

Finding Harmony in Dissonance: Embracing Paradoxes in Social Enterprises

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Abstract

Social enterprises hold the potential to be financially viable organizations while addressing critical global issues. However, their success hinges on leaders' ability to navigate the challenges stemming from balancing social impact and commercial success. While an extant body of research investigating tensions between social and commercial elements has emerged, most efforts are done as conceptual work or idiosyncratic case studies. Inductive research investigating social business tensions to any broader extent is lacking. Through a multiple-case study with 24 social entrepreneurs, we inductively discover the processes, situations and factors that render tensions salient. Adopting a paradox lens and using the social enterprise as the unit of analysis, we gathered portrayals and narratives on how tensions manifest and are subsequently managed. We find five key tensions that touch upon, and span across, categories of hybrid organizational life. Most tensions are found to be paradoxical, in which social entrepreneurs can not simply choose the social or financial side of the venture. With the intention to achieve balance between conflicting demands, social enterprises adopt strategies of integration and temporal separation. We find aligning organizational stakeholders through integration strategies fundamental to subsequently adopt temporal separation strategies in organizational activities. Our research extends and problematizes current understanding of social business tensions in general and their paradoxical nature in particular.

Key words: social entrepreneurship, business tensions, hybrid organizing, paradox theory

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Glossary

Economic mission	Refers to the core objective of achieving financial sustainability and generating revenue to support social or environmental goals
Dialectics	Contradictory elements resolved through synthesis, which, over time, will confront new opposition
Dilemmas	Competing choices, each with advantages and disadvantages
Grounded theory	A research approach where theory is systematically developed from data
Hybrid organizations	The offspring of two organizational species, combining elements from different groups of traditional organizing
Paradoxes	Contradictory yet interrelated elements that exist simultaneously and persist over time; such elements seem logical when considered in isolation, but irrational, inconsistent and absurd when juxtaposed
Paradox theory	A particular approach to oppositions which set forth a dynamic equilibrium model of organizing that depict how cyclical responses to paradoxical tensions enable sustainability
Philanthropy	Giving resources to support social causes, organizations, or individuals in need, without financial intentions
Salience	Organizational actors' perception of contradictory yet interdependent elements
Social business tensions	Conflicting prescriptions for actions from diverse demands resulting from the hybridity of social enterprises

Social entrepreneur	An individual who addresses social or environmental challenges through entrepreneurial approaches
Social entrepreneurship	A process of identifying, evaluating, and pursuing opportunities aimed at self-sufficient social value creation through market-based activities
Social enterprise	An organization that applies commercial strategies to achieve social or environmental goals, prioritizing impact alongside financial sustainability
Social mission	A concise statement or idea describing the primary purpose to address a specific social or environmental issue
Social value creation	Creating value beyond financial profit by addressing social and environmental issues
Tensions	Feelings of stress, anxiety, discomfort, or constriction encountered during decision-making which arise when individuals confront contradictions and paradoxes

1 Introduction

1.1 Why Social Enterprises Must Work

"Capitalism has taken more people out of poverty than any other '-ism'"

Bono

Bono's mindset embodies the core principles of social entrepreneurship, advocating for a commercial sector concerned with more than just profit. In a world where profit margins often overshadow societal and environmental sustainability, the importance of the call from United Nations for global action to promote social and environmental protection cannot be overstated. The reality that over 700 million individuals live in extreme poverty (The World Bank, 2024) and humanity exploits natural resources at 1.7 times the rate of the planet's regeneration capacity (Earth Overshoot Day, 2024) stresses the need for change.

Against this backdrop, the emergence of social enterprises presents a symbol of hope. The unique concept of social enterprises redefines success by harnessing the efficiency, innovation, and resources of traditional for-profit enterprises, while embodying the passion, values, and mission of not-for-profit organizations (Battilana et al., 2012), a unique approach to address societal issues. The collective efforts of the 470 globally leading social enterprises have directly improved the quality of life for more than 891 million lives over the past 25 years (Schwab Foundation, 2024).

However, navigating the dual obligations of social missions and commercial motives poses challenges, as it is hard to run enterprises that bridge the social and economic worlds (Martin & Osberg, 2015). Therefore, despite remarkable contributions, social enterprises remain underestimated and underrepresented in the business landscape (UN, 2024; World Economic Forum, 2024). It is of joint interest for everyone - individuals, businesses, and nations - to make social enterprises work for a better tomorrow, and scholars play an important role in making that happen.

1.2 Problem Formulation

Social enterprises are, in their simplest definition, organizations that integrate a social mission and financial self-sufficiency (Austin et al., 2006), meaning they operate at the intersection of the financial and social sector (Battilana et al., 2015). Standing with one foot in either world creates unique challenges (Battilana, 2018; Doherty et al., 2014; Jay, 2013), as instead of belonging to both worlds, social enterprises fall into the trap of belonging to neither.

While simultaneously adhering to social and business outcomes, social enterprises are expected to be torn by conflicting demands with irreconcilable prescriptions for action (Smith et al., 2013). These conflicts result in tensions across organizational life, such as managing multiple stakeholders (Moizer & Tracey, 2010), ensuring a coherent organizational identity (Battilana & Dorado, 2010; Battilana & Lee, 2014; Smith & Besharov, 2019), and organizing and designing the venture for scaling (Niendorf et al., 2022; Siegner et al., 2018). As the social enterprise is void of meaning without the social mission, yet unable to go on without financial stability, the simultaneous enactment of social and business outcomes has been argued one of the greatest challenges for social entrepreneurs (Costanzo et al., 2014; Ebrahim et al., 2014; Siebold et al., 2019). Therefore, understanding how managers make sense of, and experience these tensions, is paramount to understanding successful venturing in the ‘social entrepreneurship’ sphere. While there is a substantial stream of conceptual work and theorizing around tensions in social enterprises (Battilana & Lee, 2014; Doherty et al., 2014; Smith & Lewis, 2011; Smith et al., 2013), current research provides little empirical evidence how these manifest and are managed by social entrepreneurs beyond single-case studies (Jay, 2013; Smith & Besharov, 2019). Moreover, little is known about which tensions are most salient in social enterprises (Smith & Lewis, 2011), highlighting a need for exploratory and inductive efforts to uncover tensions (Smith & Tracey, 2016). Consequently, research calls for deeper and broader exploratory studies into tensions in social enterprises (Doherty et al., 2014; Gopakumar & Gupta, 2024; Schad et al., 2016; Smith et al., 2013).

1.3 Expected Contribution

Our study explores how tensions in social enterprises manifest and how social entrepreneurs manage these. Thus, several contributions are expected. First, we aim to develop the understanding of the unique challenges faced by social enterprises and how the juxtaposition of social and commercial activities becomes salient in the form of tensions. This extends current understanding in two ways, both by findings which tensions are most acutely felt but also through elaborating the process which makes them salient. Second, we hope to depict an understanding of how such tensions are managed to fulfill the dual mission, an important research area highlighted by Smith et al. (2013). Third, by taking a paradox perspective, we advance the nascent (Smith et al., 2017) and ontologically diffused (Hahn & Knight, 2021) field of paradox theory and aim at subsequent theory building, as called for by Haugh (2012). In particular, we aim to further develop the understanding of the paradoxical nature of social business tensions in contrast to other constructs of tensions. We hope to contribute findings that can clarify the interdependence and contradictions often found in social business tensions, as suggested by Smith and Lewis (2011). In the process, we aim at highlighting how this paradoxical nature may or may not be distinct

from concepts such as dilemmas and dialectics, which White et al. (2022) call for a greater understanding of.

1.4 Delimitations

This study applies the social enterprise as the unit of analysis in pursuits of advancing understanding of social business tensions at the organizational level. We limit our sample to leaders of the enterprises (see appendix B) and deem these fit to represent the organization. Recognizing that some social ventures have grown past premature stages, we allow interviewees to be top managers in the enterprise or founders, realizing that these are often found in the same person.

To ensure a comparable analysis, several delimitations were made. First, all social enterprises comply with our definition of social entrepreneurship (see section 2.3). Second, enterprises in the study are Swedish, recognizing the role that local embeddedness has on social enterprises success (Seelos et al., 2011; Smith & Stevens, 2010; Vannebo & Grande, 2018) therefore an important delimitation to make for cross comparison. Third, to ensure some maturity and structure, only organizations founded at least five years prior to this study were considered. Like other scholars (Lumpkin et al., 2013; McMullen & Dimov, 2013; Short et al., 2009), we view entrepreneurship as a process, and argue that any fruitful analysis must allow for occurrences, such as tensions, to cycle through the organization. Fourth, as some work suggests that tensions arise from different groups of workers (Smith et al., 2013), all enterprises employ a minimum of five people to conform to the aforementioned criterion of maturity. Fifth, similar works (Doherty et al., 2014; Smith & Lewis, 2011) suggest that stakeholders, particularly financiers, could play an important role in the manifestation of tensions. Therefore, we delimit our study to enterprises that have sought external financing.

Last, drawing on a typology of social enterprises developed by Saebi et al. (2019) (see figure 1), we recognize that tensions might be perceived differently depending on the nature of the social and economic mission. Considering this, we focus our study on social enterprises with one-sided value models, where the social mission is directed exclusively towards beneficiaries, who also represent the enterprises' paying customers (quadrant C in figure 1). Meanwhile we attempt to investigate the generalizability of our findings through triangulation with enterprises from remaining quadrants. In considering this typology, we follow the research call to investigate to what extent findings apply to a greater context, bringing clarity in the research field (Saebi et al., 2019).

		Social mission	
		For beneficiaries Beneficiaries are solely recipients	With beneficiaries Beneficiaries are part of value creation process
Economic mission	Differentiated Commercial revenue cross-subsidizes social mission	(Quadrant A) Two-sided value model	(Quadrant B) Market-oriented work model
	Integrated Beneficiaries are paying customers	(Quadrant C) One-sided value model	(Quadrant D) Social-oriented work model

Figure 1: Typology of Social Enterprises

1.5 Study Outline

The disposition of this paper is as follows: In chapter two we address the definitional debate regarding ‘Social Entrepreneurship’ and contrast the concept to other forms of venturing. We then review current literature in chapter three, resulting in an identified research gap and question. In chapter four we describe and motivate the methodological choices made from a scientific and practical stance. In chapter five we present and analyze our empirical data to answer our research question, to subsequently discuss and situate these analyses with the current state of literature in chapter six. Chapter seven consists of concluding remarks and future outlook.

2 Social Entrepreneurship

Although there is a general consensus amongst scholars that understanding social entrepreneurship is paramount (Dees, 1998; Mort & Weerwardena, 2008), there is little consensus to what the term encapsulates (Saebi et al., 2019). A proliferation of definitions has followed from the lack of a unifying paradigm in the social entrepreneurship field, which manifests through the vague boundaries of what the concept embeds (Bacq & Janssen, 2011; Dacin et al., 2010; Short et al., 2009). In this section, we delve into the discourse surrounding previous definitions of social entrepreneurship, distinguish the concept from related fields, and motivate the definition employed in this paper. Instead of dismantling the entire discourse of definitions, we focus our discussion around common characteristics and broader sets of explanations.

2.1 Defining Social Entrepreneurship

Definitions of social entrepreneurship are subject to extensive variation in academic viewpoints, divides, and idiosyncratic approaches (Certo & Miller, 2008; Dacin et al., 2010; Mair & Martí, 2006; Roper & Cheney, 2005; Domenico et al., 2010), making the definition of social entrepreneurship one of scholars largest disagreements (Morris et al., 2021). Dacin et al. (2010) identify four key factors that definitions of social entrepreneurship focus upon.

The first factor relates to the *(i) characteristics of individual social entrepreneurs*. Much early research investigates how individuals' characteristics shape social ventures (Tan et al., 2005; Thompson, 2002). However, recent research opposes definitions that take a micro-perspective, arguing these are too exclusive. Light (2011) argues that such perspectives fail to explain important organizational and leadership practices underlying social enterprises' success. Instead, exploring 'how' individuals act, as opposed to 'who' they are, can offer a more fruitful avenue to understand social entrepreneurship (Bacq & Janssen, 2011; Dacin et al., 2010; Perrini & Vurro, 2006).

The second factor relates to the *(ii) operating sector*, and the third to *(iii) the processes and resources used by social entrepreneurs*. Such definitions stem from different lines of research, for instance, on activities undertaken by social entrepreneurs (Zahra et al., 2009), systems of innovation (Phillips et al., 2015), and how social enterprises are established (Thompson & Doherty, 2006). Although this focus appears more promising to conceptualize social entrepreneurship, much of the research on activities and processes are conducted as idiosyncratic case studies (Dacin et al., 2010).

The fourth factor focuses on *(iv) the primary missions* and outcomes associated with the social entrepreneur. This type of definition focuses on how individuals and enterprises achieve specific outcomes, such as a social mission and social value creation (Bosma & Levie, 2010; Dacin et al., 2010). Additionally, many researchers adopting this type of definition acknowledge economic outcomes as interlinked with social entrepreneurship (Bacq et al., 2013; Mair & Martí, 2006; Zahra et al., 2009).

As research on social entrepreneurship has accelerated, definitions appear to cluster around social and financial aspects, with scholars typically agreeing on two central components: Social enterprises aim to pursue a social mission through the adoption of commercial activities (Austin et al., 2006; Doherty et al., 2014; Laville & Nyssense, 2001; Mair & Martí, 2006; Peattie & Morley, 2008; Peredo & McLean, 2006).

2.2 The 'Social' to 'Entrepreneurship'

An incisive distinction of how social entrepreneurship differentiates from neighboring concepts, such as commercial entrepreneurship and charity, is important to understand its unique challenges. Similar to other scholars (Austin et al., 2006; Brozek, 2008; Douglas,

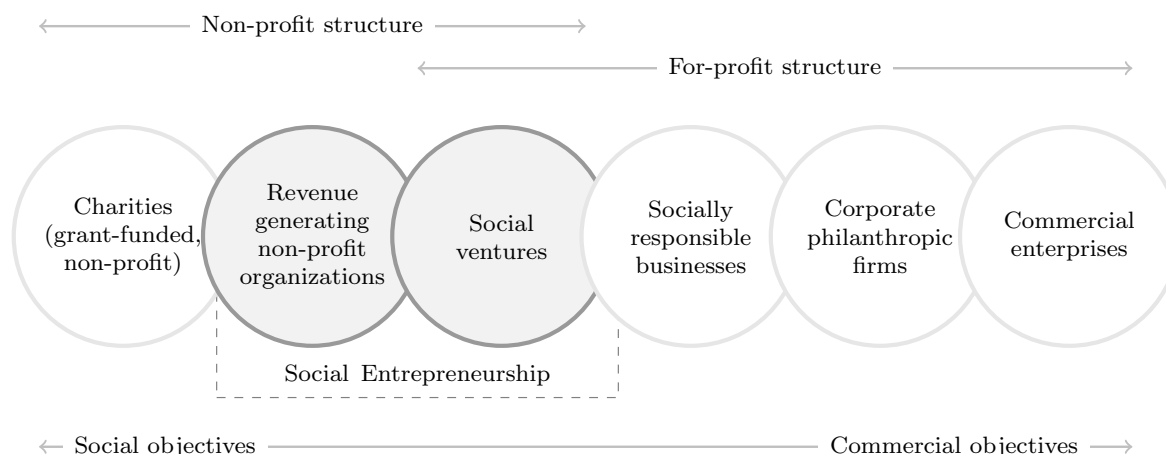


Figure 2: Continuum of commercial structures

2010; Massetti, 2008) we illustrate a continuum to highlight different organizational forms bordering one another. Our continuum ranges from purely social to purely economic, with charities and commercial enterprises at either end of the spectrum.

