematic Literature Review of Management Aspects¹⁰**

¹⁰ This study has working-paper status

4. Toward Theoretical Anchoring of the Strategic Management of Hybrid Businesses: A Systematic Literature Review of Management Aspects

4.1. Introduction

Hybrid businesses, companies with a multiple goal orientation, have long since entered mainstream markets and, as any other profit-oriented company, need to be able to propose and deliver value to remain viable. However, the multiple goal orientation also leads to tensions between these goals (Battilana & Lee, 2014; Smith et al., 2013; Mitchell, Madill, & Chreim, 2016; Mair et al., 2015), presenting the organizations with many challenges such as diverse and often conflicting stakeholder expectations, recruitment strategies, or financing (Smith et al., 2013; Battilana et al., 2012), and potential loss of legitimacy (Costanzo et al., 2014; Mair et al., 2015; Billis, 2010). Ultimately, the resulting and often conflicting demands can lead to a standstill or breakdown of the organization (Pache & Santos, 2010). At the same time, however, these tensions also offer chances (Doherty et al., 2014), for example, to capitalize on social value and create differentiation advantages (Fosfuri et al., 2016), especially when such companies know how to strategically utilize the advantages of each orientation (Young, 2001).

There exists an understanding that the success of hybrid businesses hinges on its social value creation (Roy & Karna, 2015). Specifically, the greater the social value generation, the more successful the hybrid business. However, a social value orientation is only one element that, together with other strategic aspects, determine the success and viability of hybrid businesses (Albert, Dean, & Baron, 2016), such as the ability to navigate complex institutional environments or to connect to a diverse set of stakeholders. With the rise of publications on the nature of hybrid businesses (Fosfuri et al., 2016), recently, studies have also begun to move toward a variety of general advantages and challenges of hybrid businesses' strategies (e.g., Smith et al., 2013; Halberstadt & Kraus, 2016; Fosfuri et al., 2016; Battilana & Lee, 2014; Roy & Karna, 2015). However, the vast majority of research still focuses on anecdotal evidence (Mair & Martí, 2006; Meyskens, Robb-Post, Stamp, Carsrud, & Reynolds, 2010) that deliver single and fragmented aspects of hybrid strategizing. These fragmented aspects only represent a snippet of the bigger picture of interconnected strategic elements that jointly determine social value and commercial viability in hybrid businesses (Goyal, Sergi, & Jaiswal, 2016), with little aspiration toward generalizability (Engelke, Mauksch, Darkow, & Gracht, 2016). Furthermore, with the move toward understanding hybrid businesses as special form of (sustainable) for-profit organization, scholars such as Short et al. (2009) call for investigations that embrace key concepts and theories from strategic management, because adequate theories for understanding the strategic management of the social and commercial viability of hybrid businesses are largely missing in the field (Wilson & Post, 2013; Austin et al., 2006; Moss et al., 2011; Agoston, 2014). Theoretical anchoring, however, is necessary for driving the field forward, specifically, for understanding how these companies operate and how they, for example, improve performance while mitigating risks associated with a multiple goal orientation inherent to hybrid businesses.

Against this realization, the present paper systematically identifies and analyzes recent scholarly work on hybrid businesses and their strategic management to critically reflect the field in terms of its theoretical underpinning. Through a systematic literature review, the paper seeks to answer the research questions: What are the major trends, gaps, and shortcomings in research on strategic management of hybrid businesses? Which modern strategic management concepts and theories can

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potentially close the identified gaps and provide the most fruitful insights into how hybrid businesses deliver on their social value proposition while remaining commercially viable?

By answering these questions, this study, first, contributes to the academic discussion by providing an interconnected picture of the most common and neglected (and typically fragmented) strategic management aspects in the field of hybrid business. Second, the paper contributes to the advancement of research on hybrid businesses, by discussing research gaps and offering a framework of promising connections between strategic management concepts and theories that are underresearched in context of hybrid businesses.

The investigation proceeds as follows. First, I will briefly present the nature of hybrid businesses and the relevance of strategic management. Second, I explain the method that drives the review. Third, I will present descriptive results and inductively examine the fragmented literature for the most common aspects of the strategic management of hybrid businesses including their theoretical underpinning and critical shortcomings. Fourth, I will draw a framework of the interconnections between these common aspects before discussing and proposing theories and concepts that may help close the gaps and shortcomings in each identified aspect. In the last two steps, I will draw implications that result from the discussions and provide a conclusion.

4.2. Hybrid Businesses and the Relevance of Strategic Management

To date, many scholars have debated over what actually constitutes a hybrid business¹¹ (e.g., see also Chapter 2; Battilana et al., 2012; Battilana & Lee, 2014; Doherty et al., 2014; Haigh & Hoffman, 2012; Haigh, Walker, Bacq, & Kickul, 2015). Despite disparities in labeling, there is a basic understanding that hybrid businesses follow a social goal while being financially viable. The primary objective of hybrid businesses is “(...) promoting community development, advocating for more inclusive and fairer policies, or dealing with a variety of other social problems”, where “creating economic value is a necessary, but not sufficient, condition” (Felicio, Martins Gonçalves, & da Conceição Gonçalves, 2013, p. 2140). More specifically, these companies “combine the organizational forms of both [for-profit] business and charity at their cores” (Battilana & Lee, 2014, p. 397). Therefore, these companies can be depicted as existing on a continuum between a social and commercial orientation (Yang & Wu, 2016; Kolk & Lenfant, 2016; Austin et al., 2006; Sanchis-Palacio, Campos-Climent, & Mohedano-Suanes, 2013; Volkmann, Tokarski, & Ernst, 2012; Swanson & Zhang, 2012; Gamble & Moroz, 2014).

Because of the social orientation, research in context of hybrid businesses mostly employed a nonprofit view (Moss et al., 2011; Wulleman & Hudon, 2016), where questions of strategic management do not have the same priority as in commercial entrepreneurship. However, with the transition into the current decade, research began to focus on understanding hybrid businesses as a diverging and unique field of scientific inquiry, where “the conceptual boundaries have not been reached yet and [hybrid businesses as] emergent fields are still in a theory building phase” (Agoston,

¹¹ For the remainder of this paper, I will use the term “hybrid business” to reflect upon the hybrid nature of social enterprises with the social and commercial characteristics that carry the notion of the term.

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2014, p. 423). With the emergence of several seminal publications on the nature of hybrid businesses (e.g., Battilana & Dorado, 2010; Gras & Lumpkin, 2012; Pache & Santos, 2010; Haigh & Hoffman, 2012; Zahra et al., 2009; Battilana & Lee, 2014), research also began to investigate the strategic dimension of hybrid businesses, as these companies exist on commercial markets, and must, therefore, be able to remain financially viable in order to achieve their social goal (Eriksson, 2014). An orientation toward mainstream markets entails the generation of knowledge about these markets, current and future customer demands, and the company's ability to act upon these demands (Kohli & Jaworski, 1990).

In this endeavor, hybrid businesses face several hurdles, such as limited access to capital markets due to a generally more delicate balance between the social and commercial mission (Katre & Salipante, 2012; Austin et al., 2006; Smith et al., 2013). As a result, these companies are regularly confronted with resource scarcity (Doherty et al., 2014; Desa & Basu, 2013), which often drives them to innovate and to seek out new approaches for accessing resources (Di Domenico et al., 2010; Bacq & Janssen, 2011). Therefore, a hybrid nature also offers potential competitive advantages (Fosfuri et al., 2016), and several studies point to the effects of traditional strategic management models on how hybrid businesses function and remain viable. Sanchis-Palacio et al. (2013), for example, investigated to what extent the deliberate use of management tools (budget plan, management plan, and strategic plan) enhances performance of hybrid organizations and found that it has noteworthy effect on operations. In this regard, strategic activities such as market penetration and development, product development and diversification are important topics also for hybrid businesses (Bocken, Fil, & Prabhu, 2016). Therefore, hybrid businesses need entrepreneurial orientation and ultimately an understanding of their strategic management (Gamble & Moroz, 2014).

4.3. Method

Fink (2014) describes literature reviews as “a systematic, explicit, and reproducible method for identifying, evaluating, and synthesizing the existing body of completed and recorded work produced by researchers, scholars, and practitioners” (p. 3). Through a systematic literature review, the researcher aims to identify relationships, gaps, and inconsistencies on one side, while synthesizing the known and unknown in a field on the other (Crossan & Apaydin, 2010). To do so in the present paper, the investigation will follow Mayring's (2010) content analysis model of (1) collecting the material, (2) providing a descriptive analysis, (3) selecting the analytical categories, and (4) evaluating the material.

As database, I chose Scopus for its broad access to most available peer-reviewed academic journals in the fields of strategic management, social and commercial entrepreneurship, and hybrid businesses. The search spanned the past ten years from 2007 until 2016. In light of the shift in research from a purely non-profit view toward also integrating a commercial view, the timeframe was deliberately set to cover this shift of research approaches in the study on hybrid businesses. The search pattern was divided into two sets of terms, connected by an AND-operator. On one side, the search terms consisted of the most common terms used to describe hybrid businesses with “social business” OR “social enterprise” OR “social venture” OR “social entrepreneurship” OR “hybrid

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business” OR “hybrid organi*”). Using such many synonyms was necessary, as there are still discrepancies in the interpretation of hybrid businesses (Jones & Keogh, 2006) as also described above. The other side of the search concerned terms centered on the management of such companies. These are “strateg*” OR “competitive advantage” OR “resource” OR “organizational” OR “business model” OR “capabilit*” OR “performance”. The search was limited to abstract, title and keywords only. As this search returned 1839 results, the search was furthermore limited to sources from the area of “business, management & accounting” (702 articles) with document type “article” or “reviews” (503 articles). As scholars such as Hockerts (2015) also experienced, this relatively open but in the context of hybrid businesses necessary search approach still yielded quite many results, which prompted a finer tuned search pattern. Likely due to their topicality, many results regarded teaching social business models, the management of NGOs, tourism, and crowdfunding in general. Therefore, as a next step, these terms were excluded. This reduced the number of returns to 272. Other results that contained the term “non-profit” were not excluded categorically, and were left to manual screening. Often, non-profit organizations appear in literature covering hybrid business as well or are used as yet another synonym for companies that pursue a non-financial goal, but are otherwise financially sustainable (e.g., “non-profit social organizations”, Felício et al., 2013). Furthermore, a few remnants of topics hailing from technological and biological hybridity had to be sorted out manually by scanning through the abstract of the respective papers, since there are no ways to exclude them based on syntax alone. Combined with a final, individual evaluation of these results, 72 sources were considered relevant to the investigation. These 72 final articles combine the perspectives of hybrid businesses and strategic management and represent the final sample (see Table 10). All records that combine the perspectives of hybrid businesses and strategic management are considered as basic unit of analysis in each paper.

Table 10. Overview of Search Pattern

	Search	# Results
Keywords	“social business” OR “social enterprise” OR “social venture” OR “social entrepreneurship” OR “hybrid business” OR “hybrid organi*”) AND (“strateg*” OR “competitive advantage” OR “resource” OR “organizational” OR “business model” OR “capabilit*” OR “performance”)	1839
Limited to	Business, Management and Accounting	702
Limited to	Articles, Reviews	503
excluded	“teaching” OR “education”	293
excluded	“crowdfunding” OR “tourism”	272
Final sample	After manual screening	72

With the literature base selected I chose an inductive approach, where the analytical categories emerge from the material under investigation (Strauss & Corbin, 1990). This was necessary as, to date, there are no established frameworks in the realm of hybrid businesses that highlight the peculiarities of their strategic management. The coding served to determine analytical categories

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(Strauss & Corbin, 1990; Seipel & Rieker, 2003) that represent key topics that the different articles tackled in their respective investigation of hybrid businesses. The question that guided this search is: What patterns relevant to strategic management in hybrid businesses are described in the article? To ensure adequate reliability and intersubjectivity, the coding was conducted by two coders—a graduate student and a researcher in the field of hybrid businesses. After identifying the final literature sample, the two coders independently coded the same five articles, and discussed the results to achieve a similar mental scheme (Seuring & Gold, 2012). Having achieved a satisfying conclusion, one coder continued to code the entire sample and consulted with the second coder, when the need arose, for example, in rare cases of unclarity.

4.4. Results

In this section I will first provide a general descriptive analysis of the investigated literature, before presenting the identified aspects of the strategic management of hybrid businesses, and the conceptual and theoretical lenses applied in that literature.

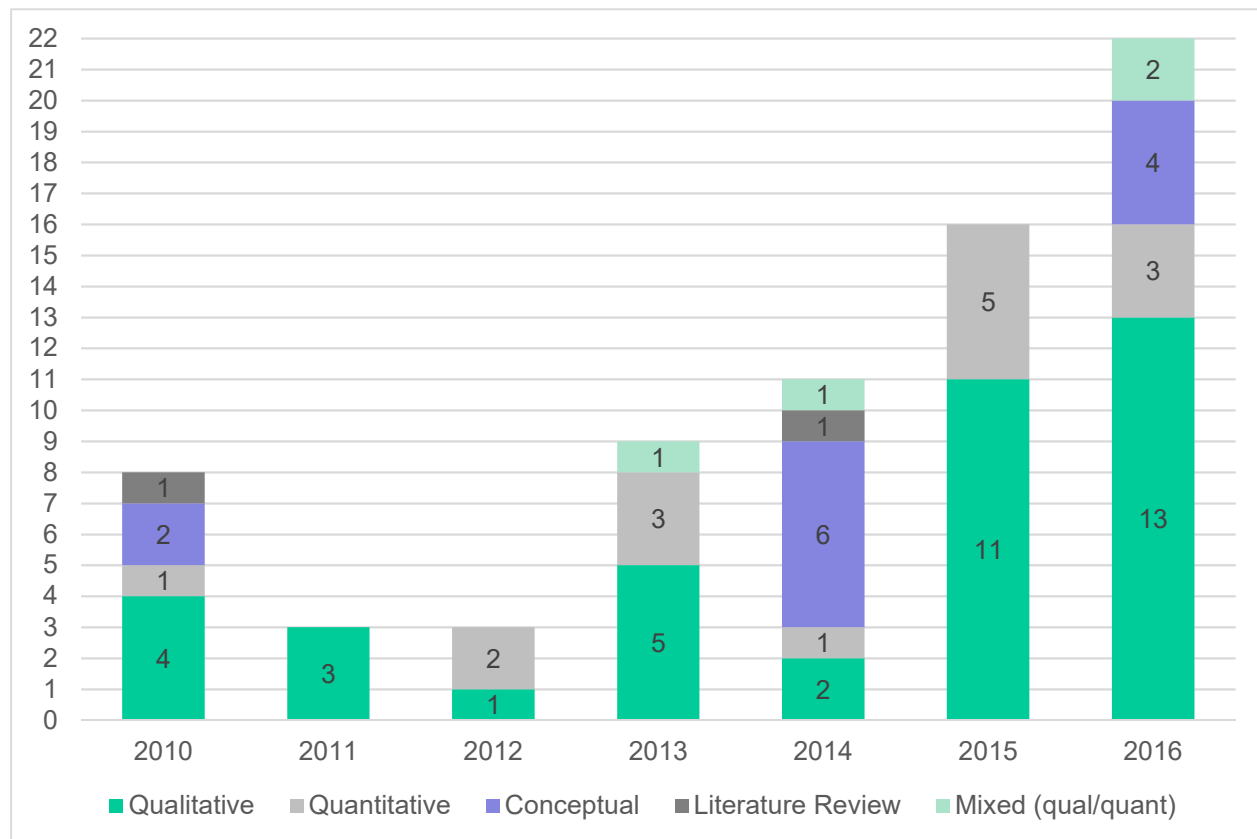
4.4.1. Descriptive Analysis

In this subsection I will present descriptions on the publication background, methodologies, and the terminologies identified in the literature base.

As the overall quantity of the final sample shows, studies specifically on the strategic management of hybrid businesses are scarce. With eight articles (or about 11%), the journal with the most publications is the *Journal of Social Entrepreneurship*. Five are published in the *California Management Review* (~7%), and three in *Entrepreneurship and Practice* (~4%). Therefore, the majority of articles comes from journals with mostly meaningful impact in the field of entrepreneurship. The relevance of the topic becomes evident, when looking at the years in relation to the quantity of publications. While studies certainly had been published on hybrid businesses in general before 2010, none appear to have focused on strategic questions in these companies, which further corroborates that research on hybrid businesses is still in a developmental stage and that studies on its strategic management have gained momentum mostly at the start of the current decade (see also Figure 9).

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Figure 9. Distribution of Literature and Methodological Approaches



Qualitative studies take dominance with 39 articles, which makes sense in fields of inquiry that are still considered young and developing (Short et al., 2009). It is thus unsurprising, that only 15 articles are quantitative in nature. These articles mostly consist of surveys and aim to measure different effects on hybrid businesses' viability (e.g., education, management tools, culture). The 12 conceptual articles focus primarily on potential future developments of hybrid businesses in commercial markets, such as company growth, tensions, experimentation, or navigating resource constraints. Four of the sample articles are based on mixed methods, all of which begin with a quantitative analysis of survey data, with a final, qualitative analysis. These studies are similar to the quantitative articles in nature. The qualitative section mostly provides one or more examples of the findings by conducting a qualitative case study. Finally, the two literature reviews are narrative (i.e. unsystematic) literature reviews that focus again on single elements in the management of hybrid businesses, namely the role of intellectual capital in innovation processes, and the adequacy of performance tools for features of hybrid businesses.

Looking at the terms used for "hybrid businesses" in each publication confirms the inconsistent labeling. The three most commonly used terms per article were "social enterprises" with over half of the publications (39 articles, ~54%), "hybrid organizations" (12 articles, ~17%), and "social ventures" (7 articles, ~10%). The remaining publications mostly use a combination of these terms (e.g., "social hybrid business"), or investigate specific types of hybrid business such as work-integration social enterprises or micro-finance institutes. It should be noted however that within

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several publications at least one of the other terms was used as well, once more corroborating the inconsistent nature of the hybrid business field.

4.4.2. Aspects of Strategic Management in Hybrid Businesses

In the following, I will investigate the aspects to the strategic management of hybrid businesses in the sample. Through the analysis of the literature, eight aspects were inductively identified that form the key aspects in the strategic management of hybrid businesses. Table 11 provides an overview of each aspect as well as descriptions of their relevance for research into the strategic management of hybrid businesses.¹²

¹² Publications can refer to one or more aspect to the strategic management of hybrid businesses.

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Table 11. Identified Aspects of Strategic Management of Hybrid Businesses and Descriptions

Aspect of strategic management	Articles connected to aspect	Description and relevance of strategic management aspects for research on hybrid businesses
Value-orientation	Newth (2016); Albert et al. (2016); Wulleman and Hudon (2016); Costanzo et al. (2014); Jenner and Oprescu (2016); Sabella and Eid (2016); Kannampuzha and Suoranta (2016); Barraket, Furneaux, Barth, and Mason (2016); Kolk and Lenfant; Doherty (2011); Lee and Jay (2015); Fosfuri et al. (2016); Miles, Verreynne, and Luke (2014); Liu et al. (2015); Engelke et al. (2016); Haigh and Hoffman (2014); Mitchell et al. (2016); Millar and Hall (2013); Mouchamps (2014); Ormiston and Seymour (2011)	The normative value orientation that drives hybrid businesses represents the main portion of the companies' appeal to stakeholders and, particularly, beneficiaries. A value-oriented business model and the need to propose the businesses' value is, thus, of critical importance to the company's management.
Network- & relationship management	Kolk and Lenfant (2016); Jenner and Oprescu (2016); Albert et al. (2016); Meyskens, Carsrud et al. (2010); Doherty (2011); Yang, Wu, Su, Kao, and Lin (2010); Roy and Karna (2015); Walske and Tyson (2015b); Verreynne, Miles, and Harris (2013); Battilana and Lee (2014); Moizer and Tracey (2010); Henry (2014); Vestrum and Rasmussen (2013); Zellweger, Eddleston, and Kellermanns (2010); Bacq and Lumpkin (2014); Halberstadt and Kraus (2016); Newth (2016); Bishop and Waring (2016)	Another potential solution to low resources is a strong network of partners and informants. More than purely commercial businesses, hybrids also depend on partners to reach out to beneficiaries and customers, and to secure the license to operate as well as business operations through access to critical resources at low costs.
Institutional pathfinding	Fosfuri et al. (2016); Mitchell et al. (2016); Johansen, Olsen, Solstad, and Torsteinsen (2015); Azmat, Ferdous, and Couchman (2015); Moizer and Tracey (2010); Bishop and Waring (2016); Pache and Santos (2013); Mair et al. (2015); Costanzo et al. (2014); Yang and Wu (2016); Ebrahim, Battilana, and Mair (2014); Meadows and Pike (2010); Mswaka (2015); Barraket et al. (2016); Zhao and Lounsbury (2016)	The literature highlights the need for hybrid businesses to prioritize both the commercial and the social mission, and effectively navigate institutional idiosyncrasies. For this, the companies need to develop different ways to (1) effectively deliver on their value proposition and (2) avoid ambiguity in stakeholder perception.

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Entrepreneurial personality & reputation	Yang, Wu, Kao, and Cheng (2012); Gamble and Moroz (2014); Costanzo et al. (2014); Sabella and Eid (2016); Rahdari et al. (2016); Newth (2016); Henry (2014); Felício et al. (2013); Roy and Karna (2015); Bacq and Janssen (2011); Walske and Tyson (2015a)	As principal decision maker, the entrepreneur's as well as the management team's characteristics and image are central to the hybrid businesses' strategic management.
Catalytic innovations	Newth (2016); Newth and Woods (2014); Kannampuzha and Suoranta (2016); Yang et al. (2012); Auvinet and Lloret (2015); Santos, Pache, and Birkholz (2015); Gras and Lumpkin (2012); Tasavori, Ghauri, and Zaefarian (2016); Desa (2012); Bacq, Ofstein, Kickul, and Gundry (2015); Verreynne et al. (2013)	Due to a generally low resource endowment and several institutional barriers that these companies face, hybrid businesses are often forced to innovate and to experiment with their given resources.
Specific human resource management (HRM)	Bacq and Lumpkin (2014); Scarlata, Zacharakis, and Walske (2016); Mair et al. (2015); Kolk and Lenfant (2016); Battilana and Dorado (2010); Yang et al. (2012); Roy and Karna (2015); Walske and Tyson (2015a); Román-Calderón, Odoardi, and Battistelli (2015); Lee and Jay (2015)	To reduce tensions and attain multiple goals, being able to attract, compete for, and retain workforce specialized in social and commercial issues is an important strategic factor for hybrid businesses.
Organizational dynamics	Bocken et al. (2016); Haigh, Walker et al. (2015); Hockerts (2015); Walske and Tyson (2015a); Barraket et al. (2016); Kannampuzha and Suoranta (2016); Florin and Schmidt (2011); Wulleman and Hudon (2016); Sunduramurthy et al. (2016)	As organizations with a multiple goal orientation, several important strategic decisions must be made before and after founding the company regarding hierarchies, corporate structure and legal form.
Knowledge management	Meyskens, Robb-Post et al. (2010); Chalmers and Balan-Vnuk (2013); Agoston (2014); Kong (2010)	Intellectual capital serves as one of the most important resources in any organization. For hybrid businesses, the knowledge management must be able to protect essential business know-how while being able to help beneficiaries with that knowledge.

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In the following, I will present the identified strategic management aspects in literature from most- to least investigated. For this, I will also describe the most relevant sub-aspects for each main aspect.

The most prominent strategic management aspect under investigation in the literature relates to the value orientation of hybrid businesses. With about 20%, the literature clearly highlights that the main motivation of hybrid businesses is to change the system, i.e., helping people and/or saving the environment. The largest sub-aspect, however, was appeal and marketing, as the company's represented values appeal to customers. In turn, the value orientation can also be seen as the principal driver behind of the company's operations, as it guides the decision making and organizational processes. By investigating the network and relationship management (~18%), the literature stresses that networks, especially for hybrid businesses, enable access to and pool vital resources by building unique relationships primarily by building trust and a sense of kinship among like-minded entrepreneurs. Networks are critical to the company's success, as it represents a gateway to many advantages like contacts to commercial businesses, NGOs, or other hybrid businesses, for accessing and pooling resources. About 15% of the investigations relate to institutional pathfinding and mainly analyze the companies' abilities to couple or decouple their social and commercial mission. The investigations center widely on questions of when and how to couple the commercial mission to or decouple it from the social mission of the business, using different ways to integrate (or separate) diverging interests. Others stress the importance of at least satisficing or balancing the mission for stakeholders in order to earn the license to operate. Next is the entrepreneurial personality and reputation of the organization (~11%). Studies highlight the entrepreneur as main driver for social innovations to engage social issues that the market cannot or will not solve. They furthermore highlight the entrepreneur as a central figure for the company's reputation. Catalytic innovations (~11%) is regarded as a constituting element of hybrid businesses and as key ability to utilize spillover effects to the point that even new business models may arise from them that other commercial companies likely would not approach. Other findings center on the creativity that allow hybrid businesses to mobilize resources. Studies on specific human resource management of hybrid businesses (~10%) highlight the two advantages that the hiring policy can bring in these companies: A highly motivated workforce driven by the social mission, and the comparatively low costs associated with the low wages. Others stress the importance of actively managing human resources to build a common identity and organizational culture. Organizational dynamics is a core topic in only about 9% of investigations. The literature describes flexible organization building marked by experimentation and ad-hoc decision making in the early stages of the business lifecycle with increasing strategizing in later stages to corroborate replicability. Finally, the topic of knowledge-management is the least investigated aspect to the strategic management of hybrid businesses (~4%). There is regular knowledge exchange with little to no protection of knowledge, which facilitates knowledge exchange, often through ad-hoc channels of communication with a wide variety of stakeholders. Figure 10 provides a detailed picture of the number of papers addressing a sub-aspect per aspect identified.¹³

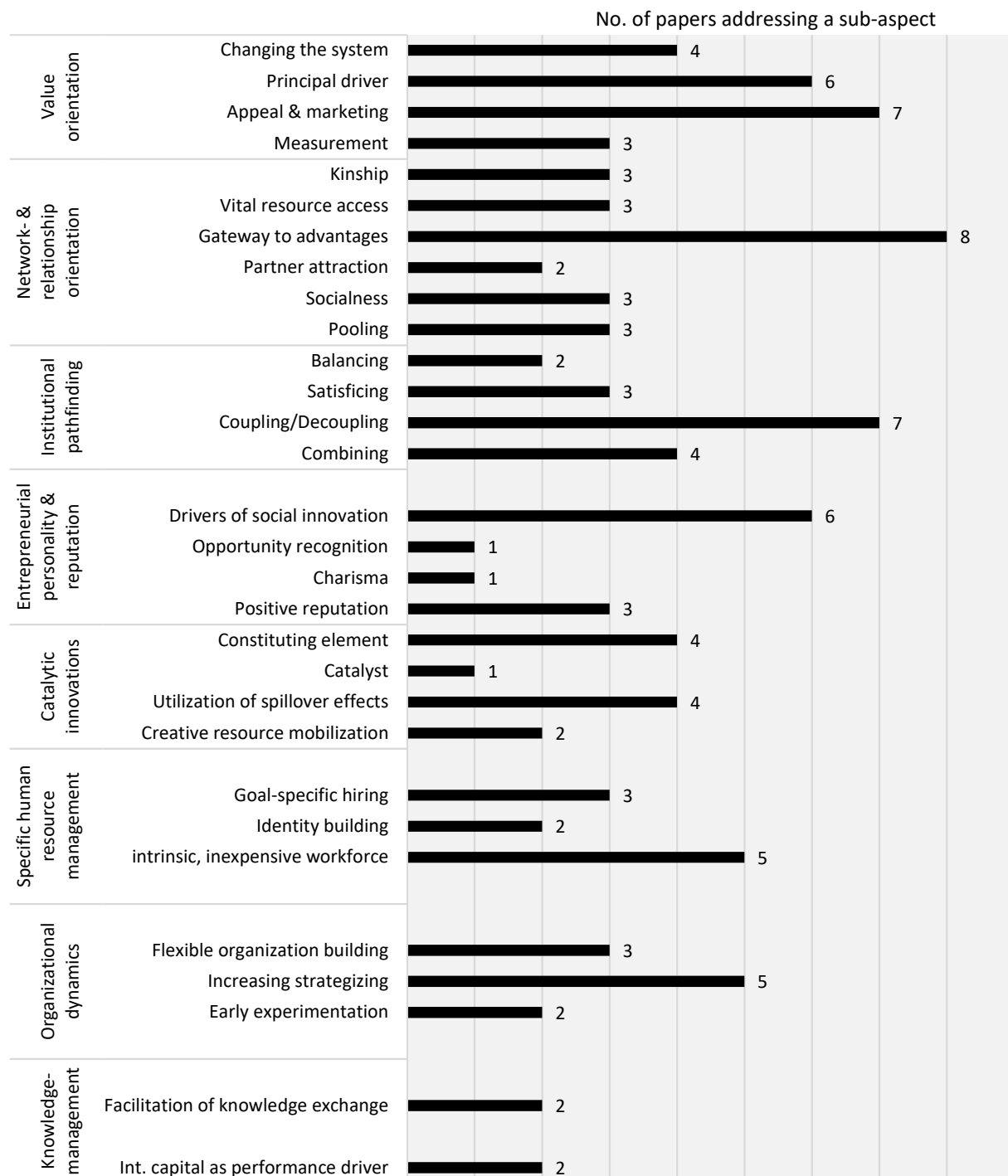
¹³ Note: Within the categories, publications can have one or more subcategories.

