

## NOTICE

This is the author's version of a co-authored work that is accepted for publication in the Journal of Business Research

Muñoz, P. & Kimmitt, J. (2018) Social Mission as Competitive Advantage: A Configurational Analysis of the Strategic Conditions of Social Entrepreneurship. *Journal of Business Research*. In Press

© Elsevier

Changes introduced as a result of copy-editing, formatting and the final publishing processes may not be reflected in this document. For the definitive version of this work, please refer to the published source at: <https://www.journals.elsevier.com/journal-of-business-research/>

---

## **SOCIAL MISSION AS COMPETITIVE ADVANTAGE: A CONFIGURATIONAL ANALYSIS OF THE STRATEGIC CONDITIONS OF SOCIAL ENTREPRENEURSHIP**

**Pablo Muñoz\***

Professor of Entrepreneurship  
University of Liverpool, Management School  
Liverpool, UK  
e-mail: pmunoz@liverpool.ac.uk

Universidad del Desarrollo  
Chile

**Jonathan Kimmitt**

Lecturer in Entrepreneurship  
Newcastle University, Business School  
Newcastle, UK  
e-mail: jonathan.kimmitt@newcastle.ac.uk

*\*Corresponding author*

*Acknowledgments: This study was funded by Production Development Corporation (CORFO - Chile). Grant number (15PES-44402).*

## **Social Mission as Competitive Advantage: A Configurational Analysis of the Strategic Conditions of Social Entrepreneurship**

### **Abstract**

In social entrepreneurship, social and economic missions co-exist in a tensioned balance. At times, business survival requires reprioritizing objectives, leading social entrepreneurs to drift away from social values in pursuit of commercial gains. This requires (re)balancing acts aimed at mitigating the effects of drift. Although critical for business survival, the micro antecedents of this balancing act remain uncovered. This study explores the complex interactions between the micro-foundations and micro-processes (strategic conditions) of social entrepreneurs in the development of market-oriented social missions. Drawing on a fuzzy-set qualitative comparative analysis of 111 social entrepreneurs in Chile, this study reveals four alternative combinations of strategic conditions that explain why the social mission of a social entrepreneur can be perceived as being valuable for achieving a competitive advantage. The findings contribute to a more complex understanding of the set of conditions involved in the balancing act between social and economic missions in social entrepreneurship. This study calls into question the binary assumption underlying the commitment of social entrepreneurs to their social mission.

**Keywords:** social entrepreneurship, competitive advantage, strategies, social mission, mission drift, fuzzy-set qualitative comparative analysis.

## **Introduction**

It is well understood that social entrepreneurs can experience significant tensions between their social and economic mission (Ebrahim, Battilana, & Mair, 2014). These are seen as dual objectives, whereby the social mission represents their main normative purpose, which runs alongside a more utilitarian objective of making the business economically functional (Moss, Short, Payne, & Lumpkin, 2011). When social entrepreneurs overemphasize the economic business component, this is often described as “mission drift” (Cornforth, 2014). Thus, evidence suggests that entrepreneurs adopt particular strategies such as stakeholder engagement, to mitigate the effects of this drift (Ramus & Vaccaro, 2017).

Despite this body of work, prior research consistently portrays social and economic missions as two sides of a balancing act. This balancing act occurs on a continuum where, at one end, social entrepreneurs are solving social problems as reflected in the social mission. However, at the other end of the continuum, social entrepreneurs prioritize profit making as commercialized entities that begin to neglect the social component of their organizations. This tension, trade-off or balancing act has been discussed within the social entrepreneurship (Florin & Schmidt, 2011) and hybrid organizing literature (Doherty, Haugh, & Lyon, 2014), and with notable examples from the microfinance industry (Mersland & Strøm, 2010). However, it is unclear whether strong social and economic missions can actually operate in tandem, particularly when factoring in the strategic value of an organization’s social mission (Kimmitt & Muñoz, 2018; Teasdale, 2010). Such a strategic perspective, so far unexplored in the literature, suggests that social missions are strategically advantageous and enable competitive advantage. Therefore, this study asks: how do strategic conditions combine for social entrepreneurs to improve their competitive advantage through their social mission?

Building upon the ideas of complexity reasoning of social venture micro-processes and antecedents (Muñoz & Dimov, 2015; Muñoz & Kibler, 2016; Rey-Martí, Ribeiro-Soriano, &

Sánchez-García, 2016), we argue that a social mission has a clear strategic imperative for making the economic business component work. By using the social mission strategically to elicit economic viability, the symbiotic link between the dual objectives is much closer than first thought. Through a configurational approach (Ragin, 2008), the study unpacks causal complexity through the set of conjunctural strategic conditions that allow social entrepreneurs to remain competitive through their social mission; social missions actually improve financial performance, and one does not necessarily compromise the other. In particular, it focuses on understanding this within the emerging social industry in Chile.

Building on the entrepreneurial strategy framework for emerging markets outlined by Bruton, Filatotchev, Si, and Wright (2013), the study explores the complex interactions between the micro-foundations and micro-processes (strategic conditions) of social entrepreneurs focusing on six conditions in this framework: 1. Social Orientation, 2. Previous Experience, 3. Early Investment, 4. Profit Orientation, 5. Market Competition, and 6. Perceived Financial Value of the Social Mission. The outcome condition pertains to whether the social mission is perceived as being valuable for achieving a competitive advantage. The configurational approach is based on a fuzzy-set qualitative comparative analysis (fsQCA) of Chilean social entrepreneurs (n=111). The configurational analysis identified four distinct solutions comprising two solution terms and two supersets for understanding the causal complexity of social entrepreneurial strategies. The four solutions represent causally complex theoretical statements emphasizing how entrepreneurs strategically use their social mission.

