

A Typology of Competitive Strategies for Social Enterprises

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Abstract: This article tackles the limited theorising on social enterprises' (SEs) decisions on the product or service mix, quality, pricing, and the targeted beneficiaries by proposing a typology of competitive strategies for them. The paper empirically observes how SEs react to the challenges faced by the marketisation of their fields. The context of this study is the supplementary education of the disabled in Turkey, a field where increased state coverage led to the entrance of many profit-focused counterparts. Based on a Grounded Theory methodology and a longitudinal dataset including ten cases, the study developed a unique typology comprising three competitive strategies, i.e., innovator, enforcer, and includer. The findings illustrate various strategic responses to heightened competition from incumbent SEs. However, deviation of these strategic responses from the typology appeared to be detrimental in the long-term. By shedding light on the intricacies of the hybrid nature of SEs and considering changes in their competitive environment over time, this study concludes with a summary of contributions to theory, practice, and policy.

Keywords: social enterprises, social entrepreneurship, competitive strategy, education of the disabled

Introduction

Social enterprises (SEs) aim to create social value by engaging in commercial activities (Nicholls, 2006; Porter and Kramer, 2011; Santos, 2012). Thus, they are ventures with a dual focus on balancing financial sustainability requirements and social value creation (Battilana et al., 2015; Moss et al., 2011; Stevens et al., 2015). The mainstream strategy literature, however, is based on value creation and appropriation for maximising shareholders' wealth (Hitt et al., 2001; Mizik and Jacobson, 2003; Teece et al., 1997). It assumes a motivation to make more profits than competitors when seeking to help firms create and sustain competitive advantages (e.g., Barney, 1991; Porter, 1985). The very separation at the reason d'être of SEs, thus, renders the existing competitive strategy frameworks less relevant for reaching their aims.

The nascent literature on the management of SEs has been predominantly interested in how they manage the tensions arising from their hybrid nature and analysing the adoption of practices and structures prescribed by the commercial and social welfare logics (Battilana and Dorado, 2010; Battilana and Lee, 2014; Doherty et al., 2014; Lewis et al., 2021; Mair et al., 2015; Pache and Santos, 2013). To our knowledge, only a few studies are interested in theorising on the strategic decisions of SEs regarding product/service mix, quality, pricing, and the targeted beneficiaries (Gras and Lumpkin, 2012; Young et al., 2010; Santos et al., 2015). These studies, however, focus on the SEs in isolation from their environment, disregarding the competition.

This research has two primary goals. First, the paper seeks to examine the competitive strategies of SEs that face increased competition due to the entry of profit-focused enterprises into the traditionally non-profit-dominated social sectors (Alexander, 2000; Bagnoli and Watts, 2003; Borzaga and Defourny, 2001; Dees and Anderson, 2003; Handy, 1997; Marwell and McInerney, 2005). Second, this article aims to join efforts in building the strategic management theory of SE (George et al., 2016; Jones et al., 2016;

Kwong et al., 2017) by offering a unique typology of SE competitive strategies. To date, few studies have attempted to build a typology for SEs, taking into account their organising tensions and business models (Battilana and Lee, 2014; Battilana et al., 2015; Dart, 2004; Mair et al., 2012). However, these studies consider SEs in isolation from their environment. Hence, they neglect competition dynamics and strategic positions in a mixed-market environment where both SEs and profit-focused businesses compete intensely.

To explore SE strategies in changing markets, we conducted ten longitudinal comparative case studies of Special Education and Rehabilitation Centres (SERCs) in the field of supplementary education of the disabled in Turkey. The findings illustrate that SEs adopted various practices to increase beneficiaries and revenues, improve quality, create alternative resources, decrease costs, and reduce risks. However, the ones that survived and strived to develop high social value with positive financial outcomes had specific positions regarding product/service mix, quality, pricing, targeted beneficiary segments, and different resources. These observations reveal a typology of three generic SE strategies, i.e., innovation, enforcement, and inclusion, which we named based on the primary mechanisms for value creation inspired by traditional strategy literature (Porter, 1985; Porter and Kramer, 2011). Our main contribution to the social entrepreneurship literature is a unique competitive strategy typology that highlights significant environmental contingencies that impact the strategies adopted by SEs. By doing so, we point out how SEs, as hybrid organisations with social and commercial goals, can continue creating positive social impact without misplacing their financial sustainability in competitive environments.

We begin by outlining our theoretical background, followed by our research questions after introducing the nature of SEs and defining their differences from profit-focused enterprises. The methodology section explains the context in which we search for answers, followed by the introduction of our data collection and theory-building methods in detail. Based on the observations from the empirical analysis, we build a competitive strategy

framework for SEs. Finally, the paper concludes with a discussion on contributions to theory and practice, followed by limitations of the study and suggestions for future research.

Literature review

Nature of social enterprises

Social enterprises combine the altruistic motivations common to philanthropy with the economic motivations commonly associated with business and markets (Dees and Anderson, 2006; Dees, 2012; Ebrahim et al., 2014). For this reason, they are conceptualised as hybrid organisations bringing together the commercial and the social welfare logics (Battilana and Dorado, 2010; Lee and Battilana, 2013; Pache and Santos, 2013; Battilana and Lee, 2014). As the pressures exerted by different logics create a potential for fragmentation, conflict, goal-ambiguity, and organisational instability (Kraatz and Block, 2008), SEs need to find ways to cope with several internal tensions (Battilana and Dorado, 2010; Pache and Santos, 2013; Smith et al., 2013).

A group of studies focuses on how SEs organise their activities, structures, and processes to combine aspects of multiple organisational forms (Battilana and Lee, 2014; Mair et al., 2012). For example, Mair et al. (2015) examine their governance structures and practices to identify two types of SEs: conforming hybrids that prioritise a single logic and dissenting hybrids using defiance, selective coupling, and innovation to combine and balance the prescriptions of different logics. Similarly, Pache and Santos (2013) analyse the adoption and implementation of organisational practices, such as site governance, branding, and professional affiliation, for which social welfare and commercial logics provide different prescriptions. They find that organisations selected practices from a pool of competing alternatives to satisfy their choice of organisational logics. This stream of research mainly uses SEs as a context for contributing to the literature on institutional logic, paying attention to the symbolic meanings of an organisation's actions to gain legitimacy from different actors.