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Overall, the investigation of the literature shows, that the field is characterized by an unequal distribution of strategic management aspects investigated in hybrid business research. The field is largely fragmented and without a clear research direction. A possible reason for this might lie in the fact that, to date, there are no established theories, frameworks, or concepts that may help explain the strategic management of hybrid businesses. Therefore, the following subsection illuminates the conceptual landscape in more detail.

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Figure 10. Detailed Depiction of Subcategories in the Identified Strategic Management Aspects



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4.4.3. Theoretical and conceptual lenses applied in the research of strategic management of hybrid businesses

Against the background of largely scattered fields of inquiry, it is prudent to evaluate the theories or concepts against which the sample articles already conduct their respective investigations.

Examining the theories and concepts revealed that three quarters of the sample articles (54 articles or 75%) base their investigation on no theory or concept at all. The remaining articles refer to one or more theoretical backgrounds, as shown in Figure 11.

Figure 11. Use of Concepts and Theories in the Investigated Literature

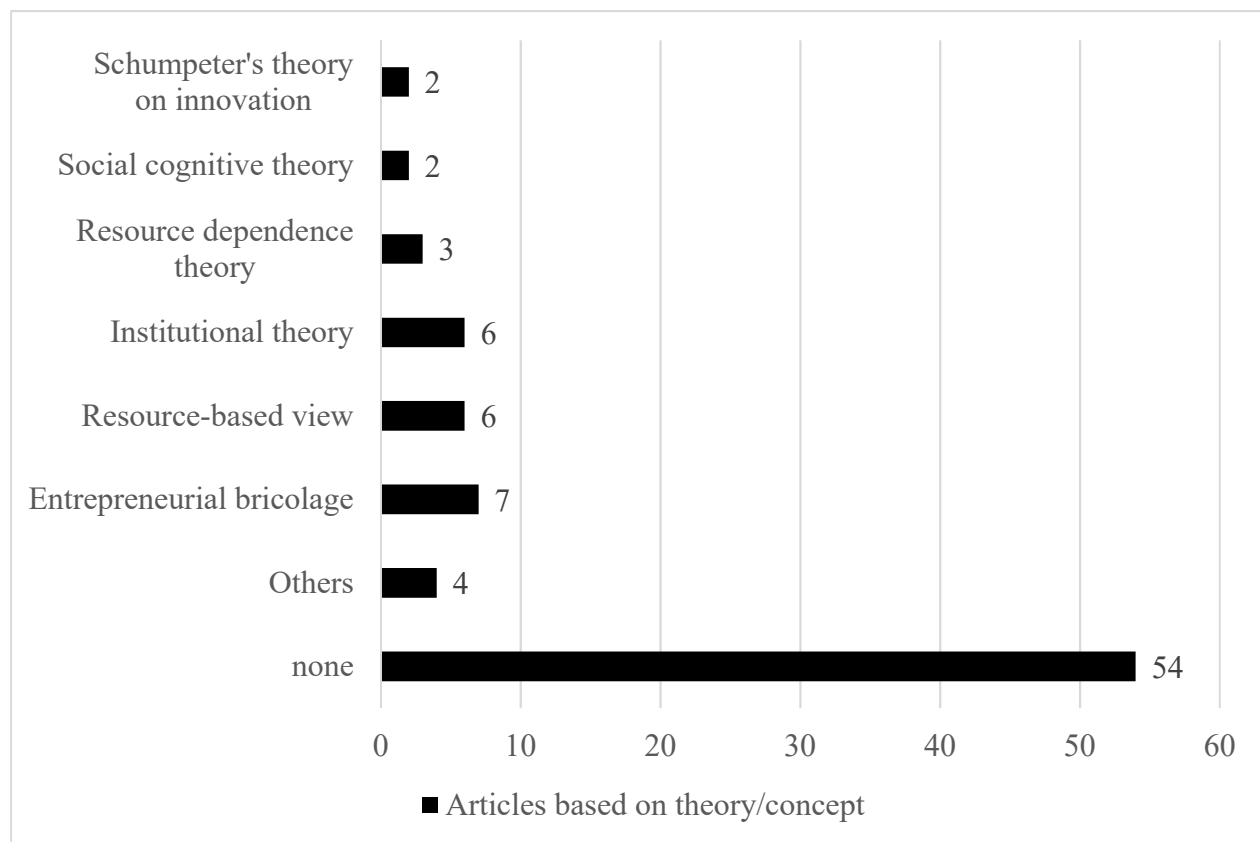


Table 12 further elaborates on the conceptual backgrounds that the sample articles employ. The most salient concept is bricolage with seven publications (~10%). With six references each, the second most are institutional theory and the resource-based view (about 8%). Resource dependence theory is found in three articles (~4%), and two articles are based on social cognitive theory (~3%). Two more articles are based on Schumpeter's theory on innovation. Finally, four papers refer to one or more other conceptual anchors, specifically, organizational identity theory, stewardship theory, absorptive capacity, psychological contract theory, and organizational legitimacy.

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Thus, in line with Doherty et al. (2014), the majority of research on hybrid businesses is still largely a-theoretical and focused mainly on the emergence of such companies, as supported by the initial descriptive results.

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Table 12. Conceptual and Theoretical Backgrounds in the Investigations of Hybrid Business

Concept or theory	Articles	Relevance and explanatory power
Schumpeter's theory on innovation	Newth (2016); Newth & Woods (2014)	With the entrepreneur as economic agent of change, the concept of 'creative destruction' is applied to the non-economic sphere of hybrid businesses. Social change, therefore, must be integral to the market, and not tangential.
Social cognitive theory	Albert et al. (2016); Fosfuri et al. (2016)	Centers on how the social goal affects providers of resources. Signaling the social mission can create competitive advantage, but also barriers to its growth.
Resource dependence theory	Meyskens, Carsrud & Cardozo (2010); Newth (2016); Vestrum & Rasmussen (2013)	Mutual dependence as driver for relationship-based transactions. Seeks to explain levels of hierarchy between hybrid businesses as providers of social value, and their diverse network members.
Institutional theory	Auvinet & Lloret (2015); Barraket et al. (2016); Battilana & Dorado (2010); Battilana & Lee (2014); Bishop & Waring (2016); Zhao & Lounsbury (2016)	As hybrids of social and commercial institutions, hybrid businesses require specific management practices to navigate the demands that actors from each institutional background voices.
Resource-based view	Bacq & Lumpkin (2014); Desa & Basu (2013); Meyskens, Carsrud, & Cardozo (2010); Meyskens, Robb-Post et al. (2010); Newth (2016); Roy & Karna (2015)	Just as commercial companies, to build sustainable competitive advantage, hybrid businesses must possess valuable, rare, nonimitable, and nonsubstitutable (VRIN) resources and capabilities. For hybrids, the discussion centers primarily on such social resources that commercial enterprises do not possess.
Bricolage	Azmat et al. (2015); Bacq et al. (2015); Desa (2012); Desa & Basu (2013); Kannampuzha & Suoranta (2016); Sunduramurthy et al. (2016); Wulleman & Hudon (2016)	Central elements in bricolage are making-do, refusal to be limited, and improvisation. As hybrids often tap markets to introduce social innovations, economic efficiency and immediate viability is seldom a concern which puts special demands on hybrid businesses' ingenuity for survival.

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4.5. Discussion of Trends and Research Gaps

Without a dominant theoretical or conceptual framework, the field has become fragmented and lacks clear research direction. However, aiming to analyze all nine strategic management aspects (see again Table 11 and Figure 10) in-depth may prove unfocused and inefficient, as there are relationships and (inter-)dependencies between the aspects. Therefore, to identify the primary aspects to investigate in more detail, the following discussion first synthesizes a framework of interdependencies between the identified aspects in order to identify which gaps to analyze. Based on this framework, the investigation will then continue to identify gaps and trends in the secondary aspects as well.

4.5.1. Interconnections between aspects of the strategic management of hybrid businesses

As basis for identifying the most important aspects for a closer investigation, I will highlight the connections between each aspect and determine the primary aspects among them (see

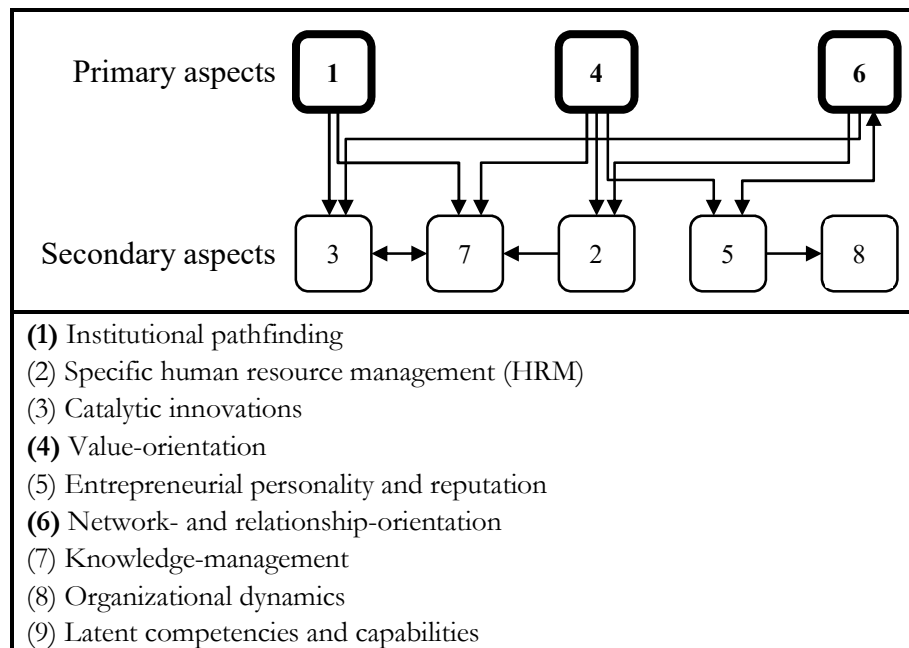
Figure 12). An aspect is deemed primary, if it has a high number of outgoing (influencing) connections, and no or few incoming connections (represented by the arrows). Thus, I provide a deeper and more coherent understanding of the so far fragmented and isolated strategic management aspects of hybrid businesses.

Overall, the identified and presented aspects to the strategic management of hybrid businesses show a rather complex network of interconnected fields of inquiry that scholars take to investigate organizational hybridity. However, on a closer look, there are three aspects that are of primary importance for the purpose of showing critical gaps and shortcomings in the investigation into the strategic management of hybrid businesses. Specifically, network & relationship management, value orientation as well as institutional pathfinding together make up about half of the eight aspects investigated in literature (~54 %) and, perhaps more importantly, are direct and indirect drivers for all other, secondary aspects of the strategic management of hybrid businesses (see again

Figure 12).

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Figure 12. Framework of Interdependencies between Aspects in the Strategic Management of Hybrid Businesses



A positive reputation is often a direct result of the company's value-orientation in that the public communication of organizational values, exchange in networks, and the entrepreneur's charisma strengthen the company's positive reputation (Lee & Jay, 2015; Felício et al., 2013). The company's value-orientation, furthermore, appears to be directly connected to the organization's specific HRM, as it motivates workforce that is primarily intrinsically motivated by these values (Lee & Jay, 2015). An interrelation also exists between the company's positioning in a network and reputation (Walske & Tyson, 2015a; Bacq & Lumpkin, 2014; Tsai & Ghoshal, 1998). Specifically, the association with a particular network supports the development of reputation, while the reputation in turn facilitates the initiation of new partnerships: Authors such as Felício et al. (2013) highlight the advantages of a charismatic entrepreneur in forming the organization's appeal to others. In turn, these networks affect the company's reputation through association.

The entrepreneurial personality plays a role in organizational dynamics, as form and structure of the organization largely depends on the entrepreneur's vision and preferences regarding independence, subsidies, etc. (Haigh, Kennedy, & Walker, 2015). Regular exchange with network-partners (Meyskens, Robb-Post et al., 2010; Chalmers & Balan-Vnuk, 2013), managerial trust in employees (Alegre & Berbegal-Mirabent, 2016), and institutional pathfinding furthers support catalytic innovations. While the former allows employees to engage in creative problem-solving, the latter is often the result of experimentation to navigate through institutional expectations. Networks furthermore positively affect company innovations (Dyer & Singh, 1998; Zheng, Zhang, & Du, 2011; Kleinbaum & Stuart, 2014) as hybrid businesses regularly access the knowledge of their partners (Di Domenico et al., 2010). It thus also makes sense that innovations are interrelated with knowledge-management (Meyskens, Robb-Post et al., 2010), as the exchange of knowledge within and outside

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the organization facilitates innovation, and catalytic innovations can lead to knowledge about dealing with spillover effects or even creating new business models around them. The works of Kong (2010) and Agoston (2014), furthermore, make clear that knowledge management depends on several other aspects: a company's value-orientation, catalytic innovations, specific HRM, and institutional pathfinding.

The discussion above reveals that it makes sense to focus foremost on the three primary strategic aspects institutional pathfinding, value orientation, and network- and relationship orientation to determine the critical gaps, (in)consistencies, and trends, in order to propose and discuss more promising concepts that may help better understand the strategic management of hybrid businesses as socially- and profit-oriented organizations on mainstream markets. Against the background of the proposed concepts, the study can then discuss the gaps and trends of in the connected secondary aspects as well.

4.5.2. Trends and Gaps in Research on the Value-Orientation of Hybrid Businesses

Literature describes several benefits of a clear value orientation. These businesses often do not have to rely on cost-intensive advertisement, as often the value proposition directly leads to high loyalty of customers and workforce. While customers spread the company's mission through word of mouth, employees share the objectives and values, which leads to intrinsic work motivation and higher performance.

Several studies highlight that the main driver of hybrid businesses is helping others and/or the environment, with the ultimate goal of changing the system in which they operate (Newth, 2016; Albert et al., 2016; Wulleman & Hudon, 2016; Costanzo et al., 2014). More specifically, stakeholders largely influence and shape the companies' value orientation (Sabella & Eid, 2016). This makes sense, as more than purely commercial ventures, hybrid businesses need to build legitimacy and trust with their beneficiaries, employees and other stakeholders (Barraket et al., 2016), which also makes building mutually beneficial relationships with stakeholders a key area that hybrid businesses pursue (Kolk & Lenfant, 2016). However, others explain that a commercially focused growth orientation is the principal driver for the sustainability of hybrid businesses (e.g., Jenner & Opreescu, 2016). Miles et al. (2014) show in that regard, that marketing activities of hybrid businesses is positively correlated with social performance, however, only when these activities focus on better understanding the needs of the company's target beneficiaries. This finding is supported by Liu et al. (2015), who come to the same conclusion by specifically investigating different types of marketing activities of hybrid businesses and finding, that not all marketing capabilities have a positive effect on the performance of hybrid businesses.

In his model, Doherty (2011) identified both ethical and social commitment as a key factor for driving value orientation in hybrid organizations. This may be due to a greater growth trend in society toward value-orientation (Engelke et al., 2016), which offers better chances for value-based business models of hybrid businesses compared to corporate sustainability strategies of solely commercial companies (Haigh & Hoffman, 2014). Customers are willing to pay (more) if the customer shares these values, or the company manages to instill a sense of belonging to a special group (Fosfuri et al., 2016). However, contrary to these explications, scholars such as Mitchell et al.

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(2016) show that the social mission tends to shift into the background, when hybrid businesses promote their products, as (mainstream) customers often believe that such goods or services are of lower quality.

The discussion shows that studies on hybrid businesses' value orientation center on the effects that this orientation has, where the cause that drives the founder(s) or the organization's sustainable business model is often kept vague. While it has been established that hybrid businesses exist on a continuum between social and commercial orientation, literature to date is unclear on the relationship between them. In particular, the discussion revolves around the entrepreneur's motivation, society's expectations, the company's financial stability and profitability and the extant literature centers on single elements of the bigger picture in the companies' efforts to pursue either or both social and commercial mission, with differing conclusions for select situations. A much-needed explanation of the dynamics that exist between these elements remains missing and is only touched upon tentatively in outlooks for future studies. For instance, seven publications center on marketing efforts of multiple-value-oriented business models and the appeal that such companies have on stakeholders, and six studies depict the dual mission as principal driver of the company's survival. And yet, these and other studies fall short of explaining the mechanisms behind leading a social mission on one side, and a commercial mission on the other. Of the 20 articles that investigate value orientation of hybrid businesses, 15 are a-theoretical. The remaining five each use a different lens, with the exception of social cognitive theory which is referred to in two articles (Albert et al., 2016; Fosfuri et al., 2016), focusing only on the appeal that the social mission of hybrid businesses has on a static set of stakeholders.

Thus, while the effects of value orientation are documented, literature largely neglects the theoretical implications of how entrepreneurs and their organization can design structures and processes to actively shape these effects. There are gaps in how opportunities are identified and acted upon that offer a financially sustainable solution to a social problem that gives way for such a value-orientation in the first place. Discussions about entrepreneurial opportunities are certainly not new, however to this day, they focus primarily on commercial companies (Short et al., 2009). In line with McDermott, Kurucz, and Colbert (2018), the present study asserts that opportunities for value-oriented business models in the strategic management of hybrid businesses still require investigation and theoretical grounding. As hybrid businesses pursue, per definition, more than one mission, investigations on opportunities must furthermore address the dynamic nature that exists when facing either or both demands.

4.5.3. Trends and Gaps in Research on the Network and Relationship Management of Hybrid Businesses

Companies can have multiple reasons for cooperating with others, such as resource access, gaining legitimacy, or entering new markets (Sakarya, Bodur, Yildirim-Öktem, & Selekler-Göksen, 2012; Austin et al., 2006). Hybrid businesses primarily rely on networks, when lacking the necessary resources to create social value (Le Ber & Branzei, 2010; Corner & Ho, 2010; Austin et al., 2006; Dacin, Dacin, & Tracey, 2011). As the appeal of hybrid businesses as partners does not typically lie in financial rewards, several scholars such as Albert et al. (2016) sought to identify factors in the

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social mission that attract partners who would then supply the hybrid business with valuable resources, mostly from a social cognition perspective. Tsai and Ghoshal (1998), for example, find that interaction ties and a shared vision have a significantly positive effect on trust and trustworthiness, which in turn facilitates resource exchange and value creation. Jenner and Opreescu (2016) describe seven mutual benefits of social networks: collaboration, inter-firm resource exchange, increased flow of information, development of new practices, reduced transaction costs, resource and knowledge sharing, and entrepreneurial opportunities. Kolk and Lenfant (2016) describe positive social change, mutually beneficial relationships, and progressive interactions with markets and institutions. Meyskens, Carsrud et al. (2010) focus on the critical importance of networks for hybrid businesses, which are essential to the success of hybrid businesses (Kolk & Lenfant, 2016), and enable the company to find new ways of accessing resources (Newth, 2016).

To reach their multifaceted goal, hybrid businesses enter relationships with market actors from different institutional backgrounds. Research commonly focuses on these backgrounds of partners as well as the position hybrid businesses take in the network's hierarchy. The literature describes three types of partnerships that hybrid businesses pursue. First, there are partnerships with purely for-profit organizations that strengthen the commercial mission. Here, the companies receive important support in accessing human, social, and financial capital, while the partner can access potential customers and strengthen its corporate social responsibility. Second, there are partnerships with governmental organizations that provide the company with additional capital through grants or contracts, while at the same time the governmental organization can outsource program implementation to more specialized entities with expert knowledge, and gain sympathies from voters. Governmental organizations furthermore seek modernization of public services, and through the pooling of private and public values and resources, complex problems can be addressed (Bishop & Waring, 2016). Finally, partnerships are also formed between hybrids, that generally aim to pool competencies and widen the network altogether (Meyskens, Carsrud et al., 2010). Hybrid businesses also develop a sense of kinship with producers and markets (Kolk & Lenfant, 2016), other hybrid businesses (Jenner & Opreescu, 2016), and consumers (Albert et al., 2016) to better serve the social goal. When working together, not only are hybrid businesses aiming to support each other, but they often consult each other in questions of strategic decision making (Jenner & Opreescu, 2016).

Meyskens, Robb-Post et al. (2010) show a positive correlation between partnerships and access to financial capital, and innovations. Interestingly, there appears to be a negative correlation between partnerships and organizational structure which includes human capital (e.g. staff, volunteers), physical capital (e.g. location), and organizational capital (e.g. a funding plan). The authors suggest that the reason for this may be found in the fact that the goals are not always perfectly aligned between the partners, which in turn could lead to inefficient allocation, however, without empirically investigating these connections.

Generally, several scholars regard a well-developed network not only as critical to a hybrid businesses' survival, but also as gateway for many advantages (Doherty, 2011; Yang et al., 2010; Roy & Karna, 2015; Walske & Tyson, 2015b; Verreynne et al., 2013; Battilana & Lee, 2014; Moizer & Tracey, 2010; Henry, 2014). To make use of resources from the network, hybrids use two general

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strategies (Vestrum & Rasmussen, 2013). If the company is still in an early stage of development, it tends to conform more to the established partner to receive access to resources and gain support. Once the hybrid business established itself, it becomes stronger and more able to pursue its own ideas and engage the community more freely.

Undoubtedly, relationships and networking are vital factors in the hybrid businesses' strategic management (Kwong, Tasavori, & Wun-mei Cheung, 2017), as this counts for any other company as well. However, at the same time, one major gap in the study of hybrid businesses' network and relationship management are the modes of cooperation as well as specific positive and negative effects that different types of stakeholder relations have on the companies' management. In this regard, it furthermore remains unknown how hybrid businesses manage different relationships with different (potential) partners (Montgomery, Dacin, & Dacin, 2012). Although, as one would expect, most studies revealed generally favorable outcomes of collaboration projects, some studies hinted at negative effects that partnerships may have on human, physical and organizational structure.

It is, therefore, especially surprising that no study to date has investigated the strategic management of hybrid businesses through theories and concepts that focus on organizational relationships. Ten of the 18 articles that study networks and relationships of hybrid businesses are a-theoretical. Eight articles do employ conceptual lenses, of which half refer to the resource-based view (Meyskens, Robb-Post et al., 2010; Roy & Karna, 2015; Bacq & Lumpkin, 2014; Newth, 2016), where the publications essentially argue for the exchange of resources and capabilities that hybrid businesses can provide potential partners. Furthermore, all of the investigated publications presume that all hybrid businesses are homogeneous in their business model, which may only be justified in studies that do in fact focus on specialized hybrids such as microfinance institutes or work integration social enterprises. However, in all other cases where the samples and conceptualizations include organizations from different sectors or economic settings, it can be argued that different hybrid models come with different implications for their relationship management. A first approach to classify hybrid businesses is made by Ebrahim et al. (2014) who define two types of hybrid business: diversified and integrated hybrids. Although the study does not focus on relationships, the authors are able to suggest clearer recommendations for the general governance of hybrid businesses that regard customers as their beneficiaries (integrated hybrids), and hybrid businesses that generate revenue from customers in order to serve beneficiaries who are considered separate stakeholders (differentiated hybrids).

The present study thus asserts that future investigations need to focus on social and commercial value as relational rent, as well as the types of cooperation, depending on the business model of the organization. Finally, while positive and negative effects of cooperation of hybrid businesses have been described, there are no investigations that go beyond conceptualization.

4.5.4. Trends and Gaps in Research on Institutional Pathfinding

Hybrid businesses can increase performance, as long as social and commercial goals are in balance (Fosfuri et al., 2016). Mitchell et al. (2016) specifically identify four areas of tensions: Social vs. economic objectives, stability vs. growth, social vs. economic stakeholders, and competition vs. cooperation. Thus, aiming to satisfy these goals mostly equally (Johansen et al., 2015; Azmat et al.,

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2015; Moizer & Tracey, 2010), hybrid businesses naturally have to cope with competing demands. To do so, most companies can usually choose between decoupling the social from the commercial mission (Bishop & Waring, 2016), or compromising between them (Moizer & Tracey, 2010). In hybrid businesses, however, both logics are dependent on each other, which puts them in a rather delicate position. Therefore, hybrid businesses follow a third, 'blended' (Bishop & Waring, 2016) option, which Pache and Santos (2013) describe as a process of selective coupling, where the companies integrate competing logics into the business model. Mair et al. (2015) come to the same conclusion which is supported by Costanzo et al. (2014), who find in their study, that the dual mission management of these organizations takes place on a continuum between high compartmentalization and high integration, where the former describes a coexistence of social and commercial goals, and the latter synergies between them. Yang and Wu (2016) similarly investigate strategy implementation based on hybrid businesses' social and commercial orientation. The authors conceptualize four strategies comprising compartmentalization, deletion, integration, and aggregation, to manage the legitimacy of hybrid businesses.

Ten of 15 articles that investigate institutional pathfinding are again a-theoretical. Of the remaining five, two refer to institutional theory (Bishop & Waring, 2016; Barraket et al., 2016). As the studies center on the companies' options for and repercussions of navigating different institutional expectations and demands, an approach from an institutional perspective appears suitable. However, most strikingly, these and other publications are often inconsistent in their conclusions and, more importantly, leave out how the companies can harness the different tensions associated with a multiple goal orientation, which may leave the explanatory framework of institutional theory. This is particularly notable, as the ability to harness the tensions between social and commercial goals can create competitive advantage (Tantalo & Priem, 2016). In order to better understand the nature of tensions and move past the discussion of possible trade-offs and synergies, investigations would thus have to focus on the dynamicity that exists within the organization, and the different expectations that stakeholders have. Not knowing the exact mechanisms behind the interplay of a social and commercial value orientation could prove fatal, because a seemingly ambiguous orientation toward both social and financial stakeholders can lead to unease in and distrust from stakeholders (Billis, 2010). Thus, as the social and financial mission of hybrid businesses can be both advantageous and disadvantageous, studies would have to determine the boundary conditions under which a prioritization of goals is prudent when considering the identified aspects to the strategic management of hybrid businesses.

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4.6. Proposing and Discussing the Concepts of Bricolage, Dynamic Capabilities, and the Relation View for a Theory Based Research Roadmap

In the following, I will propose the concepts of bricolage, dynamic capabilities (DCs) and the relational view (RV) as promising conceptual lenses for investigations into the aspects of the strategic management of hybrid businesses based on the gaps and shortcomings identified in the discussion above.

Almost with the inception of modern business administration as scientific field of inquiry, it became clear that ventures are largely defined by their resources (Penrose, 1956) and are driven by market forces (Porter, 1979). The former can be understood as basis for the resource-based view (RBV) by Barney (1991) to complement what became known as Porter's market-based view (MBV), or to offer alternative explanations for (sustained) competitive advantage. On the most basic level, the RBV employs an internal view of the company's value creation, while the MBV takes an outside view (Peteraf & Bergen, 2003).

Roy and Karna (2015) note that it makes sense to investigate such companies primarily through an RBV lens, as much of its strategic potential comes to the fore when faced with challenges during growth and when dealing with stakeholder expectations, which both necessitate the capability to allocate resources. Indeed, all identified strategic management aspects can be argued to have one or more connections to the RBV, supported by the fact that the RBV is one of the most prominent theoretical lenses in the otherwise largely a-theoretical literature on the strategic management of hybrid businesses. However, as shown, studying hybrid businesses through the VRIN-framework may offer only cursory insights, as large parts of the identified aspects relate less to the possession and utilization of internal resources and abilities per se, and more to the organizations' ingenuity, the dynamicity that takes place within and outside the organization as well as the relationships that the companies pursue. Here, more recent conceptual lenses that are argued to derive from the RBV are more fitting to study the strategic management of hybrid businesses. Therefore, in the following, I will take a closer examination of and give arguments for the potential explanatory power of entrepreneurial bricolage, dynamic capabilities (DCs), and the relational view (RV) for the strategic management of hybrid businesses, before further discussing the identified aspects and their proposed fit with each concept.

4.6.1. Bricolage

The concept of bricolage can be traced back to anthropologist Claude Lévi-Strauss, who coined bricolage as 'making do with what is at hand' (Lévi-Strauss, 1966). Based on this basic understanding, Baker and Nelson (2005) define entrepreneurial bricolage as "making do by applying combinations of the resources at hand to new problems and opportunities" (p. 333). Bricolage, therefore, is characterized by experimentation and ad-hoc decision making, and stands in delimitation to entrepreneurial 'engineering,' which denotes using particular tools and resources to achieve a specific outcome (Linna, 2013). Di Domenico et al. (2010) adapted the concept of bricolage to context of hybrid businesses as 'social bricolage' (see Table 13).