The findings offer three main contributions to the literature. First, the results identify a more complex understanding of the set of conditions involved in the balancing act between social and economic missions in social entrepreneurship. It is typically thought that this operates on a continuum from social to economic; the closer one edges toward economic then mission drift is said to be in process (Florin & Schmidt, 2011; Moss et al., 2011). Because of

configurational analysis, the study identifies that these dual objectives are much more closely intertwined than first thought. Second, this conjunctural view, understood as how social entrepreneurs retain their competitive position across a range of profit and not-for profit markets, offers a new view of how hybrid organizing works (Doherty et al., 2014). In doing so, the binary assumption underlying the commitment of social entrepreneurs to their social mission is challenged. Under this assumption, by becoming more focused on the economic component of the organization, social entrepreneurs drift away from fulfilling social missions (Cornforth, 2014). Mission drift seems not to be the only possible outcome for those social entrepreneurs prioritizing economic goals. Social entrepreneurs can indeed remain competitive without drifting away from their social orientation. Third, it offers an empirical contribution by focusing on the emerging context of Chile in a literature, which has primarily focused on understanding social entrepreneurship in North America or Europe (Rey-Martí, Ribeiro-Soriano, & Palacios-Marqués, 2016).

### **Background Literature**

Social entrepreneurship research has blossomed in recent years, emerging as an area of practical and academic value with recent efforts focusing on its cultural determinants (Kedmenec & Strašek, 2017), the nature of social problems (Kimmitt & Muñoz, 2018), performance measurement (Beer & Micheli, 2017), and cross national comparisons (Lepoutre, Justo, Terjesen, & Bosma, 2013) among many others. As the literature has grown, one of the emerging themes in this domain concerns the ability of such organizations to balance their social and economic objectives. Indeed, definitions of social entrepreneurship have identified this simultaneous pursuit of dual objectives and the tricky balancing act this involves (Austin, Stevenson, & Wei-Skillern, 2006 ; Battilana & Dorado, 2010). This is argued by Moss et al.

(2011) and Miller, Wesley, and Curtis (2010) to be an issue of organizational identity whereby social enterprise exhibit dual objectives.

The literature generally describes these dual objectives or identities as existing on a continuum. On the one hand, the social objective of the social entrepreneur encapsulates their desire for social change and their definition of how to solve a particular social problem such as reducing unemployment through skills training (Austin et al., 2006). On the other hand, social entrepreneurs have their economic objectives; the necessary financial requirements to be able offer the product or service, which can ameliorate that particular social problem. Thus, social entrepreneurs need to generate revenue, consider costs and generally utilize business skills to be able to address the social problem (Nicholls, 2010; Zahra, Gedajlovic, Neubaum, & Shulman, 2009).

The literature similarly uses the term “hybrid” organizing to describe this, whereby certain social ventures combine institutional logics in new ways (Battilana & Dorado, 2010). These are encapsulated within their social mission through a logic of positive social change and through a more rationalized market logic, which prioritizes the role of business to solve problems (Khavul, Chavez, & Bruton, 2013). This institutional logic approach is apparent in the UK, for example, which is traditionally rooted in third sector non-profit organizations but observed a recent shift toward market imperatives (Chell, 2007). Bridgstock, Lettice, Özbilgin, and Tatli (2010) emphasize that such logics produce tensions but that can be mitigated through a diverse workforce and their accompanying practices. Similarly, Battilana, Sengul, Pache, and Model (2015) identify that such tensions can be mitigated and negotiated through particular workforce roles. Thus, the challenges for hybrid organizing emerge through these dual objectives but are actually practiced through interactions with multiple and diverse stakeholders across these different institutional fields (Doherty et al., 2014).

From a more critical view, research has begun to identify more closely the tensions that hybrid organizing produces (Smith, Gonin, & Besharov, 2013). Pache and Santos (2010) describe how these tensions are produced by organizational politics and eventually leading to mission drift whereby the economic component of the organization becomes more prominent and aspects of the social mission are sacrificed (Cornforth, 2014). This is quite widely discussed in the microfinance literature, for example, where such organizations become more oriented toward financial strength and streamline services to meet such financial concerns in a competitive context (Copestake, 2007). Therefore, as social entrepreneurs also often operate in highly competitive environments, such organizations can be pushed toward focusing on the financial objectives of the venture (Khavul et al., 2013). However, as social entrepreneurs shift from a focus on mission to more commercial objectives, this also shapes the perception of relevant stakeholders (Nicholls, 2010), where a lack of engagement with external stakeholders may exacerbate mission drift (Rammus & Vaccaro, 2017).

These tensions can be particularly difficult for social entrepreneurs because of their individual commitment, values and passion to the social mission (Shaw & Carter 2007). This typically emerges through an individual's "experience corridors" where prior experience, training, and exposure to a particular problem that shapes opportunity development (Corner & Ho, 2010; Hockerts, 2017; Olugbola, 2017). Miller, Grimes, McMullen, and Vogus (2012) discuss these experiences as producing compassion, pushing the purpose and intent of the entrepreneur. This kind of relevant experience has also been shown to enable job creation of social enterprises (Rey-Martí et al., 2016). As such, the previous experience of the individual prior to starting their social venture is formative in understanding their values, which are closely tied to the desire for pro-social behavior (Zahra, Rawhouser, Bhawe, Neubaum, & Hayton, 2008). Consequently, tensions can emerge when economic objectives begin to alter

aspects of the social mission, running up against the values as informed by their prior experiences (Zahra et al., 2009).

Thus, mission drift is thought to occur when economic objectives become more prevalent than the social mission does. Although social entrepreneurs develop earned income strategies to address social needs, the flow of other financial resources can be extremely challenging. Social entrepreneurs are able to generate income because of their social purpose (Austin et al., 2006) and through legitimacy with stakeholders (Teasdale, 2010). However, such firms also struggle to access conventional forms of finance from banks and the social investment market remains in its infancy in most contexts (Scarlata, Walske, & Zacharakis, 2017). Thus, the notion of accomplishing social objectives through the market ensures that social outcomes are integral to financial performance and organizational survival (Peredo & McLean, 2006). However, in reality, the push for financial sustainability in social enterprises means that the economic mission seems to become more pertinent and the social objectives are pushed aside or taken for granted (Zahra et al., 2009).

In sum, literature has identified hybrid organizing and the dual objectives of social entrepreneurs as being a source of tension and potential mission drift. Indeed, Doherty et al. (2014) state that “hybrid organizations are, by definition, sites of contradiction, contestation and conflict” (p. 425). For social entrepreneurs, this is what Florin and Schmidt (2011) argue as a strategic paradox where social mission and economic objectives sit on a continuum and constant tradeoffs seem to exist; it is the notion of this paradox, tension, conflict or contestation that this paper seeks to challenge and develop further. The literature assumes that social and economic objectives exist at either end of a continuum with social entrepreneurs navigating away from their social mission when financial objectives become a strategic imperative, creating mission drift. Therefore, the literature underplays the strategic importance of a social mission to a firm’s competitive advantage; social missions may actually improve financial



performance, and one does not necessarily compromise the other. This opens up the prospect that social and economic objectives may be able to operate together simultaneously.