Most definitional attempts recognize that ‘entrepreneurship’ encapsulates the same elements, nonetheless if the mission is social or commercial (Martin & Osberg, 2007). At the backbone of entrepreneurship is an individual’s ability to seek out an opportunity embedded in what they perceive as a problem lacking a perfect solution (Martin & Osberg, 2007). Being an entrepreneur entails employing behaviors, skills, and tools to achieve a goal (Kickul & Lyons, 2020), being subject to opportunity recognition, network building, innovation processes (Dees, 1998; Perrini & Vurro, 2006), and undertaking significant risk in pursuing a venture (Peredo & McLean, 2006). Having established the congruence in ‘entrepreneurship’ across fields, the emphasis lies on what differentiates a ‘social’ from a ‘commercial’ entrepreneur.

A common misconception is distinguishing the two based on the entrepreneurs’ motivation, believing commercial entrepreneurs are primarily driven by money, whereas social entrepreneurs by altruism (Martin & Osberg, 2007). Rather, scholars primarily distinguish social entrepreneurship from commercial at the organizational level, where social entrepreneurs organize and design their ventures around a social mission meant to create societal impact, whereas commercial entrepreneurs organize and design ventures around maximizing financial value (Austin et al., 2006; Dacin et al., 2010; Mair & Martí, 2006; Zahra et al., 2009). This means that commercial entrepreneurs prioritize commercial objectives, such as discovering and exploiting business opportunities, whereas social entrepreneurs are occupied with channeling entrepreneurial activity towards solving social issues (Austin et al., 2006; Dees, 1998; Maclean et al., 2013; Mair & Martí, 2006). An important notion is that social enterprises are not exempt from commercial objectives (Dorado, 2006; Townsend & Hart, 2008), especially not considering several

scholars (Morris et al., 2021) arguing that a self-generating revenue stream is a defining characteristic of a social enterprise.

Legal structures also differentiate social from commercial ventures. While commercial firms are for-profit (Brozek, 2008), social ventures can take on non-profit, for-profit, and hybrid forms of organization (Bacq et al., 2013; Meyskens et al., 2010).

In direct contrast to commercial enterprises, we find charities. These are non-profit, altruistic, voluntary associations that provide services without activating any business processes aimed at generating income (Douglas, 2010). They also depend on philanthropic grants to remain operable (Brozek, 2008). Whereas some researchers consider altruistic actions guided by a social mission as social enterprises (Mair & Martí, 2006), we believe these do not fit into the current understanding of social enterprises as they are exempt from business processes.

2.3 Social Entrepreneurship In This Paper

Drawing on commonly recognized attributes about social entrepreneurship (see section 2.1) and our discussion about what being a social entrepreneur means (2.2), we define social entrepreneurship as *"A process of identifying, evaluating and pursuing opportunities aimed at self-sufficient social value creation through market-based activities"*.

This definition acknowledges the importance of pursuing both social and commercial objectives, stating that financial self-sufficiency is an integral part of a social enterprise (Bacq et al., 2013; Mair & Martí, 2006; Zahra et al., 2009). Moreover, we consider both enterprises that function as for-profit and not-for-profit, as widely recognized by other scholars. Hence, the definition used in this paper encapsulates 'revenue generating non-profit organizations' and 'social ventures' in figure 2.

3 Theoretical background

3.1 Social Enterprises as Hybrid

The simultaneous enactment of social and commercial objectives in social enterprises challenges conceptions of economic organizing (Wilson & Post, 2013) and undermines classical assumptions of organization theory (Peltonen, 2016). Organization theory typically makes a distinction between economic sectors and assumes that different types of economic organizing (private, public, or non-profit) manifest through clear, structural boundaries and characteristics (Billis, 2010; Somerville & McElwee, 2011). Distinct organizational forms gain social legitimacy through aligning with categorical logics and discourse associated with their distinct division of organizational life (Doherty et al., 2014; Battilana & Lee, 2014). However, such categorical organizing has been challenged

by an increasing number of firms combining multiple organizational forms, giving rise to the concept of hybrid organizations (Battilana & Lee, 2014; Jay, 2013; Hoffman et al., 2010). By definition, hybrids are considered the offspring of two different species (OED, 2024). In the management and organization literature, hybrids refer to *"the activities, structures, processes, and meanings by which organizations make sense of and combine aspects of multiple organizational forms"* (Battilana & Lee, 2014, p. 398).

This hybrid form allows for the coexistence of values and artifacts representing different categories, for instance, the commercial and social (Doherty et al., 2014). As social enterprises not only engage in elements of both social and economic organizing, rather it is the backbone of their whole existence (Ebrahim et al., 2014; Galaskiewicz & Barringer, 2012), they have been considered the epitomization of hybridity (Battilana & Lee, 2014; Billis, 2010; Defourny & Nyssens, 2008; Pache & Santos, 2013). This does not necessarily mean being embraced by both categories, as Young (2012) posits that social enterprises are in a tenuous equilibrium where they do not fully belong to either.

3.2 Social Business Tensions

The enterprise's hybrid characteristics likely creates contradictory prescriptions for actions (Smith et al., 2013) creating tensions between conflicting demands in the enterprise (Battilana & Lee, 2014; Smith et al., 2013). Effectively understanding and managing these tensions, collectively described as *social business tensions*, is arguably the most important challenge for social enterprises (Battilana & Lee, 2014).

3.2.1 Theorising of Social Business Tensions

Tensions, defined as feelings of stress, anxiety, discomfort, or constriction encountered during decision-making within organizational contexts (Fairhurst & Putnam, 2014), often arise when individuals confront contradictions and paradoxes (Lewis, 2000; Smith & Berg, 1987; Smith & Lewis, 2011). Most attempts to understand social business tensions have been done through the lenses of institutional theory, stakeholder theory, or organizational identity theory (Smith et al., 2013). Although these perspectives have provided valuable contributions to literature (see Table 1), they only depict tensions in isolation and does not capture how tensions affect the organization to a broader extent (Smith & Tracey, 2016). Therefore, they have been criticized for their static and dichotomous nature and their inability to capture the dynamic interplay between social and financial elements across the organization (Moss et al., 2011).

Mirroring this criticism, scholars have turned to paradox theory. Paradox theory enriches our understanding of the relationship between social missions and business ventures in social enterprises (Smith et al., 2013) and allows researchers to investigate multiple types of tensions more holistically (Smith & Lewis, 2011; Smith et al., 2013).

Theoretical lens	Explanation	Limitations
Institutional Theory (Battilana & Dorado, 2010; Pache & Santos, 2013)	Focuses on the relationship between the organization and its environment (Smith et al., 2013). Draws on the idea of institutional logic, where inconsistent societal norms, values, and rules create conflicting prescriptions for action (Thornton et al., 2012).	Only emphasizes challenges associated with dual missions and assumes all tensions are somehow institutionally derived (Smith & Tracey, 2016).
Organizational Identity Theory (Moss et al., 2011)	A consistent identity guides organizational members towards coherent actions, yet many organizations carry multiple identities that do not seemingly go together (Albert & Whetten, 1985).	Unchallenged assumptions that employees have enduring and fixed beliefs and can not hold several positions simultaneously (Alvesson & Robertson, 2016).
Stakeholder Theory (Donaldson & Preston, 1995)	Recognizes that organizations operate within, and are held accountable to a wide ecosystem of stakeholders with conflicting demands and values (Donaldson & Preston, 1995; Freeman, 1984).	Only explains various positions held by the organizational ecosystem (Smith et al., 2013) and is criticized for prioritizing shareholders over other stakeholders (Robert et al., 2003).



Paradox Theory

has the potential to function as a meta-theory for these theoretical lenses

Table 1: Literature on tensions

3.2.1.1 Paradox Theory

In the management and organization literature, paradox theory has gained traction over the last few decades. Paradoxes are *"contradictory yet interrelated elements that exist simultaneously and persist over time"* (Smith & Lewis, 2011). When the elements are examined in isolation, they appear reasonable and logical, yet juxtaposition makes them irrational and illogical as they are the results of seemingly clashing tensions (Lewis, 2000; Smith & Tushman, 2005; Smith et al., 2013). At the heart of paradoxes lies contradictions, which can be viewed as *"opposite sides of the same coin; the more actors move towards one pole the more they feel pulled towards the other"* (Smith & Lewis, 2011). For contradictions to be paradoxical they must create illogical or absurd situations of almost impossible choice (Putnam et al., 2016).

There is widespread ontological debate around paradoxical tensions, with re-

searchers suggesting they are either materially grounded as inherent tensions between contradictory elements (Schad & Bansal, 2018), socially constructed as a result of the manager's sensemaking (Smith & Lewis, 2011) or both (Hahn & Knight, 2021). In believing tensions can be both, the concepts of latency and salience become relevant. Latency pertains to the idea that organizational paradoxes exist before being recognized by actors. Understanding latency is essential for grasping paradoxical tensions as inherent parts of organizations (Schad & Bansal, 2018), and thus, their manifestation within enterprises. Conversely, salience refers to organizational actors' perception of contradictory yet interdependent elements. Examining salience is critical for understanding how paradoxes influence the day-to-day dynamics of organizational life and the practice of management (Hahn & Knight, 2021).

As paradoxes represent situations or elements that are binary in nature, such as today and tomorrow, they are essentially regarded as unsolvable (Stevenson, 2010; White et al., 2022), and should be sustained rather than tackled (Clegg et al., 2002; Lewis, 2000). Rather than depict competing demands as challenges that require immediate solutions, paradox literature describes tensions as embedded and persistent over time (Waldman et al., 2019). By applying a paradox lens, researchers are encouraged to bridge multiple theoretical understandings from interdisciplinary fields (Putnam et al., 2016), thus aiding in a deeper and broader understanding of the management and manifestation of tensions (Smith & Tracey, 2016).

3.2.1.2 Paradoxes, Dialectics and Dilemmas

Although the paradox perspective is gaining increasing traction (Smith et al., 2013; Gopakumar & Gupta, 2024; Smith & Lewis, 2011), scholars actively discuss if tensions really are paradoxical or better described by similar constructs, such as dilemmas and dialectics (Berti & Cunha, 2023; Hargrave & de Ven, 2017; Putnam et al., 2016; White et al., 2022).

As Smith and Berg (1987) explains, a dilemma implies that a choice is made between competing alternatives, where each alternative can be weighted with clear advantages and disadvantages (McGrath, 1982). The binary nature of competing demands, such as black or white, insinuates that choices in a dilemma are mutually exclusive (White et al., 2022). However, White et al. (2022) argue that dilemmas can be a matter of more or less, which could mean that tensions might be considered dilemmas which require some degree of organizational ambidexterity to resolve (Ozanne et al., 2016; Papachroni et al., 2015; Zimmermann et al., 2018). While paradoxical tensions at the offset might be treated as dilemmas (Smith & Lewis, 2011), research has found that the paradoxical nature of dilemmas tends to surface as managers explore the options. For instance, the more managers stress the positive of one side, the more accentuated the negative becomes (Lüscher & Lewis, 2008). Lüscher and Lewis (2008) describes that the difference between

a dilemma and a paradox is that dilemmas can be resolved by making an either/or choice, which paradoxes can not as the two competing alternatives are co-dependent.

Another suggestion contrasting tensions as paradoxical is to view them as dialectics, where the contradictory relationship of elements do not coexist persistently. Rather, the elements are transformed through conflict and become integrated (Clegg & Cunha, 2017; Farjoun, 2019; Hargrave & de Ven, 2017) and synthesized to stress their similarities (Smith & Lewis, 2011). Hence, dialectics search for resolution through ongoing discussion on how elements can blend into one (White et al., 2022). A dialectic differs from a paradox as the tension resolves when elements blend together, while in a paradox the elements persist over time and the tension cannot be resolved (Smith & Lewis, 2011). Clegg et al. (2002) also distinguish the two by emphasizing the interdependence between elements in a paradox. These authors state that a dialectic is a paradox if *"a thesis does not exist despite its antithesis, but because of it. Each pole of the dialectic needs the other to sustain its presence"* (Clegg et al., 2002). Smith and Lewis (2011) offers an example of how dialectics are actually paradoxical in nature. In attempting to resolve the tensions that the healthcare industry needs both medical and managerial skilled people, an integrative strategy of hiring people with degrees from both fields was adopted. Yet such hybrid professionals became focused on their medical roles, which instead intensified the need for business driven people.

Determining if a tension really is paradoxical is confusing (Cunha & Putnam, 2019) as even when contradictory elements manifest simultaneously, they do not always result in 'absurd and irrational' situations (Lewis, 2000). Thus, inductive research to disentangle this ontological debate is highly needed (White et al., 2022).

3.2.2 Manifestation of Tensions

Hahn and Knight (2021) suggest that tensions are latent within organizations until triggered by a situation or event, rendering the tension salient. For instance, social enterprises often integrate conflicting social and economic objectives (Battilana & Dorado, 2010), yet many are adept at navigating these tensions implicitly (Gümüsay et al., 2020). The salience of tensions is therefore contingent upon adopting particular organizational practices or choices. To understand how tensions become salient, we review the work of tensions as either external or internal (Battilana & Lee, 2014). Subsequently, we turn to Smith and Lewis (2011) and Smith et al. (2013) typologies to discuss their paradoxical nature around the dimensions of *performing*, *organizing*, *belonging*, and *learning*.

3.2.2.1 Salience of Tensions

The literature on tensions coalesces around the discourse of internal and external factors affecting their salience (Battilana et al., 2015).

External factors constitute external pressures such as conflicting institutional demands (Fitzgerald & Shepherd, 2018; Pache & Santos, 2013) or diverse stakeholder expectations (Kraatz & Block, 2008). Fundamental to social enterprises is gaining legitimacy (Ebrahim et al., 2014), which Suchman (1995) defines as “a generalized perception or assumption that the actions of an entity are socially desirable, proper or appropriate within some socially constructed system of norms”. Acquiring legitimacy poses a challenge when combining social and commercial elements (Pache & Santon, 2010) as competing expectations of value capture and value creation must be reconciled without prioritizing the needs of any single stakeholder (Santos et al., 2015). The legitimacy challenge is exacerbated by disparate time frames for evaluating social and commercial objectives (Smith et al., 2013). For instance, while financial metrics like profits can be evaluated in the short-term, achieving social mission objectives such as poverty alleviation often necessitates a longer-term perspective (Belte et al., 2023). Siegner et al. (2018) complicates the understanding further by proclaiming that different social objectives also compete, suggesting contradiction arise beyond commercial versus social considerations. Moreover, as the market where the enterprise operates puts greater value on economic value generated as opposed to social, poor financial performance is punished more promptly (Austin et al., 2006). Therefore, scholars emphasize the importance of weighting business and social performance to alleviate tensions (Battilana & Lee, 2014) and reinforce desired behaviors and values (Gomez, 2009; Saks & Ashforth, 1997). Alegre (2015) and Battilana and Lee (2014) suggest that social enterprises who integrate activities so that the social mission is embedded in the final product experience comparatively less salient tensions. Moreover, Lee (2014) describes how this type of integration can build legitimacy across several groups of stakeholders and increase the sense of unity, effectively resulting in less salient tensions.