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Table 13. Framework of Social Bricolage (Di Domenico et al., 2010, p. 698)

Proposed principles and processes of social bricolage	Explanation
Making do with limited resources available and creating something from nothing for a social end	Combination of resources/making do with the limited resources at hand. Creating something from nothing such as creating a new market or providing a new service where none existed beforehand; using discarded, disused, or unwanted resources for new purposes; and using “hidden” or untapped local resources that other organizations fail to recognize, value, or make adequate use of
Refusal to be constrained by limitations imposed by pervading environmental constraints in pursuit of social goal	Refusing to be constrained by limitations by trying out solutions as tactical responses to pervading institutional structures/rules; subverting the limitations imposed by available resource environments particularly in their ability to create social value
Improvisation to enable active pursuit of social purpose	Improvising through “best-fit” approaches within the constraints of the limited resources available. Process of trial and error.
Creation of social value	Generating employment opportunities, work integration, skills development, training and development, social capital, and community cohesion
Stakeholder participation	Governance structures and decision making, board membership, strategy determination, and implementation
Persuasion of other significant actors to leverage acquisition of new resources and support	Persuading other actors within the resource environment of the business case for social value creation

In the following, I will discuss the gaps in the research on institutional pathfinding and catalytic innovations against the background of bricolage (see Table 14).

Table 14. Gaps and Proposed Links to Social Bricolage

Strategic management aspect	Critical gap	Explanatory power of bricolage for hybrid businesses
(1) Institutional pathfinding	Attainment of either or both social and commercial value while avoiding stakeholder ambiguity	<ul style="list-style-type: none"> - Improvisation to enable active pursuit of social purpose - Creation of social value - Stakeholder participation
(3) Catalytic innovations	Key-factors of the catalytic innovation processes	<ul style="list-style-type: none"> - Refusal to be constrained by limitations imposed by pervading environmental constraints in pursuit of social goal

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Explanatory power of bricolage for institutional pathfinding. As depicted earlier, hybrid businesses have a special ability to improvise in their pursuit of social goals while aiming to remain commercially viable. As the business model of hybrid businesses is not centered on commercial efficiency, these companies often work with seemingly incompatible assets, and different stakeholder expectations. Several scholars (e.g., Sunduramurthy et al., 2016; Kannampuzha & Suoranta, 2016) have investigated how hybrid businesses cope with scarce resources and unfavorable business environments by making quick decisions, and using abilities and company resources in innovative, goal-oriented ways. More than most commercial companies, hybrid businesses need to and do find creative ways for dealing with antagonistic assets, limited availabilities, and difficult institutional environments (Janssen, Fayolle, & Wuillaume, 2018). However as explained, the trend in literature depicts a move from experimental bricolage toward more replicable strategies. Against this background, it is thus necessary to evaluate the pursuit and creation of social value, and how these companies navigate conflicting expectations while eliminating or minimizing stakeholder ambiguity, which could have lasting negative effects on company operations.

Explanatory power of bricolage for catalytic innovations. Introduced by Christensen (1997) and expanded upon, Christensen, Baumann, Ruggles, and Sadtler (2006) offered the idea of catalytic innovations. It presents a form of disruptive innovation, where the principle is transferred to social value with the goal of designing social engagement more efficiently. A company's catalytic innovations are often the direct result of entrepreneurial bricolage (Auvinet & Lloret, 2015) and constitute creations that do not necessarily qualify as innovations in terms of new products or processes, but rather as novel adaptations that, in the end, raise comfort levels or cost-benefit ratio for the user.

Innovation is regarded as a core topic to the strategic management of hybrid businesses (Newth, 2016), and innovative solutions to social issues appeal to resource providers of hybrid businesses (Albert et al., 2016). Auvinet and Lloret (2015) further show that catalytic innovations maximize social impact as well as profits in hybrid businesses, and that, while growing organizations tend to drift away from their social objective, companies that regularly employ catalytic innovations appear not to do so. Because of institutional barriers that these companies face, hybrid businesses are often forced to innovate (Newth & Woods, 2014; Kannampuzha & Suoranta, 2016), for example, by creating an inexpensive product (e.g., through recycling) that satisfies a social need (Yang et al., 2012). To achieve this, the creativity in the resource mobilization is a vital aspect in the innovation process (Bacq et al., 2015; Verreynne et al., 2013). Catalytic innovations can also be necessary for hybrid businesses that aim to manage spillover effects that are otherwise largely ignored by purely commercial organizations, if they are not legally required to do so (Santos et al., 2015).

In their efforts to control these 'accidental' value creations, hybrid businesses often manage to establish new business models and make former beneficiaries into customers (Gras & Lumpkin, 2012; Tasavori et al., 2016). Aside from that, literature on the catalytic innovation process in hybrid businesses is scarce, and key-factors remain largely unknown (Alegre & Berbegal-Mirabent, 2016). To study catalytic innovations of hybrid businesses more thoroughly, it may thus be useful to investigate

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the strategies that hybrid businesses employ in their refusal to be constrained by limitations imposed by pervading environmental constraints, and how it affects the pursuit of a social goal.

4.6.2. Dynamic capabilities

Teece, Pisano, and Shuen (1997) developed the concept of DCs to account for organizational and market dynamics. DCs seek to explain competitive advantages (Jurksiene & Pundziene, 2016) based on an organizations “capacity (...) to purposefully create, extend, and modify its resource base” (Helfat, 2007, p. 1). Initially, the concept focused primarily on “environments of rapid technological change” (Teece et al., 1997, p. 509), however in recent past, several scholars have argued that DCs provide explanatory power in relatively stable environments, as markets are inherently unpredictable and stakeholder demands are dynamically changing (e.g., Zollo & Winter, 2002; Eisenhardt, Furr, & Bingham, 2010; Eisenhardt & Martin, 2000). Central to a company’s DCs are its ability to sense and seize opportunities, and to adapt to change by reconfiguring its resource base (Hodgkinson & Healey, 2011). Table 15 provides an overview of the DCs framework as depicted by Teece (2007).

In the following, I propose and argue for an investigation of the strategic aspects of institutional pathfinding, specific HRM, value orientation, entrepreneurial personality & reputation, knowledge management, and organizational dynamics in light of DCs (see Table 16).

Table 15. Framework of Dynamic Capabilities (Teece, 2007, p. 1342)

Sensing: Analytical systems (and individual capacities) to learn and to sense, filter, shape, and calibrate opportunities	Seizing: Enterprise structures, procedures, designs and incentives for seizing opportunities	Managing threats/transforming: Continuous alignment and realignment of specific tangible and intangible assets
Processes to direct internal R&D and select new technologies	Delineating the customer solution and the business model	Decentralization and near decomposability
Processes to tap supplier and complementor innovation	Selecting decision-making protocols	Governance
Processes to tap developments in exogenous science and technology	Selecting enterprise boundaries to manage complements and ‘control’ platforms	Cospecialization
Processes to identify target market segments, changing customer needs and customer innovation	Building loyalty and commitment	Knowledge management

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Table 16. Gaps and Proposed Links to DCs

Strategic management aspect	Critical gap	Explanatory power of DCs for hybrid businesses
(1) Institutional pathfinding	Attainment of either or both social and commercial value while avoiding stakeholder ambiguity	- Sensing and shaping opportunities - Seizing opportunities
(2) Specific HRM	Level and ratio of combined social and commercial expertise required to establish a functional organizational identity	- Seizing opportunities (building loyalty and commitment) - Transforming, managing threats
(4) Value orientation	Designing marketing activities Prioritization of values	- Sensing and shaping opportunities
(5) Entrepreneurial personality & reputation	Impression management Contextual factors that drive the entrepreneur's decision making	- Sensing and shaping opportunities - Seizing opportunities - Transforming, managing threats
(7) Knowledge management	Conditions for sharing or protecting knowledge	- Transforming, managing threats
(8) Organizational dynamics	If and when hybrid businesses transition from an experimental business to an established, strategizing organization The influences of institutions, size, and stage in the business life-cycle	- Transforming, managing threats

Explanatory power of DCs for institutional pathfinding. From the aspect of institutional pathfinding, several authors (e.g., Pache & Santos, 2013; Azmat et al., 2015) have shown, that hybrid businesses are often confronted with the question of whether to use separating or integrating tools in order to cope with the company's competing logics. Yang and Wu (2016) explain, for instance, that to balance missions and essentially optimize legitimacy, hybrid businesses need to be able to identify target stakeholders, plan carefully, and take into account plurality and synergies. However, thus far, discussions on opportunity recognition and pursuit have focused only on commercial businesses, leaving a gap for investigations in the context of hybrid businesses (McDermott et al., 2018). More specifically, future discussions need to identify how hybrid businesses can sense and seize opportunities that offer either or both social and commercial value while avoiding ambiguity in the stakeholders' perception.

Explanatory power of DCs for specific human resource management. At the core of specific human resource management in hybrid businesses, emphasis must be placed on adequately choosing and training specialized workforce and managers with the goal of creating and maintaining a unique organizational identity that accounts for both social and commercial goals (Bacq & Lumpkin, 2014). In terms of DCs of hybrid businesses, human capital is valuable especially for a company's transforming capacities, but also for its strategic decision skills, as hybrid businesses need to compensate for generally lower wages compared to commercial enterprises (Austin et al., 2006) by rather focusing on building loyalty and commitment within the organization. While it may seem suitable to simply hire and train workforce in such a way that promises both social and commercial expertise, Ancona and Caldwell (1992), on one hand, show that too high levels of experience in both

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social and commercial orientation actually leads to inefficiencies, and therefore an overall decline in performance. The authors suggest that the reason for this may be a high level of complexity in interpreting information, and thus less efficient activities toward reaching the overall strategic goal. Scarlata et al. (2016), on the other hand, show that hybrid businesses perform best, when there are high levels of commercial experience in the organization. The reason for the discrepancy could lie in the fact that commercial and social experience are not necessarily opposed to each other and might, thus, require clarification regarding the specific type of commercial and social experience. For example, as explained earlier, Miles et al. (2014) established that marketing efforts (typically associated with commercial experience) has positive effects—however only, when it serves to understand the needs of the hybrid businesses’ beneficiaries (associated with social experience). Therefore, the specifics and levels of social and commercial expertise needed in the organization remains unexplored as well as the implications that result for the organizational identity.

Explanatory power of DCs for value-orientation. As made clear, the value-orientation in hybrid businesses is not defined by trade-off considerations between competing demands, but rather describes the companies’ pursuit of a social mission while balancing it with commercial viability, as both orientations are critical for the company’s success (Eriksson, 2014). Value-orientation of hybrid businesses, thus, is complex and once more plays into internal resources that influence marketing activities, and serves as basis for the company’s ability to dynamically react to (conflicting) stakeholder expectations (Benson, Brau, Cicon, & Ferris, 2015; Kibler, Mandl, Kautonen, & Berger, 2017). Here, an investigation of analytical systems of hybrid businesses to sense and shape opportunities may provide valuable insights into the mechanisms that enable the company to identify market segments and stakeholder expectations.

Explanatory power of DCs for entrepreneurial personality & reputation. Another argument for investigating DCs is found in the perspective of the entrepreneur and the managing team. Particularly, Zahra, Sapienza, and Davidsson (2006) deliver this clue by defining DCs as “the abilities to re-configure a firm’s resources and routines in the manner envisioned and deemed appropriate by its principal decision maker(s)” (p. 918). As such principal decision makers, entrepreneurs are key members not only in the process of sensing and seizing opportunities guided by their ethical commitment (Moss et al., 2011), but also in transforming the organization to adapt to change. Ultimately, while it is clear that the vision of the company stems from the entrepreneur, literature to date falls short in accounting for the contextual factors that drive hybrid entrepreneurs in their decision making in the first place. Several scholars have furthermore shown that, especially for sensing opportunities, a strong personality and reputation plays an important role (e.g., Yang et al., 2012; Felício et al., 2013; Henry, 2014). Finally, entrepreneurs in general have great influence on their company’s impression management (Highhouse, Brooks, & Gregarus, 2009). In that regard managing impressions can serve as a dynamic masking tool to raise attractiveness (Benson et al., 2015) or shape perception by stakeholders in case of failures (Kibler et al., 2017). Its application in hybrid businesses is shown to be valuable for accessing scarce resources (Teasdale, 2010) and Doherty, Haugh, and Lyon (2014) state that the dual mission of hybrid businesses itself can often be actively managed. However, studies to date have neglected the implications that the multiple values have on the impression management of hybrid businesses.

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Explanatory power of DCs for knowledge management. The ability of companies to effectively absorb and process internal and external knowledge is dependent on its structures and processes. Here, the simplest link derives from the DCs-framework itself where knowledge management is described as element within the organization's capacity to manage threats and transform (see again Table 15). Only Chalmers and Balan-Vnuk (2013) use a conceptual lens, absorptive capacity, to assess knowledge transferability of hybrid businesses. The concept of absorptive capacity seeks to explain the value generation that results from knowledge absorption (Cohen & Levinthal, 1990). However, scholars still debate whether the concept of absorptive capacity can stand on its own, or whether it is a defining and necessary part of a company's dynamic capabilities (Teece, 2007). Zahra and George (2002), for instance, define absorptive capacity as: 'a set of organizational routines and processes by which firms acquire, assimilate, transform and exploit knowledge to produce a dynamic organizational capability' (p. 186). As part of its combination-, reconfiguration-, and asset protection skills, a company's knowledge management aims to promote learning, knowledge transfer and integration as well as intellectual property protection. Particularly the protection of knowledge and intellectual property is widely accepted to be necessary to gain strategic advantages (Teece, 2007). However, there are clues that hybrid businesses may care little about knowledge protection, so much so, that critical knowledge is shared deliberately to potentially gain advantages (see also Chapter 2). As to date no scholarly discussion has taken place on the reasons for and the conditions under which deliberate sharing may be useful for hybrids, an investigation of knowledge management through the lens of DCs may prove as a promising field of inquiry.

Explanatory power of DCs for organizational dynamics. The final argument for an investigation of hybrid businesses' DCs is found in the aspect of organizational dynamics. The literature revealed that organizational dynamics are a specific constituent of hybrid businesses, which makes sense when considering the dual nature of hybrid businesses. Choosing and adjusting legal and structural changes to constantly adapt the company, serves strategic goals and is, especially in the early business life cycle, often volatile and dynamic in nature. This is further corroborated by the organization's desire to remain flexible in their pursuit to achieve the social mission while remaining financially self-sufficient. Especially in the early phases, hybrid businesses tend to make use of experimentation in order to access certain partners, markets, or capital (Kannampuzha & Suoranta, 2016; Florin & Schmidt, 2011), before the company becomes more grounded in the institutional logic of the chosen legal form, by adopting idiosyncratic strategies and organizational structures (Florin & Schmidt, 2011). However, some studies explain that the general decision-making process of hybrid businesses becomes increasingly strategic over time, regardless of institutional background. Again others suggest that this relates to the size of the hybrid businesses, as larger organizations appear more likely to engage, for example, in scenario- (Mswaka, 2015) or business planning (Barraket et al., 2016). Thus, the gaps in this regard relate to the question of if and when hybrid businesses transition from an experimental business to an established, strategizing organization. Within the DCs-framework, it may prove fruitful to investigate the implications for company governance, and cospecialization of assets to assess how institutional demands, company size, and developmental stage affect the organization's transforming capacity.

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4.6.3. Relational view

The relational view, as introduced by Dyer and Singh (1998), also finds its roots in the resource based view, and can be described as an extension of the latter (Lavie, 2006). It explains competitive advantage through relational rents that go beyond arms-length relationships. More specifically, Dyer and Singh (1998) argue that relationships that potentially generate positive relational rents are marked by partner-specific asset investments, substantial knowledge exchange, and a high level of interdependence of resources and capabilities. Governance mechanisms have very little transaction costs, as they forgo constant monitoring and rely on a more intrinsic and mutual understanding among partners. In their relational view framework, Dyer and Singh (1998) condensed the determinants of relational rents into four clusters: relation-specific assets, knowledge-sharing routines, complementary resources and capabilities, and effective governance (see Table 17).

Table 17. Determinants of Relational Rents (Dyer & Singh, 1998, p. 663)

Determinants of relational rents	Description
Relation-Specific Assets	Specialization of assets to alliance partner, consisting of site, physical, and human asset specificity
Knowledge-Sharing Routines	Constructing and securing mechanisms for assimilating knowledge between partners
Complementary Resources and Capabilities	Ability to leverage the complementary and synergy-sensitive resource endowments of an alliance partner
Effective Governance	Designing governance mechanisms that lower or eliminate transaction costs and raise willingness to engage in value creation

In the following, I present the potential of a relational view for closing research gaps in the aspects of network- & relationship management, and knowledge management (see Table 18).

Table 18. Gaps and Links to the Relational View

Strategic management aspect	Critical gap	Explanatory power of RV framework for hybrid businesses
(6) Network- and relationship management	Social value as relational rent Types of cooperation Negative and positive effects of cooperation	- Relation-specific assets - Complementary resources and capabilities - Effective governance
(7) Knowledge management	Conditions for sharing or protecting knowledge	- Knowledge sharing routines

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Explanatory power of RV for network- & relationship management. As discussed, different types of hybrid businesses may require different relationship designs. Using Ebrahim et al. (2014) as example, the network- and relationship management of integrated hybrids may require the company to focus its efforts more on building relationships with NGOs, whereas differentiated hybrids may need to seek stronger ties with commercial market actors to strengthen its marketing toward mainstream consumers, again with further implications for positive and negative effects of the company's marketing efforts. It is thus necessary to more thoroughly investigate the relationship designs of different types of hybrid businesses through the RV-framework, which specifically focuses on relational assets, complementarity of organizational structures, and governance of these partnerships, which are areas that are neglected in extant literature.

Explanatory power of DCs for knowledge management. Within the aspect of knowledge management, there are also gaps that may require an investigation through an RV lens. By sharing critical knowledge with interested market actors, the companies attract collaborators and potentially widen their network (Vanpoucke, Vereecke, & Wetzels, 2014). These networks mostly consist of heterogeneous groups of stakeholders that often have diverging motives for collaborating and the focal hybrid business manages to create new knowledge that results from learning effects between these groups (Ridley-Duff & Bull, 2016). Access to this knowledge furthermore drives the social mission, and builds knowledge-sharing routines (Kleinbaum & Stuart, 2014; Zheng et al., 2011). To date, however, no study has investigated these knowledge-sharing routines of hybrid businesses and the implications that it has on their knowledge management.

4.7. Implications

After discussing the current state of research on the strategic management of hybrid businesses with all of its aspects and concepts, in the following I will provide a consolidated overview of the implications that can be drawn for future studies. For this, Table 19 summarizes the identified aspects of the strategic management of hybrid businesses, the critical gaps in research as well as the links to proposed strategic management concepts and theories.

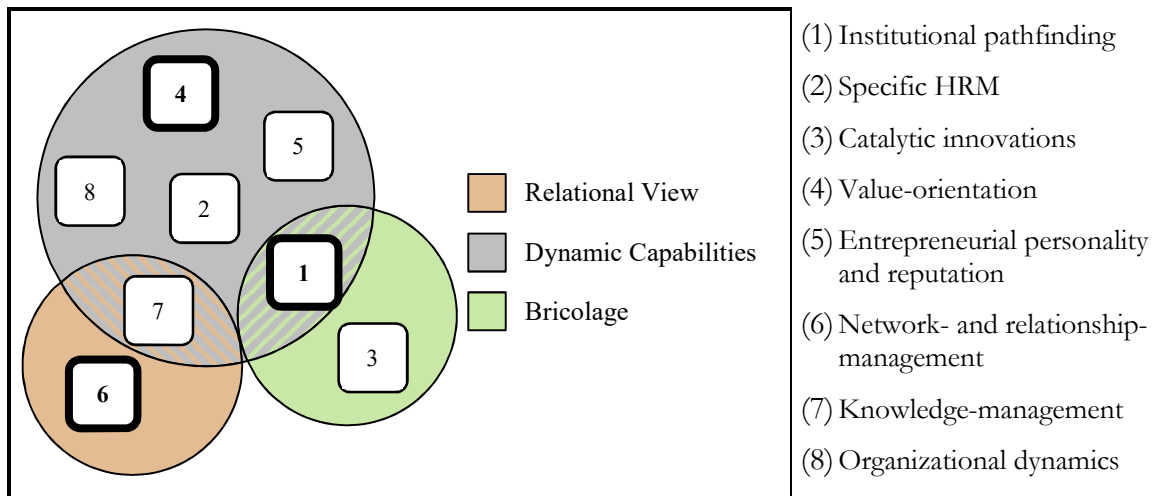
Discussing trends and gaps in the three primary aspects institutional pathfinding, value orientation, and network and relationship management first, lead to the proposition of the concepts of bricolage, DCs, and the RV respectively as most fitting concepts for closing gaps also in all connected secondary aspects in future investigations of hybrid businesses (see Figure 13).

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Table 19. Synthesized Framework of Gaps and Links to Proposed Concepts

Strategic aspect	Critical gap	Proposed link to bricolage	Proposed link to DCs	Proposed link to RV
(1) Institutional pathfinding	Attainment of either or both social and commercial goals while avoiding stakeholder ambiguity	<ul style="list-style-type: none"> - Improvisation to enable active pursuit of social purpose - Creation of social value - Stakeholder participation 	<ul style="list-style-type: none"> - Sensing and shaping opportunities - Seizing opportunities 	
(2) Specific HRM	Level and ratio of combined social and commercial expertise required to establish a functional organizational identity		<ul style="list-style-type: none"> - Seizing opportunities (building loyalty and commitment) - Transforming, managing threats 	
(3) Catalytic innovations	Key-factors of the social innovation processes	<ul style="list-style-type: none"> - Refusal to be constrained by limitations imposed by pervading environmental constraints in pursuit of social goal 		
(4) Value orientation	Designing marketing activities Prioritization of values		<ul style="list-style-type: none"> - Sensing and shaping opportunities 	
(5) Entrepreneurial personality & reputation	Impression management Contextual factors that drive the entrepreneur's decision making		<ul style="list-style-type: none"> - Sensing and shaping opportunities - Seizing opportunities - Transforming, managing threats 	
(6) Network- and relationship management	Social value as relational rent Types of cooperation Negative and positive effects of cooperation			<ul style="list-style-type: none"> - Relation-specific assets - Complementary resources and capabilities - Effective governance
(7) Knowledge management	Conditions for sharing or protecting knowledge		<ul style="list-style-type: none"> - Transforming, managing threats (knowledge management) 	<ul style="list-style-type: none"> - Knowledge sharing routines
(8) Organizational dynamics	If and when hybrid businesses transition from an experimental business to an established, strategizing organization Influences of institutions, size, and development in the business life-cycle on company structure.		<ul style="list-style-type: none"> - Transforming, managing threats 	

Figure 13. Framework of Synthesized Lenses for the Investigation of the Strategic Management of Hybrid Businesses



Within the sample literature, bricolage was the most-used lens in the sample, and is regarded as typical characteristic of hybrid businesses due to the common resource constraints that these companies face (Zhao & Lounsbury, 2016; Janssen et al., 2018; Kwong et al., 2017). The concept of bricolage is often considered “the most appropriate approach” (Janssen et al., 2018, p. 450) for investigations of hybrid businesses and it is therefore no surprise that several articles employed bricolage to study hybrid businesses. However, on closer inspection, bricolage offered to close gaps in only two aspects of the strategic management of hybrid businesses: Institutional pathfinding and catalytic innovations. Both aspects are essentially based on a necessity to ‘make do’ with what resources are at hand to pursue a social goal while staying financially independent, and develop innovations that lower costs and offer customers a product that creates social value. The development of catalytic innovation gives hybrid businesses the chance to provide customers and target groups in need with products and services that cannot be generated by solely commercial firms, thereby closing market gaps and gaining important competitive advantages. However, despite the use of bricolage as an analytic lens, others express criticism toward it as explanation for hybrid strategizing. Azmat et al. (2015), for example, state that while bricolage is helpful for this purpose to a certain extent, the dynamics of the utilization of tangible and intangible resources of hybrid businesses remains underresearched, which may further support a view of institutional pathfinding from a DCs perspective, and the general dominance that DCs had as proposed conceptual anchor for future investigations.

In this regard, the literature pointed to many connections to hybrid businesses’ DCs; so much so, that they were made to more than half of the identified aspects. Therefore, it is suggested that an investigation from a DCs perspective appears most promising to close gaps in institutional pathfinding, specific HRM, value orientation, entrepreneurial personality & reputation, knowledge management, and organizational dynamics. The identified gaps largely pertain to a shortcoming in explanations of how hybrid businesses sense and seize opportunities to reach their social goal while managing to remain financially independent, and adapt to changing environments and stakeholder demands. The reason for existence of every hybrid business is explained to be its value orientation. As such, extant studies focused on it as primary driver of

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business operations, and how it can be utilized to change markets and consumer behavior. The literature further showed, however, that (greater) social value creation itself does not constitute success in this endeavor (e.g., Albert et al., 2016). Rather, the dynamics of hybrid entrepreneurship need to be understood, when trying to understand resource acquisition and utilization in these companies. Here, most of the strategic tools applied in hybrid businesses seem to focus on the elimination or, at the very least, mitigation of tensions between the social and commercial orientation. However, it is necessary to understand how hybrid businesses can harness these tensions (Tantalo & Priem, 2016) that result from hybrid businesses' multiple value orientation, as multiple values require the sensing and seizing of both social and commercial opportunities. Future investigations, thus, need to study the analytical systems to learn and to sense, filter, shape, and calibrate such opportunities. However, while the literature often hinted at the dynamicity that hybrid businesses possess in their business processes (e.g., Dahles, Hervieux, Gedajlovic, & Turcotte, 2010), these connections remain tentative and mostly on the surface. This is perhaps due to the fact that the concept of DCs as well is not without criticism, particularly regarding its practical applicability (Laaksonen & Peltoniemi, 2018) which future studies need to account for.

Also, a relational view may offer valuable insights into closing the gaps of two aspects, network- and relationship management and knowledge management. Extant literature and their (largely missing) theoretical foundations neglect to illuminate the types of value that hybrid businesses can create as relational rent, conditions for positive and negative effects of cooperation as well as the specifics of knowledge protection of hybrid businesses. Although literature clearly establishes the importance of cooperation for its strategic management to achieve its mission (e.g., Kwong et al., 2017; Austin et al., 2006; Montgomery et al., 2012), studies fall short in explaining specific assets required to generate these rents, facilitate knowledge sharing routines between partners, and how complementarity between partners is assessed. Furthermore, it remains unknown how hybrid businesses govern these partnerships with different market actors (Montgomery et al., 2012), apart from some case studies with heterogeneous organizations. To close these gaps, the study thus asserts that it is necessary to study the relationships of different groups of relatively homogeneous hybrid businesses through the relational view.

The discussion revealed that two strategic management aspects may be covered by two conceptual and theoretical anchors. Beginning with institutional pathfinding, the efforts of hybrid businesses to deliver on social and commercial value more or less equally, posits unique challenges to its strategic management. An answer to the question of how hybrid businesses can pursue their multiple goals without appearing arbitrary or opportunistic may, on one hand, lie in bricolage. More specifically, it may be found in the way hybrids improvise in different situations and how the associated process of trial-and-error can help develop replicable management practices from experimentation. On the other hand, the concept of DCs puts this question into perspective, essentially by dividing it in two parts – the recognition of such opportunities, and their exploitation. More recent approaches try to extend the understanding of bricolage in this direction by arguing that it is especially essential for shaping opportunities (Janssen et al., 2018). This would also fit well with the aspect of catalytic innovations where it was argued that efforts to control possible spillover effects could lead to opportunities for new business models (Santos et al., 2015), although key-factors of the social innovation processes remain to date unknown.

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Therefore, an implication for future studies is investigating the usefulness of bricolage versus DCs as analytical lens for understanding strategizing of hybrid businesses better.

The second strategic management aspect with two proposed conceptual anchors to explain its gaps was knowledge management. With hybrid businesses, the literature hinted at a contradiction in the general understanding of knowledge protection as means to gain a competitive edge. From a DCs standpoint, it is argued that knowledge management is an essential part of a company's capacity to transform the organization and manage threats by building organizational structures for learning as well as knowledge transfer, integration, and protection (Teece, 2007). Similarly, the RV framework focuses on knowledge sharing routines, consisting of building partner-specific learning systems, and setting up transparent incentive systems that discourage free-riding by partners (Dyer & Singh, 1998). While the RV takes an external perspective, both concepts appear to largely overlap in their implications for organizational structures, which suggests that a study from both perspectives may produce similar (as of yet unknown) results to the question of how knowledge sharing may actually facilitate strategic management. This, as well, may be answered in future empirical investigations.

4.8. Conclusion

The strategic management of hybrid businesses is an emerging topic that still lacks theoretical anchoring, as scholars increasingly seek to understand this developing field of research. To move toward theoretical anchoring, this literature review set out to study the gaps and trends in extant peer-reviewed publications and, based on the results, offer a framework of conceptual and theoretical lenses that potentially closes these gaps. In doing so, this work overall contributes to the advancement of research on hybrid businesses. More specifically, the study provided a framework of interconnected primary and secondary aspects that jointly determine the strategic dimension of hybrid businesses. Furthermore, building on the highlighted gaps, the review led to the proposition of three conceptual anchors, bricolage, DCs, and RV, which future studies now can and should investigate empirically to better understand strategic management of hybrid businesses. As an aside, the review also asserts that data gathered directly from entrepreneurs of such businesses may provide rich information as he or she is often depicted as central to the vision and strategic decision making of hybrid businesses. Already from a DCs perspective, the entrepreneur has great influence on the organization's sensing, seizing, and transforming capacity.