We draw from the emerging economy strategy framework of Bruton et al. (2013) to analyze how social entrepreneurs use their social missions to remain competitive in the marketplace. This framework adopts two perspectives relevant here: micro-foundations and micro-processes. In the former, prior knowledge and an entrepreneurs' general orientation to certain challenges flow from the individual and are relevant to understanding their strategic decisions such as their grasp of social problems (Hockerts, 2017; Kimmitt & Muñoz, 2018) and social orientation (Muñoz & Dimov, 2015). The latter micro-processes are more external in nature and encompass resource availability such as investment (Scarlata et al., 2017), the nature of the firm's market (Copestake, 2007), and the financial value of being a mission oriented firm (Teasdale, 2010).

Building on the work of Teasdale (2010) and complexity thinking of business micro-processes (Muñoz & Dimov, 2015), this paper proposes that a more complex set of relationships is needed to understand the strategic relevance of an entrepreneur's social mission to the entrepreneur's economic objectives. Based on extant literature, one would expect to see that an entrepreneur's orientation toward a social mission to be incompatible with an orientation toward an economic mission (micro-foundations) but this remains unknown when factoring in the potential strategic and competitive value of a social mission. This indicates a new pathway for understanding how dual objectives operate together. Similarly, prior research identifies that their prior experiences as experience corridors are crucial to understand how entrepreneurs grasp social problems. However, there are also financial imperatives, such as access to investment and the competitive position of the venture in the market (micro-processes). Drawing from the emerging economy strategy framework of Bruton et al. (2013) and the outlined concepts from the social entrepreneurship literature, we propose Figure 1 as

an outline for understanding the set of strategic conditions that underpin how social entrepreneurs remain competitive through their social mission.

---Insert Figure 1 about here---

## **Methods**

This study uses fsQCA (Ragin, 2008) to analyze and explain the complex strategic conditions of social entrepreneurship. FsQCA allows for observing complex causality, and is therefore a suitable method for exploring the complex interactions between the micro-foundations and micro-processes (strategic conditions) of social entrepreneurs (Fiss, 2011). It is also a methodology allowing us to identify potentially unusual sets of configurations, which may usually be described as anomalies in standard statistical procedures (Muñoz & Dimov, 2015; Woodside, Nagy, & Megehee, 2017). This method is increasingly popular with this type of configurational thinking becoming progressively more valid (Roig-Tierno, Gonzalez-Cruz, & Llopis-Martinez, 2017).

### *Sample and data*

Data stem from a unique proprietary data set of 111 social entrepreneurs in Chile. Data were collected in May-August 2016 as part of larger survey of the Chilean third sector's structure and dynamics. 2,500 potential social entrepreneurs were invited to participate in the study and 584 individuals responded to the survey. The study draws on a subsample which was refined following three criteria. First, the study selected those respondents with active involvement in the management of the social business and agreeing with a specific definition of social entrepreneurship including: social mission, market mechanisms and reinvestment of profits in the social mission. Second, it discarded legal forms involving some type of collaborative enterprises, such as cooperatives, collective associations and communal organizations. Third,

to capture strategic implementation at the venturing stage it selected only those ventures with more than 1 year and less than 7 years of trading. Since fsQCA is sensitive to missing data, the final sample of 164 social entrepreneurs was reduced to 111 using data reliability criteria. The final sample covers a wide range of socially-oriented enterprises. In terms of years of trading, 66% of the firms have been in operation for up to three years, 22% between four and six years, and 22% between seven and ten years. The sample also represent a variety of legal statuses, operating in a wide range of social areas and industries. 53% of the sample is registered as a for-profit organizations, 26% are non-for-profit and 21% have yet to define their legal status. The main social areas represented in the sample include (overlaps considered): education (39.6%), employment (37%), health (22%), entrepreneurship support (20%), poverty (18.3%), and recycling (16%). Most of the organizations trade with education-related clients (30.5%), general consumers (36.6%), and small traders (13%).

### *Outcome Condition*

The outcome condition pertains to whether the social mission is perceived as being valuable for achieving a competitive advantage. Drawing on Stevens, Moray, and Bruneel (2015), the measure thus captures relevance of the social mission by looking at seven independent competitive determinants; whether the social mission allows the venture to i. improve its competitive position, ii. attract new clients, iii. influence consumer decision-making, iv. hiring and retaining new employees, v. improve sales, vi. create strategic relationships with suppliers, and vii. develop strategic alliances with other organizations.

Competitive advantage is a condition or circumstance that puts a company in a favourable or superior business position and is therefore inherently perceptual. Our measure here adopts the view that firms operate in “organizational fields” and infers “that firms watch one another, engage in strategic behavior vis-a-vis one another, and look to one another for clues as to what

constitutes successful behavior" (Fligstein & Dauter, 2007, pg. 111). Thus, drawing from the perspective of the entrepreneur regarding the organization's competitive advantage provides a reliable indicator of success and advantage in that context. This follows similar perceptual measures adopted within the literature to capture firm advantage (e.g., Bradley, McMullen, Artz, & Simiyu, 2012).

### *Causal conditions*

Building on the entrepreneurial strategy framework for emerging markets outlined by Bruton et al. (2013), the study explores the complex interactions between the micro-foundations and micro-processes (strategic conditions) of social entrepreneurs focusing on six causal conditions in this framework and outlined in Figure 1: 1. Social Orientation, 2. Previous Experience, 3. Early Investment, 4. Profit Orientation, 5. Market Competition, and 6. Perceived Financial Value of the Social Mission.