Following legitimacy is the notion of resource acquisition, especially financial capital (Smith et al., 2013). As external stakeholders are embedded in organizational fields, their evaluations of social enterprises depend on socially constructed norms and belief systems (Hsu et al., 2009). In combination with underdeveloped infrastructure for evaluating social risks and returns (Bugg-Levine et al., 2012) and resource providers’ knowledge that social enterprises are under pressure to conform with demands that may conflict with their own interests (Kraatz & Block, 2008), they might refrain from providing capital. Other scholars instead emphasize the importance of the social mission in investors’ eyes as a source of legitimacy to their brand (Huybrechts & Nicholls, 2013) and suggest that they alter their expectations so the enterprise can conform to their social mission (McWade, 2012). Contesting this perspective, some studies suggest conflict between capital providers and the social enterprise lies within the conflicting values and morals of stakeholders (Doherty et al., 2014; Ismail & Johnson, 2019) in which the investors’ viewpoints are prioritized because of their dominant position (Huybrechts & Nicholls, 2013).

and overly commercial persona (Bruneel et al., 2016).

Internal factors refer to divergent internal dynamics relating to the structures, cultures, practices, and processes in social enterprise's operations (Battilana & Dorado, 2010; Smith & Lewis, 2011). Tensions arise primarily from conflicting values (Smith & Besharov, 2019) and divergent identities within and among subgroups (Albert & Whetten, 1985; Battilana et al., 2017), particularly when organizations strive to balance social missions with financial objectives (Hsieh et al., 2018; Smith & Lewis, 2011). Last, Wheeler et al. (2005) identified that social enterprises often seek individuals with competencies from either social or commercial domains, designed to leverage a hybridity of competencies, while resulting in reinforcements of social or commercial norms, elevating the tensions experienced internally.

3.2.2.2 Tensions as Paradoxes

To allow for effective understanding of tensions as paradoxes, Smith and Lewis (2011) and Smith et al. (2013) categorize tensions under four dimensions: *performing*, *organizing*, *belonging*, and *learning*.

Tension related to the *performing* dimension surfaces as organizations adhere to multiple and conflicting demands posed by different organizational stakeholders, metrics, and goals (Donaldson & Preston, 1995; Smith et al., 2013). Levinthal and March (1993) suggest that there is a tendency to prioritize clear, and short-term goals over ambiguous and long-term-oriented goals (Austin et al., 2006). Moreover, quantifiable metrics clarify uncertain situations, steering organizational members towards strategic action (Denis et al., 2006) and fostering collective trust (Porter, 1995). Performing tensions can also arise in questions of profit distribution or reinvestment (Hudon et al., 2020), conflict between commercial goals and social mission (Doherty et al., 2014; Ebrahim et al., 2014), or in situations of ambiguity regarding what organizational success entails (Jay, 2013).

Tensions that relate to the *organizing* dimension stem from the multiple structures, cultures, practices, and processes an organization draws from (Smith et al., 2013). Conflicts can occur in several areas; hiring, socializing and integration (Battilana & Dorado, 2010), legal status and organizational form (for-profit versus not-for-profit) (Battilana et al., 2012), and whether the company should collaborate or compete (Murnighan & Conlon, 1991). Clegg et al. (2002) add that the process of organizing innate tension as organizational structures shape actions, while actions construct the organizational structures. Moreover, organizing tensions surfaces as there is a need for organizational coherence (Thompson, 1967) while allowing the multiple subsystems comprising the organization to act independently, creating parts-whole tensions (Smith & Berg, 1987).

Tensions relating to the *belonging* dimension involve considerations about the identity established among organizational members that may reflect different value systems (Smith & Lewis, 2011). This may result in questions of "*who we are?*" and "*what we do?*",

individually and collectively (Smith et al., 2013). Organizational members may struggle to respond to the conflicting demands embodied within their roles (Jarzabkowski et al., 2013) or the conflicting demands arising from others holding opposing viewpoints. For example, Battilana and Dorado (2010) found that belonging tensions arise when 'sub-groups' of commercial and socially driven employees emerge. This may lead to employees questioning whether the enterprise is more aligned with the profit motive or the social mission (Tracey & Phillips, 2007).

Finally, tensions relating to the *learning* dimension emerge from combining several time horizons, as organizations are in need of growth, scale, and flexibility in the long-term yet stability and certainty in the short-term (Smith & Lewis, 2011; Smith et al., 2013). For instance, O'Reilly and Tushman (2008) suggests such a tension where creating the future means both building on your previous work while also replacing it. Moreover, expansion is crucial to increase the impact of the social mission (Dees et al., 2004), yet expansion can threaten the mission's impact as factors that facilitate the mission in small organizations diminish with growth. Particularly, local ties, trust-building, and the founder's values and morals are important enablers of the social mission of smaller enterprises (Haigh & Hoffman, 2012). Assessing outcome or impact can also be a source of tension, as social impact is measurable in the long-term and financial impact in the short-term. (Foreman & Whetten, 2002; Hoffman et al., 2010).

3.2.3 Management of Tensions

Paradoxes are not only becoming more pervasive in organizations, but also more acutely felt and perceived by organizational members, especially managers (Clegg et al., 2002). A default reaction is to prioritize one objective over the other (Lewis, 2000). Such prioritization can entail choosing between financial and social goals, different stakeholders' demands, and different ideologies and identities (Ismail & Johnson, 2019).

Numerous studies exemplify how choosing sides results in the social enterprise either drifting from their mission (Parekh & Ashta, 2018; Pache & Santon, 2010; Ramus & Vaccaro, 2017), wherein the social objectives are compromised in pursuit of financial sustainability (Brandsen & Karré, 2011; Eikenberry & Kluver, 2004), or failing to run the business in a financially sustainable way. Teasdale (2010) found that most social enterprises are willing to adopt a flexible orientation to suit potential funders' expectations, which may not be congruent with the enterprise's core *mission*. On the one hand, this has led many social enterprises to be criticized for falling short in their attendance to beneficiaries in pursuit of profit maximization (Mia & Lee, 2017).

On the other hand, Cheah et al. (2019) show that social salience in entrepreneurs and teams tends to create greater social impact but concurrently decrease financial performance. Overemphasis on social impact may reduce the financial efficiency of the en-

terprise (Battilana et al., 2015), risking their long-term survival (Andrews & Hodgkinson, 2022). Additionally, social salience in entrepreneurs may lead to conscious prioritization to produce social outcomes over financial (Lortie et al., 2017), exacerbating difficulties in acquiring funding (Smith et al., 2012). Sarpong and Davies (2014) reveal that managers experience a cognitive burden when attempting to choose sides to such paradoxical tensions. This subsequently hinders their legitimacy-seeking initiatives (Bull, 2008; Mason et al., 2007).

Following exemplifications of the fallacy of either/or-choices, several scholars (see Foster & Bradach, 2005; Pharoah et al., 2004; Tracey & Phillips, 2007) suggest that the sustainability of social enterprises might be contingent on managers' understanding of the symbiosis and reinforcement of commercial and social objectives. Smith and Besharov (2019) posits that social enterprises encounter what they term 'guardrails' when getting to close to the social or commercial element, showcasing how these must be balanced in an adequate way. This is coherent with the paradox perspective that Smith and Lewis (2011) suggest future scholars investigate.

3.2.3.1 Virtuous and Vicious Cycles

Lewis (2000) explains how the dynamics of paradoxes tend to trap managers in reinforcing cycles that exacerbate the tension, creating a *vicious cycle* (Smith et al., 2013). This becomes particularly salient when managers respond negatively to tension, effectively inhibiting change (Lewis, 2000; Sundaramurthy & Lewis, 2003) and resulting in organizational paralysis (Pache & Santon, 2010). However, simply ignoring the tension can instead lead to internal anxiety, hindering the organization to progress, resulting in feeling stuck (Jay, 2013). Moreover, Joseph et al. (2020) show that not acknowledging a tension results in it being perceived as a barrier which managers can do little about.

Rather than being trapped in negative cycles, Lewis (2000) argues organizations can improve paradox management by unlocking constructive aspects of tensions. Through the strategic juxtaposition or equilibrium of tensions, organizations can unravel the interconnected and mutually reinforcing nature of conflicting demands (Smith et al., 2013), which may result in creative solutions and beneficial outcomes (Smith & Lewis, 2011), fostering a *virtuous cycle* (Smith & Tracey, 2016).

3.2.3.2 Management Strategies

Drawing on paradox theory, scholars have attempted to guide managers on how to enable virtuous cycles. These attempts encompass several interventions such as temporal and spatial separation of elements (Smith et al., 2013), cycles of 'splitting' organizational goals and 'synthesizing' to reach a long-term equilibrium (Ozanne et al., 2016), and balancing 'exploration' of new opportunities with 'exploitation' of existing ones (Papachroni et al., 2015). These management approaches can be classified into more holistic, over-

arching categories. Battilana et al. (2017) terms such holistic strategies as *integration*, *differentiation*, and *combination*.

Integration strategies allow organizations to find solutions to tensions that aim to simultaneously adhere to both the commercial and social elements (Battilana & Dorado, 2010; Battilana et al., 2015). Pache and Santos (2013) exemplify such a strategy by showing how social enterprises can creatively combine elements from different dimensions. *Differentiation* strategies entail dealing with inconsistent or contradictory elements in isolation, entailing either structural separation (Belte et al., 2023), such as the separation of workforces based on social and economic mission (Battilana et al., 2015; Voronov et al., 2013), or temporal separation (Siegnier et al., 2018), such as giving precedence for either social or economic orientation during limited period of times to reconvene to balance at a later stage (Jay, 2013). Describing strategies in terms of integration and differentiation is analogous to the distinction that Smith et al. (2013) makes, where differentiation is termed as *separation*. A distinct difference in the understanding is that Smith et al. (2013) point out that any temporal or spatial separation of elements is only temporary as elements will continue to co-persist over time, hence, emphasizing tensions as persistent paradoxes. This paves the way for Battilana et al. (2015) *combination* strategies, in which a combination of integration and differentiation strategies is employed to deal with conflicting demands, identities, or prescriptions for action. This can be exemplified by Besharov and Smith (2014), showing how a hybrid company might hire one 'social' and one 'commercial' group of workers while bridging the gap between them by having a pluralistic manager that embeds both dimensions.

Hahn et al. (2016) offer a challenging perspective by arguing that organizations might leave tensions unaddressed, thereby choosing to live with conflicting elements, rather than taking action for effective reconciliation. This is because taking action might jeopardize the organization's goals and result in drifting from the mission (Cornforth, 2014; Ramus & Vaccaro, 2017). This strategy of *acceptance* offers intricate insight that there are other opportunities of facing social business tensions beyond the typology presented, indicating that more inductive exploring is called for.

Last, Belte et al. (2023) show that there is no superior nor inferior strategy that companies should adopt, rather, different tensions will lead to different responses which can all be effective depending on the organization's characteristics.

3.3 Research Gap & Research Question

Although several conceptual efforts to address social business tensions have been made (Battilana & Lee, 2014; Doherty et al., 2014; Smith & Lewis, 2011; Smith et al., 2013), current literature does not offer empirical perspectives beyond single-case studies (e.g. Jay, 2013; Smith & Besharov, 2019) on which tensions primarily manifest and how acutely

they are felt (Smith et al., 2013). This in itself is an important research calling made by several scholars (see Gupta et al., 2020; Mason & Doherty, 2016; Smith & Tracey, 2016) and allows for much-needed insight into what tensions are actually salient in social enterprises and subsequently how these are managed. Therefore, we address this research gap and seek to understand how social entrepreneurs manage business tensions through the following question:

How do tensions manifest in social enterprises and how are these managed by social entrepreneurs?

To provide an extensive understanding of social business tensions, we address our main research question by investigating three underlying sub-parts.

We first examine *(i) what tensions manifest and how do they become salient?* There is, to the best of our knowledge, no comprehensive empirical investigation into which tensions are most acutely felt and how these become salient. By studying the experience of social entrepreneurs in relation to how tensions manifest, we follow the calling by Smith and Tracey (2016) to inductively discover tensions and view the world from the perspectives of the social entrepreneur, as opposed to assuming a set of tensions at the outset.

We then investigate the paradoxical nature of these tensions by asking *(ii) how, and if, are these tensions contradictory and interdependent?* Although some scholars argue that tensions should manifest as paradoxical (Gopakumar & Gupta, 2024; Mason & Doherty, 2016; Smith et al., 2013), some argue that this might not accurately describe or capture the reality of how tensions manifest in the social enterprise (White et al., 2022). By investigating the paradoxical nature of tensions, we disentangle the question posed by White et al. (2022) whether or not managers resonate with the paradox perspective and, in that case, how the balancing act enables the social and commercial mission.

Last, while existing literature offers multiple theoretical and strategic approaches to managing tensions (Clegg et al., 2002; Smith et al., 2013; Smith & Lewis, 2011), empirical examination and understanding remains largely unexplored. Therefore, we also set out to explore *(iii) how are tensions managed by social entrepreneurs?*

4 Methodology

The following chapter describes the methodological choices made and motivates why these result in a method suitable to investigate our research question. We begin by explaining how methodological fit (4.1) is ensured. Following is a description of the data collection process (4.2). Last, we address quality considerations of the study (4.3).

4.1 Methodological Fit

A precondition for a meaningful and contributory study is internal consistency among research elements (Edmondson & Mcmanus, 2007; Saunders et al., 2009). Establishing methodological fit refers to aligning research questions and the chosen research method, allowing for an appropriate way of addressing the research aim and generating reliable and valid results (Edmondson & Mcmanus, 2007). We proceed by motivating our choices of research philosophy, approach and design undertaken to ensure effective collection, analysis and interpretation of data to answer our research question.

4.1.1 Research Philosophy

Underlying our research process is the emphasis we have put on the importance of understanding and interpreting the meanings social entrepreneurs ascribe to their world. In focusing on subjective experiences we took an interpretivist approach. Interpretivism underscores the importance of understanding research subjects within their own social context through their perspectives (Saunders et al., 2009). Adopting an interpretive approach supported our pursuit of understanding the lived experiences of managers (Saunders et al., 2009) as they navigate the multifaceted landscape of business tensions, which ensured that our findings were founded on a rich understanding of our subjects' social realities.

4.1.2 Research Approach

The research approach frames the study's reasoning, detailing how data is collected, analyzed, and interpreted in the context of existing theory (Saunders et al., 2009). Grounded theory aims to uncover relevant conditions and explore how the study subject actively responds and the outcomes of their actions (Glaser & Strauss, 1967). Our analysis mirrors this objective and aligns with the foundational inductive principles of grounded theory by detailing the conditions under investigation, the responses of the actors involved, and the subsequent consequences of these actions. Adhering to the inductive perspective that theory should emerge from data rather than being imposed upon it (Saunders et al., 2009), we adopted an inductive approach to theory development, in our pursuit to make both theoretical and practical contributions. By employing an inductive approach, we accounted comprehensively for the variations and associated conditions present within the data (Flick, 2014).