Like any study, the present paper has some limitations that should be addressed. First, the terminologies used throughout literature are often highly inconsistent and some labels also entail partially different meanings, which made screening the final literature sample especially complex and risked leaving out essential publications. However, the core constituting aspects appear to have been sufficiently identified with eight distinct, yet interconnected elements. While the framework covers the most prominent aspects of strategic management of hybrid businesses, the depicted connections remain tentative on the basis of implied relationships throughout the examined literature. Future studies could therefore try to validate the proposed connections empirically and refine the framework accordingly. Furthermore, although the sample size was rather small due to the relatively low number of publications in the selected time frame, it provided the investigation with highly current information. In terms of the proposed conceptual lenses, the study derived its argumentation from the RBV, which today serves as nucleus for

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further, more refined lenses. While the argumentation aimed to be plausible, it does not imply that other, theoretically independent concepts may not be able to deliver additional or alternative answers to the identified gaps. In fact, this study explicitly calls for such investigations to enrich the ongoing academic discussion.

As expected, there is no single concept in strategic management that offers ‘the best’ lens for understanding the strategic management of hybrid businesses, even if some appear more valuable than others for such purposes. The literature overall shows that research on hybrid businesses has gained momentum and may be on the cusp of entering the paradigmatic stage of development.

5. Dynamic Capabilities and Survivability of Social Enterprises: A Qualitative Analysis of Sensing and Seizing Capacities¹⁴

Co-authored with Rüdiger Hahn

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5. Dynamic Capabilities and Survivability of Social Enterprises: A Qualitative Analysis of Sensing and Seizing Capacities

5.1. Introduction

Society increasingly prioritizes sustainability and by extension, expects entrepreneurs to create sustainable value (Klettner, Clarke, & Boersma, 2014). In this regard, social enterprises¹⁵, defined as organizations that “pursue a social mission while engaging in commercial activities to sustain their operations” (Battilana & Lee, 2014, p. 399), operate alongside regular commercial enterprises. These companies create solutions for societal challenges that neither the market provides nor governments address sufficiently (Estrin, Mickiewicz, & Stephan, 2016), and their number, as well as research in this context, is increasing (Doherty, 2011; Doherty et al., 2014).

Studies have long viewed social enterprises from a mainly nonprofit perspective (Short et al., 2009). Although expectations may have changed to some degree, companies must still be able to survive in commercial environments, and for social enterprises, the requirement to capitalize on their business model is vital to meet their social goals (Eriksson, 2014). Thus, when aiming to gather insights into social enterprises on the market, looking at these companies as regular, commercial enterprises makes sense. Accordingly, several scholars argue that theoretical lenses applied in the realm of commercial entrepreneurship are as suitable for researching social enterprises as for any purely profit-oriented company (e.g., Austin et al., 2006; Dacin et al., 2010; Short et al., 2009).

Interestingly, however, research on social entrepreneurship is widely detached from entrepreneurship research (Dacin et al., 2011) which might also explain why research in the field of social enterprises seldom focuses on elemental questions of strategic management (for few notable exceptions, see, e.g., Liu et al., 2015; Roy & Karna, 2015). Thus, insights into the actual managerial and organizational specifics that support the survivability of social enterprises in free market economies are scarce. This lack is especially notable, as social and commercial enterprises need to recognize and capitalize self-sufficiently on market opportunities. However, differences in the social and financial missions, stakeholder expectations, and challenges in acquiring resources requires a more balanced management of these missions in social enterprises (Austin et al., 2006).

By building upon an analysis of 18 cases of social enterprises from different sectors in Germany, we aim to illuminate how social enterprises secure their survivability in these environments. During the initial, inductive coding of the data, we found characteristics typically associated with dynamic capabilities (DCs)—a concept in strategic management that seeks to explain a company’s ability to sense and seize opportunities, and adapt organizational structures accordingly (Teece et al., 1997). Previous literature on social entrepreneurship seems to indicate that entrepreneurs in social enterprises might have a special ability to sense opportunities and manage resources, driven by a strong ethical fiber (Moss et al., 2011), to cope with resource scarcity or to create new resources to dynamically react to given situations (Bacq & Janssen, 2011; Doherty et al., 2014). Thus far, however, discussions about entrepreneurial opportunities mostly focus on commercial companies; therefore, the implications of DCs in the context of social enterprises still require investigation (McDermott et al., 2018). Although DCs can be considered particularly important to social enterprises (Vickers & Lyon, 2014), little is known about the

¹⁵ Other terms such as *hybrid business*, *social business*, *social ventures*, and *conscious capitalism* are currently in contemporary currency. In this paper, we refer to the umbrella term of social enterprises and include insights from the domains of hybrid entrepreneurship, social business, etc., following Battilana and Lee (2014).

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interplay between DCs and the reasons that allow social enterprises to address challenges in survivability in their quest to pursue a social mission while generating revenue necessary to do so. After realizing that DCs constitute a core aspect of a social enterprise's efforts to harness or mitigate tensions, we thus ask: How do dynamic capabilities facilitate the survivability of social businesses?

Abductive reasoning appears to be suited best to this context, as this method allows for and builds on a priori theoretical constructs to guide the investigation (Timmermans & Tavory, 2012). To that end, we investigate insights from 18 social enterprise cases from various sectors in light of the DC framework constituted by Teece (2007) and discuss them in comparison to established knowledge to deliver propositions. By doing so, we answer the call to extend frameworks used in strategic management and entrepreneurship literature to social enterprises (Dacin et al., 2011), contribute to the theoretical understanding of the survivability of ventures that constantly face tensions, and add to progress in an interesting and growing domain (Doherty et al., 2014; Short et al., 2009).

This paper is organized as follows: In the second section, we briefly review studies on DCs and follow up with their context for social enterprises. In the third section, we illustrate the method of abduction and its application to interview data from founders of German social enterprises. In the fourth section, we present our findings. In the fifth section, we discuss the results by reflecting and abstracting findings against the background of DCs. Through that process, we formulate propositions for how DCs facilitate survivability of social enterprises. Based on this discussion, in the sixth section we present policy implications for DCs as facilitators of social enterprise survivability. In the last section, we close the investigation with a conclusion, entailing contributions, limitations, and further research avenues.

5.2. The Case for DCs in Social Enterprises

In the following, we first elaborate further on the concept of DCs to set the conceptual anchor for the investigation. Then, we focus on two recurring themes in the discussion about survivability of social enterprises, which leads to a closer investigation in the context of DCs: tensions and the role of stakeholders.

5.2.1. Dynamic Capabilities

DCs explain a company's competitive (dis)advantage (Jurksiene & Pundziene, 2016) and come from "the firm's ability to integrate, build, and reconfigure internal and external competences to address rapidly changing environments" (Teece et al., 1997, p. 516) by "purposefully creat[ing], extend[ing] or modify[ing] its resource base" (Helfat, 2007, p. 1). DCs are firm-specific, which is why they cannot be bought (Barreto, 2010; Bowman & Ambrosini, 2003). Although most definitions of DCs center on management in volatile and rapidly changing environments (Eisenhardt & Martin, 2000; Teece et al., 1997; Wang & Ahmed, 2007), wider interpretations often regard DCs as a delimitation of substantive capabilities (e.g., Vivas López, 2005; Winter, 2003; Zahra et al., 2006; Zott, 2003). Several authors note that DCs, in terms of operational routines and business activities, are also relevant in stable environments due to the inherent unpredictability and ambiguity, and because many companies operate in more than one market (e.g., Eisenhardt & Martin, 2000; Eisenhardt et al., 2010; Zollo & Winter, 2002). Regarding the

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creation of DCs, to date, the literature has been inconclusive. The principal discussion revolves around whether companies can potentially possess DCs when the company is founded or whether they develop during the company's life cycle (Winter, 2003; Zahra et al., 2006; Zollo & Winter, 2002). Other scholars change perspective and focus on the source. For instance, Zahra et al. (2006) hint at the importance of upper echelons by defining DCs as "the abilities to re-configure a firm's resources and routines in the manner envisioned and deemed appropriate by its principal decision maker(s)" (p. 918).

For the present study, we specifically reflect Teece's (2007) seminal work on the foundation of DCs and business performance of social enterprises, as this work offers a broad perspective without singling out particular sectors or situations. Teece's (2007) framework proposes three capacities that jointly "sustain the evolutionary and entrepreneurial fitness of the business enterprise" (p. 1322): sensing and shaping opportunities, seizing opportunities, and managing threats and reconfiguring company assets (Hodgkinson & Healey, 2011). Opportunity, in this regard, is discussed in the perspectives of recognition, discovery, and creation (Sarasvathy, Dew, Velamuri, & Venkataraman, 2010) and on a higher level of aggregation, is defined as a desired future state that is believed to be achievable (Austin et al., 2006). DCs are further defined by their microfoundations. Sensing describes processes for perceiving and anticipating movements in the market regarding customer needs and technological advances. Seizing relates to a company's organizational structure and business processes that enable the company to dynamically react to changes and capitalize on the business model. The microfoundations of transformation seek to (re-)align tangible and intangible assets to facilitate and promote change in the organization. Overall, DCs are not constituted through possession of single elements within these microfoundations but through the interaction and orchestration of the elements (Teece, 2007). Table 20 provides an overview of this framework.

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Table 20. Foundations of Dynamic Capabilities (Teece 2007, p. 1342)

Capacities	Sensing	Seizing	Managing threats/transforming
Micro-foundations	Analytical systems (and individual capacities) to learn and to sense, filter, shape, and calibrate opportunities.	Enterprise structures, procedures, designs and incentives for seizing opportunities	Continuous alignment and realignment of specific tangible and intangible assets
Elements	Processes to direct internal R&D and select new technologies	Delineating the customer solution and the business model <ul style="list-style-type: none"> • Selecting the technology and product architecture • Designing revenue architectures • Selecting target customers • Designing mechanisms to capture value 	Decentralization and near decomposability <ul style="list-style-type: none"> • Adopting loosely coupled structures • Embracing open innovation • Developing integration and coordination skills
	Processes to tap supplier and complementor innovation	Selecting decision-making protocols <ul style="list-style-type: none"> • Recognizing inflexion points and complementarities • Avoiding decision errors and anticannibalization proclivities 	Governance <ul style="list-style-type: none"> • Achieving incentive alignment • Minimizing agency issues • Checking strategic malfeasance • Blocking rent dissipation
	Processes to tap developments in exogenous science and technology	Selecting enterprise boundaries to manage complements and ‘control’ platforms <ul style="list-style-type: none"> • Calibrating asset specificity • Controlling bottleneck assets • Assessing appropriability; • Recognizing, managing, and capturing cospecialization economies. 	Cospecialization <ul style="list-style-type: none"> • Managing strategic fit so that asset combinations are value enhancing
	Processes to identify target market segments, changing customer needs and customer innovation	Building loyalty and commitment <ul style="list-style-type: none"> • Demonstrating leadership • Effectively communicating • Recognizing non-economic factors, values, and culture 	Knowledge management <ul style="list-style-type: none"> • Learning • Knowledge transfer • Know-how integration • Achieving know-how and intellectual property protection

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5.2.2. DCs as Means of Harnessing Tensions in Social Enterprises

Social enterprises face tensions between the enterprises' multiple identities (Smith et al., 2013; Kannothra, Manning, & Haigh, 2018), and conflicts may arise, when the social and financial sides of the business model collide (Smith et al., 2013). This collision may lead to an ambiguous image in the eyes of stakeholders (Billis, 2010), resulting in challenges in accessing and mobilizing tangible (Desa & Basu, 2013; Austin et al., 2006; Kannothra et al., 2018), financial, and human resources (Doherty et al., 2014). Ultimately, these tensions can lead to the breakup or paralysis of the organization (Pache & Santos, 2010).

However, managing multiple identities can also offer chances to secure survivability (Doherty et al., 2014), serve the company's development, and even foster company DCs, as resulting tensions cannot be faced or harnessed with ordinary substantive capabilities (Graetz & Smith, 2008). When managed effectively, tensions do not escalate into conflict, and the existing multiple identities provide the company with flexibility and harmony within the organization (Costanzo et al., 2014).

However, although in the literature several theoretical mechanisms are discussed that aim to explain multiple identities in social enterprises, only a small focus is on the actual management of these identities (Smith, Knapp, Barr, Stevens, & Cannatelli, 2010). The capability of pursuing multiple goals constitutes "a mediating variable between dynamic capabilities and firm competitive advantage" (Jurksiene & Pundziene, 2016, p. 442) and is specifically "necessary for hosting multiple contradictory structures, procedures, and cultures within the same firm" (Tushman & O'Reilly, 1996, p. 24). In other words, to manage these tensions, companies need to be able to react dynamically to the tensions (Schad, Lewis, Raisch, & Smith, 2016).

Although tensions will always be present in any type of organization (Schad et al., 2016; Lewis & Smith, 2014), it is very important for social enterprises to dynamically react to tensions to secure company survivability due to the promise of such ventures to provide social and economic value (Hockerts, 2006). Thus, studying DCs in the context of social enterprises may prove especially relevant and fruitful for uncovering the mechanics behind managing multiple identities.

5.2.3. The Role of Stakeholders in Social Enterprise DCs

Another important viewpoint on the role of DCs in the performance of social enterprises is the integral role of stakeholders and the networks that often result from regular exchanges. Networks of stakeholders can be considered a defining aspect of social enterprises (Kwong et al., 2017; Meyskens, Robb-Post et al., 2010; Kolk & Lenfant, 2016). These companies are often highly interconnected (Battilana & Lee, 2014) and make extensive use of the resulting networks (De Carolis & Saporito, 2006), enabling the companies, for example, to find new and inexpensive ways of accessing resources (Newth, 2016), thus supporting company survivability. Managing these networks becomes especially relevant for social enterprises, because the companies use the networks regularly to develop strategy and avoid mission drift (Doherty et al., 2014), and to gain access to knowledge (Zheng et al., 2011; Dyer & Singh, 1998), contributing to the businesses' capability to dynamically manage competing demands (Smith et al., 2013). Networks are also said to facilitate DCs (Blyler & Coff, 2003). Furthermore, markets for social enterprises are considered limited with groups of niche clients. However, in recent years, many social enterprises seem to have extended their reach and increasingly expanded to mainstream markets (Vickers

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& Lyon, 2014), with new sets of stakeholders and new expectations. Due to the collaborative nature (Richards & Reed, 2015) and the potential effect that stakeholders have on company DCs, a more thorough investigation also promises valuable insights.

In this paragraph, we briefly summarize the hitherto developed theoretical and conceptual thoughts. Central themes in the investigation of social enterprises' DCs concern the need for sensing and seizing social and commercial opportunities to drive company survivability in the face of organizational tensions, and the role stakeholders play in the management of multiple identities. Although tensions between the company's social and commercial mission may endanger the company, they should (and can) not be avoided as the effective management of company DCs offer ways to harness these tensions. To do so, social enterprises rely on a vast network of stakeholders. These networks offer support for sensing and seizing social and commercial opportunities and achieving a delicate balance in the mission, which makes clear-cut and ready-to-use procedures hard to design and implement, thus placing high demands on an organization's DCs. In the following, we present our approach for investigating company DCs as means to secure the survivability of social enterprises.

5.3. Method

5.3.1. Research design

Our research approach followed an abductive logic. Described as coming “from the insight that most great advances in science neither followed the pattern of pure deduction nor of pure induction” (Spens & Kovács, 2006, p. 374), abduction can be considered closer to induction than to deduction. Nevertheless and compared to true induction, the researcher relies more strongly on theory in the investigation process (Dubois & Gadde, 2002). Through abductive reasoning, one seeks to amalgamate the critical rationalism (Popper, 2008) that comes from established theories with the positivist paradigm found in empirical data (Hume, 1995). Balancing established theoretical conceptualizations with empirical evidence, though difficult, is necessary for high-quality research (van Maanen et al., 2007). As, furthermore, abduction aims at “generating novel theoretical insights that reframe empirical findings in contrast to existing theories” (Timmermans & Tavory, 2012, p. 174), we deem an abductive approach to be the most fitting for our purpose to investigate the facilitating role of DCs in social enterprises' survivability.

A multiple case study research design is especially appropriate for investigations of real-world phenomena that are too complex for surveys or experiments and that require an in-depth understanding to answer “how” and “why” questions when there is no need for control of behavioral events (Runfola, Perna, Baraldi, & Gregori, 2017; Yin, 2018). Case studies allow for contextualized comparisons and conceptual refinements that take into account the peculiarities of the observed phenomena, while statistical methods potentially run the risk of marginalizing these peculiarities for the sake of gaining larger sample sizes (George & Bennett, 2005). Case studies can be criticized for a lack of generalizability due to too many contextual factors (Welch et al., 2010). However, the management of social businesses is shaped by contextual factors such as personal reasons, problems in society, or the environment, which is why these contextual factors can be deemed especially important in social enterprises (Katre & Salipante, 2012).

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5.3.2. Data Collection

The 18 case companies in the sample were identified during a research project on social enterprises as conforming to the general picture of such ventures, that is, businesses that “pursue a social mission while engaging in commercial activities that sustain their operations” (Battilana & Lee, 2014, p. 399). We conducted two interviews at almost all companies¹⁶ at intervals of about one year to gather insights into the respective business model, the companies’ missions and goals, and their development. Individuals play an important role in the embodiment of microfoundations (Pentland, Feldman, Becker, & Liu, 2012), which are often dependent on the principal decision makers (Zahra et al., 2006). Furthermore, as social entrepreneurs are regarded as key figures and advocates of the company (Wry & York, 2017), we define the social entrepreneur as unit of observation, and the social enterprise as unit of analysis. We gathered data from semi-structured interviews with the founders of German social enterprises, as presented in Table 21. Targeting the founders enhances reliability, as these informants are equipped with in-depth knowledge of their respective businesses and are able to provide insights into the underlying motives and goals. We used open questions (see Appendix B for the interview guide).

¹⁶ Two of the case companies were not available for the second round of interviews. Both companies were still in operation. The two founders could not accommodate another interview due to time restrictions and because numerous researchers had approached them in the past. Nevertheless, we included these two cases in the analysis because the first round of interviews and the secondary material included rich data with relevant insights for this paper.

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Table 21. Case Companies and Data Description

Case	Location	Founded	Employees	Description of Company Missions	Interview 1	Interview 2
A	Kassel	2011	1 - 5	Commercial mission: Marketing of beanies/woolly hats for modern consumers and youngsters. Social mission: Beanies crocheted by elderly women allowing to promote intergenerational contact and positively engaging the elderly. Proceeds largely go to projects and activities in the retirement homes.	18 min.	57 min.
B	Kassel	2010	6 - 10	Commercial mission: Production and supply of drinking water. Social mission: Decentralized processing at places with insufficient infrastructure for renewable energy at low cost	38 min.	54 min.
C	Berlin	2011	Ca. 100	Commercial mission: IT consultancy offering a variety of business solutions. Social mission: Employs only consultants with Asperger syndrome (autism), thus offering a self-sufficient life for the disadvantaged.	42 min.	38 min.
D	Frankfurt	2013	11 - 15	Commercial mission: Commission-based crowdfunding platform realizing above-market interest rates for investors. Social mission: Specializing in energy efficiency projects; helps finance such projects and, thus, improves energy efficiency.	31 min.	-
E	Augsburg	2010	6 - 10	Commercial mission: Commission-based online platform for trading a variety of products. Social mission: Presenting only sustainable companies and their products. In raising the publicity and attractiveness of these companies, E tries to push for a sustainable change of the economy.	28 min.	13 min.
F	Helm- brechts	2008	6 - 10	Commercial mission: Production and marketing of street- and sportswear brands for a modern lifestyle. Social mission: Production only with organic clothing and a sustainable supply chain.	28 min.	16 min.
G	Berlin	2010	6 - 10	Commercial mission: Production of high-quality mushrooms in urban basements. Social mission: By using discarded coffee grounds from restaurants, bars, etc. as nutrient medium, the company thus recycles otherwise wasted material and creates a resource-efficient and local production.	28 min.	26 min.
H	Berlin	2012	1 - 5	Commercial mission: Design and sales of aquaponic farms for the production of vegetables and fish. Social mission: Resource-efficient design of small production units fitted for use in households and small sites.	21 min.	15 min.
I	Berlin	2012	6 - 10	Commercial mission: Commission-based online marketplace. Social mission: Designed as a co-operative for trading organic and fair-trade goods.	27 min.	41 min.

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J	Berlin	2010	1 - 5	Commercial mission: Online platform for borrowing and buying used products. Social mission: Furthering trade between people in the neighborhood. The aim is to enlarge the service life of products.	57 min.	-
K	Berlin	2008	1 - 5	Commercial mission: Buying and selling spices. Social mission: Inexpensive supply from controlled, organic farming without intermediaries, thus also enhancing the income of producers.	34 min.	59 min.
L	Berlin	2008	6 - 10	Commercial mission: Agency, ordering and selling textiles. Social mission: Distributing organic and fair-trade fabrics and clothes. In offering collective orders, enabling young designers to procure small amounts of these fabrics.	43 min.	37 min.
M	Bonn	2009	1 - 5	Commercial mission: Seasonal gardens for rent in urban areas. Social mission: Making urban households more self-sufficient in the provision of food by providing them with prepared gardens and specialist advice from regional farmers.	37 min.	27 min.
N	Kiel	2011	1 - 5	Commercial mission: Educating prospective employees and arranging employment. Social mission: Cooperative bringing potential employees with disabilities and companies, designers, and sheltered workshops together to include them in the normal world of employment.	42 min.	26 min.
O	Munich	2011	16 - 20	Commercial mission: Provision of energy to private households. Social mission: Offering 100% green Energy. Additionally, with each new customer, O provides clean energy for one family in a developing country. The idea is to inspire people concerning global energy turnaround and facilitate the switch to renewable energies.	23 min.	43 min.
P	Munich	2011	6 - 10	Commercial mission: Sale of beer. Social mission: Sharing the 'social profit' with the neighborhood. The idea is to strengthen the local economy by selling simple consumer products.	30 min.	16 min.
Q	Freiburg	2006	1 - 5	Commercial mission: Shareholder corporation investing in a diverse portfolio agricultural value chains. Social mission: As citizen shareholder corporation supporting sustainable agriculture throughout the whole value chain in the region. The idea is to create sustainable regional structures through citizen participation.	28 min.	33 min.
R	Berlin	2010	6 - 10	Commercial mission: Commission-based, central marketplace for selected companies to reach a wider audience. Social mission: Trading based on special incentive systems for the placement of sustainable products. Education of consumers through a self-developed and easily comprehensible 'sustainability signal-light' that informs customers.	45 min.	37 min.

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The first round of questions targeted the nature of hybridity, the entrepreneur, and the business model in general. The questions helped to understand the business model, the values pursued, and plans for the future. At this stage, some scattered peculiarities came to the fore regarding the companies' flexibility and agility in business processes that prompted a second round of interviews. In the second round, we specifically investigated business processes, current developments in the company and in the market, collaborations, and so on. This two-stage process also helped identify, for instance, whether the companies still employed the same general mechanisms in their business processes and whether the previously identified peculiarities still persisted. Overall, the data from the 18 cases totaled 34 interviews. We triangulated this data to provide contextual factors and more accurate conclusions (Yin, 2018). Table 22 lists the main sources of the secondary material. The activities of most of the companies in the sample were extensively documented in company press releases, on social media platforms such as Facebook, online news, blogs, and similar outlets, because social enterprises often have a comparably visible profile due to the general interest in the societal goals of the respective businesses. We used the data from these sources to validate general consistency with statements made during the interviews and clarity regarding mission statements, attitude toward stakeholder groups or business conduct, and so on.

Table 22. Overview of Secondary Material

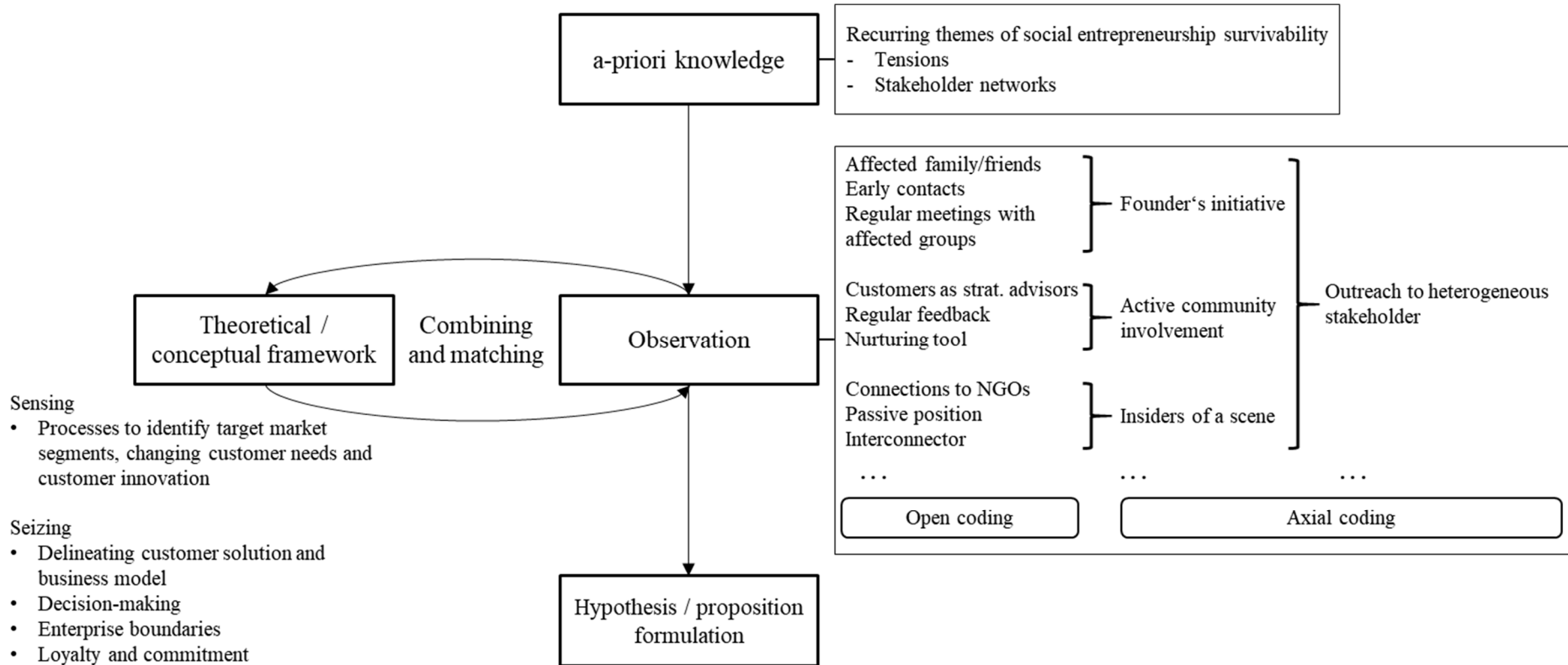
Case	Company Website	Company Social Media	Articles / News clips	Blog posts	Published Interviews	Videos
A	Yes	Facebook	2	-	-	1
B	Yes	Facebook	2	-	-	1
C	Yes	Facebook	2	1	1	1
D	Yes	Facebook	2	3	1	-
E	Yes	Facebook	1	4	-	1
F	Yes	Facebook	1	-	1	1
G	Yes	Facebook	2	1	1	
H	Yes	Facebook	1	1	-	1
I	Yes	Facebook, Twitter	1	1	1	-
J	Yes	Facebook	2	-	-	1
K	Yes	Facebook	1	2	-	-
L	Yes	Facebook, Twitter	3	1	-	-
M	Yes	Facebook	3	-	-	1
N	Yes	-	1	-	1	
O	Yes	Facebook	2	-	1	1
P	Yes	Facebook, Twitter	2	1	1	-
Q	Yes	Facebook	2	1	-	1
R	Yes	Facebook, Twitter	2	1	-	1
Σ	All 18		32	17	8	11

5.3.3. Data Analysis

We coded the data using qualitative analysis software MaxQDA. As the first step to lower the subjectivity to an acceptable level, two coders were assigned to code the transcripts (Barratt et al., 2011). Both coders are academics with experience in this area and used qualitative content analysis (Duriiau et al., 2007; Mayring, 2010) to analyze the material. The coding process itself consisted of testing, comparison, discussion, and retesting over different stages, which helped to reduce discrepancies in the coders' mental schemes (Seuring & Gold, 2012). During this process, the coding guidelines were gradually refined, based on the exchange and the aligned interpretations of the respective codes, which further increased internal validity. To ensure scientific rigor, abduction requires an iterative process in which phenomena emerging from induction are analyzed against the background of insights from literature (Reichertz, 2010; van Maanen et al., 2007). To identify these phenomena, the coders employed an inductive approach (Strauss & Corbin, 1991), as suggested by Timmermans and Tavory (2012) for abductive data analyses. Thus, the investigation began with an approach leaning toward the previously identified themes. Based on open coding, we identified first-order categories that expressed how the case companies addressed issues of survivability. For example, a recurring topic in the interviews was "handshakes" as means to either quickly seal a deal or indicate a loose agreement. We then grouped these expressions at their logical axis to form second-order themes. In this same example, the statements indicated a theme of informal cooperation between the parties. Along with other themes, we were able to derive corresponding aggregate dimensions—in this case "Collaboration management".