Drawing on previous research (Kuckertz & Wagner, 2010; Muñoz & Dimov, 2015; Muñoz 2018), the measure for *Social Orientation* uses a 4-item scale (5 points) to capture underlying values and beliefs regarding the role of the social entrepreneur in society. Drawing on Estrin, Mickiewicz, and Stephan (2016), *Previous Experience* is captured by looking at work experience of the social entrepreneur across nine relevant domains: triple bottom-line accounting, social enterprise management, social entrepreneurship (founded another social venture in the past), corporate social responsibility, environmental management, clean technologies, development or poverty, social public policy, and social/environmental value assessment (Hockerts, 2017). *Early Investment* focuses on the number of investment rounds received by the social venture during the first year of operation across eight potential sources of investment: venture capital, friends and family, equity-based crowdfunding, seed funding, loan from a financial institution, informal lending, bootstrapping, and industry awards. *Profit*

*Orientation* focuses on whether the venture is legally registered as a for-profit (1) or non-for-profit (0) enterprise. *Market Competition* seeks to capture the social enterprise's competitive environment by looking at the venture's main competitor across four types: traditional for-profit enterprises, NGOs, social enterprises and government. These were coded as for-profit competitors (1) or non-for-profit competitors (0) under the assumption that traditional for-profit enterprises create a more competitive environment than non-for-profit, requiring the social venture to deploy strategies that are more aggressive and leverage its social mission as a main differentiator. Some 77% of the sample declare traditional for-profit enterprises to be their main competitor. Last, *Perceived Financial Value of the Social Mission* explores the perceived relationship between the social impact of the venture and its financial results. We coded those answers as 1 where the social entrepreneur believes the social mission leads to better financial outcomes, and those answers as 0 where the entrepreneur declares that there is no perceived relationship, there is a negative relationship (social does not lead to finance) or an inversed relationship (financial leads to social).

#### *Calibration and data analysis*

In order to facilitate comparability across measures, the calibration procedure (Ragin, 2008) uses an estimation technique to transform variable raw scores into set measures, rescaling the original measures into 0.0 to 1.0 scores. The analysis uses the direct method for calibration, which is based on three qualitative anchors: threshold for full membership calibrated as 0.95, full non-membership calibrated as 0.05, and a crossover point calibrated as 0.5. Drawing on the scale and observed score distribution, calibration for *Social Orientation* uses 5, 4, and 3 as thresholds for full inclusion, crossover, and full exclusion. The calibration procedure for *Previous Experience* and *Early Investment* is based on substantive knowledge and use the observed distribution of scores across the sample. Both are calibrated using 5, 3, and 1 as

thresholds. Given their binary nature, *Profit Orientation*, *Market Competition*, and *Perceived Financial Value of the Social Mission* do not require calibration. The calibration computation is automated in fsQCA 3.0 (Ragin & Davey, 2016). The calibration table is available from the authors upon request.

Once the data are calibrated, the next step in configurational analysis is the construction of a truth table listing the different possible combinations of causal conditions along with the cases conforming to each combination. To simplify the combinations for analysis, truth table procedures require the definition of two thresholds: frequency, the minimum number of cases to be included in the analysis and consistency, the minimum acceptable level to which a combination of causal conditions is considered reliably associated with each of the outcomes. To retain the most relevant solution terms, the present analysis uses a frequency threshold of three and a consistency threshold of 0.79. The resulting truth table (Table 1) consists of 19 rows and 84 cases relevant for the outcome, with 79% of the cases above the minimum consistency threshold set at 0.796, which is in line with current practice (Kimmitt & Muñoz, 2017). The remaining 27 cases were dropped from the analysis as per frequency threshold specification.

---Insert Table 1 about here---

## **Results**

Based on the above thresholds, fsQCA uses a Boolean algorithm combined with counterfactual analysis and logical minimization to reduce the truth table rows to a solution table comprising simplified combinations of conditions. The analysis identifies four distinct solutions (Table 2) comprising two solution terms and two supersets for understanding the causal complexity of social entrepreneurial strategies and observing how a social mission is perceived as being valuable for achieving a competitive advantage. As Table 2 shows, the overall solution is

robust, showing high consistency (0.876) and coverage (0.651), with the solution terms exhibiting consistency scores greater than 0.84. Large circles show core conditions for explaining the value of the social mission whereas small circles indicate a peripheral condition. When the circle is black, it highlights the presence of that condition, but where circles are white with an X, it shows the absence of that condition. When a circle is entirely absent, it emphasizes the irrelevance of the condition for explaining the outcome.

---Insert Table 2 about here---

*Solution 1: Financial value of social, social orientation, previous experience, early investment*

In Solution 1, the perceived financial value of the social mission to the entrepreneur is a core condition although social orientation, previous experience, and early investment complement this as peripheral conditions. This solution indicates that when entrepreneurs have a notable social orientation (i.e., are committed to their social mission) there is also prior experience across multiple areas pertaining to social issues and challenges. Thus, the link between the experience corridors and an entrepreneur's commitment to solving the social problem seems consistent with prior findings as identified by Corner and Ho (2010).

Of particular interest in Solution 1 is the link between early investment and the perceived financial value of the social mission, which only appears in this combination. This suggests that in the presence of investment there are greater financial benefits to the social orientation of the entrepreneur. As receiving investment represents a commitment from an external financier, this pushes the entrepreneur to draw more financial value from their social mission by using it strategically to attract more commercial revenue and other sources of funding (Teasdale, 2010). This combination of conditions, particularly investment and the financial value of the social mission, provide one pathway through which a social mission can produce competitive advantage perceptions.

*Solution 2: Social orientation, previous experience, market competition, ~ early investment*

In Solution 2, social orientation and previous experience are present as peripheral conditions, once again emphasizing the relationship between the experience corridors of entrepreneurs and their social purpose. In contrast to Solution 1, however, is the absence of early investment as a condition but also the irrelevance of the financial value of the social mission. However, the social entrepreneur is operating in the presence of for-profit market competition. Given that profit orientation is also an irrelevant condition here, this indicates a particularly unique approach to being competitively advantageous.

As early investment is absent in this combination of conditions, this suggests that the social venture is less concerned in gaining the legitimacy of investors and therefore susceptible to the isomorphic pressures and investor expectations that this can produce. Instead, such ventures retain their unique features, which are needed to differentiate themselves from a competitive for-profit marketplace. This combination of conditions seemingly demonstrate an extreme example where the entrepreneurs are less concerned about the economic objectives of the venture.