Another group of studies on the nature of SEs problematises the risk of mission drift. As the commercial logic diffuses into the SEs to find a place in their organisational practices (Dart, 2004), they face the threat of a mission drift (Cetindamar and Ozkazanc-Pan, 2017), whereby they forget the premises of the social welfare logic and act like their profit-seeking counterparts. Therefore, SEs need to balance the two logics to avoid mission drift, which can surface as higher pricing or targeting more profitable segments (Battilana et al., 2015). However, empirical research and theorising on this topic are limited in social entrepreneurship literature (Doherty et al., 2014; Ebrahim et al., 2014). Moreover, this work stream (i.e., Battukaba et al., 2012) dichotomises SEs as mission drifted or not based on indicators such as price, quality, and beneficiary segments, which could be regarded as strategy elements.

Business strategy and social value

Strategic management deals with managers' intended and emergent initiatives to increase firm performance in their external environment (Nag et al., 2007; Porter, 1985). While the historical conceptions of performance had a broader scope to include obligations to segments of society as a core component of strategy formulation (Learned et al., 1965; Andrews, 1971), it has later been narrowed to wealth creation and capture (Hitt et al., 2001; Teece et al., 1997). The resource-based view (RBV) of the firm (Barney, 1991; Peteraf, 1993), for example, focuses on how firms can make more profits by achieving sustainable advantages compared to competitors through a value-creating strategy and assets, which cannot be duplicated. Porter (1985), on the other hand, suggests that firms seek competitive advantage through low-cost leadership, differentiation, or focus strategy to make higher profits in an industry. The notion of value in these frameworks represents the economic value that maximises shareholders' wealth without considering the potential societal benefits of economic activity.

Further to the above, social value has been conceptualised as an externality of commercial activity (Crouch, 2006; Williamson, 1975). Even if created intentionally, it was

regarded as a tool to increase financial performance (Aupperle et al., 1985; Waddock and Graves, 1997). While the recent attempts to integrate social value into the business model and strategy (Kanter, 2009; Porter and Kramer, 2011) denote businesses' role in achieving dual value creation, the attention is still tilted towards financial outcomes.

Social enterprises have the dual aims of financial sustainability and social value generation rather than the aim of wealth-maximisation (Austin et al., 2006; Dees and Anderson, 2006; Mair and Marti, 2006), a separation that prevents applying existing competitive strategies for SEs (Jones et al., 2016; Mahoney et al., 2009). To achieve financial sustainability, SEs need to compete with others for resources. However, other enterprises are not necessarily actors to defeat but can be potential mechanisms to generate a more significant positive social impact. Moreover, the notions of sustained competitive advantage and acquiring non-imitable resources, if followed by SEs, may abandon the spill over of social innovations and the transfer of best practices that help solve social or environmental problems.

Social enterprise and strategy

The nascent literature on the management of SEs offers limited research and theorising on strategy (Jones et al., 2016; Kwong et al., 2017). Some scholars documented available pricing strategies such as below-cost prices subsidised by charging wealthy customers higher prices or offering extra paid services to create revenues for cross-subsidising poor customers (James, 1983; Young et al., 2010). Others have tested the impact of marketing and entrepreneurial orientation on the social and economic performance of SEs to find positive relationships (Wood et al., 2000; Liu et al., 2012). Weerawardena and Mort (2012), for instance, demonstrate the positive impact of innovation and a focus on learning to create a higher effect.

Zahra et al. (2009) categorise social entrepreneurs into three groups based on their search processes that discover opportunities for creating social value. First, social bricoleurs

act on local social needs with their limited resources in an episodic nature. Second, social constructionists build and operate alternative structures to provide goods and services addressing social needs within existing broader social structures at a small to large scale. Third, social engineers create newer and more efficient social systems to replace the existing ones and operate at a vast scale. On the other hand, Santos et al. (2015) categorise SEs as market, blending, bridging, or coupling hybrids by distinguishing between transactions that create value spill over automatically or contingently and the transactions where clients are beneficiaries or other parties. They state that SEs can overcome the main transaction obstacles, such as the inability to pay for services, by re-designing the production value chain to reduce costs. While explaining some value-creation mechanisms and giving managerial advice, these studies impose the same behaviours on SEs, neglecting the possibility of strategic choice and competition dynamics.

A group of researchers has focused on the marketisation of social sectors, such as the health sector (Powell, 2007). Such a competitive environment between profit-seeking and non-profit enterprises is defined as a mixed-form market environment (Brown, 2005; Frumkin and Andre-Clark, 2000). The marketisation of social sectors creates several challenges to incumbent SEs such as decreased revenues, increased administrative load, and loss of critical staff to private firms that pay higher salaries (Alexander, 1999). Through a survey of human service agencies in Arizona, McMurtry et al. (1991) found that SEs responded to increased competition with strategies ranging from small-scale productivity improvements to complete restructuring and cutbacks in client services. In such an environment, some SEs tend to neglect less quantifiable accomplishments, such as advocacy work, or be pushed away from the clients, making it harder to achieve or demonstrate effective performance (Gray and Schlesinger, 2002; Smith, 2002; Stewart et al., 2002). Alexander (2000) documented possible adaptation strategies to marketisation for SEs through focus group discussions with 56 social sector employees. The suggested strategies include expanding services and client bases,

networking to acquire and stabilise revenue streams and resources, utilising business techniques and technology, using the income generated from revenue-generating programs, and expanding the client base to serve lower-paying customers. After examining the challenges facing the SEs working in welfare-to-work transitions with the growing competition from large business firms in the field, Frumkin, and Andre-Clark (2000) posit that SEs should not compete with profit-seeking companies on the grounds of efficiency. Instead, authors advise them to focus on their unique resources or shift to a niche to avoid profit-seeking companies in the first place. While giving some strategic advice, these studies do not offer a comprehensive framework for a strategy typology.

The research questions of the study

The literature review indicates that the strategic management of SEs has been under-researched and under-theorised. The conventional theories of management on competitive strategy (Porter, 1985) are not directly applicable due to the underlying assumptions in those frameworks that conflict with the reason d’etre of SEs (Nicholls, 2006). Hence, they are short of understanding what strategies are needed for the hybrid goals of SEs. Given such circumstances, this study aims to explore the following research questions:

RQ1: How do the SEs react to the challenges faced by the marketisation of their fields?

