

LAPPEENRANTA UNIVERSITY OF TECHNOLOGY
School of Business and Management
Master's Programme in International Marketing Management (MIMM)

Reetta Kataja

**SOCIAL-BUSINESS TENSIONS AND THEIR MANAGEMENT IN SOCIAL
ENTERPRISES: EVIDENCE FROM FINLAND.**

1st Supervisor: Professor Olli Kuivalainen

2nd Supervisor: Professor Kaisu Puumalainen

ABSTRACT

Author: Reetta Kataja

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Keywords: Social enterprise, social-business tension, management, organizational identity, stakeholder theory, paradox theory, institutional theory.

This thesis aims to provide insight into the social-business tensions the social enterprises face in their operation and how they manage them. The social-business tensions are examined from four theoretical perspectives using triangulation approach. The theoretical lenses chosen are organizational identity, stakeholder theory, paradox theory and institutional theory. The theories aim to clarify, how the tensions are formed, how they appear and how they are managed in social enterprises. One viewpoint of this thesis is to examine the competence of these theories in explaining the social-business tensions in practise. The qualitative data was collected by interviewing persons from the management of two social enterprises. The empirical evidence of this thesis suggests that the appearing of social-business tensions varies between the social enterprises and they can be seen both as an advantage and as a challenge. Most of the social-business tensions arise from the enterprise's multiple incoherent objectives, their stakeholders' various demands and the differing understanding of the company's central operation among the members of the organization. According to this thesis, the theories of organizational identity, stakeholder, paradox and institution are all able to provide unique insight into the identification and management of the social-business tensions. However, the paradox theory turned out to be the most abstract of the theories and thus being the farthest from the practise.

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Tämän tutkimuksen tarkoituksena on tutkia sosiaalisten ja yhteiskunnallisten yritysten kokemia yhteiskunnallis-taloudellisia jännitteitä ja niiden johtamista. Yhteiskunnallis-taloudellisia jännitteitä tutkitaan triangulaatio- menetelmällä neljän teoreettisen linssin kautta. Teoreettiset linssit ovat organisaation identiteetti, sidosryhmäteoria, paradoksiteoria ja institutionaalinen teoria. Teorioiden avulla pyritään selvittämään, miten jännitteet yrityksessä muodostuvat, miten ne ilmenevät ja miten niitä johdetaan. Tutkimus myös pyrkii samalla testaamaan teorioiden sopivuutta yhteiskunnallis-taloudellisten jännitteiden tutkimiseen. Tutkimus toteutettiin kvalitatiivisena tutkimuksena ja aineisto tutkimukseen kerättiin haastattelemalla kahden sosiaalisen/ yhteiskunnallisen yrityksen johtoa. Tulokset osoittavat, että yhteiskunnallis-taloudellisten jännitteiden ilmeneminen vaihtelee yrityksestä riippuen ja ne voidaan nähdä sekä mahdollisuuksina että haasteina yrityksissä. Suurin osa jännitteistä johtuu yrityksen monista, eriävistä tavoitteista, sidosryhmien vaatimuksista ja yrityksen jäsenten eriävästä ymmärryksestä, mikä on yrityksen keskeisintä toimintaa. Tutkimuksen perusteella kaikki valitut teoriat tarjoavat ainutlaatuista näkemystä yhteiskunnallis-taloudellisten jännitteiden tunnistamiseen ja johtamiseen. Paradoksiteoria kuitenkin osoittautua teorioista abstrakteimmaksi ja oli siten haastavin soveltaa käytäntöön.

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1. INTRODUCTION

This master's thesis aims to provide insight into the tensions the social enterprises face due to their special, dual nature. More specifically, this thesis focuses to recognizing the different social-business tensions and examining how they are managed in social enterprises. In this thesis, four theoretical lenses are utilized to investigate the social business-tensions from several perspectives and thus achieve a comprehensive understanding of the nature of these tensions. The theories chosen are organizational identity theory, stakeholder theory, paradox theory and institutional theory. The objective of this study is to determine, which social-business tensions social enterprises face in their action and how these tensions are managed in the enterprise. This study is conducted as a case study research based on two Finnish social enterprises. This chapter provides an introduction to the topic and will be followed by the background of the study. Next, a literature review will be presented, followed by the research problems, the theoretical framework and the definitions of the key concepts. Afterwards, the delimitations and research methodology are shortly discussed. The chapter ends with the discussion on the structure of the thesis.