*Solution 3a and 3b: Profit orientation, social orientation, market competition, ~ previous experience*

In Solution 3a/3b, profit orientation is a core condition while previous experience is absent but also a core condition. Social orientation remains present as a peripheral condition and in 3a, market competition is a peripheral condition while in 3b, early investment is absent. As 3b has no unique coverage, 3a is focused on here as it shares core conditions. First, this combination identifies a new pathway through which social entrepreneurs are simultaneously committed to their social and economic objectives. This challenges the notion of mission drift where economic imperatives become more critical than social objectives and that this exists on a continuum from one extreme to another (Florin & Schmidt, 2011).



Second, of further interest is that this combination of social and economic objectives needs to occur in the absence of previous experience. This combination suggests that these social entrepreneurs actually focused on the business element of their new ventures first before incorporating the social component. Such organizations were focused on building a viable and financially resilient business model before investing in the social objective; gradually learning about the nature of the social problem and how to incorporate it into their venture. As such, Solution 3 indicates that social and economic objectives can be present together and this unique pathway follows the logic of initially prioritizing financial sustainability. The social orientation is always present but there is a recognition that it requires a viable financial model first.

*Solution 4a and 4b: Previous experience/social orientation, ~ early investment, ~ market competition*

In Solution 4a/4b, the results identify a furthermore complicated set of conditions for competitive advantage. In Solution 4a, previous experience is a core condition with social orientation absent. Previous experience is absent in 4b yet social orientation is present as a peripheral condition. This further emphasizes the link between experience and social orientation to the extent that social entrepreneurs may substitute for one another in some cases. Of particular interest in 4a, is the absence of early investment and market competition as core conditions and complemented by the further absence of the financial value of the social mission.

Solution 4a/4b point to an interesting feature of the empirical context in Chile. The absence of for-profit competition indicates that non-profit competition is relevant. In this particular set of cases, this pertains to the local government whom social entrepreneurs view as their main competitors where locally, authorities are attempting to provide similar services and solve similar problems. This represents a feature of the context where relationships between the public and private sector are distinct and thus little collaboration exists. This helps to explain

why the social mission has limited financial value here because their competitors are actually local governments who are often resource providers to social entrepreneurs. However, this does not prevent these social ventures from being profit oriented and achieving competitive advantage through their social mission.

#### *Sensitivity and robustness tests*

To confirm the stability and robustness of the results, the analysis includes a confirmatory necessity test and two alternative sensitivity tests, comprising an analysis with a frequency cutoff of 4 and an alternative set of fsQCA using alternative calibration scores. The former shows that no condition is necessary by itself to produce the outcome. Only *Social Orientation* shows strong consistency (0.779) and coverage (0.747) scores, however it is insufficient to claim necessity. As per the latter, the tests retain the four solution terms with higher unique coverage as well as the core conditions shown in Table 2 thus corroborating the robustness of the results.

### **Discussion**

This paper asks: *how do strategic conditions combine for social entrepreneurs to improve their competitive advantage through their social mission?* Drawing from the logic of complexity and conjunctural reasoning, this study focused on 111 social entrepreneurs in the emerging market context of Chile. In particular, this paper sought to challenge the literature discussing dual objectives and notions that an orientation toward an economic objective is somehow incompatible with the social purpose of this type of organizing. Thus, the four solutions represent causally complex theoretical statements that provide a detailed insight into this pathway emphasizing how entrepreneurs strategically use their social mission to compete; these are summarized in Table 3.

---Insert Table 3 about here---

The findings provide three key contributions to the literature. First, the results contribute to a more complex understanding of the set of conditions involved in the balancing act between social and economic missions in social entrepreneurship (Moss et al., 2011). It is typically thought that mission operates on a continuum from social to economic and the closer one edges toward economic then mission drift is said to be occurring. However, it is argued, and this study highlights, that this ignores the strategic value of a social mission. In particular, this notion is challenged through Solutions 1, 2, and 3 in our findings. In Solution 1 and 2, social enterprises are competitive without being profit oriented (economic mission), which may be enabled by the presence or absence of early investment (solution 1), or market competition (solution 2). In contrast with the literature, this indicates how social entrepreneurs can be financially competitive through their social mission even when profiteering is not relevant.

Solution 3 paints a further complex picture where both profit (economic mission) and social orientation (social mission) go hand-in-hand in engendering competitive advantage. In the classic argument, one would expect the presence of profit orientation to see social orientation disappear yet our findings show it is possible. Indeed, it highlights that this is most pertinent when the entrepreneur has no prior experience of the targeted social problem (Hockerts, 2017). This indicates that the social entrepreneur requires a viable business idea (economic mission) to be able to sustain the organization financially and iteratively learn about the targeted social problem. Thus, social missions do appear to improve competitive advantage once the organization is financially stable. This builds on a similar finding from Mersland and Strøm (2010) in the social industry context which identified the importance of cost efficiency rather than mission orientation or drift.

Thus, social and economic objectives can be seen in conjunction with one another. This is understood as helping social entrepreneurs to retain their competitive position across a range

of profit and not-for profit markets; social missions improve competitive advantage and business does not necessarily compromise a social objective. In doing so, this calls into question the binary assumption underlying the commitment of social entrepreneurs to their social mission (Florin & Schmidt, 2011). Mission drift seems not to be the only possible outcome for those social entrepreneurs prioritizing economic goals. Social entrepreneurs can indeed remain competitive without drifting away from their social orientation. In this study, the alternative ways in which this happens are demonstrated.

These alternative methods help to understand the second contribution of the paper by informing theory on hybrid organizing. Social entrepreneurship literature so far presents the idea of hybrids as irreconcilable trade-offs between social and commercial goals (Haigh, Walker, Bacq, & Kickul, 2015), indeed some delineate the boundaries of the field within that notion (e.g., Battilana & Lee, 2014). This study calls into question that assumption given the evidence of complex co-existence. Doherty et al. (2014), following the work of Dacin, Dacin, and Matear (2010), offer a similar criticism of the social and economic dichotomy in hybrid ventures and how this relates to competitive advantage, calling for further theoretical development and empirical insights. This paper offers a direct response to this call by highlighting the configurational conditions under which hybrid ventures are perceived to achieve competitive advantage.