4.1.3 Research Design

The choice of research design was directly influenced by the formulation of the research question, aiming to facilitate the generalization of the study (Bell et al., 2019). Ed-

Edmondson and Mcmanus (2007) outline a theory development continuum in management research, spanning nascent, intermediate, to mature stages. Despite scholarly attention to tensions in social enterprises (Doherty et al., 2014; Smith & Lewis, 2011; Smith et al., 2013), we have identified clear gaps and calls for research to build and add structure to the field following theoretical fuzziness and idiosyncratic case studies (Mason & Doherty, 2016; Gupta et al., 2020; Gopakumar & Gupta, 2024; Smith et al., 2013; Smith & Tracey, 2016). As we found no unified and established theory on tensions in social enterprises, the field qualifies as nascent and should be approached through qualitative research (Edmondson & Mcmanus, 2007). Furthermore, the nascent stage necessitated an exploratory approach due to the scarcity of existing literature and emerging interest in new phenomena (Edmondson & Mcmanus, 2007). Justified by the current research stage and question, we conducted an exploratory multiple-case study, to enrich the understanding of management practices within the context of social business tensions.

Responding to the call for employing qualitative methods beyond single or dual case studies (Gupta & Srivastava, 2021; Saebi et al., 2019), we conducted semi-structured interviews with 24 social entrepreneurs, allowing for examining emergent phenomena and to determine whether observed patterns were case-specific or prevalent across different contexts (Bell et al., 2019). Moreover, it provided a comprehensive understanding of how business tensions manifest and are managed in social enterprises, considering relevant contextual conditions.

4.1.4 Research Process

Grounded in the inductive approach, our research commenced with a preliminary study to establish an initial understanding of social business tensions, further informing the formulation of our primary research question and interview guides. Subsequently, we conducted our main study, employing a theoretical sampling strategy, followed by iterative data processing and analysis. This research process enriched our understanding of tensions, effectively answering the research question and allowed for theoretical development (see figure 3).

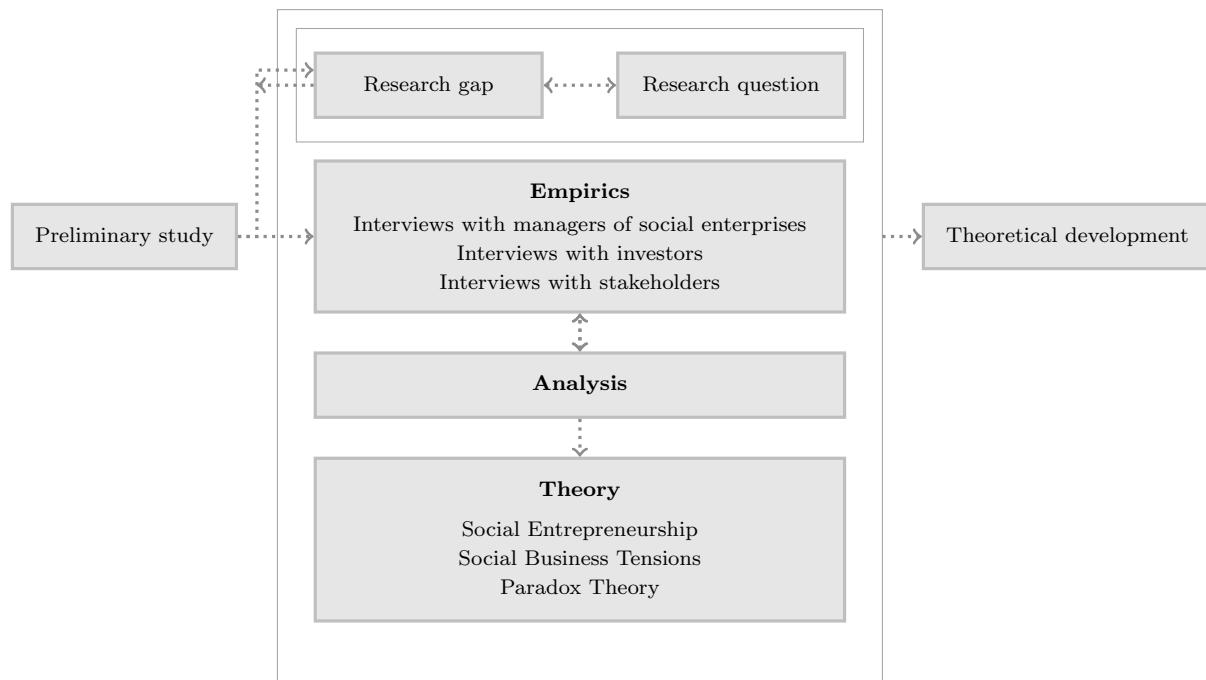


Figure 3: Research Process

4.2 Data Collection

4.2.1 Preliminary Study

The preliminary study aimed to explore and determine the prevalence of tensions, for an initial understanding of the unique challenges of the social enterprise. This phase yielded insight into potential tension areas and identified investors and supportive organizations as significant stakeholders within the ecosystem, which enabled improvement of interview questions and refinement of the data collection plan (Yin, 2014).

4.2.2 Interview Sample

In accordance with grounded theory, the data collection begun with theoretical sampling which prioritized rich and detailed data to grasp the complexity of each case (Mills & Birks, 2014). To ensure that data was sampled from the most insightful sources, as suggested by Flick (2014), cases were selected in an ongoing process based on insights collected from previous interviews. This detailed-oriented method of data collection and validation ensured that the final theory of the study is built on a deep and broad empirical foundation (Mills & Birks, 2014).

Given the theoretically unlimited sample potential for multiple comparisons (Glaser & Strauss, 1967), we emphasized a clear definition of social entrepreneurship (see section 2.1) and several delimitations (see section 1.4) to ensure qualitative cross comparisons of cases. Cases were found through various sources (see appendix A), resulting in a com-

prehensive list of social enterprises. These were screened and evaluated based on the aforementioned sampling criteria, which was further verified during the interviews. We aimed to maximize breadth within defined parameters (section 1.4 and 2.1) to improve generalizability of findings.

To enrich the dataset with diverse perspectives and enhance the robustness and depth of findings (Hair et al., 2007; Mills & Birks, 2014) we triangulated data through semi-structured interviews with three stakeholders within the social enterprise ecosystem.

4.2.3 Interview Design

In nascent fields of research, flexible yet focused data collection techniques are essential to build grounded theory (Mills & Birks, 2014). In accordance with the inductive approach of grounded theory, interviews were organized as semi-structured (Mills & Birks, 2014). Semi-structured interviews enable rich and detailed narratives and, thereby, the potential for unexpected insights that enrich analytical findings (Hair et al., 2007). We found semi-structured interviews favorable to guide entrepreneurs towards different topics of organizational life necessary to explore the salience of tensions, without coloring their judgment or steering the discussion to any great extent.

Additionally, determining the number of interviews conducted was guided by the principle of theoretical saturation in grounded theory (Bell et al., 2019)¹. In adherence to theoretical saturation, this study continued data collection until no new information emerged nor added any modification to our conceptualization of social business tensions, ensuring a comprehensive understanding of the domain.

Last, a more structured interview protocol was employed with investors and industry experts. The rationale behind adopting a structured approach was twofold. First, to ensure consistent responses, thereby enhancing the comparability of data across these participant groups. Second, to address the gap of observations referring to these stakeholders (Hair et al., 2007). The methodological differentiation acknowledges the different informational contributions of the two participant categories to the study.

4.2.4 Data Processing

Data collection was conducted systematically and sequentially, adhering to grounded theory principles to collect and analyze data simultaneously (Corbin & Strauss, 1990), ensuring a thorough exploration and enhancing the data's depth and richness. The constant comparative method (Glaser & Strauss, 1967) was applied to analyze data, systematically refining the evolving categories to facilitate the grounded theory approach (Bell et al., 2019; Glaser & Strauss, 1967; Merriam & Tisdell, 2015).

¹Detailed information about time, place, and date can be found in appendix B

4.2.5 Data Analysis

Throughout the interview process, notes were taken to capture immediate observations, non-verbal cues, and preliminary insights (Bell et al., 2019). These notes were reviewed and discussed in post-interview sessions, allowing for capturing first-hand impressions and initiating preliminary analysis (Corbin & Strauss, 1990). The iterative process of note-taking and discussion enhanced the research's reflexivity, providing an additional layer of depth to the data analysis and ensuring a more nuanced understanding of the study's findings (Corbin & Strauss, 1990; Mills & Birks, 2014).

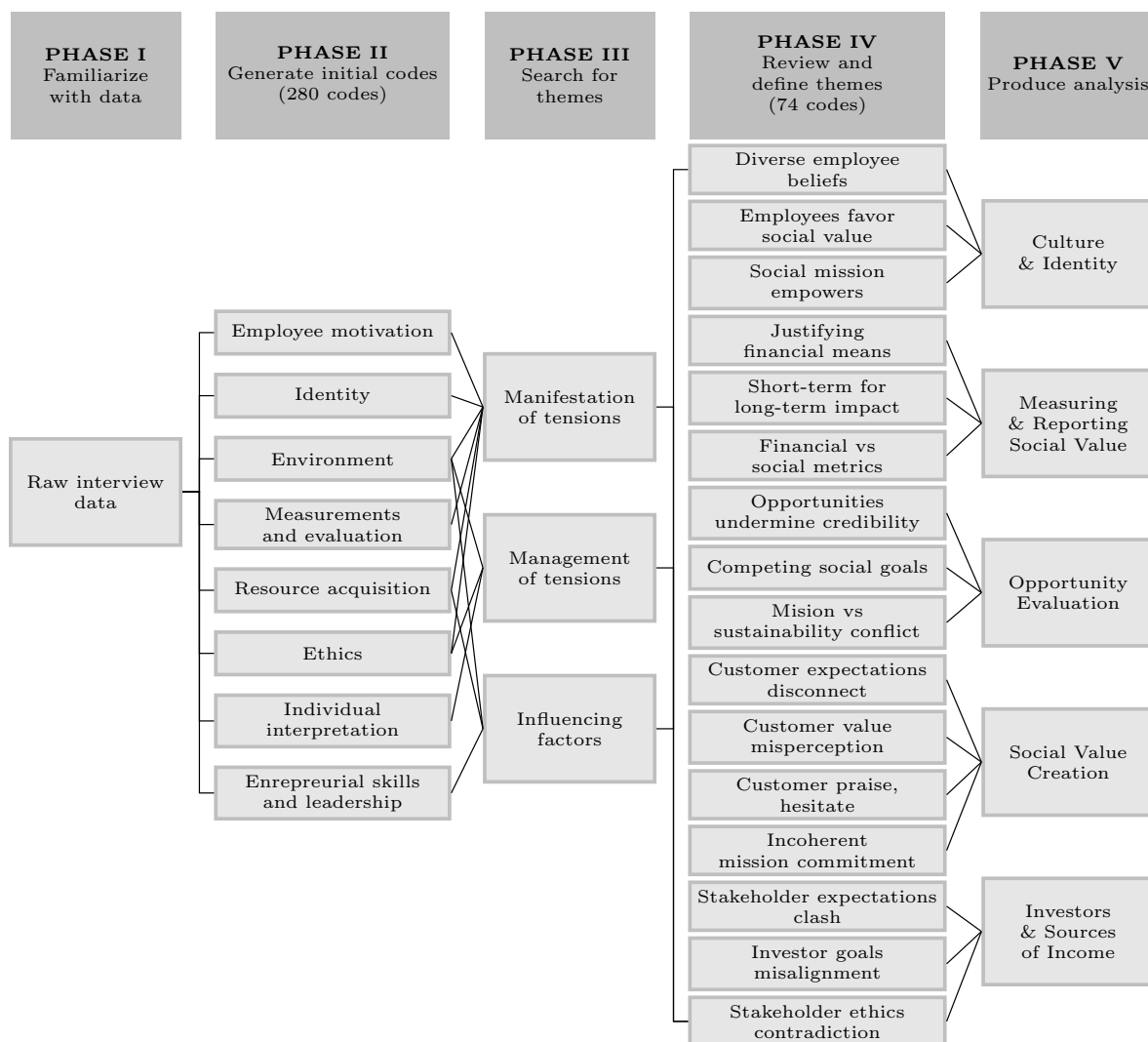


Figure 4: Data Analysis Process

All interviews were subjected to a two-phase coding process (see figure 4), as suggested by Glaser and Strauss (1967), utilizing the software Atlas.ti. The first phase employed open coding to systematically distill the data and phenomena into concepts to facilitate an in-depth exploration and articulation of the raw data. The second phase focused on organizing the initial codes into broader coding families and concepts. The second phase was instrumental in defining first-order codes and simultaneously orientated

towards identifying new first-order codes and data sets for a rigorous analysis process (Glaser & Strauss, 1967). We prioritized in-vivo quotes, particularly during first-phase coding, to maintain accuracy to the original meaning of cases extracted from each interview. Codes that were similar across different groups were consolidated, and distinct categories relevant to each group were further elaborated upon. We systematically sought out cases where we saw divergence from the group to challenge assumptions and iteratively derive conclusions representative of the entire sample. Subsequently, we conducted a comparison of each interview within the context of each category to determine the foundation and generalizability of the category. This process allowed for a comprehensive understanding of the varied approaches organizations take when navigating business tensions, offering insights into the complexity of these interactions within the context of the study.

4.3 Quality Considerations

Recognizing trustworthiness as a principal criterion for an impactful study (Merriam & Tisdell, 2015) we employ the four criteria outlined by Lincoln and Guba (1985), specifically developed for the application in qualitative research, to demonstrate the trustworthiness and quality of our work.

4.3.1 Credibility

Credibility in qualitative research pertains to the congruence between the researcher's descriptions of reality and the reality provided by the participants (Lincoln & Guba, 1985). To ensure credibility we took several actions. First, we engaged data source triangulation with members of the social enterprises ecosystem to add perspective and nuance. Furthermore, both researchers partook in all interviews to involve researcher triangulation. These triangulation acts increased the likelihood of credible findings (Merriam & Tisdell, 2015). Additionally, interviews were transcribed within 48 hours to enable timely analysis and reduce the risk of data loss or degradation (Flick, 2014). Second, after identifying dominant themes in our data processing, we employed negative case analysis to reflect upon and challenge our assumptions and biases. This was done with the goal of refining our interpretation to substantiate credible findings (Lincoln & Guba, 1985). Last, member checking was used to confirm accuracy and interpretation of the provided statements and analysis (Lincoln & Guba, 1985).

4.3.2 Transferability

Transferability refers to the applicability of the findings beyond the study's context (Bell et al., 2019; Lincoln & Guba, 1985). The extent of the applicability of findings can not be explicitly stated in qualitative research (Merriam & Tisdell, 2015). Through a thick

description of our criteria for sample selection and the interview design (Shenton, 2004), we instead allow readers to make their own evaluation of the transferability of findings to other contexts (Bell et al., 2019; Lincoln & Guba, 1985).

4.3.3 Dependability

Ensuring dependability refers to the stability and consistency of research findings over time and across place, where the research process should be systematic, well-documented, and traceable (Lincoln & Guba, 1985). We assert dependability through a transparent and systematic research process accounted for in earlier sections to allow for replication of the study (Shenton, 2004). We also employed the inquiry audit technique suggested by Lincoln and Guba (1985) as our process was regularly monitored and examined by a supervisor.