RQ2: Through which mechanisms do the SEs with potentially different combinations of practices, competencies, and strategic positions create social impact in competitive markets?

Methods

After introducing the research context, this section presents the research process, shown in Figure 1.

INSERT FIGURE 1

The Research Context

Turkey has no legal form for SEs, making it challenging to identify Turkish SEs that fit the definition of the European Social Business Initiative, which expects a SE (European Commission, 2019): to declare its primary objective as social impact; to use its surpluses mainly to achieve these social goals; and to have accountable, transparent, and innovative management that involves stakeholders affected by its business activity.

After analysing the evolution of Turkish legal forms in detail, the European Union (EU) report (European Commission, 2019) considers that the Turkish commercial enterprises owned by community foundations or ‘new foundations’¹ might fulfil the EU criteria. Further, the study acknowledges that most women’s cooperatives are SEs but ignores enterprises holding benefit corporation status through the certificates received from international organisation B Lab. The report estimates a total of 1,776 SEs in Turkey based on rigorous analysis carried out in 2019.

Considering the nascent status of SEs in Turkey, comprehensive studies documenting SEs in Turkey are rare. Some studies are presenting individual SE cases, such as recipients of Schwab Foundation for Social Entrepreneurship awards (Cetindamar and Koenig, 2016; Zamantılı and Shinnar, 2020). In the 2010s, many initiatives supported SEs thanks to pioneer universities, local municipalities, foundations, and associations (Ersen et al., 2010). These initiatives include training, education, and financial resources for SEs. However, significant barriers, such as the unavailability of an exclusive legal form and limited tax advantages, continue to challenge the development of SEs (European Commission, 2019).

The context of this study is the supplementary education of the disabled in Turkey, focusing on the education of orthopedically, seeing, hearing, speaking, and mentally disabled people, constituting 3.2% of the Turkish population. Figure 2 shows Turkey’s special education and rehabilitation process, where SERCs act as the key actors in this social market.

INSERT FIGURE 2

¹ Foundations established after the adoption of Turkish Civil Code No. 743 in 1926 and No. 4721 in 2001.

While this market is one of the mixed-form markets in which many social services are produced and sold globally (Gray and Schlesinger, 2002; Smith, 2002), its marketisation in Turkey occurred from 1996-2016, during which the number of SERCs quadrupled. To help clarify and build the research context further, it is important to consider the historical underpinnings regarding the development of the disabled education market in Turkey.

In the 1990s, the rising pressures by the NGOs for increased educational opportunities for the disabled and the requirements of the EU motivated the state to take gradual steps. The implemented policy was paying for limited hours of education at SERCs rather than increasing the number of schools for the disabled, the number of special classes for the disabled, or improving the education quality² at public schools.

In 1996, the state started to pay the SERCs to educate disabled kids whose parents had social security. The associated demand potential gave rise to many newly opened SERCs, reaching approximately five hundred³ by 2005. In this period, SERCs belonged to associations, foundations, or people connected to the field by heart or profession. While some also sought profits, they had the motivation or knowledge to provide proper education. However, the ratio of these actors in the field gradually declined as different types of entrepreneurs entered the market, whom this study calls profit maximisers. In July 2005, the state coverage was extended further to include all children regardless of the parents' social security status. In March 2016, the number of SERCs reached 1,975. The quotation below indicates the reaction of Makbule Ölçen (2005), founder of ZİÇEV, to this situation:

“Our state promotes and supports the organisations established with profit aim - in fact making trade over disability and increasing like fungi, and it does not inspect the education level they provide. In doing so, the government makes disability

² By November 2013, half of the required capacity for teachers of mentally disabled were still empty in public schools as a consequence of the limited capacity at the universities for this department (Noted by a government official during a Conference held by Sabancı University).

³ There were 45 SERCS accredited by the Ministry of Education by 2005 in the list we gathered from The Ministry. We also detected that the number of SERCs accredited by SCHEK by Aug 2004 was 472 in the answer to a written question in Turkish Grand National Assembly. Thus, we infer that there were approximately 500 SERCs in total by 2005.

open to exploitation. Mental disability should not turn into commercial profit. No country in the West has gone through such a wrong way.”

The Turkish disabled education market’s heightened competition makes it a perfect setting to explore the research questions. Profit maximisers focus mainly on earnings, and their entry into the social market creates a competitive environment for incumbent SERCs. This life-and-death threat of profit maximisers against SEs offers an appropriate and exciting context to study our research questions.

Further, there are two reasons for choosing the Turkish SCERs as a context. First, focusing on the organisations operating in one sector eliminates environmental variation (Eisenhardt, 1989) and enables the researcher to induce a more robust theory. As the enterprises in our study were conducted under the same legal framework and offered similar services, they were comparable. Second, field characteristics also left room for variance across enterprises (Mair et al., 2012), creating the opportunity to generate rich theoretical insights. The regulations are only concerned with some physical characteristics and key personnel in the SERCs; thus, education quality varies across SERCs. In addition, the state covers only up to 12 hours of education (8 hours individually, 4 hours in a group), and the SERCs offer extra classes for which they set the prices.

Moreover, many SERCs have facilities beyond the legal requirements (such as a garden, swimming pool for physical therapy, sports room, or hall and music room). They also offer complimentary paid and non-paid services (such as theatre groups, dance sessions, music hours, sports teams, yoga sessions, and family education sessions) and different therapies (such as sensory integration and space treatment). The centres also vary in the extent of in-service training provided for their personnel and the teachers’ expertise and awareness-raising activities such as conferences, preparing booklets on preventing sexual abuse to the disabled, and online education kits for families.

Gaining field knowledge and data collection

Data procedures: The research started with two-week observations at two SERCs to understand their daily work. The observation stage was followed by expert interviews, including teachers, managers of SERCs, state officials, and academics. The Ethics Committee has approved the study questions at Sabanci University (#SOM-14-06). Between 2014 and 2016, further data was collected through semi-structured interviews with founders and managers of SERCs, site observations, employee surveys, archival resources, and an organisational survey filled by the SERCs⁴.