The theoretical argument proposed in this paper is that the relationship between social and economic mission is complex and thus requires an account of other strategic conditions. In drawing from the framework by Bruton et al. (2013), we are able to identify the relevant micro-foundations and micro-processes (strategic conditions) of social and economic goals in hybrid organizing. The social mission of a hybrid venture may produce competitive advantage in both the presence (Solution 3) and absence (Solution 1 and 2) of economic priorities; competitive advantage can even occur under seemingly odd sets of conditions (Solution 4). Importantly,

previous experience of a social problem is vital to understanding hybrid organizing (Kimmitt & Muñoz, 2018), where presence (absence) of economic goals seems particularly relevant when previous experience is also absent (present). In addition, investment seems to play a limited role in creating competitive advantage but when investment is involved (solution 1) it does reap more financial benefits. Overall, our research points to a need to think more about the creative strategic approaches associated with hybrid ventures, reorienting the notion that trade-offs are inevitably associated with such organizing.

Third, this paper offer an empirical contribution through the focus on social entrepreneurship in the emerging market of Chile to a literature which has mainly had a Western focus (Rey-Martí, et al., 2016). This is particularly apparent through solution 4 in our findings, which indicated perceived competitive advantage in non-profit markets with the cases in these solutions being indicative of offerings where the local government is in fact the main competitor. By shifting the research context to Chile, we see the relationship between strategic social entrepreneurship in this under-researched institutional context. In other social enterprise contexts such as the UK, we see a much closer collaborative relationship between the public and private sector (Social Enterprise UK, 2017). Yet in the context of our study Chile, this appears to be a competitive relationship with oftentimes limited interaction between the two players which resonates with Kimmitt and Muñoz's (2018) findings from the same context.

Thus, we build on and empirically apply, in the context of social entrepreneurship, the emerging market strategy framework developed by Bruton et al. (2013). This empirical contribution is not only valuable to the social entrepreneurship literature but more broadly to entrepreneurship research, which typically lacks empirical data from emerging and developing economies (Bruton, Ahlstrom, & Obloj, 2008). When observing even micro-level processes and conditions for strategic social entrepreneurship, it is likely that we see a variety of approaches across national contexts because of socio-cultural and historical institutional

dynamics, which shape public and private interpretations of how to solve complex social problems.

There are inevitably limitations to our work, which must be considered when reflecting on our findings. First, our research is static and cross-sectional in nature which means we cannot capture the points in which social/profit orientation becomes relevant thus our theoretical propositions (Table 3) make logical inferences but require further empirical testing; an opportunity for further research both in and outside of the Chilean context. Second, we selected strategic conditions in line with the framework developed by Bruton et al. (2013). However, there are other such conditions, which should be acknowledged such as the role of employees, leadership style, strategic, and innovation orientation (Crossman & Apaydin, 2010) which, among others are likely relevant for explaining competitive advantage of hybrid ventures.

## **Conclusion**

In conclusion, in this paper, we asked: *how do strategic conditions combine for social entrepreneurs to improve their competitive advantage through their social mission?* The results of the study shed new light into the (so far) binary assumption underlying the commitment of social entrepreneurs to their social mission. By showing how social missions can have a clear strategic imperative for making the economic business component work, this study hopes to inspire new thinking and research around the strategic activity of social entrepreneurship.

## References

- Austin, J., Stevenson, H., & Wei-Skillern, J. (2006). Social and commercial entrepreneurship: same, different, or both?. *Entrepreneurship Theory and Practice*, 30(1), 1-22.
- Battilana, J., & Dorado, S. (2010). Building sustainable hybrid organizations: The case of commercial microfinance organizations. *Academy of Management Journal*, 53(6), 1419-1440.
- Battilana, J. & Lee, M. (2014). Advancing Research on Hybrid Organizing – Insights from the Study of Social Enterprises. *The Academy of Management Annals*, 8(1), 397–441.
- Battilana, J., Sengul, M., Pache, A. C., & Model, J. (2015). Harnessing productive tensions in hybrid organizations: The case of work integration social enterprises. *Academy of Management Journal*, 58(6), 1658-1685.
- Beer, H. A., & Micheli, P. (2017). How performance measurement influences stakeholders in not-for-profit organizations. *International Journal of Operations & Production Management*, 37(9), 1164-1184.
- Bradley, S. W., McMullen, J. S., Artz, K., & Simiyu, E. M. (2012). Capital is not enough: Innovation in developing economies. *Journal of Management Studies*, 49(4), 684-717.
- Bridgstock, R., Lettice, F., Özbilgin, M. F., & Tatli, A. (2010). Diversity management for innovation in social enterprises in the UK. *Entrepreneurship and Regional Development*, 22(6), 557-574.
- Bruton, G. D., Ahlstrom, D., & Obloj, K. (2008). Entrepreneurship in emerging economies: Where are we today and where should the research go in the future. *Entrepreneurship Theory and Practice*, 32(1), 1-14.
- Bruton, G. D., Filatotchev, I., Si, S., & Wright, M. (2013). Entrepreneurship and strategy in emerging economies. *Strategic Entrepreneurship Journal*, 7(3), 169-180.
- Chell, E. (2007). Social enterprise and entrepreneurship: towards a convergent theory of the entrepreneurial process. *International Small Business Journal*, 25(1), 5-26.
- Copstake, J. (2007). Mainstreaming microfinance: Social performance management or mission drift? *World Development*, 35(10), 1721-1738.
- Corner, P. D., & Ho, M. (2010). How opportunities develop in social entrepreneurship. *Entrepreneurship Theory and Practice*, 34(4), 635-659.
- Cornforth, C. (2014). Understanding and combating mission drift in social enterprises. *Social Enterprise Journal*, 10(1), 3-20.
- Dacin, P.A., Dacin, M.T. and Matear, M. (2010). Social entrepreneurship: why we don't need