4.3.4 Confirmability

Addressing confirmability entails considering the extent to which other researchers can confirm the study's findings and prevent the researchers' biases from affecting the collection, interpretation, and analysis of data (Bell et al., 2019). To ensure that findings reflect the study's evidence rather than subjective inclination (Lincoln & Guba, 1985), we emphasised reflexivity throughout the research process. Being aware of how our roles could affect the research conducted allowed for continuous discussion about interpretation of the results. As we practiced individual coding in parallel to allow continuous comparison of interpretations, in addition to the review and comparisons of interview notes, we mitigated against researcher bias (Bell et al., 2019). Additionally, the practice of researcher triangulation also reduced the risk for biased interpretations (Lincoln & Guba, 1985). Last, we aimed at providing transparent explanations for the theoretical, methodological and analytical decisions made during the study, aiming to enhance the rationale behind these choices.

5 Findings & Analysis

Having presented our methodology, the following chapter declares our findings and analyses. In section (5.1) we elaborate on five focal themes which we identify as the most salient tensions. These five themes provide insight into the main research question of manifestation and management of tensions. In section (5.2) we discuss factors we found to influence the salience of tensions.

Influencing factors	Tension	Nature of tension	Management
Culture & Identity Balancing employees social and commercial commitments <i>Mentioned by 92% of interviewees</i>	Variances in employee motivations are rooted in diverse belief systems across primarily between the social entrepreneur and the workforce. Employees demonstrate a unanimous tendency toward favoring creating social value. The social mission serves as a critical source of empowerment for motivation and retention of employees.	Paradoxical - Maximising social impact requires employees to focus on business activities, yet employees focusing on business activities makes them question social impact. The social enterprise is perceived as neither sufficiently socially oriented nor commercially focused. There is an ongoing conflict regarding what organizational identity to portray.	Transparency is essential in aligning social goals with commercial objectives to maintain internal credibility and organizational culture. A blend of commercial and social dedication among employees is required to achieve the organization's dual objectives Steadfast the social mission is important for the retention of employees
Measuring & Reporting Social Value Measuring and reporting social as opposed to financial impact <i>Mentioned by 79% of interviewees</i>	Social value is dependent on financial value. Short-term commercial decisions are made to enhance long-term social impact. Financial value is conveyed in tangible and quantifiable metrics, whereas social metrics are intangible and viewed holistically.	Poor financial performance is judged more harshly than social outcomes and performance. Not measuring social goals exacerbates cultural tension.	Dialectic - No inherent contradiction between social and commercial measurements, but contradiction arise as employees favor social objectives. Can be resolved through integration and synthesis. Long-term social impact serves as the guiding star while pushing importance of financial metrics in the short- term. Prioritizing financial measurements over social is justified. Social goals are integrated with financial objectives.
Opportunity Evaluation Balancing the exploration of commercial opportunities with focusing on social impact <i>Mentioned by 96% of interviewees</i>	Customers have the potential to create a large social impact, but there is a misalignment between their values and those of the social enterprise. Different social goals compete, where achieving the largest impact is not in line with the 'main' social mission. There is a conflict between fulfilling the social mission and remaining in business.	Challenge to strategically balance short-term commercial requirements with the pursuit of long-term social success. Paradoxical - Achieving long-term social impact requires pursuing commercial opportunities in the short-term, yet pursuing commercial opportunities in the short-term jeopardises long-term social impact.	The social mission is regarded as a boundary objective, defining the limits and scope of organizational activities. Commercial opportunities pursued by the enterprise must also contribute to social value.

Table 2: Emerging Social Business Tensions

	Influencing factors	Tension	Nature of tension	Management
Social Value Creation Balancing commercial and social expectations from customers <i>Mentioned by 75% of interviewees</i>	Disconnect between the expectations of the social enterprise and the preparedness and/or capacity of customers to engage. Misperception among customers regarding the value generated by the social enterprise. Customers demonstrate a tendency to praise 'socially' oriented services/products, but are reluctant to commit to purchase. The social enterprise's commitment to the social mission is not coherent with the performance needed for financial success.	Contradictions in remaining committed to the social mission while achieving required financial performance to sustain operations. The social mission is what grants legitimacy and credibility with customers, yet customers refrain from buying because the social mission affects levers such as price.	Paradoxical - Achieving the social mission requires conforming to the customer price expectations, but conforming to customer price expectations is often done at the expense of the social mission	The social enterprise must not price themselves out of consideration. Strategic choices of when to convey 'social' versus more 'performance' oriented aspects of product/service, often conveyed separately
Investors & Sources of Income Balancing the need for investments with the need for autonomy and control of the enterprise <i>Mentioned by 92% of interviewees</i>	Different expectations among stakeholders presents challenges to organizational coherence. There is a misalignment between the goals of investors and those of the social enterprise. Occasional contradictions between stakeholder ethics, values and mission as compared with those of the social enterprise.	Social enterprise wants commercial pressure from investors while investors put too tight targets leading to an issue between control and flexibility. The social enterprise needs autonomy to remain committed to the social mission yet support from financiers to operate. Involvement of external stakeholders is crucial for scaling efforts, though it poses potential risks to organizational goals and stability.	Paradoxical - Scaling social impact requires funding, but funding decreases focus on social impact.	Reluctance to involve investors with too disparate values and engage other types of financing. Aligning on goals early and sticking to the joint agreement.

5.1 Social Business Tensions

How do tensions manifest in social enterprises and how are these managed by social entrepreneurs?

We find five tensions to particularly manifest in social enterprises and become salient under various conditions, processes, and contexts. Table 2 summarizes our findings and is structured to highlight our three underlying questions: What tensions manifest and how they become salient, whether these tensions are both contradictory and interdependent and how they are managed in the enterprise. The following sections elaborate on our findings in a similar structure using illustrative quotes to exemplify themes.

5.1.1 Culture & Identity

Entrepreneurs are challenged by making employees balance social and financial commitments. While many social entrepreneurs recognized that the social mission is “*damn important for retaining and attracting talent*” (Interviewee 21), an equally prevalent theme was that “*although they [employees] are not driven by making money, it is still their job*” (Interviewee 20). This creates a complicated situation for social enterprises since maximizing social impact requires employees to focus on business activities, yet employees focusing on business activities makes them question how much social impact is generated, fostering a tension in the company culture.

This tension become salient as employees are driven by their social locus and prioritize social impact, irrespective of their prior experiences and backgrounds. Achieving social impact is what motivates employees and plays a pivotal role in acquisition and retention of talent. The social mission creates purpose for employees, distinguishing the social enterprise from commercial ventures.

”Why everyone wants to work here is because they feel it is meaningful, because of our social mission”

Interviewee 20

Consequently, while the social mission enhances employee motivation, this emphasis often results in a diminished focus on business-critical activities. When employees prioritize the social mission, the social entrepreneur increasingly feels the need to highlight the importance of financial sustainability. However, pressuring the importance of commercial performance with employees results in a lack of motivation. As highlighted by Interviewee 6 “*out of necessity, we also have to generate revenue to be profitable, and*

not everyone thinks that is fun". Not having a coherent and well-understood social identity in the enterprise leads to a sense of confusion about goals and thus impedes effective attainment of financial sustainability.

"When things got tough or took longer than expected, we were not aligned on our goals. Since we were not purely commercially driven and wanted to do something good, we lacked a unifying force"

Interviewee 19

There is a contradictory yet interdependent relationship between the social mission as a driver of employee motivation, and employee focus on business activities required to sustain social impact but also inhibiting motivation. While focusing on the social aspects of the enterprise seems utmost important to drive performance, it leads to an overemphasis where the social mission instead hinders performance. Emphasizing the necessity for employees to understand the dual nature of social enterprises thus requires a balanced focus on both business and social aspects to effectively create impact.

"The challenge here is to truly get everyone to buy into the idea that yes, the socially sustainable and impact must go hand in hand with profit for us to survive and make a difference"

Interviewee 21

The ambiguity in defining and portraying the organization's identity further complicates internal cohesion and strategic direction, with confusion whether the enterprise belongs to the social or commercial sphere. Interviewee 13 highlights *"If you don't have a clear line where you stand it becomes difficult to know what one's direction is, what to focus on, and where to run. This has created friction in our organization"*, and as displayed by an industry expert *"you [the organization] might end up in some kind of middle position when you don't really belong to any group, and then the groups see that you should turn to the other"* (Interviewee 17). Thus, to achieve the dual mission, managers must adhere to both sides simultaneously. In managing this tension, three central themes underlie effective balancing.

First, leaders must continuously articulate the dual mission to create a shared understanding and commitment toward social and financial goals. Achieving transparency in internal communication is essential for bridging the gap between different employee motivations and organizational objectives.

"I would say that I am still primarily driven by impact 100 percent. That is the main thing, and that is also what I communicate internally all the time. And it is genuine from me."

Interviewee 10

Second, it is essential for leaders to explicitly convey the importance of financial sustainability as the foundation for achieving social goals. This involves not only defining but actualizing a dual identity that accommodates the complexities of managing a dual mission.

"So it can be challenging if you do not continuously link these aspects together where 1 + 1 must become 3."

Interviewee 21

Third, developing an organizational culture that equally values social impact and financial viability is critical. Such culture celebrates the social mission while acknowledging the significance of commercial activities in supporting the dual mission. A vital component of this cultural balance is fostering a workforce equally driven by social and commercial objectives.

"The trick is to also find those who enjoy selling, otherwise, it would not work."

Interviewee 18

5.1.2 Measuring & Reporting Social Value

An important element in determining the enterprise's success is the measuring and reporting of value created. We observed a tendency for social entrepreneurs to discuss the measurement and reporting of financial value generated over the social value created. Although the communication of value created to organizational members was found to contribute to the aforementioned cultural tension, the actual creation of social value is not contradictory to the generation of financial value. Rather, the creation of social value is dependent on the generation of financial value.

"Every definition of social enterprises is that we must make a profit. There is no contradiction between doing good and making a profit. On the contrary, there is a connection. The higher the profit, the more good we can do."

Interviewee 2

We found financial value taking precedence in discussion partially depended on difficulties to measure and communicate the social value created, and partially because the social value was embedded in the financial value. Although some enterprises attempted to measure the social value created, few enterprises reported following through on their commitment.

"We had social goals and KPI's in the beginning, and we had specific targets for those. But it has fallen away a bit, to be honest."

Interviewee 13

The difficulty in identifying and establishing KPIs further stemmed from the *"difficult(y) for us to talk about everything we did"* (Interviewee 4), suggesting that social value is to some degree socially constructed and therefore not easily communicated. Whilst social value appeared more intangible and viewed holistically by the social entrepreneurs, many underscored financial value generation as short-term, tangible, and quantifiable.

"We have clear goals which are about sales and financing, they need to be prioritized for the business to do well. Then it quite quickly becomes easy to also do good."

Interviewee 1

When financial KPIs are prioritized to social, entrepreneurs unknowingly guide their enterprise towards a profit oriented culture which exacerbates tensions as employees are primarily driven by impact. This results in contradictory prescription for action. As financial viability is required for survival of the enterprise, commercial targets become a receipt for success to a greater extent than impact, which can be linked to the commercial setting the enterprise operates within.

"I have become more comparative, turnover has become the receipt for how far we've reached. More than impact. I don't know why, I just think that's what you're surrounded by"

Interviewee 10

In contrast, social goals are elusive and hard to quantify. They are often viewed separately from their commercial counterparts and are embedded within the enterprise. Social goals guide the entrepreneur as a holistic approach to management.

"What is the purpose of this? Why fulfill a budget? Why earn more money? Then you have to tie it back to your values, your 'why?'. We want Europe to be carbon-neutral. Then every day and every month and every quarter must be better than the one before"

Interviewee 21

Succinctly, we find that less quantifiable and long-term social objectives are sidelined as measures. However, we do not find a lack of commitment towards the social mission. Rather, the social mission is a holistic and integral part of the enterprise, and financial value creation paves the way for achieving large-scale impact which was the goal for most entrepreneurs interviewed. This suggests an interdependent or at least interrelated, but not contradictory, relationship between the actual measuring and reporting of social value. However, contradiction arises in relation to how well employees respond to financial metrics, as they are largely driven by the social mission.

5.1.3 Opportunity Evaluation

In choosing what opportunities to pursue, a tension arises where the enterprise has to balance the exploration of commercial opportunities with focusing on the ethical stands associated with the social mission. This tension becomes salient in three ways.

First, this tension becomes salient when commercial opportunities can entail a large social impact, but means overstepping boundaries the enterprise feels obliged to follow because of their social mission. While neglecting opportunities entails missing out on revenue, the enterprise is more concerned with missing out on social impact. Hence, the enterprise battles between remaining credible and having a large social impact.

"It is very much about credibility. Should we have a partnership like OKQ8 which could generate a lot of leads for us, but it wouldn't be super great as it could damage the credibility of what we do"

Interviewee 21

Exacerbating the tensions is that the enterprise is dependent on short-term financial gains to survive in order to achieve a long-term social impact. Hence, some commercial opportunities both impedes and enables the social mission, as the two result in contradictory prescriptions for actions in the short-term, but are dependent on each other in the long-term.

"As much as we would like, we need to achieve some short-term wins to maintain our long-term visions. That might involve taking customers and customer cases that you might not necessarily think are strategic or right in the long run, but in the short-term, they generate the revenues needed to finance further"

Interviewee 6

Second, this tension becomes salient around an apparent conflict around solving the social mission or remaining in business. Several entrepreneurs highlighted that solving the social mission is not a good business deal. Interviewee 11 expressed that *"The*

goal is that we shouldn't exist" while also expressing that competitors to the enterprise *"are destroying us"*. This suggests that even though the social mission is at heart of the operations, there is a fear of going out of business, thus reluctance to engage in opportunities that may put the company in a position where the social mission is solved and the company no longer needed. An industry expert reflected upon it:

"There become built-in working practices based on the fact that the company should be profit-driven, which may not always match with what is most useful and create the most benefit"

Interviewee 17

We saw this conflict materialize in a contradictory way for several enterprises, where the entrepreneur could not reach business goals and simultaneously completely resolve the social mission. However, the social mission is dependent on the business activities to be resolved, and the enterprise dependent on the social mission for legitimacy and credibility with stakeholders and employees.

"There is a problem. I need to reach our revenue goals, but I can't if there is no more surplus food [to buy]. If you zoom out a bit, we have then somewhat succeeded. We have 'solved the food waste issue'. [...] If another actor buys it, we still get rid of food waste in the system...but we miss our chance of growing"

Interviewee 26

Last, the tension becomes salient in situations where different social commitments compete. Social enterprises often find themselves in situations where they need to balance their main social mission with potentially doing more social good in a different social area. This also creates contradictory prescriptions for action for the social entrepreneur, as the enterprise can either remain steadfast to their social mission, at the risk of missing out on possibilities that could generate more impact or they can pursue these possibilities but experience an internal conflict where the main social mission is neglected.

"We end up in a situation where we ask; Can we increase our sales by 50% which is great for impact by using this material that we know might not be the best? This question becomes very relevant when you are so purpose-driven, what path should we take? [...] you might take the wrong decision for the moment, but it is important to not lose sight of the long-term mission"

Interviewee 21

To manage this tension, social enterprises use their main social mission as a boundary within which commercial activities can be undertaken, regardless of how much additional social value they create. By evaluating all commercial opportunities upon their alignment to their social mission, the firm prevents opportunities undermining their legitimacy with different stakeholders, albeit sometimes at the expense of additional social value creation. When evaluating opportunities, managers tend to look for opportunities that integrate their main social mission in the commercial activities and substantiate its importance by setting a clear “*red line*” (Interviewee 26) to what opportunities are in line with both the social mission and the commercial objectives.