Selection of cases: To ensure the cases we choose are within the scope of SE, we only included those that claimed to seek pure social benefit or prioritise social impact with limited profit. We selected cases whose founders are social entrepreneurs with professional or personal ties to the field. But more importantly, we specifically picked the cases that were opened before the increased marketisation of the field (2005-2016). By doing so, we could observe the changes in their competitive strategies when faced with competition from profit maximisers.

The cases were chosen per their contribution to theory development until data analysis reached theoretical saturation (Yin, 2003). We initially chose cases with polar types (Pettigrew, 1990), such that they varied in their age, the legal form (for-profit vs. non-profit), and the characteristics of the founders (parents of the disabled vs. specialists). The aim was to include SERCs with similar traits to ensure saturation in observations and diverse characteristics to maximise variance in the data collected (Yin, 2003). We later added cases that could extend the findings, help reveal the logic between the emerging theory's constructs, and eliminate alternative explanations. For example, we also added cases from lower socio-economic regions. In addition, we added a case identical to an analysed case that had quit the

⁴ One author later gave impact measurement trainings to some participant organisations for compensating the time burden we created during the research process.

market while the other continued to operate. When we realised new additions were not adding further information to our investigation, we stopped adding new cases, pointing to the saturation point. Table 1 presents essential information for the ten cases in the final sample.

INSERT TABLE 1 HERE

Sources of case data: Each case was built on multiple sources of data to achieve a strong substantiation of findings from various sources of information (Eisenhardt, 1989).

Semi-structured interviews with managers and founders: We first conducted semi-structured interviews with the general managers of the SERCs. If they did not work in the organisation for an extended period, we interviewed a manager with more experience. These interviews were partly analysed before proceeding to the founder interviews to determine the fundamental differences across cases, develop preliminary theoretical insights, and add emerging questions. If the manager was also the founder, we requested a second interview.

INSERT TABLE 2 HERE

Site visits and memos: During our site visits, we walked around with the interviewees, had lunch or coffee with employees, and attended the events held during our presence to observe the physical conditions and the general climate. In four of the organisations, we could also participate in some classes.

Organisational survey: To collect more objectives, we prepared a longitudinal survey, collecting data from three periods, namely 2006, 2010, and 2014. The questions pertained to the number of students, branches, capacity, educational and other services, organised conferences, students with scholarships, employee training, organisation support, availability of school buses, and several quality indicators. To compile the questions that would provide data on service quality, we benefitted from a state report⁵ and the suggestions of the academics and other experts we interviewed in the initial phases. The items related to quality

⁵ T.C Aile ve Sosyal Politikalar Bakanlığı Engelli ve Yaşlı Hizmetleri Müdürlüğü (2014) (Ministry of Family and Social Policies, Disabled and Elderly Services Directorate). Destek Özel Eğitim Hizmetlerinin Verimliliğini Araştırma Projesi Raporu (Research Project Report on the Efficiency of Support Special Education Services).

were the number of teachers with a graduate degree and double majors, average years of experience of the teachers, number of teachers per student, number of students coming from other districts, and teachers' distribution per educational background⁶. Seven SERCs filled out the surveys. One had closed the SERC in 2004, and the founder of one SERC was unwilling to commit more time to research due to his burnout caused by the field's pressures (as he stated). However, we triangulated the interview data from these two cases through other informants in the sample with historical connections. The other did not fill the dataset due to time limitations, but this was partially remedied with high participation in employee surveys from that case with 13 respondents.

Employee surveys: The employee surveys included questions to measure potentially important constructs⁷ and rate some strategy components (price, quality, differentiation, level of extra services, and disability level of students), as well as an open-ended question on organisational identity. We first conducted six pilots with employees in the field and adapted some wording upon feedback. We later sent the online survey link to the still active eight SERCs to share with employees. Since we took much of their time enabling various forms of data, only four cases participated in the survey, with 39 valid responses. There was only one response from an organisation, which we evaluated with caution as weak evidence. There were 22, 13, and three responses from the remaining organisations, with the numbers proportional to their total employees.

Secondary sources: We collected archival data from annual reports, organisations' publications, and bulletins. We also read the content of their web pages and social media

⁶ Due to the scarcity of specialists in the field, the ministry permits pre-school and elementary school teachers and psychologists to educational sessions. It also organises some training for elementary school teachers to make them "certified teachers" for the disabled, who are then allowed to educate the courses reserved for specialists. Therefore, the ratio of specialists (e.g., teachers for mentally disabled or for hearing impaired, speaking therapists, physiotherapists) within all teachers had been stated as a critical quality indicator by the field experts as they are scarce, more knowledgeable, and costlier to employ.

⁷ The embedded scales from the literature were: formalisation (Oldham and Hackman, 1981), organisational identification (Mael and Ashforth, 1992), customer orientation (Narver and Slater, 1990), enactment of social welfare and commercial logics (Lee and Battilana, 2013), entrepreneurship orientation (Covin and Slevin, 1989), social, economic, legal, and ethical orientation (Stevens et al., 2015 –adapted from Aupperle et al., 1985), and global service climate (Schneider et al., 1998).

accounts and conducted a web-based search on the organisations and founders for additional information. We used the data from the archival sources to prepare for the interviews, connect parts of the case histories, and complement and confirm the evidence from the interviews.

Data Analysis

The data analysis was conducted using the Grounded Theory (Glaser and Strauss, 1967). We followed the framework Eisenhardt (1989) outlined for building theory from multiple case studies. We first made a within-case analysis to gain familiarity with the data and start preliminary theory generation. During this phase, the primary resources were the qualitative analysis of the interview transcripts, the field notes, and the analytical memos written after each interview (Glaser and Strauss, 1967), iteratively validated by the other data sources.

After assessing each case's unique patterns, we started comparing the findings from different cases to see consistent patterns among cases. Theory building in case studies "occurs via recursive cycling among the case data, emerging theory, and extant literature" (Eisenhardt and Graebner, 2007; pp. 25). We went back and forth between the data and the theory asking the "how" and "why" questions until we believed we reached theoretical saturation, the point at which incremental learning and the necessary refinement were minimal (Glaser and Strauss, 1967).