Afterward, we engaged in theoretical reflections of the data collected and a discussion of existing knowledge in the realm of DCs. Based on this reflection, we formulated propositions (Spens & Kovács, 2006) "to articulate broad sets of contingencies as directions and implications for further empirical research" (Cornelissen, 2017, p. 4). In doing so, we sought to add to a more diverse approach to theorizing (Delbridge & Fiss, 2013). Figure 14 illustrates the abductive investigation process as conducted in the present paper, including examples.

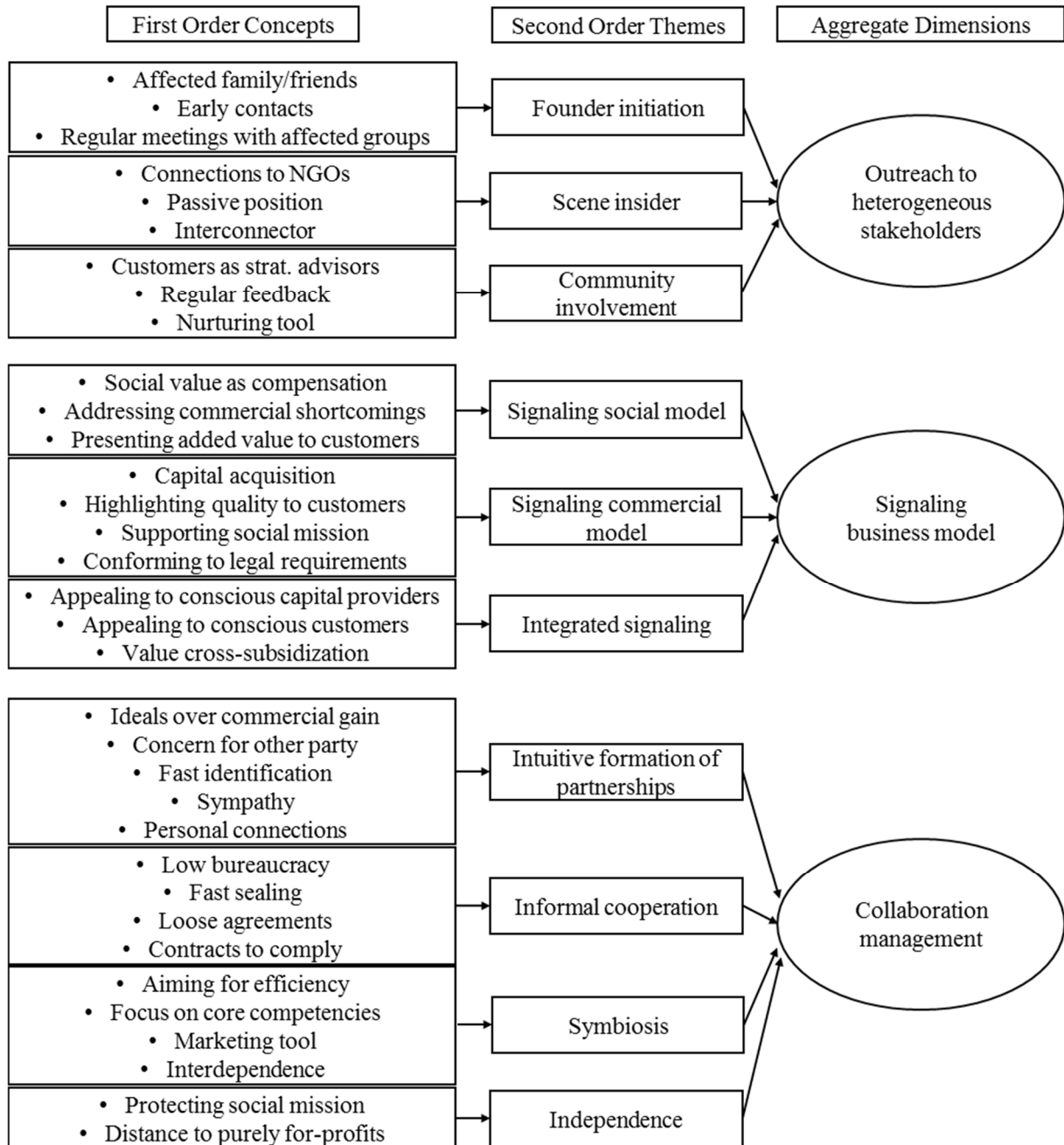
Figure 14. Exemplary Approach to The Study’s Abductive Research Process (Adapted from Spens And Kovács 2006; Dubois And Gadde 2002)



5.4. Findings¹⁷

In this section, we present the results of the analysis by highlighting prominent exemplary expressions that emerged from the analysis, before we use these insights to develop and discuss propositions on how DCs facilitate survivability in social enterprises in the next section. Figure 15 provides an overview of the findings and their themes and concepts.

Figure 15. DCs as Facilitator of Social Enterprise Survivability



¹⁷ All quotes were translated by the authors. Both authors are fluent in English and German.

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5.4.1. Outreach to Heterogeneous Stakeholders

The interviews revealed that the companies' efforts to actively tackle existing shortcomings of the market with their enterprises, especially in the early phases, relied largely on the founder's initiative and passion. Sometimes, the founders even initiated their idea as a project long before they developed a business model around the idea. Company A's founders personally visited retirement homes to inquire about needs of the elderly and to determine current demand and supply. Similarly, the founders of company K regularly visited their suppliers in their fields to inquire about the needs of the farmers and opportunities to introduce new spices or optimize production. At the same time, the managing team aimed to personally ensure that new and existing production processes comply with the company's sustainability values: "We want to know where it [the spices] comes from, so I go out there personally. In fact, at this very moment, Richard is in Greece with one of our new oregano famers" (founder, company K).

The founders also talked about the active involvement of the community in delivering new ways to address a societal problem through a financially sustainable business model. For example, in order to determine the quantity and quality of the required textiles, as well as current and upcoming trends in sustainable fashionwear, company L directly involved its customers who were mostly small designers. The company held discussion rounds before bulk-ordering specific amounts and types of fabric that satisfy as many customers as possible, while achieving affordable prices. The founder stated, "You just have to go and see, stay in contact. It is very important that you always remain in conversation with customers and market actors to see how everything is developing" (founder, company L). In other cases, the means for acquiring information on market developments can also be more traditional, indicating clear business mindsets, as in the case of company M: "We conduct customer surveys to see which vegetables they want or which ones are less popular" (founder, company M).

As part of a larger network of mission-driven organizations, information also flows directly to the companies without much effort, as many companies considered themselves insiders of an environment. For instance, by maintaining contact with nongovernment organizations (NGOs) that reached out to communities affected by drought or an unclear water supply, company B was constantly informed about developments in poor parts of the world so that opportunities to help underdeveloped communities through profitable projects were readily presented to the company. Similarly, the founder of company F stated, "Of course, we receive all the ideas from the activists; we do not have to think too much about that." The founder of company N further stressed this passive position: "Project planning depends on who is coming and wants to work with us." These companies, similar to several others in the sample, received information by acting as an interconnector between nonprofit and for-profit companies that often wanted to strengthen their social responsibility. Table 23 provides a brief overview of the illustrative quotes for the outreach to heterogeneous stakeholders.

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Table 23. Categories and Illustrative Quotes for Outreach to Target Group Needs

Example quotes
Founder's initiative “So, then we looked each other deeply in the eyes and said, ‘then we have got to do it ourselves, if nobody else does it’. And that was basically what got the stone rolling.” (G) “Against this background we asked: ‘How can we help each person who had the same fate? How can we make use of their potentials in a creative way and for their own sake? (...)’ That was the basic idea.” (N)
Active community involvement “We often enter discourses on different events to know how something has to be to make it authentic. This means, we have an open dialog with our consumers and interested parties.” (P) “We regularly conduct surveys to see how we can improve ourselves, and what we can give them to communicate this whole thing better.” (F)
Insider of scene “We gather our insights from everywhere. We get inspiration from the sport, from our team, but also from organizations such as PETA or Surfrider, who tell us about what’s missing in the market or what’s needed. It’s a collection of all possible influences, and we use them to develop new things.” (F) “It is important that we listen to the market. Things that work, things that do not work. So that we see where we can aim our efforts in order to enlarge our niche.” (B)

In sum, the entrepreneur’s initiative, the company’s establishment within an environment, and involvement of the community were common expressions of these companies’ efforts to quickly and inexpensively identify the needs of the companies’ target groups, based on close access to a multitude of stakeholders. Almost all interviewees agreed that with low budgets for market research, such a level of exchange is invaluable.

5.4.2. Signaling Business Model

Although all companies had different ways of conducting their business, the findings suggest that, based on certain contingencies, the companies selectively signal different aspects of their business model to address a heterogeneous stakeholder base. To signal their social business model, company A does not offer to directly pay the women crocheting their beanies but transfers large amounts of the proceeds from the sales to the respective retirement homes for residents to pursue projects and participate in events. Based on stakeholder criticism, the founder considered designing more formal enterprise structures by instead paying the women directly as employees but ultimately rejected the idea. The founder stated, “We asked the ladies, ‘What would you do if we paid you?’ Then they said, ‘I would be out. I would not do this anymore. I have worked long enough in my life.’” Communicating this back appeared to have solved the issue: “Then the whole topic practically solved itself” Thus, although the architecture essentially would not have changed (i.e., selling beanies and supporting elderly women), playing to the commercial side would likely have endangered the entire venture.

In another, more proactive example, company K used a chance to capitalize on the company’s social image by turning what commercial enterprises might generally consider a disadvantage into an advantage. The company ran out of stock after a positive blog post by a known internet personality. “We simply made it transparent: ‘Sorry, guys, we are sold out. You can cancel your order or wait until the end of January for the new harvest’” (founder, company K). The company

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then stressed its non-financial mission and actively communicated to customers that orders could not be fulfilled without risking the sustainability of the value chain. Although the company offered to cancel orders, the preorders actually increased to a record high. This was no coincidence but a clear strategic choice to offset commercial shortcomings: “We do not have a real budget for marketing. So far, our strategy was to win as many prizes as possible. We applied to many start-up contests, sustainability contests, which led to huge attention from the media” (founder, company K). Although not all founders were able to report on the immediate effects, the interviews made it clear that nearly all companies used an open, transparent communication, for instance, when addressing shortcomings in the companies’ commercial missions.

In other instances, the interviews showed that signaling the commercial aspects of the business models might be as important as signaling the social value to cater to mainstream market actors, such as financial stakeholders or customers, to be perceived as a commercial, professional business. The founder of company F also stressed how the for-profit side is presented to benefit the social mission: “For me, sustainability is on top, but it is a different story in marketing. For customers, it is actually less important. It is a nice add-on, but that is it” (founder, company F). Similarly, the founder of company C exemplified how he had to highlight being a professional and profitable business to serve the social mission in the end:

We have to make profits. We have to. (...) At the beginning, it was zero. But I had to go search for investors to expand [the social mission]. Then I found someone. A risk fund that only invests in social projects. However, these social projects must be designed in such a way that enables the company to generate sustainable financial returns. (founder, company C)

The founder also explained that the company’s customers valued the company’s commercial orientation:

Our business side must be presented as highly professional. There must not be a difference to any other IT consultancy. We also need people who know their market, who know project management; good leaders. It must function like clockwork. It just has to be good, because some think ‘social enterprise, well, I don’t know.’ And that is exactly what we need to avoid. The social image completely shifts to the background when we enter the real market. (founder, company C)

Finally, other companies provide examples of integrative signaling in the communication of sustainability goals along with the financial goal, where the simultaneous visibility of both missions served the company’s survivability. Company H, for example, needed to be able to attract investors and customers who value the social and commercial mission: “It is paramount for us to anchor sustainability into the company’s philosophy. In the end, we must be able to present that our highest maxim is not only profit maximization but also the social value added that comes from our actions” (founder, company H). Aiming to lead by example, company Q offers investors and customers a holistic value proposition: “That’s why we are an incorporated company, the classic instrument, [through which we aim] to enrich the management domain so that social and ecological performance is understood as economic performance” (founder, company Q). To do so, the company’s supervisory board dynamically evaluates the financial return and social gain of projects. Then, “these opposites are combined in [our company] to achieve a balance” (founder, company Q). As a final example, the founder of company D stated,

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“The topic of marketing/CSR is becoming more and more important for companies and that is why we also see ourselves as a communication tool so to say, to carry the image of sustainability management to the outside world and the immediate environment.” Table 24 contains further exemplary quotes for signaling the business model.

Table 24. Categories and Illustrative Quotes for Signaling Business Model

Example quotes
Signaling social mission “Our customers can always tell us ‘here, this is great, this is not so great’ (...) we are able to communicate openly when something does not go as planned. Everything is open and honest.” (M) “(...) It is about fair internal treatment, but of course also with partners and customers to make sure that tomorrow customers still want to buy spices, and that farmers can still cultivate their land, because we did not force them to produce double the amount last year.” (K) “There are a few voices from autism circles that view us with criticism and we invite them over to talk. Or in other words, we ensure that we take critical statements from Twitter, Facebook, via E-Mail or wherever they come from seriously and address them immediately (...). You have to react fast, because this can spread rather quickly.” (C)
Signaling profitability “First off, we are a regular online market place (...). You need good products that you can sell, but that is just what the market wants.” (I) “We are not aiming for profit maximization. That is only external. Of course, as a GmbH ¹⁸ we have to be profit-oriented, but in spirit, we want to achieve something.” (B) “For me, sustainability is on top, but it is a different story in marketing. For customers it is actually less important. It is a nice add-on, but that is it.” (F)
Integrative signaling “To produce high quality food cost-efficiently and resource-friendly.” (H) “If someone is convinced by our model, it is important to me that it is used that way. To search for and find investors that also value the thought of sustainability.” (E).

Overall, the interviewees described different means for overcoming barriers to acquiring capital and implementing the revenue architecture in the face of divergent stakeholder expectations. The companies dynamically identified stakeholders and selectively signaled the business models’ social objective and profitability or offered an integrated impression of both. Although all three options were available to each company, the range generally seemed to depend on the type of stakeholders involved in the access to capital, and whether customers are direct beneficiaries of the companies’ social goal.

5.4.3. Collaboration Management

All founders expressed that partners and their management are indispensable for company survivability. When asked about the most important element in their business, the founders’ answers followed the same path: “The network. [Company R] would not exist without all those Lego pieces” (founder, company R). Thus, we investigated the role of partnerships and their meaning for company survivability with social enterprises more closely.

¹⁸ German limited liability company.

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One common expression in the interviews was that building relationships revolved around intuitive identification of collaborators. Overall, the companies primarily looked for partners with the same ideals, with little regard for traditional, commercial considerations. The founder of company B, for example, expressed that there is usually genuine concern for the other party: “Basically, it is important to find the right partners so that both sides can live off that (...) the social side is more important to me than the financial – for my partners as well.” Interestingly, several interviewees highlighted that a fit is often identified within a very short time frame: “We met twice with them [partners] and it was almost immediately clear that the chemistry is right and that there is a lot of potential” (founder, company L). Several founders mentioned personal connections as the basis for quick decisions about collaborating. In company P, for example, partnerships were formed “very agile, so to say. Simply built on friendship” (founder, company P). The founder of company G explained, “I think we base it simply on a gut feeling.”

Throughout many interviews, it crystallized that the intuitive formation of collaboration projects was seldom based on strong financial considerations but on personal connection, trust, and sympathy for each other’s mission. The founder of company K, for example, vividly explained:

When we were introduced to each other and met, we talked for two hours about everything. Our ideas, what we have, what he has seen, what he has tried, how the paprika tasted that we just showed him, and what else he knows. Prices were only on the side. It was a topic, but it was never like, ‘Ok, let us haggle now.’ Instead, we always talked on this other level. (founder, company K)

The founder of company N provided an illustrative summary of such partnership formations:

These cooperation projects consist of willingness. Willingness to give something without expecting something in return immediately or at all. I believe that no other company can expect this. However, we can, because we are made of other material. Cost-benefit analyses in our business cannot be calculated based on traditional cost-benefit analyses. (founder, company K)

This indicates that non-financial elements replace, at least to some extent, the commercial value expected from partnerships, which may play to the commonly tight budgets and limited reach or market penetration with which social enterprises are associated. Lengthy cost-benefit analyses are generally avoided which allows quick identification of potential partners for creating value.

Along with the rules for identifying potential partners, most company founders described the partnerships that were eventually formed as simple and flexible. In almost all areas, cooperation projects were sealed very informally. Companies such as company I illustrate the low level of bureaucracy involved in the partnering process: “We do not really have formal agreements or partnership contracts” (founder, company I). Similarly, the founder of company E explained, “Basically, with everything that exists, there are no contracts. Only agreements.” Born out of like-mindedness, partnerships are sealed easily and quickly, and lead to lasting bonds, as the founder of company F explained, “Our partnerships are based on a handshake basis. In the end, every cooperation led to friendship over the years.” Although certainly more intricate in planning, every partnership starts with loose agreements, according to almost all of the founders. However, this informality does not exclude formal contracts entirely. Nevertheless, it quickly became clear that legal contracts were kept to a minimum and were used usually only in areas where the law requires them, as indicated by the founder of company L:

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When it is about regular orders, there are of course contracts, but when it is about coordinating what colors to choose, what level of quality and so on, then it is usually very informal, and nobody is bound to their word. (founder, company L)

This is surprising, as company L, like many others, is small and takes considerable financial risks every time when it bulk-orders fabrics, where everyone involved only loosely agrees to buy their share. This lack of formality can be found similarly in other companies, such as M: “With our agricultural companies, we do formalize contracts. However, when we move to marketing (...), we design everything more informally” (founder, company M). Thus, partnerships are kept as informal as possible, giving the companies agility secured mostly by promises to each other, as the relationships are based on the same goals and trust, instead of more costly contracts. The apparent mutual feelings of trust that the case companies exhibited furthermore appeared to accelerate the partnering process.

A driving motif behind the informal selection of partners was not only the ideological match but also independence in the pursuit of the business model, especially regarding protecting the social mission. The founder of company M explained:

One time, we even had a request from [an international fast food chain], where they wanted to raffle our vegetable gardens à la ‘see where our vegetables come from.’ But we refrained from that, because that obviously does not suit our company. (founder, company M)

Similarly, the founder of company K stated, “We only work with people with whom we are on the same page, because in the long run, that is better for everyone involved.” The interviewee explained why the company rejected a potentially very lucrative collaboration with a well-known German retail chain:

If we entered that deal, 80% of our profits would come from that, and we would have sold ourselves. Then they would have all the power to dictate everything, and in the end, money would decide. Before entering partnerships, we assess everything in detail and check all dependencies. (founder, company K)

The findings show that partnerships are formed quickly and inexpensively, based on trust and aligned incentives. Although the companies seek independence when choosing partners, the actual management of these partnerships, seemingly in contrast, often becomes very symbiotic. The founder of company M explained how collaborators are an integral part of the business, allowing the company to focus on core competencies:

Without these partners, we would not be able to do what we do. That is why we do not speak of ‘suppliers’ but actual ‘partners’. (...) Working with the farmers works so well, because everyone brings in their expertise. The farmers prepare the vegetable gardens and have the agricultural know-how and we bring the business know-how. (...) We want to have a relationship where we can tell the farmers: ‘Do what you do best—farming. You do not have to do marketing or sell the stuff under value. (founder, company M)

In the same vein, the founder of company illustrated how they “want to develop commercial relationships in a way that does not merely push prices, (...) but are instead aimed at longevity. To exist in a price segment where we are competitive and where everyone involved can make a living.”

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The previously identified ability to dynamically enter informal partnerships can also serve the companies' agility as different types of help can be acquired at different points in company development: "At the moment, that is what we need to develop our company" (founder, company H). When a company's reach is limited, partnerships are necessary "so that we are recommended to others" (founder, company L).

Additional prominent examples of collaboration management can be found in Table 25.

Table 25. Categories for Collaboration Management

Example quotes
<p>Intuitive identification of collaborators</p> <p>"Before deciding on working with a supplier or whatever, we hop into a plane or car and look into their company to see, for one, whether the personal level fits, (...) is it a good company? Do we really want to work with them? Do they match our company philosophy?" (H)</p> <p>"What is important, is the sympathy and direct arrangements with the people. People are very important." (I)</p> <p>"When there is someone on the other end of the line giving you really great information on their business model, how he does what he does, how he builds it, and you develop family-like ties with them, you can simply trust them." (F)</p>
<p>Informal cooperation</p> <p>"Our cooperation projects that were born out of engagement and like-mindedness do not have that formal character." (N)</p> <p>"With us, everything starts with a handshake." (H)</p> <p>"We barely have anything that was made concrete—apart from the brewery with which we are working together, but that is obvious." (P)</p>
<p>Independence</p> <p>"We really want to make sure that the value chain remains in our control" (H)</p> <p>"Our business statutes dictate that we only work with fair partners that help us build a long-term oriented company." (I)</p>
<p>Symbiotic relationships</p> <p>"I don't think that our cooperation will ever dissolve, because we've grown together." (F)</p> <p>"We want to have a relationship where we can tell the farmers: 'Do what you do best—farming. You do not have to do marketing or sell the stuff under value. We will buy everything, and that is all.'" (K)</p> <p>"(...) we want to develop commercial relationships in a way that does not merely push prices, (...) but are instead aimed at longevity. To exist in a price segment where we are competitive and where everyone involved can make a living (L)</p> <p>"We design everything together and also want our partners to profit from our activities. We market the product and help with advertising for our partners, so that their other products can be sold as well." (M)</p>

Overall, it is evident that integrating partners is a vital constituent of the social enterprises' survivability. As the interviews revealed, the need for partners is identified intuitively, based on the same ideals. Partners are expected to contribute more to the social mission than to the commercial mission, which is especially advantageous as social enterprises can rarely compete in terms of financial attractiveness. Thus, extensive searches for ideal partners do not appear to be necessary. Entering these partnerships, furthermore, is highly unbureaucratic, giving the company flexibility, saving time and costs. At first glance, a contrast can be observed regarding the

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companies' aspirations for independence on one side and the symbiotic integration of partners on the other. This contrast, however, is because the case companies generally refuse partnerships that might detract from the social mission, while accepting deeper connections with others, if these partnerships promise to push the social mission forward and expand the company's reach. At the same time, these partnerships often come at no or very low costs with partners that aim at the same goals. Thus, the agile integration of partners into social enterprises' operations helps mitigate the effects of low budgets and the often-associated lack of options in finding partners.

5.5. Discussion

The present study set out to investigate how DCs facilitate the survivability of social enterprises in the face of tensions that exist between the social and financial missions. The results revealed three drivers with which social enterprises face these challenges: outreach, selective signaling, and collaboration management. In this section, we abstract and organize the findings in light of the DC framework conceptualized by Teece (2007) and offer propositions for the survivability of social enterprises.

5.5.1. Sensing Opportunities through Outreach

As specified by Teece (2007) and depicted in Table 20, sensing opportunities concerns a company's "analytical systems (and individual capacities) to learn and to sense, filter, shape, and calibrate opportunities" (p. 1342). Of note here is that Teece actually describes two microfoundations as the source for DCs—analytical systems and individual capacities, for which the data may provide separate insights for social enterprises, as we will explain. First, however, we gather that three of the four microfoundation elements of a company's analytical systems to sense opportunities (see again in Table 20) were practically nonexistent in the case companies. These elements focus largely on directing internal and tapping external research and development. This absence could indicate a disadvantage in the company's survivability, as none of the case companies relied on technological advances to create an ecosystem for sensing opportunities (e.g., interlinked planning and control systems) to enable fast reaction and flexible adaptation. However, the sample companies appear to have employed alternative modes for sensing opportunities by instead focusing on designing networks for communication and on facilitating direct, personal interactions between the company and other market actors to build trust and facilitate an ecosystem that encourages rapid feedback from stakeholders.

Looking closer into the meaning of communication and acquisition of knowledge for social enterprises, Wry and York (2017) explain that opportunity recognition in such companies hinges on the entrepreneur's previous knowledge and relationships. Johannisson (2016) notes that relationships themselves are a vital source for (new) knowledge. Furthermore, knowledge is described as "the most distinctive and inimitable strategic asset available to firms" (Nieves & Haller, 2014, p. 225) and is considered the main ingredient of DCs (Denford, 2013). As established, social enterprises pursue a plethora of multifunctional relationships, which consequently indicates that social enterprises have broad access to vital knowledge about market developments and stakeholder expectations.

Unsurprisingly, the findings support the notion that the motivation to establish a social enterprise comes from the entrepreneur's perceived lack of a market-based solution to a problem in society

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(Corner & Ho, 2010; Di Domenico et al., 2010). Often an insider, the entrepreneur establishes first contacts within the environment of the affected groups to lay the foundation of the social enterprise and the basis for its communication network. Here, the findings offer some clarifications on the discussion about where DCs for recognizing opportunities in social enterprises are rooted. Specifically, although the founder's initiative is undoubtedly a driving force behind at least the initial recognition of opportunities that lead to the founding of the company in the first place, the community largely regularly puts forward new issues to address, and with them, opportunities to pursue. Although research thus far has paid little attention to the meaning of these two sides of opportunity recognition in social enterprises, there have been clues in literature. For instance, Peattie and Morley (2008) note that too much emphasis is put on characteristics of social entrepreneurs, rather than management teams, their specific competencies, and stakeholder engagement. Among the few to conceptualize the importance of, for example, activists and beneficiaries as direct providers of opportunity is Hockerts (2006). McAllister, Ellen, and Ferris (2016) furthermore explain that although opportunity recognition in general hinges on individual characteristics, contextual factors are equally important. Individuals take advantage of their insider knowledge but also need to be able to react to cues from their environment. As became evident in the interviews, the environment in social enterprises largely consists of a very vocal and active set of informants and activists, which likely value building a basis of informants more highly for the survivability of social enterprises than for commercial enterprises.

Although certainly all companies recognize the importance of networks for many reasons, as shown, social enterprises can rely on a broad base of devoted informants, consisting of directly or indirectly affected target groups, nonprofits, commercial enterprises seeking to bolster their image, and sustainability-conscious customers. Consequently, dynamicity and the need to adapt to change result from new and changing customer and stakeholder demands in terms of new levels of social and ecological awareness that are directly put forward by these stakeholders. These informants provide the company with simple, free, and quick means of sensing, as well as shaping market opportunities. We frame this situation as 'passive communication,' when the focal company employs stakeholders as monitors that provide feedback about current market developments. With such passive communication, the company merely provides structures for communication instead of actively seeking out information (e.g., by providing rooms for self-help groups meetings which they then also attend as regular participants). Based on these explications, we thus offer our first proposition:

Proposition 1: Social enterprises facilitate survivability through passive communication with stakeholders, which allows inexpensive and direct access to information about (changing) needs of target groups and market segments.

5.5.2. Seizing Opportunities

A vital part of any business model is setting a goal and mechanisms to capture value (Amit & Zott, 2015). Throughout the interviews, it became apparent that building connections is important not only for sensing and for shaping opportunities but also for the companies' capacity to seize opportunities. According to Teece (2007), the capacity to seize opportunities is based on the company's structures, procedures, designs, and incentives. These microfoundations, in turn, depend on how the company delineates its customer solution and business model, comes to

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decisions, defines its enterprise boundaries, and builds loyalty and commitment (cf. Table 20). In the following, we abstract our empirical insights to the seizing capacity and discuss how signaling and partner management facilitate survivability of social enterprises.

5.5.2.1. Seizing Opportunities through Selective Signaling

The findings suggested that the social enterprises were able to harness the tensions that came from the inherently different stakeholder expectations by addressing them dynamically, stressing either the social or financial business model, or presenting an integrated picture. Social enterprises operate in commercial markets and must be able to cater to a broader stakeholder base than simply those that are socially aware. It is widely undisputed that the multiple missions of social enterprises can be managed (Doherty et al., 2014; Pratt & Foreman, 2000; Smith et al., 2010), and Katre and Salipante (2012) have shown in that regard that only social enterprises that are able to employ selective behavior can survive.

As many scholars have pointed out, social enterprises are not very attractive to the general capital markets (e.g., Smith et al., 2013; Doherty et al., 2014), potentially putting funding for operations in danger and with it, company survivability. Reasons include the associated inefficiencies for maximizing a commercial mission or self-imposed restrictions of social enterprises concerning where generated surpluses flow to (Austin et al., 2006). Based on the interviews, it appears, however, that this issue may be only minor, as access to (commercial) capital markets was reportedly easier for those companies that primarily communicated their commercial revenue architecture. Furthermore, most of the companies that primarily engaged in social signaling made it clear that commercial collaborations were equally unattractive to these companies due to the explicit efforts to remain independent in their pursuit of the overarching social mission.