”We lean the decision-making a bit more towards the commercial side, but we have clear boundaries on where we cannot go.[...] Even if there is a commercial point to it, it does not fall within our value framework”

Interviewee 26

The importance of embedded social value creation in opportunities is also exemplified by social entrepreneurs consistently turning down possibilities that cannot clearly be motivated to contribute to the social mission. Interviewee 3 eloquently exemplified how such integrative management substantiates “*We can only raise prices if we actually also deliver more [social] value to the customer*”. Integrating the social mission into the commercial opportunities undertaken also shows how social entrepreneurs frame away from being perceived as drifting from the mission while pursuing more commercially oriented actions. Taking this approach also entails that the social enterprise becomes limited as “*there are certain things we cannot do*” (Interviewee 23). Although refraining from some opportunities is important to gain legitimacy and credibility with customers, employees and stakeholders, a strong driver is the integrity of the social enterprise and the pride they take in pursuing the social mission. As Interviewee 3 describes “*We have consistently said no to commercially viable opportunities, as it is not in line with what we want to do*”. This implies that not choosing commercial opportunities is both important to remain credible and legitimate in stakeholders eyes, but also for the entrepreneur to feel a sense of integrity.

5.1.4 Social Value Creation

Many social entrepreneurs struggle with “*being a 'good' company but making customers understand that there is a price for it*” (Interviewee 5), showcasing a tension between balancing the commercial and social expectations of customers.

An important driver to why customers turn to social enterprises in the first place is a genuine intent to do well and contribute to societal good. The social mission of the enterprise thus functions as a competitive advantage, as “*they [customers] became*

more engaged because of it [social mission]... they did not only buy our product, they even posted on social media and bought merch” (Interviewee 12). However, customers are reluctant to pay a premium necessary for creating social value. Social value creation often entails higher costs for the social enterprise, which need to be covered by customers to remain financially viable. This becomes contradictory for social enterprises, as there is an optimism which misleads social entrepreneurs to overestimating the readiness or willingness of customers to fully embrace this social value premium. As interviewee 7 pointed out *“People don’t really dare to criticize anything that is ‘impact’-driven”*. Additionally, there is an expectation among customers that the price of the service or products provided by social enterprise should be lower than non-social options, given the enterprise’s primary focus on doing social good.

“The biggest challenge that we still have after having done this for 20 years and winning lots of awards and being praised is that people still think free is much better. And who offers the service for free? [...] Our customers do not understand that they are purchasing a service, they are stuck in this charity mindset.”

Interviewee 11

Consequently, the tension emerges between needing commercial performance in terms of sales figures, while at the same time living up to the social mission as it is the enterprise’s main selling point. Any compromise can either erode their legitimacy among customers who prioritize and value the enterprise’s social intentions or reduce sales due to customer perceptions of not generating enough value.

“There was always an organic product which was much, much better in every way except that it was twice as expensive. We need to take it, but it has to be put on the consumer and then it will have to cost 20 SEK more. [...] and then no one buys it.”

Interviewee 4

Conversely, as Interviewee 23 highlighted *“it [sustainability] is important for making customers return and buy again”*. Hence, achieving the social mission requires conforming to the customer price expectations, but conforming to customer price expectations is often done at the expense of the social mission. This discrepancy between the social enterprises value offering and customers expectations further stems from customers not accounting for the alternative value social impact creates. Interviewee 24 described *“The core of the whole impact is that it has alternative value, people don’t understand that.”* Hence, it becomes difficult for social enterprises to communicate the value created. Consequently, they risk losing one of their key differentiators, their social impact, and solely compete on price.

"What's great about a company doing great things; there's a story to tell, and if you haven't understood the story or are interested in it, it becomes very difficult because then we're just competing on price "

Interviewee 19

When managing this tension, social entrepreneurs need to consider how to not price themselves out of consideration, while sustaining their social mission. One way the enterprise seems to manage this is through the strategic separation of communicating aspects relating to the 'social' good customers contribute to with buying a service or product and the 'performance' oriented aspects that creates value for the customer. As Interviewee 23 describes *"All these values need to be communicated in different ways to ultimately reach the customer"*. Conveying 'performance' aspects to the customer seems to take precedence over communicating social value, which is instead emphasized once the customer is committed. This temporal separation seems to emanate from entrepreneurs knowing that the social goal alone will not win the customer. As Interviewee 9 expresses *"If customers should eat something sustainable, it needs to be tastier [than the alternative]"*. Choosing at what times to convey alternative values allows the social enterprise to effectively communicate with different groups of customers and ultimately work successively towards making them value the social mission as much as performance.

5.1.5 Investors & Sources of Income

Our interviews found that many social entrepreneurs view shareholders as the most pivotal stakeholders to ensure the enterprises' survival. Many social entrepreneurs, however, experience that there is a discrepancy between the shareholders' expectations of financial performance and the social enterprises' desire to address the social mission. This appears to stem from a misunderstanding of how important the social mission is to *"win in the long run"* (Interviewee 13). A resulting tension emerges between the entrepreneur and investor over priorities.

"We founders did not care that we would make less money. Many financiers thought the idea sounded wonderful. But when they viewed it from an economic perspective, they wanted to raise the issue at every board meeting. That was just a no-go zone for us, we did not want to compromise"

Interviewee 12

The issue of prioritization is also raised by Interviewee 23 who highlighted the importance of remaining in control to make decisions that are in line with the company's values:

"I own the absolute majority of the company, and there are no external owners with different interests, which of course, is very important if you truly stand by your environmental and sustainability commitment"

Interviewee 23

Diligent selection of investors is instrumental to the degree of tension the enterprise experiences. Some of the social enterprises interviewed started with a tight circle of angel investors with whom the social entrepreneur had friendly relationships. Interviewee 19 described *"From the start we mostly had business angels that we had some kind of relationship with. Everyone who went in did so with about a 50/50 mindset on impact and economics"*. Their attitude towards the enterprise was laissez-faire and the social entrepreneur experienced that the shareholders valued and understood the social mission.

However, as social enterprises attempt to grow, many seek venture capitalists to bring in financing necessary for scaling. Already at the offset of acquiring capital, there is misalignment between the enterprise's social agenda and the financier's financial agenda. Several entrepreneurs perceived investors' intentions as ingenuine, making it hard to navigate which investors were sincerely interested in the mission. Interviewee 21 described this *"You can find some venture capital from all sources, just because they 'should' all have some kind of greenwashing pot"*. However, we found that investors lack understanding in how social enterprises differ from commercial enterprises. An industry expert highlighted this:

"Financiers should have a better understanding of what kind of businesses social enterprises are. That it is worth investing"

Interviewee 17

An important note, however, is that investors value the social mission as a grant of legitimacy to their own company. An impact investor particularly highlighted that the social mission must be *"as deeply ingrained in their DNA as in ours, otherwise it's not an interesting investment"* (Interviewee 15). Whilst the social mission appears to be an important source of legitimacy for both the investor and the social enterprise, the investor does not separate the company from the commercial markets because of it. Ultimately, they still invest primarily in the business idea.

"We have built a capitalistic society, now the companies in it must just focus on the right things"

Interviewee 15

Generally, social entrepreneurs understand and accept that investors are in it for the money, and do not oppose this view as contradictory to achieving the social mission. Simply having investors more financially oriented than the enterprise does not in itself result in tension. On the contrary, there is a very strong drive from many companies to reach commercial targets.

"They are investors because they want to get money out, there is nothing else. They probably think it's fun to be able to say at dinners that they've invested in something with a positive impact. But we are measured on how much money we generate and that's the only thing that matters to them. It becomes an incentive for us, but I don't see a direct conflict between that and impact"

Interviewee 10

Tensions first become salient when the enterprise falls under too tight commercial targets set by investors, quickly exacerbating the sense of conflicting goals and expectations. Tensions particularly appear in cases where investors are not altering their expectations for return on investments or time frame in which return can be realized to suit the enterprise. As this occurs, the social enterprise becomes constrained to conform to the commercial targets expected from the financiers, whilst experiencing that their social mission is devalued or misunderstood.

"Our board thinks that those who have invested in us have invested in [the product]. In my opinion, they have invested in what you want to do for women and how you want to promote women's health. We just think so differently"

Interviewee 13

Interviewee 4 highlighted that this can lead to vicious circles, as dependency on resource providers is high:

"You end up in a vicious circle [with investors]. Would I do it again I would not give away that much of the company early. It is easy to say in hindsight, but when you're there you need the money"

Interviewee 4

To manage this tension, an important condition is the choice of investors. In attempting to choose investors that share foundational value principles with the social enterprise, conflict can be avoided as the investors and the entrepreneur have early aligned on the expectations and implications of what having an 'impact' entails. Interviewee 6

described that “*We try to avoid impact investors that don’t really understand what they are getting into*”. In setting clear expectations between the enterprise and its financiers early, the enterprise is aware of the commercial pressures put on them, without feeling that they suffocate the social mission. Rather, the commercial requirements become a constructive facet allowing the enterprise to “*be taken seriously*” (Interviewee 21).

”You need to get the owners to agree that maybe our profit will be 3% lower because we are a social business. But once they have agreed, then we need to deliver on that”

Interviewee 21

Another plausible strategy is the option of turning to other types of financing. However this is generally viewed upon negatively. The desire to be self-sufficient and under “*commercial demands like any other company*” (Interviewee 10) is a strong motivator for companies not to turn to other types of financing, such as philanthropic capital. In addition to such processes being time-consuming and overly complicated, taking philanthropic capital also objects to the core of the idea of a social enterprise for many.

”If we need to cover our social enterprises with ”gift funds” it doesn’t feel right. That is not the plan and it’s an important principle that they are self-sufficient”

Interviewee 2

5.2 Influencing Factors

The identified tensions became apparent through comparing the experience of all social entrepreneurs interviewed. While tensions were ubiquitously experienced, the degree to which they were felt varied to some extent. In the following section, we explore factors found to influence the salience of tensions.

5.2.1 Digital Business Model

With some variation, we saw that several of the interviewed entrepreneurs did not question whether or not it was possible to juxtapose a social mission with commercial activities. These social entrepreneurs were found to largely discuss opportunities in terms of commercial viability and held the position that this must take precedence, however, some of these entrepreneurs also delivered the largest impact in terms of people reached. We experienced this when the enterprise had a digital business model that integrated the social and commercial value in such a way that the social impact lies purely in scale of the product. When the product is purely digital, operations are more agile and costs

are generally lower, and thus the commercial and social ‘side’ blend well as there are few obstacles.

”I think the commercial and social side goes hand in hand with the business model and the product and service that we deliver”

Interviewee 6

Additionally, this meant that social value became embedded in commercial calculations, and the entrepreneur experienced less of contradictory tension in deciding what opportunities to pursue.

”By definition, in our business model we help many children by bringing in more subscriptions, and then it still becomes a commercial calculation. What is the cost we need to take? What is the ROI and how long is the payback period?”

Interviewee 3

5.2.2 Entrepreneurial Characteristics

Despite focusing the analysis to the organizational level, we find the entrepreneur’s persona, values, and reason for pursuing the venture to exacerbate many of the contradictory tensions. This ultimately affects how tensions are viewed upon and managed, affecting the enterprise. Particularly, a strong moral compass appeared to increase the sense of tensions, as the social entrepreneur viewed the social mission as his or her sense of purpose while at the same time the person who most evidently felt the acuteness of financial pressure. Always desiring to adhere to the social commitment therefore creates a strong sense of tension within the entrepreneur themselves.

”We could probably have secured the last bit of funding needed, but then it wouldn’t have felt right anymore”

Interviewee 19

This strong adherence to the moral commitment the entrepreneur has made to themselves can sometimes result in some type of mental exhaustion, where the entrepreneur gets tired of always facing conflict. One entrepreneur described this as an *“anxiety that gnaws at you all the time”* (Interviewee 4). The organizational effect is that the tension is left unattended and instead of becoming productive, it becomes restraining in a way that the enterprise *“never managed to find a balance anywhere, that’s probably why we failed”* (Interviewee 13).

5.2.3 Organizational Form

How the venture is structured in terms of being for-profit or not-for-profit appears to influence which tensions become salient and how acutely they are felt. Being for-profit or not-for-profit also limits the options available to managers regarding how to deal with tensions.

"I think it's a problem that there is not a company form where you can be both commercial and do good"

Interviewee 25

There are also divergent societal expectations associated with them. Generally, there is a societal stigma associated with earning money from doing societal good. This stigma, a direct influence on the set expectations on social enterprises, places pressure on these organizations. The expectation that social enterprises should not profit from their missions complicates legitimacy-seeking initiatives, making it challenging to balance social impact with commercial viability within different tensions.

"The difference between Sweden and the rest of the world or Europe, is that sometimes it almost feels wrong to make money in Sweden"

Interviewee 21

6 Discussion

Having empirically presented and synthesized our findings of the manifestation and management of social business tensions, we now situate these within the aforementioned theoretical framework to develop current knowledge and contribute to the field. We first discuss the manifestation of tensions (6.1) and then the management of tensions (6.2).

6.1 Manifestation of Tensions

In this section, we discuss how these tensions become salient (6.1.1), their paradoxical nature (6.1.2), and attempt to populate them with the framework by Smith and Lewis (2011) and Smith et al. (2013) (6.1.3).

6.1.1 Tensions in the Light of Social Enterprises

Prior research has argued that tensions might not be acutely felt in organizations integrating the social mission in the product sold (Alegre, 2015; Battilana & Lee, 2014). On the contrary, with some variance for digital business models, we find several tensions

salient. We discuss and situate the manifestation of our found tensions individually to create a thorough understanding of their salience, ensuring a broad and rich contribution to the field.

6.1.1.1 Culture & Identity

Prior research suggests that social enterprises typically recruit individuals with competencies from either social or commercial domains, aiming to utilize these skills for organizational benefits, reinforcing either organization's social or commercial values and norms (Wheeler et al., 2005). However, we found that employees are predominantly motivated by social impact, regardless of prior experiences and competencies. Battilana and Lee (2014) conceptually suggested that the commitment to organizational goals may be compromised when employees are tasked with both social and commercial objectives, and when conflicting values are involved (Smith & Besharov, 2019). Similar factors making tensions salient have been identified in this study. However, previous research claim that tensions arise from the existence of subgroups dedicated to social or commercial objectives separately (Albert & Whetten, 1985; Battilana et al., 2017; Hsieh et al., 2018). We found no such subgroups, as all employees seem to embrace the social mission. Instead, tensions become salient as the social salience in employees forces the entrepreneur to adopt a more commercial persona. We thus shed new light on why tensions relating to culture and identity become salient.

6.1.1.2 Measuring & Reporting Social Value

In accordance with Austin et al. (2006), we saw an over-emphasis on measuring financial over social value. However, in contrast to Austin et al. (2006) we argue that this occurs because financial performance is a requirement for social performance and not due to market preference for financial performance. Whereas Doherty et al. (2014) suggest that this prioritization of financial value measurement and reporting entails drifting from the social mission, we suggest that it is rather an important notion in reinforcing it. As conceptually suggested by White et al. (2022), we find empirical support that social metrics are dependent on financial metrics, and they are therefore innately not conflicting. These findings impede Battilana and Lee (2014) suggestion that weighting the measurement of social and financial performance is important in hybrid organizations to avoid mission drift. Instead, we suggest that social value creation is so embedded in the enterprise's *raison d'être* that working towards financial goals is understood as a requirement for achieving social goals. However, we agree with these authors that measuring social value can help the enterprise avoid tension. As employees are primarily driven by impact, only measuring financial goals exacerbates the experience of a divide between what employees value and what the enterprise is working towards. Hence, as suggested by Gomez (2009) and Saks and Ashforth (1997), measuring social objectives alongside financial objectives

could reinforce desired values and behaviors, thus allowing for a more efficient balancing of the tension. By finding social value creation an integral and holistic part of the organization, we contribute a new perspective of value creation in which not measuring social value creates tensions with employees instead of being an innate conflict with financial value creation.