The Coding Process: The coding was performed in AtlasTi software. One researcher first coded the interviews through an open coding process; breaking down qualitative data into separate parts, examining them, comparing for similarities and differences, and assigning codes to these parts while remaining open to all possible theoretical directions emerging from the data (Charmaz, 2006; Strauss and Corbin, 1998). After coding each interview, the code list was revisited to detect redundant codes and any unfitting quotes within individual codes. As new data was analysed, new codes also emerged. The elimination and reorganisation process continued until the new data studied did not provide novel insights (Miles et al., 2013). After coding all transcriptions, the code list was revisited twice more with one-week

intervals to make new arrangements, such as reorganising and merging or splitting some codes and eliminating redundant codes.

Second cycle coding in qualitative research is a focused, selective phase. The researcher uses the most significant and frequent codes to sort, synthesise, integrate, and organise large amounts of data (Charmaz, 2006; Saldana, 2009). This process used the categories that had emerged through the end of the first coding cycle and the analytical memos written after the interviews and open coding. We made necessary modifications by splitting or merging some codes and recoding some groups of codes under distinct categories. To compare each case, we created code-primary document matrices for each interview. We put all the codes under these categories to see the differences between SEs in various structural and strategic elements and their strengths and weaknesses that increased their resilience or vulnerability to competitive pressures. The next step was theoretical coding. Substantive codes related to each other were integrated into theory by asking questions such as “What is happening here? What are the basic processes?” (Charmaz, 2006; Saldana, 2009). We revisited the analytical memos, noted the gaps and contradictory points, reviewed the data, and modified theoretical relationships.

At the end of the process, there were 421 codes. Twenty codes were irrelevant to the topic but served as additional information to reflect on the data. Of the remaining 401 codes, 142 were at the field level, and 259 were at the organisational level. Sixty-three of the organisational level codes were related to critical historical events, founding missions, or activities; these were not used to construct categories but helped interpret the findings.

Analysing Key Historical Events: We created a significant events history for each organisation by using the data from interviews and archival resources. To eliminate potential alternative explanations to the emergent theory, we re-evaluated the organisations’ actions to assess whether they were triggered by competition or other factors.

Analysing the employee surveys: Using the employee survey data for four cases, we calculated scores for formalisation, identification with the organisation, customer orientation,

commercial vs. social logic, service climate, entrepreneurial orientation, and economic-social-ethical-legal orientation. We calculated interrater reliabilities in the SPSS statistics program for the three cases with multiple responses. Each case yielded high and significant intra-class correlation coefficients, indicating that data was compatible with aggregating the participant responses into the organisation's scores. Survey data also provided ratings on five strategic position dimensions, which we used in conjunction with the interviewees' ratings to reduce the subjectivity bias. Lastly, we plotted the identity claims in the open-ended question and corroborated them with related codes in each case.

Analysing the organisational surveys: The organisations' answers provided a longitudinal dataset that helped evaluate and verify the findings. The quality and price levels indicators provided more objective data for plotting their strategic positions. The changes in the kinds of free and paid services, attention given to employee training and research, number of students by years, and changes in quality levels helped assess their success in social value creation and financial sustainability.

Findings

All interviewees criticised profit maximisers that constituted a significant majority of the new entrants to the field, constituting almost 90% of the SERCs in the 2010s. They tried to attract customers through promotional activities and offers such as free school buses, tea parties for families, and helping families with their legal duties. In addition, they employed several practices that were deemed unethical by the interviewees. For example, they make false promises to the families regarding the potential improvement in the child; they force doctors not to accept heavily disabled students. They also attacked competitors with tactics such as false legal complaints, transferring each other's teachers with their students, and not deleting student records in the state's information system to prevent their students' transfer to other SERCs. Some of them were engaged in corruption, e.g., by bribing doctors, making the

officials their hidden partners, getting fake disabled reports, and invoicing without providing services.

In a turbulent environment with intense competition with these profit maximisers, SEs in our sample took various actions to attract more customers, including increasing income per customer and cutting costs. While some SEs quit the market, went bankrupt, or suffered from degraded financials and social impact, others could perform with high social impact and healthy financials. The latter operated with specific positioning regarding price, quality, and beneficiary segments and performed particular activities. Figure 3 illustrates price and quality configurations (the sizes of the circles are proportional to the number of students they have) and the strengths and weaknesses of the cases.

INSERT FIGURE 3 HERE

These positionings and activities derived from the datasets, corroborated with the identity and mission claims in the interviews, point to a typology of SE competitive strategies. Each strategy enables unique mechanisms for value creation for the SEs in the mixed-form market (Table 3). Therefore, we chose to name them with those mechanisms.

INSERT TABLE 3 HERE

Typology

Innovators: SEs in this group focus on generating knowledge by doing and supporting research and transferring the knowledge created in other regions to the context. Their main goal is to become a model organisation (referred to as “model/example organisation” or “reference point” by the interviewees) accompanied by the purpose of showing achievable success to the public (e.g., that the mentally disabled children can show significant development through proper education). Besides, they raise a high-quality workforce in the field, support research, and disseminate best practices by guiding other actors in applying them. Their impact is scaled with knowledge spill over through collaborations with universities, states, and other organisations.

Their direct beneficiaries are limited as the centre is mainly regarded as a lab for generating or applying new best practices. Moreover, they reserve most of the limited capacity for high-paying beneficiaries. The surplus generated from the high-paying beneficiaries is used for cross-subsidising low-income beneficiaries due to the high cost of high-quality services. However, they could only provide scholarships for a few beneficiaries and accept others if they could match them with wealthy sponsors. The research, development, and awareness-raising activities are financed by other income streams, primarily relying on donations.