1.1 Background of the study

According to the World Development Report 2004 (World Bank, 2003), the services needed to satisfy basic human needs are failing poor people. Especially services contributed to health and education are often hard to access, low in quality or not affordability. The main reason for this is that public spending does not reach the poor and if it does, the services are often inefficient and poor quality. (World Bank, 2003) This is why private organizations are expected to take more responsibility of social and environmental challenges (Seelos & Mair, 2005). Currently, there is a movement of organizations from the separate social and financial sector towards more integrated, hybrid business models. Many organizations are adopting more integrated social responsibility programs, where

the creation of economic and social value is united. Simultaneously, non-profit organizations are searching ways to generate some revenue to be less reliant on benefactors. (Battilana & Dorado, 2010) In the literature, traditional entrepreneurs are described as independent and individualistic, whereas social enterprises are argued to form of principles of ethical behaviour and of a mission with a social cause (Anderson & Diochon, 2010). It has been said that the self-interest of a traditional entrepreneur can actually be contrary to the interest of the society (Anderson & Smith, 2007). Supporting social enterprises could help to improve societal problems, such as world's poverty, curable and preventable diseases in developing countries, varying access to education, slavery, human trafficking and earth warming (Dees, 2007). For an individual, these social challenges may seem overwhelming and thus may lead people to resign themselves from them. Social enterprises have shown people new ways to improve these social problems in the local scale and have also provided inspiring models of value creation to the people. (Seelos & Mair, 2005) Therefore, in social enterprises is seen a great potential to enhance the social challenges (Dees, 2007; Smith, Gonin & Besharov, 2013).

The general interest regarding social enterprises has increased lately. For instance, when Muhammad Yunus won the Nobel Peace Prize in 2006 with The Grameen Bank, a bank that enables poor people to receive microloans, the idea of social business and social entrepreneurship spread around the world (Volkman, Tokarski & Ernst, 2012, 5). Seelos and Mair (2009) reported that in 2006 the term "social entrepreneurship" resulted in Google search for over a million hit, whereas today (October 2015) the number is 20,2 million. Also the global research considering social enterprises has grown its interest lately. In Belgium, both national and international research regarding social enterprises is executed with approximately 45 researchers in the program IAP-SOCENT (Interuniversity Attraction Pole- Social Enterprise), launched in 2012. Major research project from this program is the ICSEM-project (International Comparative Social Enterprise Model) that compares globally the development of the social entrepreneurship in different parts of the world. Project involves over 200 researchers from approximately 50 countries and has gained funding until the year 2017. This

project is carried out in a close relationship with the EMES (European Research Networks). (SOCENT, 2015) EMES has been brought together European researchers in the field of social entrepreneurship since 1996 (Kostilainen & Pättiniemi, 2013). The research of social enterprises has become worldwide. In the USA, Harvard Business School, University of Stanford and University of Oxford have been doing research in the field. In Denmark the Center for Social Economy was established in 2007 (Center for Social Economy, 2015). In Italy, the research of social enterprises is active and coordinated, for example in the Euricse (European Research Institute on Cooperative and Social Enterprises) –research center, founded in 2008 (Social Economy, 2015) and IRIS-networks. In the Great Britain, the government has launched an action plan regarding social enterprises in 2006. The phenomenon is also being investigated in the Third Sector Research Center (TSRC). (Kostilainen & Pättiniemi, 2013) The largest network of social entrepreneurs worldwide is the Ashoka Foundation (founded in 1980), which has over 3000 participants in 70 countries (Ashoka, 2015). In the Finland, the Finnish Social Enterprise Research Network (FinSERN) collects together and exchanges both national and international data and maintains connections with social enterprise researchers (FinSERN, 2015). FinSERN participates to the Social Entrepreneurship Research Network for the Nordic Countries (SERNO) (Kostilainen & Pättiniemi, 2013).

Nevertheless of the increment in the interest towards the social enterprise research, the scholarly study of social entrepreneurship is at its early development and remains underexplored (Pierre, Von Friedrichs & Wincent, 2014, 44). Moss, Short, Payne & Lumpkin (2010) argue that social enterprise research will remain in incipient state, until scholars present more studies that utilize theory-based arguments beside with precise empirical analysis. They argue that especially theory-driven empirical research that explore the distinctiveness of social enterprises are currently lacking.

In order to support and encourage the study of social enterprises, their complex identity including tensions and their management should be more thoroughly understood. This study aims to provide insight into social-business tensions in the

social enterprises by exploring how they appear in organizations, what insight different theoretical lenses provide on them and their management and how different members of the enterprise experience them. When the challenges of the social enterprises are more thoroughly understood, the establishment of a social enterprise could interest more actors. In addition to the theoretical perspective on social-business tensions, the empirical evidence is needed to substantiate the existence and management of the tensions.

1.2 Literature review

The phenomenon of social entrepreneurship is not new, even if its terminology may be (Dees, 2001). The roots of the phenomenon of integrating social and economic value creation are found from the values of Victorian Liberalism (Mair & Marti, 2006). Instead, social entrepreneurship as an area of research is somewhat new. Even though in the last two decades, the social enterprise research has become more popular (Duvnäs, Stenholm, Brännback & Carsrud, 2012; Smith et al., 2013), the scholarly study of social entrepreneurship is at its early development and at the moment still remains underexplored (Pierre et al., 2014). Majority of the current literature debates on the definitions and different conceptual approaches on social enterprises (Volkmann et al., 2012, 12). In the existing literature, social enterprises are described to have a double bottom-line, or even a triple-bottom-line, because of having both financial and social returns (Harjula, 2006; Spear, Cornforth & Aiken, 2009; Margolis & Walsh, 2013 & Lundström & Zhou, 2014). Young (2005) instead considers that the notion of the double bottom-line is misleading and argues instead that the achievement of the mission is the actual bottom line, while financial success may be prerequisite to such achievement. Dees (1998) considers that for a social enterprise the central ambition is mission, not capital related. Property is just something that is needed in order to achieve the social mission. Venkataraman (1997) goes further by claiming that social enterprises create economical value just as a by-product of the social value.