However, a seemingly arbitrary orientation toward social and financial stakeholders can lead to unease in and distrust by stakeholders (Billis, 2010), potentially achieving the opposite of what was intended. The case companies accounted for this by explicitly stressing particular sides of their business model, depending on which stakeholder groups were involved. For instance, a social delineation of the same business model was presented to secure legitimacy especially when confronted with stakeholder criticism. Interestingly, however, the case companies did not always rely on the social aspects in their business model, although it is widely assumed a selling point in the overall value proposition of a social enterprises' business model (Roy & Karna, 2015). The social side of the business model often moved into the background, because this side posed a hindrance when the company operated in the commercial market, where financial performance is usually more important than social performance (Doherty et al., 2014). Thus, to avoid potential ambiguity, the case companies then clearly highlighted commercial architectures and value capture mechanisms in commercial markets to conform to the institutional expectations of these markets (DiMaggio & Anheier, 1990) and to appeal more to mainstream customers who tend to ascribe lower quality to products from social enterprises (Mitchell et al., 2016). In doing so, the companies supported their social goal. The companies, thus, managed to remain distinct because of their ability to present their business model in different lights, giving them access to resources from different institutional backgrounds (Froelich, 2016) instead of entirely conforming to either institutional logic. For example, on one side, employees with a commercial background usually possess a higher credibility and ability for designing a proper business plan to attract further capital. On the other side, employees with a social background know how to devise an

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infrastructure for and approach beneficiaries, NGOs or are themselves affected, and thus able to show stakeholders the company's sincerity (Kolk & Lenfant, 2016). Through selective hiring and efforts to socialize workforce, social enterprises form and retain one coherent organizational identity (Battilana & Dorado, 2010). Finally, whereas commonly multiple goal orientations can potentially put operations at risk, the dynamics of multiple identities may also enhance the company's capability to manage these goals and ultimately, lead to higher organizational agility (Fiol, Pratt, & O'Connor, 2009). Therefore, we propose:

Proposition 2a: Due to varying stakeholder expectations, social enterprises must dynamically shift focus between these expectations and, in doing so, the organizations strengthen their flexibility.

Proposition 2b: Social enterprises facilitate survivability by employing their flexibility to select such facets of the business model that allow the company to harness tensions in the acquisition of critical resources and to capitalize on the business model.

5.5.2.2. Seizing Opportunities through Collaboration Management

After investigating the mechanisms behind delineating the customer solution and business model in the eyes of stakeholders, to better understand decision-making and enterprise boundaries, we turn the investigation to how collaborations for creating value are entered and maintained.

First, collaboration does not automatically guarantee success. Teece (2007) refers to Tversky and Kahneman's (1989) certainty effect, describing managers' general risk aversion to projects that may come with losses. This risk aversion is explained as further corroborated by established routines and company assets, which entrepreneurs must overcome to develop their companies' DCs. However, the findings showed that for cooperation projects the sample companies had only a few if any routines and that the companies often entered financially uncertain projects based on intuition, as long as the social value promised to offset some financial losses.

Looking at the mechanisms behind forming and maintaining these relationships, projects are often sealed informally with merely a handshake and with symbiotic structures in which the fate of one organization is intertwined with that of the other organization, giving both sides additional incentives for loyal and committed behavior. As adaptability and coordination skills are critical DCs (Kleinbaum & Stuart, 2014), open, network-driven organizing seems to hold significant advantages over strictly hierarchical, rule-based structures (Graetz & Smith, 2008). Adding to loyalty and commitment, we found that social enterprises develop a sense of kinship with producers and markets (Kolk & Lenfant, 2016), other hybrid businesses (Jenner & Oprescu, 2016), and consumers (Albert et al., 2016) to better serve the social goal. This, in turn, reciprocally expands reach and strengthens strategic decision-making for seizing opportunities to achieve social and financial goals. When working together, hybrid businesses aim not only to support but also consult each other in questions of strategic decision making (Jenner & Oprescu, 2016) and as found in the interviews, even with primary activities in the value chain, such as marketing. Miles et al. (2014) show that marketing activities of hybrid businesses are positively correlated with social performance but only when these activities focus on a better understanding of the needs of the company's target beneficiaries. As the companies in the study often integrated these beneficiaries in the decision-making process, this condition appears to be fulfilled. Pairing this integration with the fact that social enterprises generally do not lean toward profit

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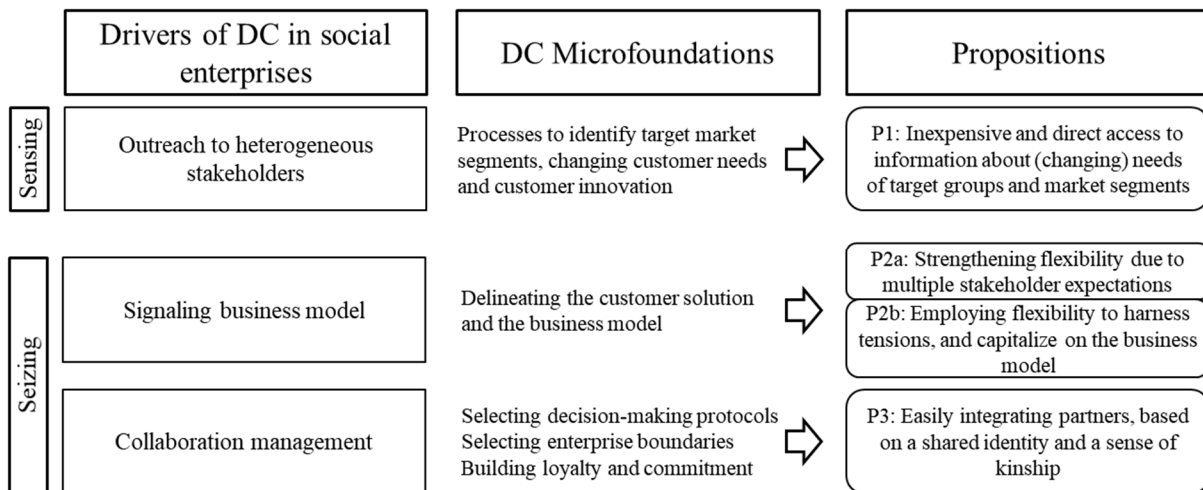
maximization in the classic commercial sense, we conclude that the strategic decision-making process does not run through hierarchical levels of structured control. This, to a certain extent, limits Teece's (2007) remark that "overcoming [decision-making] biases almost always requires a cognitively sophisticated and disciplined approach to decision-making" (p. 1333).

Although cooperation is part of any business model (Amit & Zott, 2015), in social enterprises this may well be the strongest source of DCs when aiming to seize opportunities to tackle a social ill with a self-sustaining business model, which is why social enterprises rely especially on collaborative efforts for strategic decision-making. Therefore, we summarize in our final proposition:

Proposition 3: Social enterprises facilitate survivability by easily integrating partners based on a shared identity and a sense of kinship.

Figure 16 illustrates the propositions, based on the theoretical matching between the aggregate dimensions and the elements of DC microfoundations.

Figure 16. Abductively Developed Propositions



5.6. Implications for DCs as Facilitator of Social Enterprise Survivability

In the following, we reflect the insights from the discussion to draw implications for DCs as facilitator of survivability of social enterprises by putting them in light of Teece's (2007) original framework (see again Table 20).

Efforts to establish mechanisms for sensing opportunities for social enterprises must focus on better understanding their core beneficiaries, as those are usually the groups that carry vital knowledge about social issues. For the companies' DCs, it follows that processes for identifying target market segments, changing customer needs, and customer innovation hinge on communication systems that maximize stakeholder input and are inviting to organizations that specifically cater to each company's core beneficiaries. By implementing analytical systems for passive communication and attracting stakeholders as monitors on the market, the company could, in the extreme, inexpensively receive almost real-time information on current and changing market developments.

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Social enterprises must then develop their microfoundations in a way that translates the social mission into financially viable practices to seize commercial and social opportunities that support company survivability. In the study, it was particularly interesting that the details of the delineation of the customer solution and the business model with its revenue architectures and mechanisms for capturing value often tended to shift based on the topic. This shift potentially indicates a missing element within the framework, which would center on the ability of organizations to unambiguously shift foci between and cater to different resource holders. Organizations tend to conform to institutional pressure, and social enterprises are known to suffer from mission drift. The study asserts, in this regard, that the capability to dynamically navigate social and commercial logics is a vital DC especially for social enterprises, as these companies regularly exhibit multiple identities and need to avoid (negative) tensions.

The most common inflexion point in the decision to search for partners was the lack of funds in the companies' efforts to grow. To compensate for the lack of resources and low budgets, the companies entered mutually beneficial relationships with like-minded complementors that provided the resources either free or at very low cost. This does not appear to be rooted in formal decision-making protocols or enterprise boundaries, but in the sense of kinship the companies developed with each other. Social enterprises, therefore, need to focus on building loyalty and commitment, which, in Teece's (2007) seminal work on DCs, is barely discussed, because "there is already an extensive literature" on the topic and "their full integration into the framework is left to others" (p. 1334). In that regard, we conclude that loyalty and commitment, especially in the context of social enterprises, is an element that offers the primary reason for collaboration decisions and a vital basis for the management of partnerships.

5.7. Conclusion

In this paper, we argued and showed that social enterprises possess valuable DCs that may facilitate the survivability of these companies, if identified and utilized appropriately. To answer the question of how DCs facilitate social enterprises' survivability, we abductively investigated interviews with 18 German social enterprises in various sectors and analyzed the cases more closely in light of the DC framework as conceptualized by (Teece, 2007).

The present study contributes to the DCs literature by delivering pillars for DCs that such businesses share and offers a more precise interpretation of DCs in the context of social enterprises, which can now be investigated further. Social enterprises are unique in that their goal is to address social issues through sound business ideas. This goal places high demands on the businesses' DCs, as the company needs to achieve not only a social goal but also financial stability while facing tensions between these goals to secure company survivability. By investigating DCs of 18 social enterprises from different sectors, the present paper overall contributes to the discussion on survivability of social enterprises, specifically from the perspective of the DCs. First, on a higher level of aggregation, we contribute to the scientific effort to better understand social enterprises as profit-oriented organization by answering the call to extend conceptual frameworks applied in entrepreneurship literature to social enterprises (Dacin et al., 2011). Second, the study revealed that although social enterprises can be meaningfully investigated through the lens of DCs, there exist some peculiarities that might not be as prominent in commercial enterprises. For example, the results suggest that the ability to

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flexibly navigate social and commercial expectations is a DC for companies that need to routinely adhere to the resulting multiple expectations from different and changing stakeholder groups. However, this notion requires further conceptual and empirical testing. We furthermore contributed to DC research by providing a practical research context that advocates for this concept's operationalizability, which has often been criticized for lacking substance (Laaksonen & Peltoniemi, 2018).

Inevitably, this study has several limitations. First and most saliently, the sample consists exclusively of German social enterprises. Although concentrating on a specific region helps raise internal validity and comparability, further studies could complement the research by examining companies from other economic settings as well. In this regard, an investigation with a sample from developing countries could reveal further theoretical insights into the hybrid nature of social enterprises, where there is usually a higher rate of necessity entrepreneurs than opportunity entrepreneurs (Hessels, van Gelderen, & Thurik, 2008). As the name suggests, this may have interesting implications for the meaning of opportunity for DCs in social enterprises. Thus, even though the social enterprises in this sample appear to possess a unique social business culture, nevertheless, it might be interesting to deploy a replication of this study in different cultural contexts. Second, as with all qualitative studies, generalizability of the findings is limited, given the small number of companies in the sample and that some of the interviews are short in length. However, theoretical saturation appears to have been sufficiently reached, as no new concepts emerged during the investigation. The qualitative analysis of 18 in-depth case studies, furthermore, well exceeds the minimum number of cases usually suggested for such purposes (Eisenhardt, 1989) and provided the analysis with rich data. To achieve a larger geographical generalization beyond the German context, future research could replicate this study with sample companies from other European countries and beyond. Although we concentrated on founders, who are highly informed concerning their respective businesses, future studies could put these results into perspective by interviewing other members of the same organizations. Regarding the interpretation of our results, we found that strategic decision making often does not run through hierarchical levels of structured control. This might also be, however, attributed to company size, as many companies in our sample were rather small. Thus, future studies could employ a comparative investigation of social enterprises and small commercial companies to identify differences in strategic decision making. Lastly, we presumed that the organizations' capacity to continuously (re-)align their tangible and intangible assets is the direct result of the organizations' sensing and seizing capacity, as no distinct statements were given throughout data collection that might delineate this capacity from the others. Although this could also be another insight into how DCs materialize specifically in social enterprises, a study specifically investigating how social enterprises manage threats may provide valuable answers, as we could not observe this in detail

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- 36th Annual Strategic Management Society (SMS) Conference in Berlin, Germany, September 17th-20th, 2016
- The 1st IESE-Luiss Conference on Responsibility, Sustainability and Social Entrepreneurship in Rome, Italy, April 18th-19th, 2017
- The 77th Annual Meeting of the Academy of Management in Atlanta, Georgia, August 4th-8th, 2017
- The 22nd Annual Interdisciplinary Conference on Entrepreneurship, Innovation and SMEs (G-Forum) in Stuttgart, Germany, October 10th-12th, 2018

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6.1. Introduction

Social enterprises²⁰ pursue social or ecological goals while striving for financial independence (Battilana & Lee, 2014; Haigh & Hoffman, 2012; Yunus, Moingeon, & Lehmann-Ortega, 2010; Katre & Salipante, 2012). Due to the often-competing social and commercial logics, social enterprises (Pache & Santos, 2013) face several hurdles, such as limited access to capital markets and a generally more delicate balance between social and financial missions (Katre & Salipante, 2012; Austin et al., 2006; Smith et al., 2013).

To overcome these issues, social enterprises are often heavily intertwined with their environment and networks (De Carolis & Saporito, 2006; Battilana & Lee, 2014), and the businesses use these ties to acquire new knowledge and facilitate learning processes (Dyer & Singh, 1998; Kleinbaum & Stuart, 2014; Zheng et al., 2011). It seems as if a strong network of stakeholders is necessary for social enterprises to access the resources and capabilities needed to accomplish the businesses' mission (Montgomery et al., 2012; Austin et al., 2006). By prudently selecting appropriate partners, social enterprises, similar to their conventional for-profit counterparts, actively facilitate relational outcomes (Lavie, Haunschild, & Khanna, 2012). However, for social enterprises, cooperation with network partners is not limited to the mutual pursuit of economic benefits but also serves the purpose of creating social value (Littlewood & Holt, 2015), a defining characteristic of social enterprises (Di Domenico et al., 2010). Therefore, when social enterprises do not possess the resources needed, they cooperate with network partners to create social value (Corner & Ho, 2010; Le Ber & Branzei, 2010). Furthermore, harnessing stakeholder synergies to create social value also provides a potential source of competitive advantage (Tantalo & Priem, 2016; Priem, 2007). Accordingly, an answer to how social enterprises create holistic value, that is, pursue a social purpose while remaining competitive (Weber, Weidner, Kroeger, & Wallace, 2017), might be found in the way they cooperate with stakeholders and position themselves in the market.

Although the importance of cooperation in and by social enterprises to survive in a competitive market environment is well established (Kwong et al., 2017), the peculiarities and determinants of value creation that result from cooperation are not. Furthermore, the extent to which social enterprises manage different relationships with a diverse set of stakeholders remains unknown (Montgomery et al., 2012). The present qualitative study of 18 German social enterprises sheds light on this complex and empirically underresearched aspect of cooperation in social enterprises (Battilana & Lee, 2014; Sakarya et al., 2012; Montgomery et al., 2012). Therefore, we strive to answer the following question: How do social enterprises generate holistic value through their partnerships?

The initial data analysis showed that although social enterprises cooperate with a diverse set of stakeholders to address social ills (Pinkse & Kolk, 2012; Lumpkin, Moss, Gras, Kato, & Amezcua, 2013), these businesses seem to extend the general economic perspective of value co-

²⁰ Several terms currently describe the field of social enterprises, with social enterprises, ventures, or businesses (Meyskens, Robb-Post, Stamp, Carsrud, & Reynolds, 2010; Di Domenico, Haugh, & Tracey, 2010; Smith, Gonin, & Besharov, 2013; Yunus, Moingeon, & Lehmann-Ortega, 2010) and hybrid organizations or businesses (Battilana & Dorado, 2010; Doherty, Haugh, & Lyon, 2014; Pache & Santos, 2013) the most prominent. For consistency, we use the term social enterprises throughout the paper. We deem this approach to be consistent with previous literature because both concepts usually refer to businesses that aim to achieve non-financial goals alongside financial goals.

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creation (Prahalad & Ramaswamy, 2004) by aspiring to create social value²¹ from their relations. Following this intriguing realization, we extended our initial inductive procedure to an abductive approach further building upon the concept of the relational view (Dyer & Singh, 1998), a strategic management theory that considers exchange relationships within networks as a source of value creation. With this perspective, we achieved a thorough understanding of value co-creation by social enterprises.

We add to the academic discussion in two ways. First, we enrich the theoretical concept of the relational view by integrating a social perspective on value creation. Second, we provide a better understanding of how social enterprises co-create holistic value by showing two distinct paths that these companies take in designing their relationships.

This paper is structured as follows: First, we briefly review the importance of cooperation for social enterprises' value creation efforts through the conceptual lens of the relational view. We then elaborate on the coding process and on how we derived the findings. Afterward, we present the findings and explain how holistic value co-creation takes place in social enterprises. This is followed by a discussion of the findings, before we offer concluding remarks and provide an outlook in the fifth section.

6.2. Holistic Value Creation in Social Enterprises: Conceptual Thoughts from a Relational View Perspective

Social enterprises often rely on an extensive network of collaborations (De Carolis & Saporito, 2006; Battilana & Lee, 2014) to overcome inherent hurdles and to access resources and capabilities to achieve the businesses' social mission (e.g., Montgomery et al., 2012; Austin et al., 2006). Against this background, we refer to the relational view as grounding for this study. The relational view explains competitive advantage through relational rents that go beyond arm's-length relationships. More specifically, Dyer and Singh (1998) argue that relationships that potentially generate positive relational rents are marked by partner-specific asset investments, substantial knowledge exchange, and a high level of interdependence of resources and capabilities. Furthermore, the governance mechanisms associated with these relationships are marked by low transaction costs, as the mechanisms forgo constant monitoring and rely on intrinsic and mutual understanding among partners.

Companies seek cooperation for many reasons, such as accessing new resources, entering new markets, or acquiring legitimacy for their operations (Austin, 2000; Montgomery et al., 2012; Sakarya et al., 2012). In a broad sense, the general reason for engaging in cooperation is mutual value gain (Vos & Achterkamp, 2015; Parker, 2008; Konrad, Radcliffe, & Shin, 2016), and cooperating with stakeholders is important for any organization (Harrison, Bosse, & Phillips, 2010; Weber et al., 2017). At the core of the relational view, relational rents represent economic values and can be generated only through joint contribution, and therefore, not in isolation (Dyer & Singh, 1998).

Such a purely economic understanding of value would limit the explanatory power of the relational view when applied to social enterprises with their focus on creating non-economic value, because social enterprises' decisions and actions need to account for creating economic

²¹ Throughout the academic literature, the term social value is a cluttered concept (Certo and Miller, 2008; Mair and Martí, 2006) and includes "social" and "environmental" value.

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and social value (Smith et al., 2013). Thus, social enterprises' strategic management must focus on not only business efficiency but also social effectiveness (Peterburgsky, 2012; Sanchis-Palacio et al., 2013). In that regard, Ridley-Duff (2008) describes "social trading," and Sanchis-Palacio et al. (2013) even suggest using the term "social management" when referring to social enterprises' strategic management to point out the balance such businesses have to strike between social and financial goals (Smith et al., 2013).

When looking at cooperation and value creation in social enterprises, partnerships seem to be especially relevant for creating value, as social enterprises commonly operate in resource-scarce environments (Desa & Basu, 2013; Doherty et al., 2014) and are often willing to share and access critical resources (Zahra et al., 2006; Haigh & Hoffman, 2012; Dacin et al., 2011). Moreover, with the transfer of knowledge comes the integration of additional network members, such as customers and suppliers (Vanpoucke et al., 2014). Ridley-Duff and Bull (2016) argue that by linking partners and stakeholders with often different motives, social enterprises create inter-group learning through which value in the form of knowledge and resources is created.

Accordingly and beyond a focus on social enterprises, several scholars widened the interpretation of the relational view by describing "common benefits" (Lavie, 2006, p. 643), "joint benefit" (Zajac & Olsen, 1993, p. 133), "joint value" (Zajac & Olsen, 1993, p. 133; Weber et al., 2017, p. 1), or "spillover rents" between companies through interaction (Lavie, 2006). We follow this interpretation and argue that especially for social enterprises, relational rents should be understood beyond economic terms to explain why such companies engage in many and diverse partnerships through the lens of the relational view.

As a consequence of this line of argument, we follow Weber et al.'s (2017) position on holistic value creation that includes social, economic, and environmental value, and we investigate all forms of stakeholder partnerships to assess different elements of relational rents in social enterprises in their entirety. We characterize relational rents as the co-created holistic value generated by cooperation between an enterprise (i.e., social enterprises) and all its stakeholders, including the natural environment. With this definition, value created from relationships might even extend beyond the directly involved partners and support distant beneficiaries.

6.3. Method

Case studies are suitable for scientific exploration (Yin, 2014) and allow researchers to address social processes that lie beyond quantifiable aspects (Bitektine, 2008; Johnston, Leach, & Liu, 1999), that are too complex for surveys or experiments (Yin, 2014), and that require an in-depth understanding of a phenomenon (Runfola et al., 2017). We interviewed the founders of 18 social enterprises in semi-structured interviews.²² We targeted the founders of each business to enhance reliability, as they possess in-depth knowledge about the motives, goals, business processes, and other peculiarities in their organization. The case companies were identified by reading through blogs, news clips, and social network posts focusing on the general characterization of social enterprises as businesses that "pursue a social mission while engaging in commercial activities

²² The data upon which the study builds was collected in a larger research project; see also Authors (2016). The patterns mentioned surfaced during the initial inductive coding for the previous paper, and thus, inspired the deeper analysis of value creation and cooperation in the present study.

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that sustain their operations” (Battilana & Lee, 2014, p. 399). Following the initial identification of potential case companies, we collected additional information on every business’s mission and business model, for example, through the potential subject’s website. Overall, the data from the 18 cases totaled 34 interviews.²³ Table 26 provides an overview with a brief description and the founding year for the case companies.

Table 26. Overview of Social Enterprise Business Models and Case Interviews

Case	Description of Company	Location	Founding year
1	Marketing of beanies/woolly hats crocheted by the elderly for modern consumers and youngsters while promoting intergenerational contact and positively engaging the elderly.	Kassel	2011
2	Decentralized processing of drinking water at places with insufficient infrastructure for renewable energy.	Kassel	2010
3	IT consultancy that employs people with Asperger syndrome (autism) as IT consultants, thus providing specialized services to its business customers while offering new meaning to the lives of their employees.	Berlin	2011
4	Crowdfunding platform specializing in energy efficiency projects; helps finance respective projects and thus improve energy efficiency while realizing above-market interest rates for investors.	Frankfurt	2013
5	Online platform presenting sustainable companies and their products. In raising the publicity and attractiveness of these companies, the company tries to push the sustainable change of the economy.	Augsburg	2010
6	Production and distribution of ‘organic clothing’; street- and sportswear brand with a modern lifestyle attitude.	Helmrechts	2008
7	Production of high-quality mushrooms in urban cellars by using coffee grounds as nutrient medium, thus recycling otherwise wasted material and creating a resource-efficient and local production.	Berlin	2010
8	Design and sales of aquaponics for the resource-efficient urban production of vegetables and fish.	Berlin	2012
9	Online marketplace designed as a co-operative for trading organic and fair-trade goods.	Berlin	2012
10	Online platform for borrowing and buying used products from people in the neighborhood. The aim is to enlarge the service life of products.	Berlin	2010
11	Inexpensive supply of spices from controlled, organic farming without intermediaries, thus enhancing the income of producers.	Berlin	2008

²³ Two founders of the case companies were not available for a second round of interviews.

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12	Textile agency distributing organic and fair-trade fabrics and clothes. In offering collective orders, enabling young designers to procure small amounts of these fabrics.	Berlin	2008
13	Seasonal gardens for rent in urban areas. The idea is to make urban households more self-sufficient in the provision of food by providing them with prepared gardens and specialist advice from regional farmers.	Bonn	2009
14	Cooperative bringing companies, designers, and sheltered workshops together to include disabled persons in the normal world of employment.	Kiel	2011
15	Provision of 100% green energy to private households. Additionally, with each new customer, O provides clean energy for one family in a developing country. The idea is to inspire people concerning global energy turnaround and facilitate the switch to renewable energies.	Munich	2011
16	Sale of social beer and sharing the 'social profit' with the neighborhood. The idea is to strengthen the local economy by selling simple consumer products.	Munich	2011
17	A citizen shareholder corporation supporting sustainable agriculture throughout the whole value chain. The idea is to create sustainable regional structures through citizen participation.	Freiburg	2006
18	Marketplace with special incentive systems for the placement of sustainable products. Education of consumers through a self-developed and easily comprehensible 'sustainability signal-light' that informs customers.	Berlin	2010

In the initial interview, we inquired about the social nature of the enterprise, the entrepreneur, and the business model in general. The analysis of this data revealed that collaborations were an integral part of the business models and approaches. Therefore, the second round of interviews set out to dig deeper not only into current developments of the respective company and the market but also focused on collaborations. To minimize confirmation bias by the interviewer and the interviewee, the questions were open questions divided into several question complexes (see Table 27). With the two-wave approach, we returned to the interviewees on these issues and better evaluated whether the companies were also financially sustainable. In the two rounds, we interviewed the same respondents (i.e., the founders of each enterprises). We complemented and triangulated the primary data using secondary material in company press releases and on social media platforms, online news, blogs, and similar outlets (see Table 28) to validate general consistency with statements given during the interviews, regarding the companies' mission, attitude toward stakeholder groups, business conduct, and so on. Extensive triangulation was possible because social enterprises, although usually relatively small, often have a visible profile due to general interest in each business's societal goals.

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Table 27. First and Second Wave of Questions

First wave: presentation of business model	Second wave: chances and challenges
Question complex 1: general model general description self-conception business focus	Question complex 1: founding team motivation for founding opportunity recognition initial knowledge of founding team
Question complex 2: values nature of value creation profit distribution and beneficiaries created value(s) value goals	Question complex 2: organization market environment relationships and cooperation most valuable processes and input strengths and challenges
Question complex 3: plans stage of development inception and future prospects	

Table 28. Overview of Secondary Material

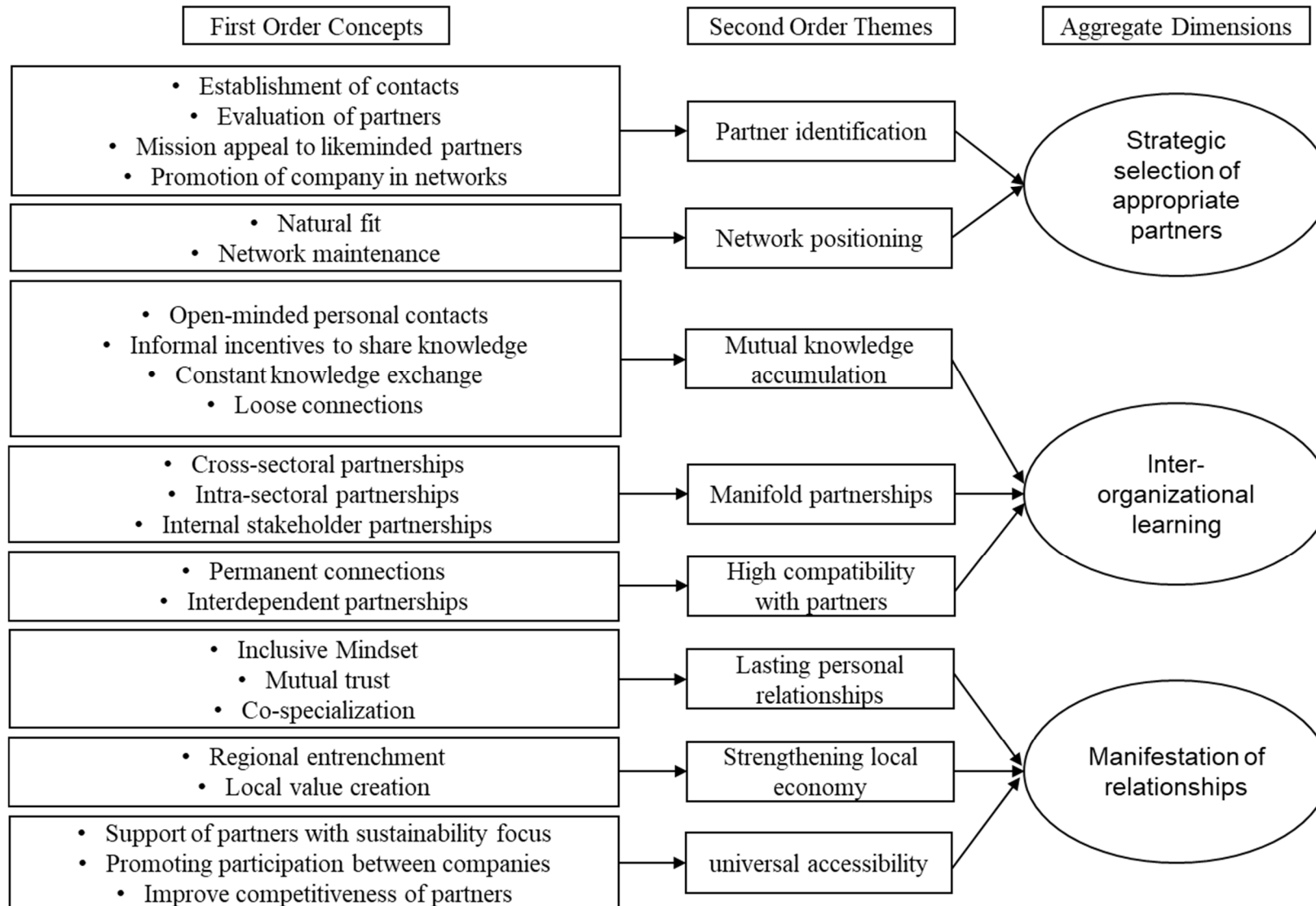
#	Company Website	Company Social Media	Articles / News clips	Blog posts	Published Interviews	Videos
1	Yes	Facebook	2	-	-	1
2	Yes	Facebook	2	-	-	1
3	Yes	Facebook	2	1	1	1
4	Yes	Facebook	2	3	1	-
5	Yes	Facebook	1	4	-	1
6	Yes	Facebook	1	-	1	1
7	Yes	Facebook	2	1	1	
8	Yes	Facebook	1	1	-	1
9	Yes	Facebook, Twitter	1	1	1	-
10	Yes	Facebook	2	-	-	1
11	Yes	Facebook	1	2	-	-
12	Yes	Facebook, Twitter	3	1	-	-
13	Yes	Facebook	3	-	-	1
14	Yes	-	1	-	1	
15	Yes	Facebook	2	-	1	1
16	Yes	Facebook, Twitter	2	1	1	-
17	Yes	Facebook	2	1	-	1
18	Yes	Facebook, Twitter	2	1	-	1
Σ	All 18		32	17	8	11

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As we observed patterns in the value created by social enterprises and their partners during the initial review of the data, we decided to inspect the sample more closely against the background of the relational view with a broader focus on holistic value co-creation. Thus, we engaged in an iterative process in which we analyzed phenomena that emerged from induction against the background of insights from literature (Reichertz, 2010; van Maanen et al., 2007). Such abductive reasoning combines the critical rationalism (Popper, 2008) of established theories with the positivist paradigm from empirical data (Hume, 1995) and helps “generat[e] novel theoretical insights that reframe empirical findings in contrast to existing theories” (Timmermans & Tavory, 2012, p. 174). Consequently, abductive analysis fitted well with the study’s purpose to develop an understanding of holistic value co-creation in social enterprise partnerships, while validating it by considering insights from a relational view perspective.