“We create models. We do not have a goal of serving everyone in Turkey, but we have the goal of creating models.... We have a general goal of being a reference organisation.” Venus General manager

“Scaling deep. I mean, we prefer going deep on the issue.... They (other SERCs) are welcome to see and apply these (models) there. I mean, we (want to) give them the know-how, not go and open a branch there.” Venus General manager

“Our aim with founding such a small school was to create an example model, a lab that shows how this task should be done.” Earth co-founder

“A model showing this can be done. I mean, (for instance) ‘you need to provide education services to autistic kids this way, the organisation of the class, the curriculum, the applications should be like this.’ An example is opening a program that can be a model. That was the aim of the foundation, and it has been achieved.” Earth education coordinator

Examples of this type from the study sample are Earth and Venus. They have not-for-profit legal status and are widely known to society; therefore, they can raise the necessary funds to sustain this strategy. Earth, a relatively new organisation, directly started with this strategy as the founder aimed at increasing education quality on the kind of disability her child suffered. Venus, one of the oldest SEs in the field, had aimed at filling part of the considerable gap in the education of the disabled before the increased marketisation. It later made a deliberate strategic shift. They decided to close their branches and become a high-quality education, research, and development model. Through this timely shift and its ability to raise funds, Venus did not get into direct competition with profit maximisers and found a strategic position through which it could sustain and scale its social impact.

Enforcers: This group of SEs has a large pool of beneficiaries who are charged moderate prices for good quality essential services. The extra services are priced flexibly depending on the income level. With their large customer base and good quality at moderate prices, this type constitutes a significant competitive threat to the field's profit maximisers. This mechanism asserts pressure to increase their quality. The strength of this pressure is moderated by the consciousness and care level of the customers. For example, some parents prefer the centres offering gifts such as vacations rather than emphasising quality or the centres that make unethical false premises regarding their child's achievable improvement.

Enforcers must invest in continuous development to be more attractive and challenge the profit maximisers. Also, they need a competitive orientation and commercial skills to accept the reality of competition and take necessary actions. Because when they fail to keep a high number of customers, the decrease in revenues makes it hard to sustain the quality level, further triggering the contraction of the customer base. Many SEs in the sample fell into this vicious cycle, which ended with either bankruptcy or decreasing quality to survive with a low-cost structure. The interviewees noted that they were close to bankruptcy as they did not want to or could not compete with the profit maximisers in the field. Hence, these SEs became obsolete as they failed to create a significant impact neither with their quality nor by asserting pressure on others.

“If you decrease education quality, yes, you profit more. However, then it weighs on your conscience... there is also such a fact that- I come from a trade background- whichever industry you analyse, the ones who do not make investments, have bad quality, or do not market their products well, go bankrupt.” Founder, Mars

“We also have a full-time service, like a kindergarten. It serves with minimal prices... I consider the situation of the family... I can get from the rich and make them finance the poor... We benefit much from interns; we have so many of them. We tell the families, come as long as we have a teacher” Founder, Mars

“For the extra course hours, our price is above average. However, we do not have any strict pricing. If the family is needy, we decrease it as much as possible.” Education coordinator, Mars

The most successful example of the enforcer strategy in the sample is Mars, whose founder had a commerce background and opened the SERC after having a disabled child. In an increasingly competitive environment, Mars took extensive timely competitive actions. For example, rather than decreasing social activities to cut costs, it offered new social activities to cope with new entrants' tactics that "marketed the package while lacking education quality." It also added free school buses at an early stage, a trend many incumbents resisted either because it brought additional cost or because they wanted to keep the parents engaged by bringing their children. Mars focused on decreasing operating expenses without decreasing education quality to cut costs. It also reduced the ratio of free education provided to the poor and the seminars it organised to raise public knowledge, becoming a better fit for the enforcer typology. Mars also benefitted from its legitimacy rooted in its social orientation and reputation to create a strategic advantage over its competitors. For example, it could find sponsors and make volunteer agreements with schools despite being an SE with a for-profit legal structure. Similarly, it was able to preserve highly qualified employees for below-market wages.

Includers: SEs in this group mainly provide services to the most disadvantaged beneficiaries. Like enforcers, includers tend to apply a flexible pricing strategy based on the beneficiaries' income level. However, on average, they offer significantly lower prices with a higher ratio of free services. Includers aim to preserve a certain quality level in their services. However, they invest in development when they catch specific opportunities, e.g., a donor wishing to build a classroom equipped for a new education method. In addition to the services provided by professionals, they offer many extracurricular activities utilising volunteers and apprentices.

In this study, the beneficiaries of includers are 1) the most heavily disabled individuals who are difficult and costly to serve and 2) the children of the most impoverished families who cannot pay any fee except for the limited hours covered by the state. In addition to these most disadvantaged segments, includers also have students from moderate-income-conscious

families who neither value the gifts offered by the least ethical profit maximisers nor believe in their false promises. The higher the market share inclusions get from this segment, the higher the slack funds they generate to convey to most disadvantaged beneficiaries. However, their lack of competitive orientation and sales and marketing capabilities limit their share of this segment to a small group of customers who find them through their search. Therefore, to sustain in the long-term, inclusions need to be backed by external funds and a well-managed pool of volunteers, which usually comes with a not-for-profit legal status of the parent organisation.

“Our students are more severe cases. I mean more aged and heavily disabled. Because other centers do not accept them.” General Manager, Mercury

“Those (aged) kids, where can you send them? They have been our old students since they were 5 or 6. Now they are 35-40. They have nowhere else to go. Of course, they will come; we will serve them, although the state does not make any payment for them.” Member of BoD, Mercury

“We are the children of the populace... we come from the community... We can put ourselves in the shoes of others. Those (severe cases) need to be served as well. That “come if you have money” approach is not good in this field.” Branch Manager, Mercury

Mercury had the best fit to the inclusion strategy in the sample. In the competitive landscape, it did not stop employee training. It preserved a quality level higher than many profit maximisers, attracting some moderate-income parents who could pay for extra services. Unlike the innovators, Mercury only invested in new education techniques when finding specific funds. The organisation also created alternate resources through new fundraising techniques, volunteer arrangements with schools, and new sponsors. In addition, it benefited from volunteering professionals to teach, e.g., yoga and dance classes, and it recruited employees who would work voluntarily besides being paid. As a result, Mercury served a high ratio of most disadvantaged individuals despite their high costs.

Conformity to typology and performance

Findings illustrate that SEs were punished if they did not fit the scope of a typology and/or lacked the resources to apply it successfully. Earth, a relatively young organisation, had the

strategy of social value innovation at its funding. On the other hand, a historic SE, Venus, shifted to this strategy with the help of a consultancy firm after lengthy discussions on generating value and sustaining competitive advantage in the new era. They shut down branches, increased prices, reserved capacity for high payers, increased alternate resources, and focused on research and best quality to become a “reference organisation.”