Organizations face multiple tensions in their operation and these tensions are recognized as innate part of organizational life (Andriopoulos & Lewis, 2009; Smith & Lewis, 2011;. Tensions in social enterprise are one emerging viewpoint in their research (e.g. Smith, Besharov, Wessels & Chertok, 2012; Michaud, 2013). The tension between social enterprise's social mission and economical objectives is recognized already in the early literature of social enterprises (Dees & Elias, 1998) and later noticed as a key characteristic of a social enterprise (Michaud, 2013). The tension arises when social enterprises seek to solve social problems through business ventures by combining the efficiency, innovation, and resources of a traditional organization with the passion, values, and mission of a non-profit organization. In their narrative study, Anderson & Diochon (2010) found out that the pressure to achieve social development and simultaneously trying to operate as a business was fundamental for organizations and they struggled to reconcile these both aspects in to their actions. The challenges and management of social-business tensions should not be underestimated (Bull, 2008; Anderson & Diochon, 2010). Often, managing the tensions is a critical skill for a social entrepreneur (Dacin, Dacin & Matear, 2010), because the different qualities of the tensions usually include competing values, norms and identities (Battilana & Dorado, 2010). Even though the tensions are recognized, there is a little literature regarding how they are managed in practise.

In this thesis, the social-business tensions and their management are examined by means of four theories. The selection of these particular theories (organizational identity theory, stakeholder theory, paradox theory and institutional theory) is rationalized next.

Research on organizational identity identifies the hybrid, and possibly conflicting, organizational identities that exist in organizations (Albert & Whetten, 1985). In social enterprise research, organizational identity theory is used to provide better understanding of the nature and the distinctiveness of social enterprises. Social enterprises are seen as particularly interesting context to examine multiple organizational identities since there are tensions emerging from the need to answer both the social and the entrepreneurial challenges (Tracey & Phillips,

2007; Moss et al., 2010). Social-business tensions arising from the hybrid identities have gained a lot of interest in the social enterprise literature (e.g. Battilana & Dorado, 2010; Moss et al., 2010; Ashforth & Reingen, 2013; Besharov, 2014). Ashforth and Reingen (2013) examined the duality of social enterprise, arising from the hybrid organizational identities. Some studies highlight organization-level strategies in managing the multiple identities (Pratt & Foreman, 2000), whereas some stand for multi-level strategies (Ashforth & Reinges, 2013). Also approaches that aspire to reduce the negative impacts of the multiple identities emerge (Besharov, 2014).

Since the publication of Freeman's landmark book, "Strategic Management: A Stakeholder Approach" (1984), the stakeholder theory approach has established its status in the management literature. Donaldson and Preston (1995) summarized the three types of uses of the stakeholder theory: descriptive, instrumental and normative. Smith et al. (2013) subsequently applied these approaches into the management of organizational tensions arising from addressing the demands of multiple stakeholders. In the research of social enterprises, stakeholder theory is used to explain the tensions between different stakeholders' demands (Haigh & Hoffmann, 2012), role of multiple stakeholders in new legal forms of social enterprises (Cooney, 2012) and the appropriate number of stakeholders involved in social enterprises (Kania & Kramer, 2011).

Paradox theory has been used as a lens to explore organizational tensions since the 1980's. In 1981, Quinn and Rohrbaugh introduced the framework of competing values. That model was a step towards paradoxical thinking, because it helped the analyst to see the criteria as competing, instead of compatible and congruent. Cameron (1986) continued from the competing values model with the theory of the effectiveness of managing the paradox. She emphasized that in the paradoxical thinking, no choices need to be done between the competing values but instead they all are accepted, present and congruent. She argued also that the long-term sustainability requires continuous efforts to meet the multiple, divergent demands. Recently, multiple studies of using paradox theory as an approach to construe the organizational tensions have been published (e.g. Lewis, 2000; Beech, Burns,

Caestecker, MacIntosh & MacLean, 2004; Lüscher & Lewis, 2008; Smith & Lewis, 2011). In the research of social enterprises, paradox theory is used when analysing how social-business tensions emerge in enterprises and how leaders can attempt to manage them. Smith et al. (2012) explored how tensions affect on the strategic decision-making, when the leader aims to answer the competing social and commercial demands. Jay (2013) noticed the performance paradox in social enterprises, when the success in social mission metrics leads to the failure for the business venture, and vice versa. Also studies emphasizing the leader's capabilities for managing paradoxical tensions have been published (Andriopoulos & Lewis, 2009; Smith et al., 2012)