- a new theory and how we move forward from here. *Academy of Management Perspectives*, 24, pp. 37–57.
- Doherty, B., Haugh, H., & Lyon, F. (2014). Social enterprises as hybrid organizations: A review and research agenda. *International Journal of Management Reviews*, 16(4), 417-436.
- Ebrahim, A., Battilana, J., & Mair, J. (2014). The governance of social enterprises: Mission drift and accountability challenges in hybrid organizations. *Research in Organizational Behavior*, 34, 81-100.
- Estrin, S., Mickiewicz, T. & Stephan, U., (2016). Human capital in social and commercial entrepreneurship. *Journal of Business Venturing*, 31(4), 449–467.
- Fiss, P. C. (2011). Building better causal theories: A fuzzy set approach to typologies in organization research. *Academy of Management Journal*, 54(2), 393-420.
- Fligstein, N., & Dauter, L. (2007). The sociology of markets. *Annu. Rev. Sociol.*, 33, 105-128.
- Florin, J., & Schmidt, E. (2011). Creating shared value in the hybrid venture arena: A business model innovation perspective. *Journal of Social Entrepreneurship*, 2(2), 165-197.
- Haigh, N., Walker, J., Bacq, S., & Kickul, J. (2015). Hybrid organizations: origins, strategies, impacts, and implications. *California Management Review*, 57(3), 5-12.
- Hockerts, K. (2017). Determinants of social entrepreneurial intentions. *Entrepreneurship Theory and Practice*, 41(1), 105-130.
- Kedmenec, I., & Strašek, S. (2017). Are some cultures more favourable for social entrepreneurship than others?. *Economic Research*, 30(1), 1461-1476.
- Khavul, S., Chavez, H., & Bruton, G. D. (2013). When institutional change outruns the change agent: The contested terrain of entrepreneurial microfinance for those in poverty. *Journal of Business Venturing*, 28(1), 30-50.
- Kimmit, J., & Muñoz, P. (2018) Sensemaking the ‘social’ in social entrepreneurship. *International Small Business Journal*, doi:10.1177/0266242618789230
- Kimmit, J. & Muñoz, P. (2017). Entrepreneurship and financial inclusion through the lens of instrumental freedoms. *International Small Business Journal*, 35(7), 803–828.
- Kuckertz, A. & Wagner, M. (2010). The influence of sustainability orientation on entrepreneurial intentions — Investigating the role of business experience. *Journal of Business Venturing*, 25(5), 524–539.
- Lepoutre, J., Justo, R., Terjesen, S., & Bosma, N. (2013). Designing a global standardized methodology for measuring social entrepreneurship activity: the Global Entrepreneurship Monitor social entrepreneurship study. *Small Business Economics*, 40(3), 693-714.



- Mersland, R., & Strøm, R. Ø. (2010). Microfinance mission drift?. *World Development*, 38(1), 28-36.
- Miller, T. L., Wesley, I. I., & Curtis, L. (2010). Assessing mission and resources for social change: An organizational identity perspective on social venture capitalists' decision criteria. *Entrepreneurship Theory and Practice*, 34(4), 705-733.
- Miller, T. L., Grimes, M. G., McMullen, J. S., & Vogus, T. J. (2012). Venturing for others with heart and head: How compassion encourages social entrepreneurship. *Academy of Management Review*, 37(4), 616-640.
- Moss, T. W., Short, J. C., Payne, G. T., & Lumpkin, G. T. (2011). Dual identities in social ventures: An exploratory study. *Entrepreneurship Theory and Practice*, 35(4), 805-830.
- Muñoz, P. (2018). A cognitive map of sustainable decision-making in entrepreneurship: A configurational approach. *International Journal of Entrepreneurial Behavior & Research*, 24(3), 787-813.
- Muñoz, P., & Dimov, D. (2015). The call of the whole in understanding the development of sustainable ventures. *Journal of Business Venturing*, 30(4), 632-654.
- Muñoz, P. & Kibler, E. (2016). Institutional complexity and social entrepreneurship: A fuzzy-set approach. *Journal of Business Research*, 69(4), 1314–1318.
- Nicholls, A. (2010). The legitimacy of social entrepreneurship: reflexive isomorphism in a pre-paradigmatic field. *Entrepreneurship Theory and Practice*, 34(4), 611-633.
- Olugbola, S.A. (2017). Exploring entrepreneurial readiness of youth and startup success components: Entrepreneurship training as a moderator. *Journal of Innovation and Knowledge*, 2(3), 155-171.
- Pache, A. C., & Santos, F. (2010). When worlds collide: The internal dynamics of organizational responses to conflicting institutional demands. *Academy of Management Review*, 35(3), 455-476.
- Peredo, A. M., & McLean, M. (2006). Social entrepreneurship: A critical review of the concept. *Journal of World Business*, 41(1), 56-65.
- Ragin, C. & Davey, S. (2016). *Fuzzy-Set/Qualitative Comparative Analysis 3.0*. Irvine, California: Department of Sociology, University of California
- Ragin, C. (2008). *Redesigning social inquiry: Fuzzy sets and beyond*. Chicago/London: University of Chicago Press.
- Ramus, T., & Vaccaro, A. (2017). Stakeholders matter: How social enterprises address mission drift. *Journal of Business Ethics*, 143(2), 307-322.

- Rey-Martí, A., Ribeiro-Soriano, D., & Palacios-Marqués, D. (2016). A bibliometric analysis of social entrepreneurship. *Journal of Business Research*, 69(5), 1651-1655.
- Rey-Martí, A., Ribeiro-Soriano, D., & Sánchez-García, J. L. (2016). Giving back to society: Job creation through social entrepreneurship. *Journal of Business Research*, 69(6), 2067-2072.
- Roig-Tierno, N., Gonzalez-Cruz, T.F., & Llopis-Martinez, J. (2017). An overview of qualitative comparative analysis: A bibliometric analysis. *Journal of Innovation and Knowledge*, 2(1), 15-23.
- Scarlata, M., Walske, J., & Zacharakis, A. (2017). Ingredients matter: how the human capital of philanthropic and traditional venture capital differs. *Journal of Business Ethics*, 145(3), 623-635.
- Shaw, E., & Carter, S. (2007). Social entrepreneurship: Theoretical antecedents and empirical analysis of entrepreneurial processes and outcomes. *Journal of Small Business and Enterprise Development*, 14(3), 418-434.
- Smith, W. K., Gonin, M., & Besharov, M. L. (2013). Managing social-business tensions: A review and research agenda for social enterprise. *Business Ethics Quarterly*, 23(3), 407-442.
- Social Enterprise UK. (2017). The Future of Business, State of Social Enterprise Survey 2017.
- Stevens, R., Moray, N. & Bruneel, J., (2015). The Social and Economic Mission of Social Enterprises: Dimensions, Measurement, Validation, and Relation. *Entrepreneurship Theory and Practice*, 39(5), 1051–1082.
- Teasdale, S. (2010). Explaining the multifaceted nature of social enterprise: impression management as (social) entrepreneurial behaviour. *Voluntary Sector Review*, 1, pp. 271–292.
- Woodside, A.G., Nagy, G., & Megehee, C.M. (2018). Applying complexity theory: A primer for identifying and modeling firm anomalies. *Journal of Innovation and Knowledge*, 3(1), 9-25.
- Zahra, S. A., Rawhouser, H. N., Bhawe, N., Neubaum, D. O., & Hayton, J. C. (2008). Globalization of social entrepreneurship opportunities. *Strategic Entrepreneurship Journal*, 2(2), 117-131.
- Zahra, S. A., Gedajlovic, E., Neubaum, D. O., & Shulman, J. M. (2009). A typology of social entrepreneurs: Motives, search processes and ethical challenges. *Journal of Business Venturing*, 24(5), 519-532.