While Venus kept itself away from the direct pressures of increased competition and created value through innovation, another historic SE, Jupiter, failed to do so despite being a highly innovative SE in the past. For years, Jupiter had vastly invested in research, invented and patented new therapy techniques, and offered the best possible quality to its beneficiaries, many of whom were provided scholarships. Unlike Venus, Jupiter did not change elements of its strategy to focus on being a model in the new environment and was exposed to direct competition by profit maximisers. Moreover, unlike the enforcer Mars, whose founder had a commerce background and could successfully compete with new entrants, Jupiter’s founder (one of the first specialists in the field) lacked the commercial orientation and skills. Jupiter’s revenues sharply diminished after losing its customer base to the new entrants with fierce sales and marketing activities. To cut costs, it decreased the free services and scholarships, stopped the research activities, and continued to serve a small number of customers who learned about the organisation by word-of-mouth or through their research. It also decreased employee training due to financial strains, and increased employee turnover demotivated the founder to invest in staff. Nevertheless, Jupiter faced a significant financial depth as it had lost economies of scale and still had the cost of a high-quality service. As a remedy, it recently founded an association for raising scholarship funds for low-income beneficiaries, which signals seeking fit for the inclusion strategy.

Another example of strong unfit, Saturn, was founded by two specialists high on philanthropic orientation and no competitive orientation or commercial skills. Saturn only took reactive cost-cutting actions in an environment where the staff costs increased. The

families did not want to pay other than state coverage as there were many alternative SERCs to register their children. Unlike enforcers, it avoided marketing acts. In addition, despite not having a non-profit parent organisation and lacking the ability to raise funds, it did not decrease the free education services to the poor. Consequently, Saturn faced severe financial issues and had to eliminate employee training and investments in new education methods. The eventually decreasing education quality put the SE into a vicious cycle whereby the customer base and revenue stream degraded and subsequently declined in quality.

The Pluto case, which went bankrupt during our research, was far from all strategies and fell into this vicious cycle despite having a non-profit parent organisation and the potential to raise funds. The interviewees in this SE stated that they saw marketing activities as unethical or “not their business” and did not want to act like profit maximisers. The SERC did not even have a brochure, nor a school bus that most competitors had, until its last months when the management decided to take precautions against bankruptcy. However, the number of customers had already fallen far below the point that could help the SERC survive. Pluto had used all its access funds in a short-sighted philanthropic approach, not investing in education quality. In addition to offering free education hours unpaid by the state, it transferred any excess funds to cover a public school’s operating expenses for the disabled. Unlike Mercury, Pluto’s board also ignored the new fundraising techniques, resulting in declines in raised funds. On the other hand, decreased education quality rendered it difficult to attract parents by word-of-mouth and paved the way for bankruptcy.

Discussion and conclusions

Contribution to theory

In a broad sense, this paper responds to the call for social entrepreneurship research to tackle societal challenges and blend public and private interests (Battilana et al., 2015; George et al., 2016; Jones et al., 2016; Mahoney et al., 2009). Specifically, we reveal a competitive strategy

typology for SEs operating in mixed-form markets. As the established frameworks in strategy literature are based on value creation and capture, they posit establishing an advantageous position in a profitable industry and preserving it through acquiring non-imitable resources (e.g., Porter, 1985; Barney, 1991). The assumptions under these frameworks contradict the nature of SEs, which instead strive to achieve high social impact while being financially sustainable. We believe that the typology we identify in our field research could expand discussions on SEs' competitive strategy (Mair et al., 2012; Smith et al., 2013; Weerawardena and Mort, 2012; Zahra et al., 2009).

The nascent literature on the management of SEs offers limited theorising on their decisions on the product or service mix, quality, pricing, and the targeted beneficiaries; on the other hand, it also lacks in-depth empirical examinations. Hence, this study offers a framework for competitive strategies of SEs driven by empirical research. In analysing the value, we go beyond considering the direct impact the SEs create on beneficiaries and evaluate the mechanisms that generate indirect impact in the field, such as triggering competition on high-quality and creating knowledge spill over. With the posited framework, we also go beyond dichotomising SEs as mission-drifted or not based on their price levels (Cetindamar et al., 2017; Ebrahim et al., 2014). More specifically, we show that the high pricing of services and reserving capacity for high-payers can be elements of a strategy that creates unique value in the field through generating and disseminating knowledge rather than a case of mission dilution for the SEs.

The most prevalent typology in the strategy literature, offered by Porter (1985), suggests seeking competitive advantage through a low-cost leadership, differentiation, or focus strategy. The differentiation strategy involves being unique in the industry in some dimensions valued by the customer, which often comes with innovations. The innovator strategy emergent in our study differs from the differentiation strategy with the absence of the will to be unique in the industry. In contrast, SEs embracing the innovator strategy aim to

create knowledge spillovers in the industry to maximise their social impact. On the other hand, the includer strategy has some commonalities with low-cost and focus strategies while significantly differing from both. The SEs following this strategy serve the most disadvantaged beneficiaries, typically excluded by the profit maximisers. They cannot be served by SEs with innovator and enforcer strategies in high numbers due to their higher costs. Includers do not try to minimise their costs to compete on a price basis with other enterprises; their customers are the ones that would otherwise lack access to the products or services. While they generate additional resources by successfully using their SE identity and new fundraising methods, the high costs of their operations do not allow for a quality level as high as the innovators.

Further, this study sheds light on how organisations' hybridity is shaped by considering changes in their competitive environment. Most studies neglect competition dynamics, which we bring in with this research. Our longitudinal observations of 10 SERCs allow us to observe changes in their competition strategies vis-à-vis the strategies enacted by their for-profit counterparts that have started to operate in their market.

Besides these direct contributions to the literature, the outputs of this study can be potentially used as inputs by welfare economists to enrich their assumptions and economic models. Studies that model the impact of the market share of non-profits (e.g., Hirth, 1999; Brown, 2005; Kopel and Brand, 2012) on the total welfare created in mixed-form markets denote the same behaviour to an organisational form of SE under specific environmental conditions. This field of study may benefit from considering the diversity of the SE strategies explained in this paper and the associated impact mechanisms when modelling the potential welfare created in mixed-form markets.