Recent research regarding institutional theory recognizes the need in organizations to attempt to the competing institutional demands (Pache & Santos, 2010; Thornton, Ocasio & Lounsbury, 2012). Social enterprises are embedded into the multiple institutional logics due to their core nature: by being hybrid organizations (Besharov & Smith, 2014). Distinct logics are seen in the literature both as an advantage for creating novel alternatives for existing logics (Thornton et al., 2012) and as a challenge for causing difficulties to sustain commitments to the competing logics (Battilana, Lee, Walker & Dorsey, 2012). Studies have concentrated on how social enterprises manage to address the competing institutional demands (Pache & Santos, 2010; Battilana & Dorado, 2010).

Smith et al. (2013) provide a research agenda for future research by exploring social-business tensions through four theoretical lenses: organizational identity theory, stakeholder theory, paradox theory and institutional theory. This study continues from their work by providing empirical insight into whether these theories can help to identify social-business tensions in social enterprises and what kind of insight they can bring into their management.

Moreover, the previous research mainly concentrates on how social-business tensions are experienced in the organization level (e.g. Young, 2005; Michaud, 2013). Also research how individual members of the social enterprise interpret and manage the tensions is needed, thus it may lead to more concrete suggestions of

how to address the tensions. This thesis aims to fulfill this gap by examining the perspectives of the managers separately and comparing them with each other.

1.3 Aim and research problems

The research questions of this thesis are constructed based on the review of the literature. The aim of this thesis is to improve the knowledge of the social-business tensions and their management in the social enterprises. By exploring these questions, this study aims to contribute to a deeper understanding of the challenging nature of social enterprises. Accordingly, the main research question is:

- ***What are the social-business tensions social enterprises face and how these tensions are managed?***

In order to be able to provide a comprehensive answer to the main research problem, three supportive questions were designed:

- 1. What social-business tensions social enterprises face?***
- 2. How organizational identity, stakeholder theory, paradox theory and institutional theory explain the formation of the social-business tensions and their management?***

By examining the social-business tensions and their management through theoretical lenses, this thesis aims to provide a research where theory-based arguments are examined with empirical analysis.

- 3. How different members of the social enterprise experience the social-business tensions?***

This thesis also aims to broaden the understanding on how different members of the organization experience the social-business tensions and thus addresses also the individuals' perspectives of social-business tensions.

1.4 Theoretical framework

The content and focus areas of this study are presented in the theoretical framework in the figure 1. The framework is based on the existing literature and reflects the main concepts of this study. Social enterprises' contradicting social and commercial objectives arise from their dual nature. The dichotomy of objectives into the two main sections is based on the challenge between the social and commercial objectives in social enterprises, detected in the previous research (Dees & Elias, 1998) The contradicting objectives result in the formation of social-business tensions, which are experienced by individual members of the organization. The social-business tensions and their management in this thesis are examined through four theoretical lenses. Organizational identity, stakeholder theory, paradox theory and institutional theory are chosen to demonstrate how social-business tensions appear and are addressed in social enterprises. The theories chosen are recognized in the previous literature to explain the social-business tensions, their formation, characteristics and management on the theoretical level. These theories also provide different strategies how the social-business tensions are managed in the organizations. One viewpoint of this thesis is to examine the competence of these theories to explain the social-business tensions in practise.