To analyze the material, we used qualitative content analysis (Duriau et al., 2007; Mayring, 2014). As the first step to lower the subjectivity to an acceptable level, we assigned two coders to the coding process (Barratt et al., 2011), who are both academics with experience in this area. The first stage consisted of an open coding process to create a list of codes that included as many concepts and phenomena as possible. Next, the coders conducted axial coding in which they coded the data for context and connections between the previous identified dimensions (Corbin & Strauss, 2015). For this, the coders created a framework by eliminating, aggregating, and grouping codes against the background of the relational view. At this point, a third coder who had not previously been involved in the project joined the analysis. The coding process itself consisted of testing, comparing, discussing, and retesting in different stages, which helped to reduce discrepancies in the coders’ mental schemes (Seuring & Gold, 2012). During this process, the coders gradually refined the coding guidelines, based on the exchange and the aligned interpretations of the respective codes, which further increased internal validity. After having reached sufficient clarity, two coders then applied the final coding scheme to all interviews. To ensure semantic validity throughout the entire coding process, we compared quotes that we coded under the same construct (Mayring, 2014). Figure 17 provides an illustration of the various steps of the data analysis and coding.

Figure 17. Concepts, Themes, and Aggregate Dimensions in the Coding Process



6.4. Results

In this section, we start with the general pattern that emerged from the analysis. Then, we identify two distinct types of relationship design for creating holistic value in social enterprises.

6.4.1. Patterns in the Creation of Holistic Value through Partnerships

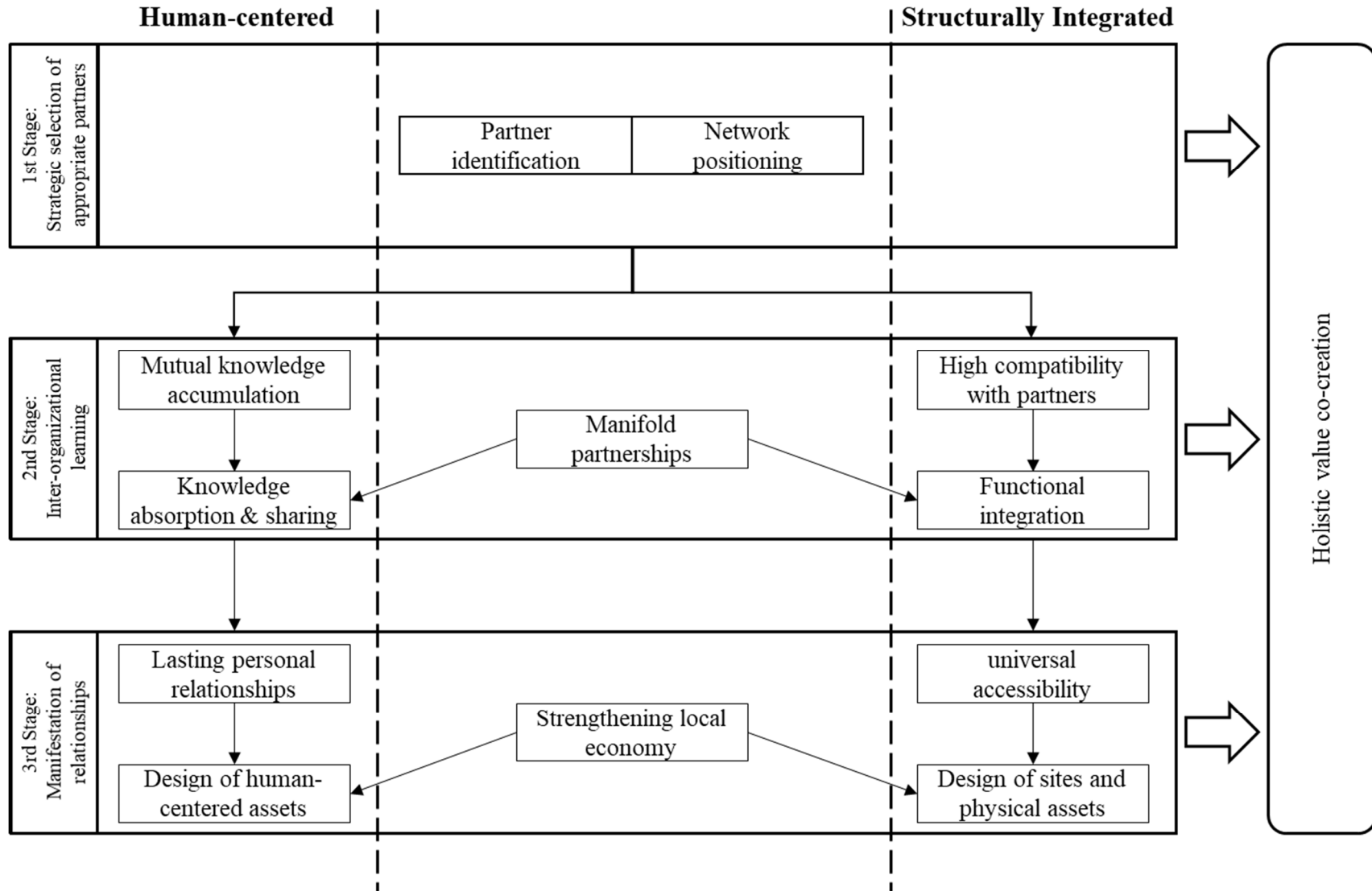
In the cases, three stages in co-creating holistic value surfaced. Figure 18 summarizes social enterprises' general co-creating stages, and they are discussed in the following section. We identified two distinct strategies social enterprises employ to attain their goals.

Initially, value co-creation hinges foremost on the ability of social enterprises to strategically select appropriate partners by identifying these partners and positioning the firms in networks. This is a dominant characteristic of these types of businesses and therefore, is found in all case companies. The firms often identify partners because the focal company's mission appeals to partners, as the founder of company 1 who employs elderly women to produce handmade wool hats explained: "[Our company] was a door-opener for every contact we have had. Actually, everything happened only because of it. Some were interested in the project, because they come from the non-profit sector."²⁴ Due to often low budgets, the social enterprises in this sample rely considerably on promoting the company within their networks, as the founder of company 12 explained: "When I ask my colleague who visits the association meetings and who is in close contact with them, he always lists the customers which were directed to us through the association's recommendation."

²⁴ All quotes were translated by the authors.

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Figure 18. Holistic Value Co-Creation in Social Enterprises



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Regarding the positioning of the companies in the networks, the founder of company 6, which produces organic lifestyle clothing, gave an example of the company's position as a result of a natural fit: "It is like this: 'We are' the target group. And it is relatively easy to work when you are part of the scene." The founder of company 12, which is in the same sector, added: "We are connected to the whole Berlin fashion scene. But then also with suppliers, with subcontractors from India and Turkey, where one builds long-lasting partnerships." Company 3, an IT consultancy that employs people on the autism spectrum as IT consultants, explained the firm regularly maintains these networks by staying in contact: "I have made contact with autism self-help groups in Germany. And from there you get to know even more [people with autism]." By staying in contact with these groups and by organizing events, for example, the company regularly reaches out to a potential workforce that otherwise is often deemed unemployable or perhaps does not intend to seek employment in the first place. The founder of company 5 furthermore explained: "As part of the network, we automatically pick up on everything. We know what the trends are, and so on." This again stresses that the companies do not necessarily have primarily business intentions when the firms maintain contact with certain groups. Through this contact, the companies access a heterogeneous stakeholder base and include more partners in the value chain, even if these partners were not formal members of the organization. As most social enterprises are founded on the perceived deficits of markets to solve or mitigate a social problem, these companies often start with a compatible network. Social enterprises seem to have a distinctive cooperative mind-set, which is why they do not merely rely on stakeholder integration but also actively mobilize stakeholders.

Whereas this first stage is a necessary but insufficient part of co-creating holistic value for all case companies, the second stage, interorganizational learning, is the main stage. An analysis of the intra-case code distributions indicated two path peculiarities in the case companies: one that highlights how certain companies rely on absorbing and sharing knowledge and one in which companies focus on functionally integrating partners. Both path peculiarities reflect a stronger relational tie between partners than the sources of relational rents used during the first stage (i.e., the strategic selection of appropriate partners) and a weaker tie than the sources of the final stage (i.e., manifestation of relationships), where asset investments come into play. However, sources of knowledge absorption and sharing and those of functional integration differ substantially in how interorganizational learning occurs. Although several companies showed elements of knowledge absorption and sharing, and functional integration, usually in every case company one was much more prevalent. This result indicated that in most cases the companies pursued one peculiarity over another. By further investigating and distinguishing between these peculiarities, we reveal two paths for co-creating holistic value.

One path is constituted by what we label the "human-centered" type of partnerships in social enterprises. Pursuing their goal of creating mutual and holistic value, these companies drew on extensive knowledge sharing and absorption in particular. On the other path, we found "structurally integrated" partnerships of social enterprises focused on functional integration of partners into the value chain.

Depending on the chosen path, we observed that in the third stage (manifestation of relationships), the companies either designed human-centered assets to expand the company's reach for more partners by spreading awareness (human-centered path) or designed sites and physical assets in such a way that improved the organizational complementarity for better

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structural integration of partners (structurally integrated path). In sum, social enterprises can use a diverse range of relational investments to co-create holistic value. Building on a solid partner network, these businesses benefit from inter-organizational learning and reinforce relationships by investing in path-specific assets.

In the following, we elaborate on the two distinctive paths we identified in the data on which social enterprises walk to design their relationships, and we show the implications for the type of holistic value creation. To illustrate the results, we focus on two case companies that we introduce in the separate sections. These two companies provide vivid information about the constructs and therefore, help tell a coherent story while we delve into the findings. We also refer to quotes and examples from other companies in the sample to provide further depth.

6.4.2. The Human-Centered Path

For better illustration of the human-centered path, case company 12 is the main example. Founded in 2008, this textile company is certified according to the guidelines of the Global Organic Textile Standard and, therefore, works only with fabrics that are produced comparably sustainable throughout the entire value chain. Although the company actively aims to promote responsible production, the company also states that providing the newest colors and assortments at reasonable prices is just as important for its business model. Customers mostly consist of small designers and manufacturers that value sustainable supply chains for their own production and that often cannot afford these specific qualities, especially when ordering smaller quantities. By offering and coordinating collective orders, company 12 enables young designers and start-ups to procure such fabrics, as well as produce and sell sustainable textiles.

The value generated by social enterprises at the inter-organizational learning stage becomes salient when looking at the ways or tools these companies use to absorb and share knowledge among partners. These means are based on loose connections with open-minded partners geared toward mutual accumulation of knowledge with stakeholders, as indicated by the founder of company 12:

It [our business model] generates networks. Through our business activities, people get together, and new projects arise from that—many times, already. It is heavily network-based, and new partnerships, connections, interest groups result from it, that all go beyond pure profit. (founder, company 12)

In most cases, the knowledge was shared in constant exchange, including periodic meetings with other leaders of social enterprises and non-government organizations. Case company 12 even holds such periodic meetings with customers and interest groups. The founder stated:

We often meet up with our customer circles, who in turn gain insights into the development. We more or less coordinate our fabrics with our customers. We see which colors will be trending in the next one or two seasons and try to narrow it down a bit. Then, the customers can vote and preorder. That is how we know what the customer wants. (founder, company 12)

Incentives to co-create value are generally informal and rely on intrinsic motivation. For example, company 12 does not sign contracts that legally bind either party to fulfill their side of the deal, as the founder explained:

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When it is about coordinating which colors to choose, what quality, and so forth, then it is generally informal. No one is really bound to his or her word. It is mostly a question of whether anyone finds that stupid or not. Other than that, we are a big family with close and somewhat distant relatives. (founder, company 12)

The founder of company 8, a company that specializes in resource-efficient aquaponics systems for urban areas, furthermore indicated that the network effortlessly offers knowledge for absorption: “The knowledge we need, that expert knowledge, we get from our network and from good partners, who, in the end, have a lot of experience in that area.” Company 13 cooperates with local farmers to offer seasonal gardens for rent in urban areas and further specified the process of knowledge absorption and sharing as a constant exchange with their business partners and customers. The founder stated: “The process of collecting ideas is actually a continuous one with us, where we include not only our employees but also customers. It is not just top-down but also bottom-up.” Extending the classic notion of the relational view, this and similar statements illuminate the manifold partnerships that social enterprises possess, as, for example, internal stakeholder partnerships are also necessary to capture the full scope of social enterprises’ holistic value creation. In employing individuals with Asperger syndrome, company 3 generates relational rents that go beyond the direct relationship between a founder and his or her employees by relieving the labor market. Company 12 provides a similar effect with intra-sectoral partnerships by lowering entry barriers for young designers with sustainability awareness to become entrepreneurs themselves. This also counts for cross-sectoral partnerships, such as in company 6. Company 6 works with well-known non-profit organizations and includes their logos on much of the company’s apparel, thus promoting the non-profits’ missions.

The manifestation of relationships of human-centered relationships is based on the design of human-centered assets. This manifestation is marked by high levels of interaction through lasting personal relationships. Similar to what company 12 previously described as almost family-like ties, most of the other interviewees indicated an inclusive mindset and stated that they saw human capital for co-creating value as vital to business operations. The founder of company 6 explained:

But there is a mutual influence, and we ask the question: What is possible? And from our side: What else can we develop? What other know-how can we provide to them, and so forth? And then something really cool [a mutual project] arises. (founder, company 6)

Interaction between partners is based on mutual trust and co-specialization among partners, which leads to achieving the social mission together, as the founder of company 12 observed: “We trust our customer circles, because they grew together with us and have had a good nose in the past. Involving them as closely as possible is very important for the decision-making process.”

We also observed that the companies mainly engage in strengthening the local economy. To that end, some company founders stressed the aim of creating local value. The founder of company 17 stated:

We see “profit” as more than money. But yes, we are aiming to establish a financially profitable value chain in the agro-industrial sector within the region. However, we also count soil fertility, business creation, or jobs as “profit.” We thus extent our assessment of profitability. (founder, company 17)

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In sum, social enterprises that follow a human-centered path co-create holistic value through accumulating mutual knowledge and sharing it with their many partners. The design of human-centered assets, accordingly, is based on the company's aim of strengthening the local economy and lasting personal relationships. Finally, it becomes apparent that partners, although certainly important for generating value, are not required for the companies to attain their respective goals. Instead, the partners act as a communicative device to spread knowledge and awareness about sustainability issues by building trust and co-specialization between the partners.

6.4.3. The Structurally Integrated Path

Company 5 is the main example of a company that follows the structurally integrated path. This company was founded in 2010 and aims to raise visibility for sustainable goods and services. The company does so by securing discounted deals from such producers and offering the deals to customers via the company's e-commerce platform. The founder of this company previously worked as an employee at a company with a similar business model but without a sustainability aspect. The founder stated that he was unsatisfied with how little a role sustainability played in that company, which is why he transferred the idea of discount coupons to the realm of sustainable products.

When looking at the way interorganizational learning takes shape in social enterprises that pursue structurally integrated relationships, it becomes apparent that these companies primarily seek functional integration through high compatibility with potential partners that pursue the same ideals, and as with human-centered social enterprises, do so based on diverse partnerships. These businesses established permanent connections as an integral part of the partner company's value creation, as the founder of company 17, a citizen shareholder corporation supporting sustainable agriculture throughout the whole value chain, described: "We are 17 partner companies that are partially or entirely financed by [our company]. There was an intensive cooperation, especially in processing and in production, and so on. We specifically launched this and facilitate it permanently."

The founder of company 5, however, also showed that these connections are often interdependent:

We do our marketing, for example, through our cooperation partners. (...) That partner [an association] already has quite many members, and what he does is, he communicates with these people and lets them know what new things we have. (...) At the same time, however, we bring them members from our network. (founder, company 5)

With co-creating value in mind, the companies aim to design production sites and physical assets by strengthening the local economy and achieving almost universal accessibility. To accomplish this goal, the companies looked for ways to engage members of the organization and stakeholders in general to actively promote participation between companies in designing their structures accordingly. One expression of this idea is supporting companies and stakeholders within the same field or with the same goal. For instance, although this is not necessarily at the core of the business model, company 5 sought to help small companies that focus on sustainability. The founder of company 5 stated:

We are linking all customers from different [sustainability-oriented] companies to each other and, with that, help the small companies. (...) Every company has the opportunity to

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make additional revenue, and every Euro that flows from conventional to sustainable products is, of course, a win for sustainability. (founder, company 5)

This idea even goes as far as helping other (potential) entrepreneurs found their own businesses. By improving partners' competitiveness, the new entrants and potentially additional network members that emerge from this new relationship also structurally enrich the focal company's network.

The founder of company 16 that sells "social beer" through profit sharing with the neighborhood explained: "We are currently working on a concept to help others start [a business like ours]." In addition, enriching the network by including stakeholders or embracing competition helps the focal company market their product."

The majority of social enterprises in the sample that pursue structurally integrated partnerships followed economic goals not only for the firms' own financial benefit but also to improve the competitiveness of pro-social or pro-environmental market participants. The founder of company 5 explained:

The big goal is to offer a platform for all sustainable companies, especially online shops, or similar. The idea is that we say: "OK, look, you have many nice products." But often, those are small companies that do not have substantial marketing experience or budgets, and so forth. And that is where we have to try and help them to solve that, so that they can still do their marketing and bring their products to the market because we would rather see the sale of sustainable products, and see consumption move to that direction. (founder, company 5)

By providing platforms and marketplaces for those companies' services and products, the companies co-create holistic value. Similarly, company 18 offers products from companies that produce sustainable goods and services, and it developed an application that works as an Internet browser plug-in to assess the sustainability of products from various online vendors.

The companies on the structurally integrated path seek more integrated partnerships than human-centered social enterprises and consequently, invest more in designing production sites and physical assets. In addition to general cost savings, we identified strengthening the local economy as another reason. Company 17, for instance, is concerned only with regional development, attracting partners and customers who have an interest in creating local value. In another example, the founder of company 16 explained,

[W]e are engaging in regional development with our product and automatically involve our neighborhood through the sale of our beer." In doing so, the company also experiences regional entrenchment and is seen as part of the community by many regional stakeholders. (founder, company 16)

Interestingly, none of the interviewed companies appeared to design assets and products specifically for one particular exchange partner. Instead, these companies focused on business processes and created assets in a way that made the companies universally accessible to a broader range of stakeholders—often with the active support of these stakeholders. The founder of company 18 that offers a distribution and assessment platform for sustainable products provided an example:

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We have entered partnerships with different vendors that would like to use our platforms to market their products. And they also help us develop interfaces so that we can not only align our inventory control systems but also offer these interfaces to others. (founder, company 18)

Thus, investments in physical assets are seldom a driver of exclusive holistic value creation between two parties but are designed to serve a large part of the social enterprise network. Thus, relational rents occur as a multi-stakeholder phenomenon.

In sum, social enterprises that follow a structurally integrated path co-create holistic value through their organizational compatibility and functionally integrate their many diverse partners into the value chain. The design of sites and physical assets, accordingly, is based on each company's aim to strengthen the local economy and universal accessibility. Thus, connections are more permanent, and the social enterprises can use the extended network to further their own agendas or help other sustainability-oriented companies inside and outside their own network. In doing so, the companies seek to generate holistic value by changing business practices of actors in the network.

6.5. Discussion

In this section, we discuss the implications of the findings and highlight how social enterprises manage different sources of relational rents to create value. By applying the relational view to the social enterprises context, we illustrate that the identified sources are neither independent from each other nor restricted to financial profits. Instead, social enterprises arrange and then create holistic value beyond solely economic rents.

6.5.1. The Composition of Relational Investments

Dyer and Singh (1998) suggest that the ability to occupy an information-rich position in networks is essential to identify and evaluate potential complementarities and that this ability is further supported by accurate and timely access. Our findings suggest that social enterprises, through their community orientation, are deeply embedded in a network of customers, suppliers, competitors, and other interest groups and are in an ideal position to orchestrate their network effectively. Although the literature has focused on social enterprises' heavy reliance on networks (Dacin et al., 2011; Austin et al., 2006), the present findings stress the variety of partners with which each social enterprise cooperates. Collective actions resulting from extended networks are generally recognized as important in social movements literature (Montgomery et al., 2012). Network resources as an extension of the focal company's own resources are the basis of competitive advantage (i.e., relational rents) offering additional strategic options (Lavie, 2006). Following Dyer and Singh's (1998) general conceptualization of the relational view, companies could choose to rely on only one determinant to generate relational rents and thus specialize, for example, in the companies' partners' abilities to identify and interconnect. The present results are consistent with Lavie's (2006) reasoning and indicate that social enterprises' ability to interconnect with multiple stakeholders provides fertile ground for more than one relational investment strategy. Nearly all case companies used a diversified approach to co-create holistic value.

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On the one hand, social enterprises that pursue a structurally integrated path develop systems and processes and shape cultures in a way that makes the businesses more compatible with partners that also emphasize sustainability. In relying on resource complementarity, a key driver for jointly creating value (Weber et al., 2017), social enterprises' structurally integrated partnerships depend on strong ties with supplementary partners to create value for themselves and the common good. On the other hand, companies that follow a human-centered path intensify personal interaction and foster stakeholder involvement. In doing so, the companies extend their knowledge to better identify and address company-specific goals, such as sustainable production of food, water, and textiles.

Scholars, such as Dyer and Singh (1998), Kleinbaum and Stuart (2014), and Zheng et al. (2011), theorize how networks help firms acquire new knowledge and facilitate learning processes. The present study complements this theorization by delivering an empirical basis and finding that although knowledge exchange is undoubtedly vital for all social enterprises, the extent to which social enterprises following human-centered partnerships do so is large. They foster personal interactions and provide informal incentives to create knowledge-sharing routines that emphasize reciprocity and signal sincerity to the firms' network partners. Such an honest, unrestricted knowledge transfer may reduce ambiguity among partners (Simonin, 1999) and lead to the integration of additional network members, such as customers and suppliers (Vanpoucke et al., 2014). To address complex social problems through effective social entrepreneurship in networks, Montgomery et al. (2012) describe mobilizing followers by conveying ideas (framing), building the required knowledge among participants in the network (convening), and combining multiple expectations (multivocality). In light of the present findings, it seems that social enterprises that follow the human-centered path regularly master these strategic activities to effectively mobilize and involve stakeholders to create value for the firms and the common good.

In sum, the findings suggest that creating value investments in relationships is important. However, only a few case companies actually invested in relation-specific assets, which corroborates previous findings for creating value in social enterprises (Weber et al., 2017). One reason might be a time delay in the accessibility of relational rents. Long-term cooperation is crucial for the success of social ventures (Sharir & Lerner, 2006), and establishing relational assets might simply require trust and time.

6.5.2. Reflections on Value Creation Through Social Enterprises' Relationships

The social enterprises in the study sample did not strive for competitive advantage in the classical sense by emphasizing transaction costs and firm resources but instead searched for holistic value and new ways of creating it. In doing so, these companies differ from the traditional "transaction cost economics" perspective and lean toward a "consumer benefit experienced" perspective (Priem, 2007), which emphasizes the search for value. However, we assume a holistic stakeholder perspective is more suitable, because we used a broader conceptualization of value and considered beneficiaries that are not directly involved in an exchange relationship with the corresponding social enterprise.

Value creation "is a central concept in management and organization literature [and is] not well understood" (Lepak, Smith, & Taylor, 2007, p. 180). At its heart, value creation captures consumers' subjective valuation of their consumption benefits (Bowman & Ambrosini, 2000). In line with Rai (2016) and Weber et al. (2017), who call for a more holistic view of value creation,

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the present results show that the narrow view needs to be extended in two ways to fully embrace how social enterprises create value through partnerships. First, to evaluate the attainment of pluralistic goals and account for additional social and environmental dimensions, value creation should not be limited to financial indicators. Knowing what determines stakeholders' utility is crucial for creating value (Harrison et al., 2010). The study analysis revealed that social enterprises generally base their relationships on sincerity and reciprocity, which enables the firms to get to know their exchange partners very well, establish mutual trust, and build up knowledge-exchange routines, as well as complementarities. This network management, in turn, provides the social enterprises with the resources needed to develop and adapt products that meet stakeholders' expectations. Second, social enterprises consider all potential beneficiaries that might perceive the organizations' actions, products, and services as worthy (Pitelis, 2009). This even goes so far that social enterprises pursuing their mission intentionally generate holistic relational rents, which go beyond direct exchange relationships and benefit third parties that are not directly involved in the exchange (i.e., institutions).

6.6. Concluding Remarks

The aim of this qualitative study of 18 German social enterprise was to analyze how social enterprises create holistic value through their network partners. In this process, three stages characterized by an increased relational dependence emerged: The initial stage of strategically selecting appropriate partners acts as a boundary condition and is followed by the second stage, interorganizational learning, before social enterprises draw on investments in relational assets to manifest the relationship in the third stage. To co-create holistic value, social enterprises often expedite interorganizational learning while using a diverse range of stakeholders. However, the findings also show that relational assets are often only barely developed. Therefore, future studies could venture deeper to find out whether this is due to a temporal component in the model (see Figure 18), in which investments in the design of human-centered or site and physical assets follow after spending some time developing the relationship or whether it is a deliberate decision.

Several case companies showed the human-centered and structurally integrated types of path peculiarities in their relationship design. The reason for this might rest in the companies' business models and goals. Company 11, for instance, requires not only mutual knowledge accumulation within the network about sustainable production of spices but also lasting personal relationships with other, sustainability-minded farmers. The value co-creation there is also dependent on high compatibility with value chain partners to guarantee fairly produced goods and universal accessibility to support new farmers who value ecologic production but who often start small and with low budgets. Thus, future studies could investigate how value co-creation in specific relationship-design paths may be affected based on company goals and whether there are synergies or trade-offs to account for.

Although to date most efforts to understand strategy in social enterprises have concentrated on the role of individuals (Montgomery et al., 2012; Thorgren & Omoredede, 2015), this study provided an in-depth examination of the relationships that social enterprises manage to generate holistic value from their networks. We integrated a social perspective into the concept of the relational view and elaborated on two distinct paths that these companies take in designing their relationships, that is, either a human-centered or a structurally integrated path. By doing so, this

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study contributes to the academic discussion of sources used to co-create value beyond financial profits and provides helpful insights for overcoming conceptual issues of value creation (e.g., Lepak et al., 2007). Finally, given that this study was conducted with German social enterprises only, we call for future research in different national contexts.