Contribution to practice

The results of our study offer several benefits to practitioners, including social entrepreneurs, SE managers, support organisations, and policymakers searching for solutions for grand

societal challenges (George et al., 2016). Our findings indicate that SEs are prone to failure under competition if they do not screen their environment and adjust their business models and strategic positions. Moreover, even if they can survive financially, they can become obsolete SEs in the market with the inability to fulfil their social missions. A good fit for one of the strategies outlined here could increase the chances of success. Hence, SEs can benefit from this paper to set strategies and align their capabilities and resources accordingly.

The second important finding is that, even if SEs do not have a competitive orientation, they might need to accept they are in a competitive environment in mixed-form markets where social services are served by for-profit and non-profit enterprises. When they regard the act of seeking beneficiary customers as unethical, they can quickly lose their customer base to other enterprises with lower quality- as has been the case in Mercury and Saturn. Instead of refraining from imitating the tactics of profit maximisers, SEs can selectively couple the ethical sales and marketing activities to their practices or find innovative ways to increase their visibility, as was successfully done in the Mars case.

Another major takeaway from our findings is the importance of balancing active and reactive responses to resource constraints in competitive environments. The SEs that focused on cost reduction eventually faced shrinking customer bases, which brought additional financial strain. To the extent that the cost reduction efforts caused declines in service quality, those SEs became obsolete players in the field as they failed to create social value besides those made by the profit maximisers. On the other hand, some SEs balanced cost-reduction efforts with active efforts to find new revenue streams without critically compromising quality investments and sustaining their social impact and revenues.

The findings in this research are expected to be most relevant in established mixed-form markets such as education, healthcare, disabled care, and elderly care. However, we believe that SEs in any context can take lessons from the detrimental behaviours of SEs we showcased regarding financial sustainability. For example, Pluto donated its surpluses to a

public school for the disabled instead of investing in its education quality or commercial skills and later bankrupted due to decreased customers and a lack of slack resources. On the other hand, Jupiter invested in quality despite lacking financial resources and later faced the increasing burden of bank loans and interest expenses.

Contributions to social policy

In addition to benefits to SEs, we believe that the findings of this research have implications for social and economic policymakers and the enabler organisations supporting social businesses. Policymakers can consider the roles of the SEs in a mixed-form market as social innovators, value enforcers, and includers of the most disadvantaged. Seeing their unique roles in the ecosystem, they can consider providing privileges such as tax exemptions and financial support mechanisms. When deciding on the incentives, funding and support organisations can encourage a geographic allocation of SE types that ensures the explained value creation mechanisms are effectively and efficiently actualised in mixed-form markets.

Limitations

The paper has three limitations due to the inherent nature of case study research. First, it cannot assess how the variables affect the outcome (Eisenhardt, 1989). However, as we aim to build a theory to explain the strategic behaviours of organisations, we do not see this limitation as a vital threat to our study. Based on this research's findings, follow-up studies may be designed to test the variables' importance on the outcomes.

Second, the case methodology is subject to critiques regarding the potential subjectivity of the researcher. With a well-designed and systematically performed study, we believe we have sufficiently eliminated this threat to validity. Using several techniques, such as triangulation of data and coding the text multiple times after some time intervals, we could not have the interview texts coded by other coders given the texts' length and high number of codes. However, the second author was presented with several sample codes and associated

texts, emergent categories, and analytical memos. After discussions, the two authors agreed on the final coding structure.

Third, case studies are also subject to questions regarding the generalisability of the theory to various organisations and contexts. However, using multiple case studies and making both within-case and cross-case comparisons can help alleviate this concern (Eisenhardt, 1989). We believe that our case selection techniques based on a diverse set of characteristics of SEs, such as location, size, age, and ownership, make the findings applicable to many organisations. However, the study is based on one social sector in one country. While this focus helps to eliminate environmental variation during theory building, the emergent theory needs to be tested in different contexts. The Turkish context is characterised by weak institutional infrastructure for SEs and moderate education and income per capita levels. In addition, the service subject to this paper, the education of the disabled, is that the beneficiaries can hardly assess quality (because of the uniqueness of each disability case) nor have prior knowledge of this performance metric before experiencing the service for an extended period. These country and context-specific characteristics can affect the sector's competitive dynamics and our findings' generalisability.

Future research directions

We identify four avenues for future researchers. First, replicating this research in contexts with differing social, economic, and cultural characteristics can help eliminate context-specific effects and enrich the theory. In this vein, developed country contexts may add contingencies such that the customers can have more knowledge on the issue (for instance, on the education methods for the disabled in our study) and therefore emphasise the service quality compared to developing countries. Second, researchers might consider analysing different social sectors where the service or product quality can be more easily assessed. In addition, the intensity of competition or the geographic accumulation of the enterprises in the

mixed-form market may entail different competition dynamics that can potentially influence the effective value creation and financial sustainability strategies for the SEs.

Third, researchers might consider conducting studies to bridge social entrepreneurship and economics. The discussion on the impact of non-profit enterprises on social welfare market matters dates back to Arrow (1963). However, the following works focused on the critical mass only considering their number and denoted the same behaviour and role to the enterprises of non-profits. Future studies can more deeply analyse how other enterprises are affected by the existence of SEs in mixed-form markets. While our research mentions the phenomenon of being pushed to increase quality because of the existence of SEs with specific strategies and the knowledge spill over effects through practices and raised the number of qualified employees for the field, we base the discussion on the claims of the SE managers and employees. Analysing the price and service quality changes of other enterprises under specific configurations in the market can be a fruitful research topic. For example, the question of the configurations under which other enterprises are pushed to increase quality or decrease their prices (while increasing social welfare) appears a fruitful endeavour.

Finally, the diversity of the strategies and roles for SEs that we bring forward in this study can open a new research stream. For example, a recent study (El-Ebrashi and El-Batawy, 2021) offers a typology of SEs based on their social impact scaling strategies. Future studies could join in efforts indicating diverse ways of classifying SEs that could improve our understanding of the variance among SEs themselves.

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