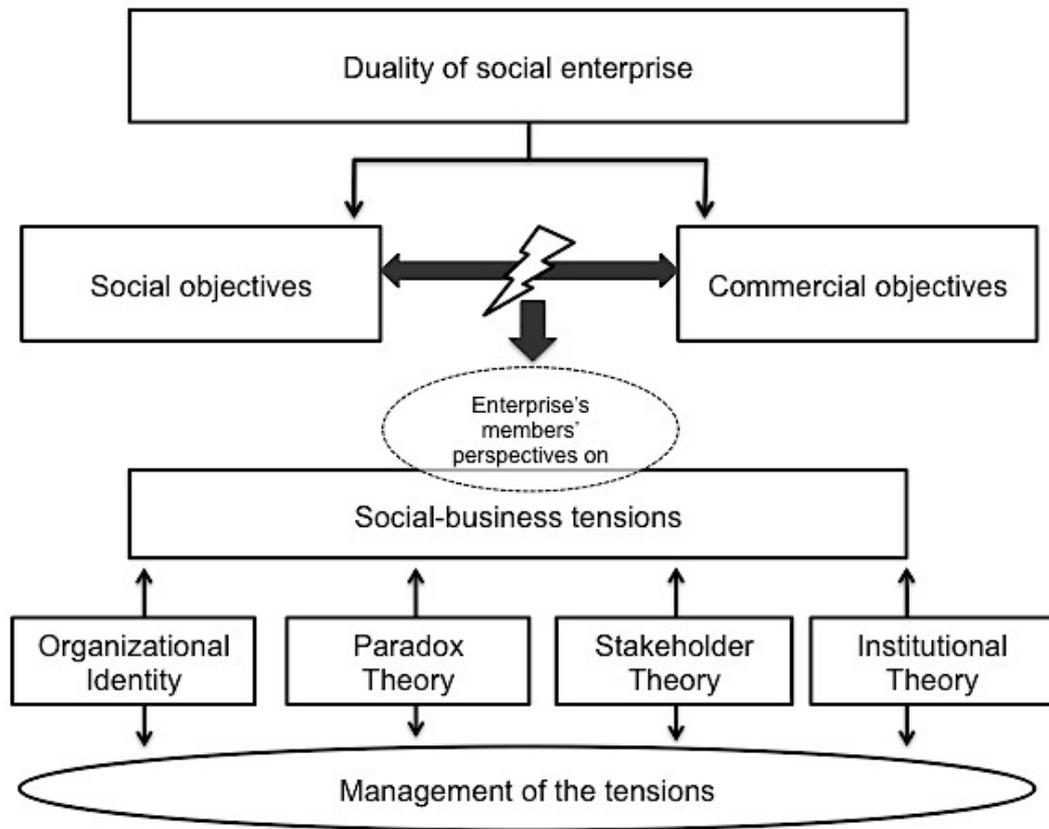


Figure 1. Theoretical Framework

1.5 Definitions of key concepts

This chapter introduces the key concepts used in this thesis. The definition of the concepts is critical in order to avoid misconceptions that could lead to misunderstandings. However, for the most of the concepts there does not exist a standard definition and therefore the most appropriate definitions to fit to the focus of this research are chosen.

Social enterprise

There exists no single structure or business format that is able to determine the concept of social enterprise: a housing association as well as a community development bank can be classified as a social enterprise (Dees, 1998; Bull, 2008). In the existing literature, the definition of social enterprise has caused a lot

of discussion and its definition varies among researchers. Many researchers see that the concept remains vague and its boundaries to the other fields of study are indefinite (Bull, 2008; Anderson & Diachon, 2010). Bull (2008) argues that the clear idea of what formulates a social enterprise is challenging to capture. He suggests that the synergy between terms “social” and “enterprise” is not easy to composite in practice and the unification of these terms remains problematic. Mair and Marti (2006) emphasize the differences between the used concepts and argue that definitions of entrepreneurship are usually related to the behaviour, whereas definitions of entrepreneurs tend to focus on the founder and furthermore, definitions of enterprises refer to the material outcome of social entrepreneurship. Then, Seelos & Mair (2005) consider that when determining the concept of social entrepreneurship, the most challenging task is to limit the term “social” and thus they argue that no “non-social” enterprises actually exist. Schramm (2010) supports this approach by claiming that all entrepreneurship is social and creates economic and social value to the society in consequence of taxation and employment. Dees, Emerson and Economy (2001) notify that social enterprises can be located on a diametrically opposed scale between purely philanthropic (non-profit enterprises, which aim at pursuing a high social return) and purely commercial (for-profit enterprises striving for a maximum financial return). Hybrid models exist between these two extremes. Generally speaking social enterprises can be conceptualized as hybrid organizations, which mix elements from the for-profit and not-for-profit- organizations (Dees, 1998) and thus blur the boundaries between them (Haigh & Hoffman, 2012).

Dees (2001) considers that social entrepreneurs are seeking for the most efficient way to fulfil their social mission and create social value through entrepreneurial innovation. He continues later that this definition is extensive and includes organizations that focus almost merely on a social mission, such as foundations and governmental agencies (Dees, 2007). Social enterprises adapt a business-like, innovative approach to reach their mission of providing community services (Pomerantz, 2003). Seelos and Mair (2005) adopt a more innovative approach by claiming that social enterprises create new models to provide products and services that consider the unsatisfied basic human needs (Seelos & Mair, 2005).

Mair and Marti (2006) summarize practically all of the above in their comprehensive definition. They see that social entrepreneurship is a process of creating value by combining resources in new ways. These resource combinations are intended primarily to explore and exploit opportunities to create social value by stimulating social change or meeting social needs. When viewed as a process, social entrepreneurship involves the offering of services and products but can also refer to the creation of new organizations. (Mair & Marti, 2006) Despite of the various determinations, there is a consensus that social enterprises aim for the exploitation of opportunities to create social welfare rather than maximizing profits in the traditional sense (Volkman et al., 2012, 12). This study identifies with this broad definition and takes no detailed conceptual contention since it is not seen necessary in the framework of this study.