7. Overarching Discussion and Contributions

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7.1. Complementing the Discussion from a Market-Based View

As the dissertation showed, efforts to study the strategic management of hybrid businesses are increasing (e.g., Roy & Karna, 2015; Hockerts, 2015; Liu et al., 2015; Fosfuri et al., 2016). However, most, including most parts of the present dissertation, employ primarily an internal perspective, despite the importance of a market-orientation for hybrid businesses to achieve change and create the potential for growth and profitability (Haigh, Walker et al., 2015). Although it can be argued, for example, that the RV does incorporate aspects of an external view with a focus on stakeholders and partners that formally do not belong to the focal company, its analytical frame relates to internal resources, assets, and capabilities (Dyer & Singh, 1998). As an internal and external view complement each other (Bamberger & Wrona, 2013), this chapter provides a discussion from the, thus far, neglected external perspective by providing an investigation from an MBV.

The MBV was largely shaped by Michael Porter and is based on the structure – conduct – performance model of Mason (1939) and later Bain (1956). The model asserts that the market structure influences the conduct of competitors which, in turn, affects company performance. Porter (1979) expands upon this model with his own model of the five market forces (see Table 29 for brief explanations) essentially argued to determine a company's rentability.

Table 29. Porter's (1979) Five Market Forces

Market Force	Explanation
Rivalry	Rivalry rises with number of competitors, slow industry growth, lacking product differentiation, low switching costs, high fix costs, high exit barriers, diverse competitor strategies
Threat of new entrants	Entry threat rises with low entry barriers and reactions by incumbents. Factors influencing these barriers are: economies of scale, product differentiation, capital requirements, cost disadvantages, access to distribution channels, and government policy
Threat of substitutes	The threat of substitutes rises with more attractive price-performance trade-offs offered by substitute products
Bargaining power of customers	Buyer groups are considered powerful, if: groups are concentrated and buy in large volumes, the products are undifferentiated, or of low importance in the buyer's value chain, the final product achieves low profits, the product is of low quality
Bargaining power of suppliers	Supplier groups are considered powerful, if: there are few and more concentrated supplier companies, the product comes with high switching costs, the products are widely independent of other products, possesses forward integration, and the industry is not an important buyer.

Throughout the dissertation, some hints were given that advocate for the relevance of an investigation of market forces as described by Porter (1979). For one, the success of hybrid businesses is commonly argued to be found in their innovativeness and ability to establish new business models around unconventional ideas (Roy & Karna, 2015). However, these ideas must also make commercial sense in markets typically dominated by commercial orientations (Chapter 2), putting more pressure on the companies to balance the social with these commercial orientations (Santos et al., 2015). Also, within the identified aspects of the strategic management of hybrid businesses (Chapter 4), some do appear to show market-oriented connections. Catalytic innovations, for instance, enable access to new markets and to help identify customers (Santos et

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al., 2015; Gras & Lumpkin, 2012). Furthermore, market resistance is an important driver of innovation (Newth & Woods, 2014), as it forces companies to find new ways to circumvent various barriers to serve markets that are not inherently socially oriented.

Furthermore, Porter (1980) famously argued that businesses must pursue strategic purity in order to avoid being “stuck in the middle” and thus suffering from inconsistent actions while aiming to achieve multiple priorities in the market (Thornhill & White, 2007). Based on this argument, companies that follow a hybrid strategy would always be outperformed by competitors that do follow a pure strategy (Haveman & Rao, 2016; Chew & Osborne, 2007). Although Thornhill and White (2007) were able to establish a positive relationship between implemented strategic purity and business performance, the authors acknowledge that the results differ in different settings and sectors. And yet, only a few studies follow an outright MBV in their investigations, despite evidence that a market-orientation is essential to the company’s financial and social mission (Wilson & Post, 2013).

Therefore, to provide a more holistic view to this dissertation, this section discusses a final, complementing evaluation of the strategic management of hybrid businesses from an MBV. To do so, I first provide examples from six German hybrid businesses from diverse sectors of the economy, specifically case companies C (consulting), F (fashion), G (food), L (textile), O (energy), and R (commerce) (see also Table 21). I then present the findings on how the market forces affect them. The investigation was conducted by two coders—a scholar of hybrid businesses and a graduate student, to provide an acceptable level of reliability and intersubjectivity in the interpretations. The process overall followed the same method as that described in Chapter 5.3 and is based on remaining interview statements not previously used in this dissertation. Second, I reflect these findings against insights that the earlier studies delivered to provide future researchers with an overarching understanding of the strategic management of hybrid businesses.

7.1.1. Intensity of Rivalry

Findings concerning the intensity of rivalry are presented in Table 30.

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Table 30. Intensity of Rivalry

Degree	Contributing Factors
low	Few competitors High levels of differentiation Growth of ecological/social sector Fair competition, competition as chance to expand operations
	“That is why we joined forces with other companies (...) They basically have the same approach we have and are the only other company world-wide that operates in that environment” (C)
	“Or when I see that you can buy such children’s pants for 15 Euros at [a commercial company], they are able to do so because they have the respective marketing power” (L)
	“Consumers do not have a chance to navigate this whole certification jungle to see which companies are actually green and which ones are simply greenwashing. (...) They basically go to the store and see some tag with a certification and think ‘this can only be good’” (F)
	“I see a lot of growth potential. The market is simply still developing, and customer needs and preferences are also changing. Attention to the topic is growing and so is media attention. And that is changing the framework conditions of the market” (L)
	“There is no real competition or actions against each other. We have a good feeling toward each other” (O)

Within the business units, most companies have no or very few direct competitors. The founder of company R explains: “Well, the thing is, technically, there is no competition, because there are no companies that follow the same approach.”²⁵ The founder of company O, however, mentioned some competition: “Strictly speaking, there are only five companies that are relevant to the market, us included, and most of them were founded like 15 years ago.” The other companies expressed similar statements. The reason for such low competition can be found in the relatively high levels of differentiation. Due to this, case company L has established a niche for itself:

Well, we work in a niche. If you look at the entire textile market, we work in a super small niche. And we ourselves are niche actors, because of course there are some that process organic cotton, but we are not competing with them, because they are way too large for us—but also for our customers. This means, although they may offer those huge quantities for a top price, customers still will not be able to afford them, because it is simply too much. (founder, company L)

Regionality is another topic that most hybrid businesses value (see also Chapter 2). This pattern indicates more grounds for a possible niche strategy: “But, as I said, especially this ‘we want to produce in the region, for the region’ – nobody is really doing that.” Within the ecological sector, hybrid businesses seem to benefit from sector growth. The founder of company C stresses, for example, the developing market for sustainability: “I mean, the market for sustainability has developed dramatically”. Beyond that, rivalry between hybrid businesses is much less intensive. The founder of company L describes the fair competition between incumbent players: “We get along very well. There is no monkey-business going on. It is ‘live and let live,’ even if it is a niche. We just have a different understanding of how we treat each other.” The founder of company O

²⁵ All quotes were translated by the author.

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also highlights that existing competitors are “not rivals, but rather a chance to expand the market ... We do not work against each other. With most, we just have a great feeling that they find the market refreshing.” He further adds: “There is really a lot of personal contact and appreciation for one another.”

Based on this analysis, it can be concluded that rivalry is relatively low as there are only few competitors, high levels of differentiation, and a general growth of the social sector, which carries with it expectations to work toward the common good.

7.1.2. Threat of New Entrants

Table 31 presents the threat of new entrants in context of hybrid businesses.

Table 31. Threat of New Entrants

Degree	Contributing Factors
low	Size-unrelated cost advantages – Specialization, Know-how, Patents Customer loyalty and trust Certificates
high	Size-related cost disadvantages Low budgets, lacking access to distribution channels

“We have defined three unique selling points (USP), and can really distinguish ourselves on the market” (C)
“On the other hand, we still have that USP of a patent for the process” (G)
“At the beginning, you barely have any customers and cannot simply print 500 shirts or jackets per style like crazy, if you do not have the appropriate channels. That is a huge problem” (F)
“With us, it is a little different, because it is about the topic of authenticity. Buying that or the network of partners, our sustainability indicator is based on, is pretty difficult. I think it is a real USP that raises barriers for market entry” (R)

Some companies can establish entry barriers through patents, as in the case of company R. The founder explains: “[The instrument] is unique. No one else has that and to date, no one else can do a similar job. There is a pretty huge algorithm behind it that you cannot just copy overnight.” In the ecological sector, there are certain standards to adhere to and certificates that lead to entry barriers. The founder of company G elaborates: “We needed almost a year to receive a permit to sell our mushrooms.” Another barrier can be the stakeholder trust necessary to enter the market, as in the example of company L: “Textile, sustainable and niche ... You need a lot of patience and a wide selection as well as a lot of trust from the customers. Without that, you do not stand a chance.”

Access to distribution channels can be another issue for hybrid businesses. For example, the founder of company C explains that having the general idea to solve a social issue through a business mindset is not enough, because “when it is time to find customers, enter sales talks and negotiate hourly rates ... It was not easy to get started.”

Cost disadvantages and a low budget lead to the threat of new entrants. Especially large companies may be tempted to enter the market, if profits rise, as the founder of company R explains: “I can imagine that [a commercial company] or [another commercial company] would immediately enter the market and try to copy out sustainability indicator, as soon as profits rise”.

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Overall, the biggest threat to entering the market of hybrid businesses are large commercial companies due to the low capital endowment of hybrid businesses and sometimes missing access to distribution channels. However, this threat is diminished by the specialized knowhow that the companies possess and the image and loyalty that companies need to possess in order to establish the company.

7.1.3. Threat of Substitutes

The threat of substitutes for hybrid businesses is summarized in Table 32.

Table 32. Threat of Substitutes

Degree	Contributing Factors
low	Specific value proposition for beneficiaries of company Unique mix of commercial and social value for mainstream customers
high	Low profile and only local brand awareness Attractive cost-benefit-ratio of commercial substitute products
<p>“Overall, there is a shift toward sustainable orientations and fair fashion on the fashion market” (L)</p> <p>“We are actually only serving the third-most important attribute [after price and quality]. Sustainability is simply a sensitive topic, and when it comes to it, people are more skeptical. I believe, for us, it is advantageous to have the focus on social impact” (R)</p> <p>“The price, of course, is always a deciding factor. Compared with regular textiles, ours do have their [comparatively high] price. But for what it represents, it is completely worth it” (L)</p> <p>“On the energy market, I think, it is a huge loss to be with the big, established companies, because customers are leaving based on pricing alone” (O)</p>	

While hybrid businesses may not compete in the classic sense with other hybrid businesses, there is indirect competition with commercial companies. The findings show chances and challenges for hybrid businesses. One such chance is the changing attitude of customers and their lower inclination to substitute the products hybrid businesses offer. The founder of company G describes this chance in more detail: “I would say that the basic attitude is changing on the market, and there is a much higher willingness to consume a sustainable product, than one where everyone knows that it is not as kosher”. Buyer groups, furthermore, pay much attention to high quality and origin of products and services, as the founder of company L explains:

Normally the price, of course, is also a deciding factor when compared with conventional textiles. If we had customers who only valued price, I would have to say, we are in trouble. But, since we have customers who value not only price but also origin of the textile, it is alright. (founder, company L)

Image and customer loyalty through trust, in many cases, leads to higher sales of hybrid businesses compared with similar products from commercial companies. The founder of company R, for example, talks about the value of trustworthiness: “[They buy from us] because they do not trust [a large company].” Similarly, company O benefits from the trust of its customers: “It is simply the trust in what we do.” This seeming distrust against some commercial companies appears to be a general reason why customers are less willing to opt for similar products from commercial companies, as the founder of company O explains: “I think on the normal energy market, there is a loss of trust from customers in the large, established companies.

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On one hand, customers change providers because of the price but on the other, also because of sustainability considerations.” Moreover, social value is a deciding factor in the uniqueness of the product. The founder of company C explains that everyone involved has a gain in the businesses value proposition: “(...) the autist, the customer, society. Everyone benefits from it. And if the client has that in the back of his mind, then he might choose us above others, if everything else is the same.”

Still, some of the investigated companies face challenges. A threat from substitutes can occur, when the hybrid business is relatively unknown. The founder of company R describes the dominance of large, commercial companies and their market power: “That is our greatest problem. We simply do not have the same huge marketing budget as [a large commercial company] – most people do not even know us.” A similar challenge is described by the founder of company L: “To a certain degree it is easy to be found on the Internet when people search for gifts. It is a highly contested market, and several SEO agencies have tried their best already.” In this regard, pricing again becomes an issue, as buyers do not exclusively buy due to the ecological or social value alone, but also consider the price. The founder of company F explains: “I would not say that it is only the sustainability aspect. At the beginning, I also thought: ‘Okay, sustainability is enough.’ But the central topics are still: What is the style, how is the image that the brand represents? Pricing is also an important issue. Sustainability actually follows after that.” In this regard, the founder of company O shows the importance of balance in the mission of hybrid businesses: “We are not the cheapest, but neither are we the most expensive”. Often, commercial companies possess more power and higher budgets to make their substitutes known, as the founder of company R explains: “Just type in ‘vegan shoes’ in google and see who you get. They, of course, have more power.”

The data shows that the threat of substitutes is relatively well balanced. On one hand, hybrid businesses benefit from a low proclivity of customer groups to substitute, due to the social value that the products contain. On the other hand, hybrid businesses have difficulty making their brand known and reach out to future loyal customers, due to their own low marketing budgets and the high budgets of commercial companies.

7.1.4. Bargaining Power of Customers

Table 33 shows the bargaining power of customers.

Table 33. Bargaining Power of Customers

Degree	Contributing Factors
low	Buyer volume of sustainable products Low concentration of groups, many small buyers Low price sensitivity
“Sustainability is a strength in the sense that it has become a basic requirement on the market (...). However, most do not necessarily question <i>how</i> organic those organic bananas are. But on a basic level, lots is changing on the market” (G)	
“We have customers all over Germany” (O)	

As indicated, customers pay attention to price, but are also interested in sustainable products, which can offset customers’ general price sensitivity to a certain degree. The founder of company

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L summarizes the affinity for sustainable products: “There are definitely new customer groups that highly value sustainable resources”. Also, the founder of company R realizes that sustainable consumption and the demand for such products is on the rise due to its functionality: “E-commerce is on the rise and sustainable consumption as well.” It is also apparent that the buyer volume in some companies is relatively high. The founder of company O discusses the high amount of orders: “We have several vendors who, meanwhile, order ten or twenty times as much as they did five years ago.” The founder of company G even reports higher orders than available products: “Sometimes we struggle to serve the demand that we are faced with.” However, in some cases, the companies face many small customer groups, as in the case of company L: “You do not find that one big customer who buys off all your stock and from whom you earn all your profits. With us, there are many small customers from whom you profit a little, but the sum usually makes up for it.”

The findings here highlight the general attractiveness of hybrid businesses for buyers, based on their demand for sustainable products. Furthermore, the findings express the focal companies’ awareness of that fact, which allows for more forward-looking pricing policies.

7.1.5. Bargaining Power of Suppliers

Lastly, Table 34 summarizes the bargaining power of suppliers.

Table 34. Bargaining Power of Suppliers

Degree	Contributing Factors
low	Attractivity of hybrid businesses
high	Insignificant order volumes Dependence

“The thing is, especially at the beginning it was hard to find suppliers for something like this or to influence them, because we produced only low quantities” (F)
 “During the past five to six years, we developed a real partnership, where you can even provide impulses for the industry as a whole. We now even have suppliers that went the extra mile to get a bio-certificate just to be able to work with us” (L)

Although not many statements were given that illustrated the bargaining power of suppliers, the case companies F and O indicate that the relatively low order quantities can put the company at a disadvantage. “Well, the biggest barrier is, when you introduce new product lines... In the textile industry you just have to order high quantities in order to introduce new product lines” (founder, company F). The founder of company O further stresses the often-insignificant order volumes and the resulting dependence on a few suppliers that do offer smaller quantities: “We are not only dependent on our own IT-system, but more so from data exchanges with our settlement services ... Especially as a startup, you are simply not the biggest customer.” Similar issues are reported by case companies F and G.

While no clear patterns were established, it can be said that supplier power is highly dependent on the company’s specific business and size. There are signs of dependence of hybrid businesses on suppliers due to relatively low order quantities and supply of resources specialized in terms of sustainability aspects.

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7.1.6. Added Insights and Limitations

Table 35 provides an overview of the market forces as described by Porter (1979), and contrasts their evaluation in the context of hybrid businesses against the insights established in earlier chapters in this dissertation.

Table 35. Hybrid Businesses in Light of Porter's (1979) Five Forces and Dissertation Insights

Market Force	Evaluation of market force and implication for hybrid businesses
Rivalry	<ul style="list-style-type: none"> - Few competitors - High levels of differentiation - Growth of ecological/social sector - Fair competition, competition as chance to expand operations <hr/> <p>➤ No rivalry, but competitive cooperation. Initiated to better serve the common social goal, and to expand to adjacent, or penetrate existing markets.</p>
Threat of new entrants	<ul style="list-style-type: none"> + Size-unrelated cost advantages - Specialization, Know-how, Patents + Customer loyalty and trust + Certificates - Size-related cost disadvantages - Low budgets, lacking access to distribution channels <hr/> <p>➤ Perspective shift; entries mostly not perceived as threat. Entry factors of hybrid businesses are: product differentiation, access to distribution channels, (lacking) government policy, perceived market-failure to solve social issue, slow institutional change, affected entrepreneur.</p>
Threat of substitutes	<ul style="list-style-type: none"> + Specific value proposition for beneficiaries of company + Unique mix of commercial and social value for mainstream customers - Low profile and only local brand awareness - Attractive cost-benefit-ratio of commercial substitute products <hr/> <p>➤ Generally low due to inherent social value of product. Can be high due to higher power of commercial companies.</p>
Bargaining power of customers	<ul style="list-style-type: none"> + Buyer volume of sustainable products + Low concentration of groups, many small buyers + Low price-sensitivity <hr/> <p>➤ Although a purely market-based view may suggest otherwise (see above), customers and beneficiaries are the main providers of legitimacy, making buyer groups (even more) powerful. Communication of sustainability goals may diminish power.</p>
Bargaining power of suppliers	<ul style="list-style-type: none"> + Attractivity of hybrid businesses - Insignificant order volumes - Dependence <hr/> <p>➤ Although the findings indicate high dependence of suppliers, suppliers and focal companies are highly interdependent, as they have aligned goals and high incentives for mutually beneficial deals.</p>

In terms of rivalry, the search for business opportunities usually entails looking for market imbalances that specifically relate to social issues. Throughout this dissertation, the findings show that such opportunities can be found in the described market niches, but also in established, mainstream markets (see also Haigh & Hoffman, 2012). However, instead of simply designing business models that aim to exploit these opportunities and protect them through rival competition, these companies are inclined to engage like-minded businesses and partners to create efficient solutions (Hockerts, 2015; Santos et al., 2015). The studies in the dissertation not only supported this finding (particularly Chapter 6), but also specified that hybrid businesses even

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go as far as to willingly share these business models with anyone who sincerely wishes to solve these or similar issues (Chapter 2). In so doing, the companies further add to a state of cooperative competition that creates synergies and stimulates the market (Yunus et al., 2010).

While from a purely market-based perspective the threat of entry appears somewhat high, one should note the key findings of the present dissertation and certainly other studies in the field. The value of products of hybrid businesses not only lies in their objective use, but also in the social value that the product contains (e.g., Lee & Jay, 2015, and Chapter 3), leading to unique competitive advantages (e.g., Fosfuri et al., 2016; Žur, 2014, and Chapter 2). In Porter's terms, the concentration on social value in the strategic approach leads to differentiation advantages (Porter & Kramer, 2011) in most sectors. The company's value orientation (Chapter 4.5.2) offers consumers and consumer groups a unique identity and the opportunity to change patterns of consumption, further creating customer loyalty (Ravasi, Rindova, & Dalpiaz, 2012), which strengthens entry barriers (Porter, 1979). From the opposite angle, hybrid businesses, it can be argued, can actually threaten to enter mainstream markets as competitors to commercial companies and pressure them into more sustainable practices (Halberstadt & Kraus, 2016; Rahdari et al., 2016). To do so, however, the findings indicate that, aside from a strong communication of values, the company needs to possess the necessary commercial infrastructure (e.g., distribution channels) to establish a viable business model on the respective markets (Chapter 3).

The findings on the threat of substitutes reveal that the primary problem is a lack of recognition. While expansion and/or market penetration could be viable options for commercial companies to make their brand and products known (Porter, 1998), several studies indicate that scaling-up and expansion of hybrid businesses is a sensitive topic (e.g., Fosfuri et al., 2016), because such primarily commercial strategies can diminish the overall social perception of hybrid businesses in the eyes of stakeholders. However, most studies failed to elaborate deeper on the mechanism behind that effect. In that regard, the findings of the present dissertation assert that such a diminishing effect is negated or substantially reduced, as long as this expansion is perceived as consistent with the company's value orientation to better serve key beneficiaries (Chapter 4.5.2). Examples for such consistent growth strategies include expanding outreach (Chapter 5.4.1) or establishing similar businesses through innovative approaches (Chapter 4.6.1). In this way, companies can increase recognition to counteract potential substitutes, while minimizing the problem of stakeholder ambiguity as described by Billis (2010).

Due to rising buyer awareness, relatively low price-sensitivity for sustainable products, and overall small buyer groups, a market-based evaluation indicates a relatively low buyer power. However, the dissertation findings would suggest otherwise. The founders of hybrid businesses are usually driven by immaterial motives (Chapter 2), which explicitly contains the aim to help beneficiaries by directly marketing the company's main product to them, or selling to other customers who, in turn, generate the revenue necessary to do so (Ebrahim et al., 2014). As these customers/beneficiaries are, therefore, highly specialized and central to the companies' business models (Chapter 3), it can be argued that they possess relatively high bargaining power. Nonetheless, the findings are value-adding, as both the earlier findings of the dissertation and this market-based observation allow for a more balanced evaluation of buyer power and for further conceptualization. For example, most hybrid businesses often face overwhelming demand from customers based on season and/or media coverage (see Chapter 5.4.2). Instead of expanding

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operations and increasing market share, the companies communicate a message of authenticity for the sake of sustainable production, which further increases attractiveness. Despite lacking hard evidence which future studies could aim to provide, in a way, this message of authenticity may be regarded as a strategy to keep buyer power in check.

The few findings on supplier power indicate a general dependence of hybrid businesses on their suppliers because of low order volumes and often unique resources. This conclusion, however, contrasts with the findings of the dissertation. Particularly, Chapter 5 describes how the companies grow together and develop a symbiotic relationship, and thus how suppliers often become an interdependent part of the businesses' value chains with aligned incentives and a drive to create mutually beneficial relationships. Furthermore, Chapter 6 shows the strategies hybrid businesses employ to facilitate these relationships by either designing the structural assets to connect the partners, or by concentrating on the human element to grow closer.

Although the findings of this complementing study may not have been surprising when compared with the conclusions gathered in each study, they nonetheless contributed to a better understanding of the strategic management of hybrid businesses as profit-oriented businesses that must maneuver internal as well as external pressures. The study also helps add a new perspective on the MBV as the discussion indicated that the possession of power and the potential for rivalry do not necessitate their use, which is often implied. While, for instance, suppliers and buyers were argued to possess relatively high power, the findings of the dissertation overall drew a picture of mutuality and an orientation toward the common good. This result, however, requires further verification through more developed empirical studies.

This small, complementing study set out to add to the findings from this dissertation, by also providing an external, market-based view. As such, there are of course several limitations. First and most importantly, the interview data was collected from individual founders of their companies who may not possess all the information on the investigated market forces. This may also be the reason, why some categories were rather under-represented. However, as highly informed key advocates of their companies (Wry & York, 2017), these individuals should provide a very close approximation. Future studies should also investigate, however, specific partners, buyers, as well as commercial and other hybrid businesses to gain more accurate insights into the five market forces. The study employed only six case studies, however, Eisenhardt (1989) suggests (at least) four cases to conduct reliable case studies. And, with the aim to complement findings and provide impetus for a closer examination rather than develop entirely new findings, such a study may be considered appropriate. Still, more knowledge could be gained by including further hybrid businesses, ideally in combination with the earlier recommendation to also study other connected market actors.

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7.2. Conclusion

The present dissertation aims at investigating the strategic management of organizations that pursue a social and/or environmental goal while securing financial viability. With this dissertation I specifically seek to advance research on hybrid businesses as profit-oriented companies that constantly face tensions due to different stakeholder expectations.

In focusing on the hybrid nature of these companies, the dissertation contributes to, and advances the field through four empirical studies, a systematic literature review and a complementing discussion. By revealing defining attributes, business model designs, the theoretical and conceptual grounding of hybrid businesses as profit-oriented organizations, as well as prominent strategic management implications, this work creates several contributions. In the following paragraph, I will detail these contributions to conclude the dissertation.

By building a framework of constituents and characteristics, Chapter 2 contributes to a holistic, empirically grounded picture of specific elements that define hybrid businesses. The chapter also contributes to a more uniform understanding of hybrid businesses' peculiarities, which serves as the basis for the subsequent studies and will help future research to build upon more refined conceptualizations as well as policy-makers and practitioners to promote the idea of such companies. Chapter 3 investigates hybrid businesses as profit-oriented organizations and contributes to the developing research stream of hybrid business model design. Specifically, future studies will benefit from a clearer understanding of the commercial mission of hybrid businesses as necessity for pursuing the social mission. The systematic literature review in Chapter 4 centers the investigation on aspects of strategic management of hybrid businesses and contributes to research by providing the means to conduct more theory-based research and to empirically tackle the gaps that the framework identifies. By presenting key propositions for how DCs facilitate the survivability of such companies, Chapter 5 contributes a framework for future research to test in different settings. The chapter also contributes to understanding survivability of hybrid businesses as profit-oriented organizations, and provides practitioners with key factors to account for when managing such organizations. Chapter 6 contributes to a better understanding of the efforts of hybrid businesses to co-create holistic value. Further, by adding a social perspective on value creation as relational rent, the chapter enriches the theoretical concept of the RV. Finally, Chapter 7 reflects key findings gained throughout the dissertation with a small complementing investigation from an MBV and contributes to research by providing an external perspective.

Overall, this project creates insights into hybrid businesses that provide academics with the means to conduct research on such companies across sectors, and practitioners to better evaluate, design and prepare hybrid businesses for the challenges and opportunities that companies with a multiple goal orientation face.

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Appendix

Appendix A. Overview of Secondary Material

Case	Company Website	Company Social Media	Articles / News clips	Blog posts	Published Interviews	Videos
A	Yes	Facebook	2	-	-	1
B	Yes	Facebook	2	-	-	1
C	Yes	Facebook	2	1	1	1
D	Yes	Facebook	2	3	1	-
E	Yes	Facebook	1	4	-	1
F	Yes	Facebook	1	-	1	1
G	Yes	Facebook	2	1	1	
H	Yes	Facebook	1	1	-	1
I	Yes	Facebook, Twitter	1	1	1	-
J	Yes	Facebook	2	-	-	1
K	Yes	Facebook	1	2	-	-
L	Yes	Facebook, Twitter	3	1	-	-
M	Yes	Facebook	3	-	-	1
N	Yes	-	1	-	1	
O	Yes	Facebook	2	-	1	1
P	Yes	Facebook, Twitter	2	1	1	-
Q	Yes	Facebook	2	1	-	1
R	Yes	Facebook, Twitter	2	1	-	1
Σ	All 18		32	17	8	11

Appendix B. Interview guide questions²⁶

First wave

1. Please tell us about your business model. What is special about your business model?
2. What role do aspects of sustainability play in your business model?
3. When did you start developing your business? And how?
4. Why did you start your business?
5. How far are you with your business model? What needs to be done in the future?
6. How long did it take until you had a working business model?
7. How would you characterize and categorize your business model?
8. Do you generate profit and if so, how?
9. How is this profit distributed, and to whom?
10. Do you generate value beyond profit? If so, what kind of values?
11. Looking beyond the boundaries of your own company, do you have partnerships that influence your business model? If so, what kind of partnerships and how do they influence your business?
12. Does your business model lead to the exploitation of new market or does it provide new kinds of products?
13. What are the results of your business model so far? What can you tell us about success and failure?
14. What are the main internal and external challenges for you in the future?

²⁶ Questions translated by the authors from German to English

Second wave

1. How did this business idea come about?
2. What must a business have in order to survive on your market? How is this different from ordinary companies?
3. What knowledge did you and your co-founders bring to the founding of the company? (Education, CV)
4. What do you think are the strengths of your company? Compared to other companies, where are the differences?
5. How do you identify opportunities? (What channels do you use to identify an opportunity?)
6. How do you react to changes and challenges? (How is the flexibility of the expressed?)
7. How do you translate your ideas and decisions into practice in general?
8. What are the resistances in the execution of changes?
9. How would you describe your market environment concerning actors (competitors) and dynamicity? How is it different from ordinary companies?
10. Why do consumers choose your product or service? What are the differences compared to ordinary companies?
11. do consumers choose your product or service? What are the differences compared to ordinary companies?
12. In general, what is the most important process, resource or input for your company?
13. With what institutions, people or groups are you cooperating with, and what purpose do those cooperation relationships serve?
14. How valuable are those cooperation partners in your company and how formalized are they?
15. How would you judge the cost-benefit ratio of each cooperation project? (If necessary, what would be the consequence, if those cooperation partnerships ended?)