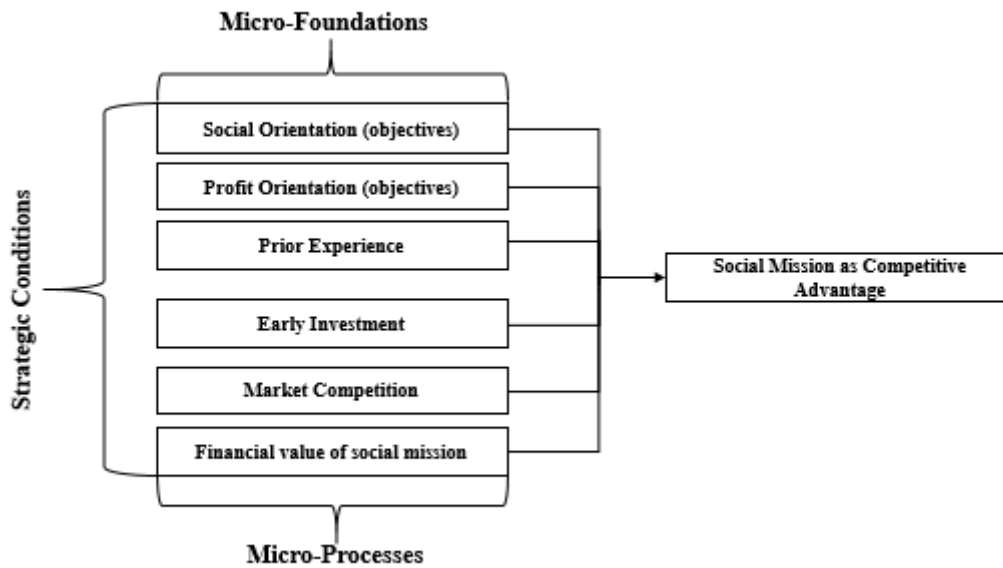


Figure 1 - Micro-processes and micro-foundations of strategic social entrepreneurship

Table 1. Truth Table

Social orientation	Previous experience	Early investment	Profit orientation	Market competition	Financial value of social	Cases	Outcome	Consistency
1	1	1	0	1	1	3	1	1
1	0	1	1	1	1	3	1	1
1	1	0	1	0	0	4	1	0.974
1	0	0	1	1	1	12	1	0.973
0	1	0	1	0	0	3	1	0.941
1	0	0	1	0	0	4	1	0.919
1	1	0	1	0	1	5	1	0.858
1	0	0	1	1	0	3	1	0.856
1	1	1	1	0	1	4	1	0.852
1	0	1	1	1	0	3	1	0.838
1	1	0	0	0	1	4	1	0.833
1	1	1	0	0	1	3	1	0.818
1	1	1	1	1	1	5	1	0.804
1	1	0	0	0	0	4	1	0.798
1	0	0	1	0	1	6	1	0.796
1	1	0	1	1	0	6	0	0.565
1	1	1	1	1	0	4	0	0.557
1	0	0	0	0	0	4	0	0.382
1	1	1	1	0	0	4	0	0.331

**Table 2. Solutions Table for Social Mission as Strategy**

Configurations	1	2	3a	3b	4a	4b
Social orientation	●	●	●	●	-	●
Previous experience	●	●	⊗	⊗	●	-
Early investment	●	⊗	-	⊗	⊗	⊗
Profit orientation	-	-	●	●	●	●
Market competition	-	●	●	-	⊗	⊗
Financial value of social	●	-	-	-	⊗	-
Consistency	0.84	0.86	0.92	0.9	0.94	0.86
Raw coverage	0.14	0.19	0.24	0.33	0.08	0.20
Unique coverage	0.082	0.066	0.042	0	0.034	0.011
Overall consistency				0.876		
Overall coverage				0.651		

frequency cutoff: 3; consistency cutoff: 0.795

**Table 3 - Summary of Theoretical Implications**

Solution	Conditions	Propositions
1	<b>Present:</b> Social orientation, previous experience, early investment, financial value of social mission	Competitive advantage occurs for social ventures through their social mission when the entrepreneurs have a strong orientation toward the mission as a result of their previous experiences and receive early investment thus enhancing the financial value of the mission.
2	<b>Present:</b> Social orientation, previous experience, market competition <b>Absent:</b> early investment	Competitive advantage occurs for social ventures through their social mission when the entrepreneurs have a strong orientation toward the mission as a result of their previous experiences but operate without early investment in a for-profit market context.
3a/b	<b>Present:</b> Social orientation, profit orientation <b>Absent:</b> previous experience	Competitive advantage occurs for social ventures through their social mission when the entrepreneurs have a strong profit orientation used as a viable financial basis for developing their social orientation.
4a	<b>Present:</b> Previous experience, profit orientation <b>Absent:</b> Early investment, market competition, financial value of social mission	Competitive advantage occurs for social ventures through their social mission when the entrepreneurs have previous experience and a profit orientation in a non-profit market where local government are the main competitor and resource holder.
4b	<b>Present:</b> Social orientation, profit orientation <b>Absent:</b> Early investment, market competition	Competitive advantage occurs for social ventures through their social mission when the entrepreneurs have a strong social and profit orientation in a non-profit market where local government are the main competitor and resource holder.