Duality

Concept of duality refers to “the simultaneous presence of competing and ostensibly contradictory” qualities (Graetz & Smith, 270). They may emerge at any level of analysis, from individuals to organizations. In organizations, dualities are referred as common and consequential. (Ashforth & Reingen, 2013) In the field of social enterprises, the concept of duality refers to the simultaneous presence of social and commercial qualities. Other terms converging to duality in the literature of social enterprise are *double-bottom line* (Battilana et al., 2012; Margolis & Walsh, 2013; Lundström & Zhou, 2014) and *dual identities* (Moss et al., 2010). The disparity between these terms is marginal, though they have slight divergent nuances in meaning. The terms duality, double-bottom line and dual/multiple identities are discussed later in the thesis (see chapters 2.2.1, 2.2.2 and 3.3.1).

Social-business tensions

Social-business tensions refer to the different challenges social enterprises face in their operation due to focusing both commercial and social aspects (Battilana et al., 2012; Smith et al., 2012; Besharov & Smith, 2013). By combining elements from the traditional for-profit firm and not-for-profit organization, social enterprises may face incoherent values, norms and aims inside the organization (Besharov & Smith, 2013). These for their part may lead to the contradictory requests for action

(Besharov & Smith, 2013) and dilemmas for the leaders (Margolis & Walsch, 2003). In the literature, also terms “mission-market tensions” (Young, 2005) and “social-economic tensions” (Michaud, 2013) are utilized. The meaning of these terms is concordant with the term social-business tensions, which is applied in this thesis. Social-business tensions are discussed further in the chapter three.

1.6 Delimitations

According to Mair and Marti (2006), definitions of social *entrepreneurship* typically refer to a process or behavior; definitions of social *entrepreneurs* focus on the founder of the initiative and definitions of social *enterprises* refer to the tangible outcome of social entrepreneurship. Still they argue that systematic approaches to map the definitions are rare. Defourny and Nyssens (2008) state following: “one could say that social entrepreneurship was seen as the process through which social entrepreneurs created social enterprises”. Drawing from these statements, this study does not separate between the concepts of social enterprise, social entrepreneur and social entrepreneurship but chooses the concept “social enterprise” to be used throughout the study to maintain congruence.

In the Finnish society, there are two defined forms of social enterprises. One form is Work Integration Social Enterprises (“WISE”, sosiaalinen yritys), which are provided for by law (Act on Social Enterprises, 1351/2003) and offer employment to the long-term unemployed and disabled. The other form of social enterprises (yhteiskunnallinen yritys) is organizations that follow the business model of social enterprises and are allowed to use the Finnish Social Enterprise Mark (Ministry of Employment and the Economy, 2012, 15). Social enterprises that have earned the mark, aim to provide solutions for social or ecological dilemmas by their business. They also aim to contribute social objectives and use majority of their profits to improve social welfare in their chosen field of business. The case companies of this study are classified as Work Integration Social Enterprises and they also carry the Social Enterprise Mark and thus fulfil both of these criteria. Consequently, this study does not separate between these two forms of Finnish social enterprises.

The focus of this thesis is on Finnish social enterprises and thus the results may not be generalized to countries, for instance due to legitimate differences. Though, the understanding of the nature of the social enterprise gained in this study is most likely applicable anywhere and the nationality of the enterprises should not have a major impact to the results of this study.

Also, this thesis is done using multiple-case-study approach and thus consists of two separate case studies. Consequently, the results of this thesis are not generalized without further, complementary research of the subject.

1.7 Research methodology

The theoretical part of the thesis is based on a review of the existing literature on social enterprises, social-business tensions and theories regarding organizational identity, stakeholders, paradoxes and institutions. The review of the literature enabled the formation of the research questions.

Because of the nature of the research questions, theoretical framework and the nature of the examined phenomenon, a qualitative research method is used. Qualitative research refers to a group of different interpretative research methods, such as interviews, observation and the usage of the literature (Metsämuuronen, 2005, 198; 222). Qualitative research attempts to understand, describe and sometimes explain different social phenomena (Gibbs, 2007, 94). Furthermore, in this thesis, the case study approach is chosen, because it has a considerable ability to provide answers to the questions “how” and “what” (Robson, 1993, 44), which are in the centre of the research questions of this study. The case study is conducted using abductive approach, which refers to combining of the theory and observation in order to reach for interpretation of something specific (Seale, Gobo, Gubrium & Silverman, 2004, 91). In addition, cross-case technique is utilized to be able to examine the nuances between the case results.

The empirical part of this thesis consists of qualitative data, which was collected with interviews that were executed in the timespan July – September 2015.

Before the actual interviews were conducted, two pilot interviews were set in order to perfect the question forms and also deepen the researcher's understanding of social enterprises. Altogether five interviewees from two Finnish social enterprises were interviewed. Interviews of this study are implemented in person using semi-structured interviews. The interviews were directed to the persons in leading positions from the case companies Annanpura Ltd and Helsinki Metropolitan Area Reuse Centre Ltd (Pääkaupunkiseudun Kierrätyskeskus Oy). Both case companies operate as Work Integration Social Enterprises and have the certification of Finnish Social Enterprise Mark.