6.1.1.3 Opportunity Evaluation

Battilana et al. (2015) contend that social enterprises frequently undertake inconsistent activities pursuing both financial and social objectives, thereby creating tensions within the organization. We find such tensions to become particularly salient when there are multiple conflicting social and financial goals. Contrary to Smith et al. (2013) and Battilana et al. (2015), suggesting that it is only a contradiction between commercial and social goals, we found that competing social goals often exacerbated the feeling of tension in commercial opportunities. This finding aligns with Siegner et al. (2018), who observed that tensions manifest not only between social and financial goals but also among various social goals. Adding to their perspectives, we found that tensions become salient when enterprises encounter opportunities that offer substantial social and commercial benefits yet do not align with the enterprise's core social mission. We found legitimacy (Ebrahim et al., 2014) in customers' and employees' eyes to be a main contributor to opportunity evaluation. Building on this perspective, we add that the integrity of the social entrepreneur is equally important. Furthermore, when evaluating opportunities, the social mission functioned as a 'guardrail' (Smith & Besharov, 2019) in which exploring out of the common ground was seen as a no-go as the opportunity no longer aligned with the values, ethics, and morals of the enterprise. In considering how different time horizons affect the salience of tensions, we have seen no scholars exploring how opportunity evaluation embeds the social and commercial aspects of the social enterprise, which we find a major contribution in understanding how the enterprise navigates growth pursuits.

6.1.1.4 Social Value Creation

Many authors stress the salience of tensions as an outcome of conflicting stakeholder expectations on the enterprise's commercial and social performance (see Ebrahim et al., 2014; Kraatz & Block, 2008) and value creation (Santos et al., 2015). While we do find this, we add that tensions can also stem from conflicting demands posed by the same stakeholder. We find such tension to become salient as customers expect the product to be both superior in terms of commercial performance (e.g. low price), while at the same time contributing to social goals. While Lee (2014) suggests that integrated activities allow organizations to simultaneously be perceived as legitimate members of multiple forms, we find that the enterprise rather ends up in a situation where they are neither social nor commercial enough in customers' eyes. In addition to finding a tension not recognized

by prior literature, we complicate the understanding of social enterprises' customers by showing that they have dual expectations on the enterprise. In showing that tension can arise from the same stakeholder holding conflicting demands, we contribute to a new perspective which scholars and practitioners must consider to effectively understand tensions.

6.1.1.5 Investors & Sources of Income

Like other scholars, we found that tensions emanate from contradictory stakeholder perspectives (Kraatz & Block, 2008), particularly from the pressure to conform to investors' expectations while remaining autonomous and in control of the enterprise. Referring back to Young's (2012) idea that social enterprises are in a tenuous equilibrium, where they do not belong to commercial for-profits nor charitable non-profits, we have sought to understand why tensions between investors and social enterprises become salient in the first place. Investors might refrain from investing if they see conflicting interests or because they lack knowledge about social ventures, avoiding tension altogether (Hsu et al., 2009; Kraatz & Block, 2008). However, we saw many social enterprises attract considerable funding. Although we detect that investors put significant importance in the social mission (Huybrechts & Nicholls, 2013), financial viability is the main reason for investing. Building on Bruneel et al. (2016) findings, we detect a predominant commercial focus from investors. Many entrepreneurs appreciate the commercial pressure this entails, as it keeps the enterprise from being purely socially motivated. Hence, contrary to studies finding divergent stakeholder values responsible for the salience of tensions (Doherty et al., 2014; Ismail & Johnson, 2019), we rather detect tension between the investor and enterprise in situations when there are notable misalignment's in the balance of commercial and social expectations and goals that are not addressed early. In alignment with Huybrechts and Nicholls (2013) our findings show that investors hold a dominant position towards the social enterprise. We detect this dominant relationship as a critical element engendering the strong sense of tension felt between investors and the social enterprise, as when the tension becomes salient, the social enterprise has more to lose than the investor. McWade (2012) suggests that while investors may not be willing to forego financial considerations, they typically demonstrate flexibility in the time-frame and type of expected return. We ultimately find this a very important condition in reducing tensions between investors and the enterprise. While stakeholder tensions have been previously recognized by literature, we contribute with an outlined process of how these occur, where we suggest that conflicting demands only become salient when too tight commercial targets are set on the enterprise.

6.1.2 Contradictions & Interdependencies

We found many social entrepreneurs to experience the simultaneous pursuit of social and commercial activities as synergistic. However, looking more granularly, we found that social entrepreneurs continuously find themselves in situations of difficult choices between the social and financial locus. Situating our findings in the ontological debate about the nature of tensions (Schad & Bansal, 2018; Smith & Lewis, 2011), we find that many social entrepreneurs are unaware of the restraining forces pulling the enterprise in separate ways, and end up in situations of unidentifiable conflict as tension become salient. As proclaimed by Hahn and Knight (2021), we find that while tensions are not always recognized by social entrepreneurs, they are still acutely felt.

Having set out to determine the paradoxical nature of the tensions manifested, we explore our findings in relation to current knowledge from paradox literature. We limit our discussion to exemplary points which resemble a unified understanding of the paradoxical nature across tensions. Recalling the definition of a paradox as “*contradictory yet interrelated elements that exist simultaneously and persist over time*” (Smith & Lewis, 2011) when juxtaposed result in illogical reasoning (Lewis, 2000; Smith & Tushman, 2005) and create situations of almost impossible choices (Putnam et al., 2016). Our findings demonstrate that social business tensions tend to display conflicting prescription for action between what the social mission and the business activities demands, which according to Smith and Lewis (2011) reveals their contradictory features. For instance, we detected that the more the social enterprises’ employees were impact-oriented, the greater the focus had to be on business activities. Similarly, the more commercial pressure the enterprise experienced from investors, the more the enterprise had to steadfast the social mission.

White et al. (2022) suggest that social business tensions are collections of dilemmas and dialectics instead of paradoxes. In contrast, we find it difficult for social entrepreneurs to weigh the pros and cons of options (McGrath, 1982). To exemplify, an entrepreneur could not only focus on the commercial identity to drive financial performance. If a dilemma, this would drive financial performance at the expense of the social mission. However, we identified that no pros and cons could be contrasted, as the level of dependency between the elements made such choices impossible. This interdependence distinguishes it from a dilemma (Lüscher & Lewis, 2008). The notion that tensions may instead be dialectics is a more intricate question, as we identified acts of integration and synthesis aligning with the dialectic perspective (Clegg & Cunha, 2017; Farjoun, 2019; Hargrave & de Ven, 2017). This was especially true for the *measuring & reporting of social value*, the only tension found not to be paradoxical. As we found the creation of social value to depend on financial value creation, as White et al. (2022) suggested, we conclude that the relationship is not inherently contradictory. Contradiction only

appears indirectly through the social motivation of employees. We suggest that *measuring & reporting social value* is an ongoing dynamic and interactive process between organizational members where the conflict can be resolved through integration, making it dialectic. All other tensions were found not to be dialectic because of simultaneous contradiction and dependency between elements (Clegg et al., 2002). All tensions, except *measuring & reporting social value*, were instead paradoxical because of their illogical reasoning (Lewis, 2000). An example is the *opportunity evaluation* tension where achieving long-term social impact requires pursuing short-term commercial opportunities, but pursuing short-term commercial opportunities can jeopardize long-term social impact. Hence, entrepreneurs find themselves in a catch-22 setting of impossible choice (Putnam et al., 2016).

Our findings show that there are substantial contradictions in prescriptions for actions where the commercial and social elements of the enterprise interrelate and cannot stand alone - creating what Lewis (2000) coined paradoxical tensions. The social entrepreneur seemingly finds themselves in situations of circular reasoning where achieving the social mission depends on commercial activities, yet at times both impede and enable them. Similarly, commercial activities are void of meaning if not aligning with the social mission. The entrepreneur cannot simply 'choose' sides, as doing so undermines both the business activities and social mission.

6.1.3 Tensions - an Act of Performing, Organizing, Belonging & Learning

Recalling the scattered ontology of social business tensions, we build on how White et al. (2022) suggest 'tensions' as a macro description, understood through their meso-interpretations as either *performing*, *organizing*, *belonging*, or *learning* and conceptualized at the micro-level as paradoxes. Having discussed the paradoxical conceptualization of tensions, we synthesize the discussion on manifestation of tensions by returning to Smith and Lewis (2011) framework to populate it with the five tensions found to be most salient in this study to evaluate if this is an appropriate segmentation.

Culture & identity involves the categories of *belonging* and *organizing*. Although we did not find that members of the social enterprise created different subgroups driven by different identities (Battilana & Dorado, 2010), we found that employees constitute an 'impact-driven' group which contested the social entrepreneur who more acutely felt financial pressures. If the social entrepreneur solely focused on financial performance, employee motivation would fall and they would question the organizational values (Tracey & Phillips, 2007), showcasing the *belonging* aspect. Furthermore, employees depended on feeling part of a unified whole, or a "collective system" (Thompson, 1967), where the enterprise continuously valued the social mission. As this was seen in acts of hiring and socializing employees (Battilana & Dorado, 2010) where employees were desired to

possess both a business and socially-driven mindset, this is an act of *organizing* (Smith & Lewis, 2011).

Measuring & reporting social value spans the *learning*, *performing*, and *belonging* dimensions. Similar to other scholars (see Foreman & Whetten, 2002; Hoffman et al., 2010) we found that social impact was assessed in the long-term and financial performance in the short-term, engaging the *learning* dimension (Smith et al., 2013). As adhering to the ‘urgency’ of short-term performance entailed an emphasis on financial metrics, the tension also engages the *performing* dimension. We thus confirm Levinthal and March (1993) findings that quantifiable, clear, and short-term metrics are prioritized over ambiguous and long-term, which we found achieving the social mission to be. Smith et al. (2013) suggest that quantifiable metrics can foster collective trust (Porter, 1995) and commitment to strategic action (Denis et al., 2006). While we saw that financial metrics guided employees’ work, or ‘strategic action’, we found a necessary condition for this was the steadfastness of the social mission. We thus add that making social value creation an integral and holistic part of performance is necessary to promote ‘collective trust’ and not create confusion about what the organization values, thus highlighting the *belonging* aspect (Smith et al., 2013).

Opportunity evaluation engages the *learning*, *belonging*, and *organizing* dimension. At the offset, we found social entrepreneurs to experience difficulties in which opportunities to pursue for growth, while building on the social mission. Similar to O’Reilly and Tushman (2008) arguing how the past both enables and impedes the future, we found short-term opportunities to be both a source of opportunity and risk for achieving the social mission in the long-run. This challenge of combining time horizons (Smith et al., 2013) engages the *learning* dimension. In evaluating opportunities, social entrepreneurs were found to consider what opportunities meant in terms of legitimacy, credibility, and integrity of the enterprise in employees’ and customers’ eyes, suggesting a conflict in “*who we are?*” in relation to “*what we do?*” (Smith & Lewis, 2011). Thus, the tension touches upon the *belonging* aspect. Last, in choosing opportunities, social entrepreneurs consistently face *organizing* tensions, for instance whether they should collaborate or compete (Murnighan & Conlon, 1991). Building on Clegg et al. (2002) arguing for the fundamental tension between organizational structure and actions, we consider how much the opportunities evaluated construct the enterprises’ cultures and processes and how much the organizational structure shapes the opportunities undertaken, effectively engaging the *organizing* dimension.

Social value creation touches upon the *performing* aspect. The enterprise continuously battled a conflict in adhering to both the social mission and financial goals. Much work highlights how *performing* tension arises from the demands posed by different organizational stakeholders (see Doherty et al., 2014; Smith et al., 2013). We found a new type of *performing* tension, where the tension is complicated by conflicting demands

posed by the same stakeholder, namely customers.

Investors & sources of income concerns the *performing* and *organizing* dimensions. We found raising capital exacerbated the sense of divergent organizational goals to be performed by organizational members. Following Jay (2013) finding that different visions of success and failure leads organizational members to experience tensions, we find a similar pattern between investors and social entrepreneurs. Misalignment in what investors and entrepreneurs experienced as success thus led to *performing* tensions. In taking decisions on what financiers to bring in, the tension became one of *organizing*. Especially prevalent is how systemic contradictions, as suggested by Clegg et al. (2002) result in the need to organize the venture effectively to manage opposing poles. We find such acts of *organizing* in relation to the need for autonomy to achieve the social mission effectively, whilst control and support from investors to pursue it.

Concluding, many of the tensions experienced by social entrepreneurs cannot be congregated under the four groups suggested by Smith and Lewis (2011) and Smith et al. (2013). Rather we see how the manifested tensions are inextricably linked across categories and affect organizational life in more instances than one. In result, the tensions experienced by social entrepreneurs are perhaps more interdependent than previous literature has portrayed, more ‘fluid’ as suggested by White et al. (2022).

6.2 Management of Tensions

As suggested by Smith et al. (2013), we found four of our tensions to be innately paradoxical, where any choice between the social and commercial appears impossible since they are both contradictory and interdependent. Building on Lewis (2000), we found that the tensions observed are balancing acts between the social and commercial elements of the enterprise.

Battilana et al. (2015) and Battilana and Dorado (2010) advocate that integration strategies enable organizations to address the inherent tensions by simultaneously adhering to commercial and social objectives. We found that such strategies are employed primarily in situations directly concerning the *organizing* and *belonging* dimensions. Examples include aligning investors, employees and opportunities. Integrating strategies, e.g. attempting to motivate employees with both social and commercial objectives or aligning on social and commercial goals with investors, seems particularly useful to create a shared value ground and identity. Clearly communicating the role of commercial activities in supporting long-term social goals aligns key stakeholder and the enterprise. By performing these integration strategies, we suggest that the enterprise partially frames away from the negative aspects of social salience in employees (Battilana et al., 2015; Cheah et al., 2019) without removing it entirely. Similarly, integration strategies prevent compromising the social mission to conform to investor expectations, as suggested by

Teasdale (2010), while still living up to investor expectations.

Following acts of organizing, we found that temporal separation strategies (Battilana et al., 2015) were employed in acts of *performing* or *learning* when executing daily activities relating to a tension. This aligns with Siegner et al. (2018) and Jay (2013) who advocate prioritizing either social or commercial orientation for a limited period of time. We found such strategies to entail an initial focus on commercial elements, such as communicating performance aspects before social aspects to customers or focusing on financial KPIs to address social value creation later. These strategies appeared to arise in situations where the short- and long-term resulted in different prescriptions for action and the short-term demanded immediate attention for survival. Although several studies highlight that prioritizing commercial over social elements may lead to mission drift (Brandsen & Karré, 2011; Eikenberry & Kluver, 2004; Pache & Santon, 2010; Ramus & Vaccaro, 2017) and subsequent loss of legitimacy (Mia & Lee, 2017; Teasdale, 2010), our findings suggest that a temporal separation strategy can enable social enterprises to sustain both dimensions. We found that an important condition for these strategies was not to lose sight of the long-term social goals and to establish an understanding within the enterprise of why commercial aspects took precedence for a while.