In this thesis, the triangulation approach is utilized in order to attain as comprehensive view of social-business tensions as possible. In practise, the triangulation method is utilized by having multiple interviewees responsible of different positions from one case company. Triangulation method is also utilized in the chapter five, where the members' perspectives on social-business tensions are analysed through different theoretical lenses, which are introduced in the chapter three.

1.8 Structure of the thesis

This thesis consists of two main parts, theoretical and empirical. The theoretical part of the thesis includes three chapters and the empirical part contains two chapters. The first chapter of the thesis (Introduction) introduces the subject and research setting of the thesis to the reader. Chapter begins with the background of the study and continues to the review of the most relevant literature. Then, the research problems and aim of the thesis is presented. Thereafter, key concepts used in this study are introduces, followed by the delimitations and research methodology. The first chapter finishes with the discussion of the thesis' structure.

The second chapter introduces the social enterprises and their common characteristics to the reader. The duality, double bottom line and the legal

structure of the social enterprises are presented. Also the Finnish forms of social enterprises are introduced.

The third chapter forms the main theoretical part of the thesis. In this chapter, the social-business tensions are discussed, starting from the organizational tensions and moving towards social-business tensions in social enterprises. The four theoretical lenses utilized in this thesis are next presented. The chapter finishes with the summary of the theoretical part.

The fourth chapter begins the empirical part of the thesis by discussing the research methodology. At first, the research design is presented, followed by introduction to multiple-case study research. Thereafter, the data and data collection method, including discussion of pilot interviews, semi-structured interviews and the triangulation method is presented.

The fifth chapter introduces the findings of this study. First, the cases of this thesis are briefly described. Next the case analyses are presented starting with the case A and followed by the case B. The chapter finishes with the cross-case analysis between the cases A and B.

The thesis ends with a summary of the findings, after which the theoretical contributions and managerial implications are discussed. In the end, the limitations of the research, as well as the future research areas are discussed.

2. ABOUT SOCIAL ENTERPRISES

This chapter will form a background of this thesis by clarifying the concept of social enterprise and their common characteristics. First, the meaning of the concept of enterprise and enterprise's main qualities are considered to underlay the concept of social enterprise. Second, the common characteristics of social enterprises are discussed including the examination of their duality and double bottom line arising from their objectives, followed by briefly discussion of their legal structure. After that, the legitimacy of social enterprises is shortly discussed. Because of the research context of this thesis is in Finland, the chapter finishes with declaration of the Finnish forms of social enterprises.

2.1. Briefly about enterprises

Dees (1998) considers that in order to understand the meaning of social enterprise, first it is needed to clarify the concept of entrepreneurship. An enterprise is an organization, which operation is based on the consumption of the people, families and public corporations in the society (Ihantola, Leppänen, Kuhanen & Sivonen, 2012, 9). In order to be able to manufacture, purchase and sell products and services, an organization needs to be created (Artto, Leppiniemi, Koskela & Pitkänen, 1992, 19). Also raw material, accessories, machines, workforce and other resources need to be acquired, as well as business premises. Knowledge and know-how are probably the most important factors. The enterprise purchases these factors of production from other organizations. (Ihantola et al., 2012, 9) Accordingly, the enterprise is simultaneously psychological, social, technological and economical system (Laukkanen & Vanhala, 1992, 12). In the markets, the basic factors that guide the business are strongly connected to each other (see figure 2). In general, the needs of the consumers cause demand for products that are alternative with each other. This generates competition among the manufacturers of the products. The enterprises that are successful in the competition, earn profits, either for short- or long-term. The profit is a requirement for the continuity of the business. (Sutinen, 1996, 7)

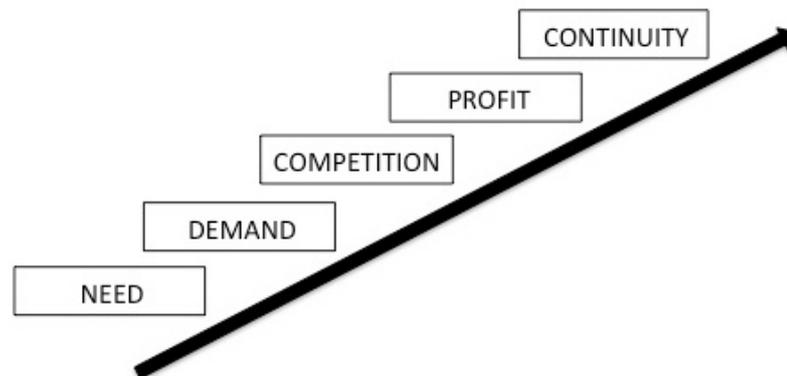


Figure 2. The hierarchy between the factors of business. (Adapted from Sutinen, 1996)

2.2 Characteristics of social enterprise

The boundaries between private, capitalistic and non-profit organizations are not that clear anymore (Michaud, 2013). Social enterprises emerge as a distinct and miscellaneous movement located at the boundaries of public, private and voluntary sectors. When these sectors overlap, they arise confusion due to different constitutional forms and practices at each boundary. There may be simultaneously several different interpretations of the nature of the social enterprise causing ambiguity. (Seanor & Meaton, 2008) It is said that social enterprises are not accepted by the social organizations because of their business involvement, but are simultaneously ostracized from business community because they are seen as social workers (Anderson & Diochon, 2010). Integrating essential aspects of ethics into efficient social action is a complicated question (Masseti, 2013).