Lewis (2000) suggests that paradoxes in organizations can lead to virtuous or vicious cycles, depending on how well the organization manages to balance conflicting demands. We found that most social enterprises engage in integration strategies with stakeholders to establish a sense of unity and alignment within the enterprise, followed by temporal separation strategies where the commercial side often takes precedence in the short term. This suggests that unlocking constructive aspects of tensions between the commercial and social sides (Smith et al., 2013) is facilitated by establishing a joint identity which grants flexibility in tensions such as opportunity evaluation and social value creation. When such constructive aspects arise, the enterprises can for instance pursue commercial opportunities without employees or customers questioning the legitimacy or credibility, which then unlocks social value creation in the long-term because the enterprise can more easily attain to the short-term, creating what Smith and Tracey (2016) refer to as a *virtuous cycle*.

While we found that a financial and social locus can coexist, we also experienced how vicious cycles emerge. Hahn et al. (2016) suggest that social enterprises can ‘accept’ the tension but not take action, leaving it unattended. We found such strategies to occur only when entrepreneurs who remain largely inflexible to accommodate the commercial demands of the enterprise, due to a strong moral commitment, experience a strong sense of tension. This effectively led to a feeling of mental exhaustion for the entrepreneur, or ‘internal anxiety’ as coined by Jay (2013), where the entrepreneur refrained from taking action which thus exacerbated this feeling, creating a *vicious cycle* (Smith et al., 2013). Thus we find actively managing tensions is important to unlock their constructive

aspects.

7 Conclusion

This study set out to explore how tensions manifest in social enterprises and how they are subsequently managed by social entrepreneurs. We conclude that five types of social business tensions are widely felt across social enterprises. These tensions manifest as *(i) culture & identity*, *(ii) measuring & reporting social value*, *(iii) opportunity evaluation*, *(iv) social value creation*, and *(v) investors & sources of income*. We extend our findings beyond callings for which tensions are most salient (Smith et al., 2013) and explain in what processes, contexts, and under what circumstances these become salient. Although these parameters differ for each tension, different time horizons, conflicting expectations, inconsistent priorities, and conflicting goals generally encapsulate the main drivers to salience of tensions.

Furthermore, tensions tend to manifest as paradoxes in which elements are contradictory and interdependent in a way that puts managers in difficult positions of choice. While the social mission is an enabler of commercial value creation and business activities, it also inhibits it and vice versa. This paradoxical nature is observed as social entrepreneurs end up in circular reasoning when deliberating between commercial and social elements. Therefore, in most instances of organizational decision-making, the social entrepreneur must adhere to both social and commercial considerations simultaneously.

Last, actively managing tensions is important to avoid mental exhaustion or anxiety which impedes the enterprise. This management process entails integration strategies with employees and investors to incorporate the social mission into the business activities. Integrating strategies are important to create a joint sense of purpose and to align expectations, goals, and priorities and ensure the social mission is a holistically integrated part of the enterprise. A unified set of stakeholders within and around the enterprise then allows for temporal separation strategies where the social enterprise can first focus on the business pursuits to later turn the attention to the social mission. At no point however, can the enterprise lose sight of its social mission, both must always be considered.

7.1 Theoretical Contributions

Contributing to several processes in which tensions become salient, our identified factors, conditions, and contexts extend the understanding and theorizing of social business tensions (Smith & Lewis, 2011; Smith et al., 2013).

Our largest contribution lies in the empirical identification of five key tensions, providing a comprehensive understanding of the impact of dual missions, beyond conceptual work (see Battilana & Lee, 2014; Doherty et al., 2014; Smith et al., 2013) and

idiosyncratic case studies (see Jay, 2013; Smith & Besharov, 2019). In viewing tensions as a macro-conceptualization interpreted through the meso-dimensions of *performing*, *organizing*, *belonging*, and *learning*, as proposed by Smith and Lewis (2011) and Smith et al. (2013), and understood through their micro-description as paradoxical, we build on an ontological framework of tensions which provide structure to the field as called for by Haugh (2012).

While populating our empirically derived findings with the theoretical framework suggested by Smith and Lewis (2011) and Smith et al. (2013), we find that tensions span across these dimensions. This adds complexity to the current perspective of tensions to concern several parts of organizational life, highlighting that scholars need to view tensions from a wider perspective to fully grasp the effect they have on social enterprises.

Furthermore, we extend paradox theory by exploring the nature of tensions in social enterprises and clarifying the interrelated and contradictory elements of social missions and commercial activities. We argue that tensions often result in circular reasoning followed by a subsequent balancing act between commercial and social demands, highlighting their paradoxical nature and illogical reasoning (Putnam et al., 2016). We thus find that the paradox perspective resonates with the reality of social enterprises, adding clarity to the scholarly debate (Berti & Cunha, 2023; Hargrave & de Ven, 2017; White et al., 2022) and highlighting the potential for paradox theory in future research pursuits.

Last, contributing a process of integrating strategies with stakeholders followed by strategies of temporal separation in daily decision making sheds new light on the management process of social business tensions. By uncovering practices and patterns, we add to Lewis (2000) idea of vicious and virtuous cycles, and elaborate on how such are unlocked.

7.2 Managerial Implications

For practitioners, we provide a thorough understanding of social business tensions, allowing for an understanding from the point of salience to active management and transcendence. We find that common social business tensions stretch across dimensions of organizational life, and therefore suggest managers use our findings to consider what parts of the organization are affected and how. Furthermore, we provide practical guidance on how managers can unlock the constructive aspects of social business tensions, which we find is by balancing commercial and social elements through strategies of integration and temporal separation. In doing so, we hope to relieve managers from some of the constraining pressures caused by social business tensions.

We also believe our findings can be useful for practitioners in the sphere of social entrepreneurship. We found alignment of investor expectations particularly important to alleviate tension, and hope our findings can contribute to a better understanding between

social entrepreneurs and investors.

In conclusion, we hope that the recognition of how tensions manifest and are effectively managed can help social entrepreneurs and key stakeholders navigate tensions within social enterprises going forward, thereby enhancing their ability to achieve both social impact and commercial success.

7.3 Limitations

We acknowledge several limitations in the composition of our sample and the nature of our study. First, our geographical focus has been restricted to Sweden, a deliberate choice aimed at facilitating comparison within a consistent context and culture for all interviewees. However, it is important to note that the manifestations of tensions identified in our study may be specific to the geographical context, potentially limiting the generalizability of our findings. Second, our sampling exhibits a survival bias, as it is restricted to enterprises that were established at least five years ago and are either recipients of funding or are actively seeking financial support. This limitation potentially hinders the identification of tensions that may lead to failure of social enterprises during the initial phase of their lifecycle. Third, our focus on social enterprises with a one-sided value model according to Saebi et al. (2019) typology, may overlook tensions that arise in social enterprises with different mission orientations. This could limit the applicability of the tensions identified to a broader range of social enterprises operating in diverse contexts and settings.

Furthermore, our study poses limitations as the paradox literature describes tensions as embedded and persistent over time (Waldman et al., 2019). As we have not been able to conduct a longitudinal study we cannot determine the persistence of our findings. While we believe that our study has contributed to the empirical identification of five key tensions and management strategies, further research conducted over a longer period is necessary to eliminate this limitation.

Last, although this study aimed to address the management of business tensions, we have primarily explored managers' perspectives without directly interviewing employees. Incorporating employee perspectives would provide valuable triangulation and a broader understanding of the manifestation and management of tensions within organizations.

7.4 Future Outlook

Our findings present several avenues for future research to both broaden and deepen the understanding of social business tensions in general and their paradoxical nature in particular. First, we call for research that can investigate the applicability of our findings to other types of social ventures, as we recognize that different types of business

models and organizational forms can impact the salience of tensions. We recommend distinguishing enterprises based on the typology of Saebi et al. (2019). Distinguishing patterns, similarities, and divergences of tensions to other types of integration of social and economic activities would be suitable to increase understanding of social business tensions across the field. Second, as paradoxes are persistent over time, we call for longitudinal studies investigating how our proposed tensions develop over time, to fully grasp what unlocks successful management of these. Last, our study has focused on the organizational level of analysis to emphasize the effect of social business tensions from a meso-perspective. We propose that future scholars investigate how our found tensions are experienced across levels of analysis. Particularly, we suggest investigating the micro-meso linkages between individual and organizational level, as we have seen tendencies for at least social entrepreneurs to experience restraining tensions on the individual level affecting the enterprise.

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Appendices

A Interview Participant Source Index

Social Entrepreneurs	Stakeholders
Mötesplats Social Innovation	Norrsken VC
Norrsken Initiative	Mötesplats Social Innovation
Norrsken Portfolio	
EY Social Entrepreneurs	
H&M Foundation	
Antonia Ax:Johnson Foundation	
Mötesplats Social Innovation	
Leksell Social Ventures	
Almi Invest	

B List of Interviewees

Company	Interviewee	Position	Sample	Mode	Date	Length
Itrim	Martin	Co-founder	Social	Teams	23/2-2024	0:24
	Anderlind		Enterprises			
Feely & Nordish Market	Philip Axelsson	Co-founder	Social Enterprises	Teams	29/2-2024	55:32
MyDreamNow	Jonas	Founder	Social	Teams	1/3-2024	51:13
	Bydgeson		Enterprises			
Ikomma5	Gunnar	CEO &	Social	Teams	4/3-2024	49:13
	Jönsson	Founder	Enterprises			
Anonymous	Anonymous	CEO	Social	Teams	5/3-2024	51:29
			Enterprises			
Swedish Stockings	Linn Frisinger	Founder	Social	Teams	6/3-2024	52:42
			Enterprises			
Healthintegrator	Fredrik Söder	Founder	Social	Teams	7/3-2024	1:00:17
			Enterprises			
Afripedia	Teddy Goitom	Founder	Social	Teams	7/3-2024	57:34
			Enterprises			
Matsmart	Marcus	CSO	Social	Teams	7/3-2024	55:03
	Ramberg		Enterprises			
RudeFood	David Degbor	Board member	Social	Teams	8/3-2024	54:10
			Enterprises			
Grönska	Natalie De Brun	Co-Founder	Social	Teams	8/3-2024	47:52
			Enterprises			
Matmissionen (Stadsmissionen)	Åsa Paborn	CEO	Social	Teams	11/3-2024	48:22
			Enterprises			
Albert	Salman	Co-founder	Social	Teams	11/3-2024	49:21
	Eskandari		Enterprises			
Nordish Market	Fabian	Co-Founder	Social	Teams	12/3-2024	54:46
	Axelsson		Enterprises			
Sortera AB	Fredrik	COO	Social	Teams	13/3-2024	51:18
	Karlsson		Enterprises			
Deedster	Niclas Persson	Co-Founder	Social	Teams	13/3-2024	30:52
			Enterprises			
Deedster	Monika	Co-Founder	Social	Teams	18/3-2024	45:20
	Martinsson		Enterprises			
Daycape	Anton	Founder	Social	Teams	22/3-2024	53:50
	Håkansson		Enterprises			
Matsmart	Karl	Co-Founder	Social	Google Meet	25/3-2024	50:11
	Andersson		Enterprises			
Kognity	Hugo Wernhoff	Co-Founder	Social	Teams	26/3-2024	47:09
			Enterprises			
Allwin	Simon Eisner	Founder	Social	Teams	26/2-2024	1:05:11
			Enterprises			
SYD & NORR	Adriano	Co-Founder	Social	Teams	22/3-2024	52:29
	Sannelli		Enterprises			
SYD	Therese	Co-Founder	Social	Teams	22/3-2024	51:49
	Cappelen		Enterprises			
Urkraft	Lotta	CFO	Social	Teams	15/3-2024	50:18
	Wallström		Enterprises			
Norrskan VC	Anna Lundin	Investor	Stakeholder	Teams	4/3-2024	22:23
Mötesplats Social Innovation	Anders	Innovation	Stakeholder	Teams	11/3-2024	54:26
	Stenström					
Mötesplats Social Innovation	Gloria-Karin	Project Manager	Stakeholder	Teams	20/3-2024	30:59
	Lopez					

C Interview Guide: Social Entrepreneurs

PHASE I - INTRODUCTION

- General introduction to the thesis and the subject
- Asking for permission to record

PHASE II - IDENTITY AND MISSION OF THE ORGANIZATION

- What motivated you to found this organization and how has it evolved over time?
- Could you outline your organization's funding structure? Is it for-profit or not-for-profit? Do you rely on philanthropic grants or investments?

PHASE III - ORGANIZATIONAL CULTURE

- Please describe your organization's mission and the primary social issues it addresses.
- In what ways do you observe the organization's mission being embodied by your employees?
- How does the coexistence of commercial and social objectives influence your organizational culture?
- What organizational challenges arise in living out your mission?

PHASE IV - ORGANIZATIONAL ACTIVITIES

- How are social and financial performances measured in your organization?
- What is your approach to goal setting?
- How do you evaluate and respond to the success or failure in meeting organizational goals?
- How do you balance immediate needs against long-term vision?
- Can you share any significant lessons learned or anecdotes from balancing a social purpose within a commercial framework?

PHASE V - WORKFORCE COMPOSITION

- What qualities do you prioritize when hiring new staff?
- Describe the current composition of your workforce. Are they primarily business-oriented or socially driven?
- How has the expertise within your team evolved over the years and what lessons have you drawn from these changes?
- What impact does workforce diversity have on your mission?
- What challenges arise from diverse workforce groups and how do you address them?

PHASE VI - ORGANIZATIONAL DESIGN

- How is your organization structured to pursue both social and commercial objectives?
- How do employees collaborate to solve problems, and how do you handle conflicts?
- How are incentive and reward systems implemented in your organization?
- What role does the board play, and what types of decisions do they typically engage in?

PHASE VII - INTER-ORGANIZATIONAL RELATIONSHIPS

- Who are the most significant stakeholders for your mission and what challenges do they pose?
- How do these stakeholders affect your organization, and what impact has a diverse stakeholder group had?
- How do you manage the expectations and needs of your beneficiaries, investors, and other relevant stakeholders?
- What has been your approach to securing financing?
- Do you collaborate with other organizations to achieve your goals?

PHASE VIII - CLOSING QUESTIONS

- Would it be acceptable to contact you for follow-up questions?
- May we contact someone else within your organization for more insights?
- Would you prefer to be named or remain anonymous in any publications or presentations?
- Would you be interested in receiving our findings from this interview and other related research?

D Interview Guide: Investors

PHASE I: INTRODUCTION

- General introduction to the thesis and the subject
- Asking for permission to record

PHASE II - QUESTIONS

- What factors are crucial for you to invest in a social enterprise?
- What is crucial for you not to invest in a social enterprise?
- How do you view the idea of 'social enterprises'?
- How do you change the enterprises you choose to invest in?
- What is the biggest challenge in investing in a social enterprise regarding the relationship between you and the enterprises themselves?
- In your opinion, what is the key for a social enterprise to succeed?

PHASE III - CLOSING QUESTIONS

- Is there anything else you would like to add that we have not covered related to challenges or opportunities that you and your organization face with regard to the dual demands of social mission and financial return?
- Would it be okay if we come back to you with possible follow-up questions?
- We can send you our complete compilation of this interview if you would like to add or remove anything.
- Can we mention your name or would you like to remain anonymous?
- If you wish, we can share our findings with you if they are of interest.