For all hybrid organizations, keeping the focus on their mission may be challenging. The entrepreneur usually has the passion towards the aim of the business, but as the organization grows and more employees are included,

remaining the main mission may become more challenging. This is when social enterprise faces the challenge of building an organizational culture, where both the social mission and effective operation are important. Finding a balance between the commercial and social objectives is important to avoid drifting away from the mission. (Battilana et al., 2012). Next, more detailed characteristics related to the nature of social enterprise are presented: the duality of their nature, their double-bottom line regarding their objectives and their legitimacy.

2.2.1 Duality of social enterprise

Duality is defined as concurrent yet seemingly contradicting competing qualities (Graetz & Smith, 2008). The dualities are innate in the organization and complementary with each other, so that each of them is needed but not adequate to organization on its own (Ashforth & Reingen, 2013). In case of social enterprises, the social mission cannot be executed without the financial support.

Organizational dualities are recognized to have at least five characteristics (Evans & Doz, 1992; Graetz & Smith, 2008; Smith & Lewis, 2011). First, the opposing qualities are simultaneously present in the organization and cannot be simply removed, because they are endemic to organizations. Second, the opposing qualities are interrelated. They are at least some level defined by the other quality, often being like a mirror images. In addition, they are at some level contradictory and complementary with each other and in that way every quality helps to formulate the other for one's part. (Ashforth & Reingen, 2013) Third, each quality should maintain a minimum threshold in order not to be abandoned by the organization (Evans & Doz, 1992; Graetz & Smith, 2008). Fourth, dualities are defined by tensions, which are created from the concurrent presence of oppositional qualities (Ashforth & Reingen, 2013). Fifth, the interaction between the qualities is typically dynamic and continuous.

Even when a solution has been found between the two opposing tendencies, the forces of each still continue, ultimately causing a new synthesis. Finding a lasting

solution to duality is challenging, because of the need to maintain both sides of the duality. (Ashforth & Reingen, 2013) When managing an organization with dualities, the managers should be able to recognize the complementary elements from both sides of the dualities and in that way emphasize, that the sides are not purely opposites. Managers should constantly juxtapose the two sides of the duality, maintain equality between the sides, ensuring that neither side is repressed by the other and create a respectful culture that encourages openness. (Ashforth & Reingen, 2013)

2.2.2 Double bottom line

Traditionally, the return for effort in enterprises is measured in financial terms, such as profit margins. However, in social ventures the motivation for business and return for effort are often measured differently. Instead of the philosophy of profit maximization, an approach that targets towards strategies providing social or environmental benefits is adopted. (Bull, 2007) When addressing or evaluating performance of social enterprises, it is essential to reflect both the economical and the social considerations (Zahra, Gedajlovic, Neubaum & Shulman, 2009). Due to this, social enterprises are often referred of having a double, or even triple, bottom line (Harjula, 2006; Margolis & Walsh, 2013; Lundström & Zhou, 2014, 81).

Double bottom line implies that effective financial management for social purposes is a key factor of sustainability (Cornelius, Todres, Janjuha-Jivrag, Woods & Wallace, 2008) and performance depends on both financial and social goals (Margolis & Walsh, 2003). Triple bottom line, also named as multi-bottom line (Bull, 2007), includes the environmental accountability in addition with the social and financial ones (Cornelius et al., 2008) and argues that long-term profitability is achieved through concentrating on all three dimensions (Lundström & Zhou, 2014, 81). Double bottom line- target may cause conflicts between the interests of a mainstream venture capitalist and the social enterprise and thus make it challenging for the enterprise to find financing (Battilana, et al., 2012). Venture

capitalists may consider that the social goals are achieved at the costs of the financial returns.

In enterprises, where the social benefits follow straight from enterprise's core business, the question of double bottom line is irrelevant (Harjula, 2006). Investors of social enterprises should have the same mind-set of dual objectives than the enterprise and its management has. Options to fulfil this term are, for instance, impact investors (Battilana et al., 2012), so-called ethical investors and socially responsible venture capital funds, which emphasize also the social goals when making an investment decision (Harjula, 2006).

2.2.3 Legal structure of social enterprise

In most of the countries, there have traditionally been two main legal structure options for organizations: for-profits and non-profits. For-profits concentrate on profit and shareholder value maximization and are allowed to distribute returns to the investors. Non-profits instead operate for a charitable purpose and receive taxation benefits from the government in return. In addition, non-profits may benefit from the reputational advantage leading to donations, volunteers and other complimentary resources. (Battilana et al., 2012)

When establishing a hybrid organization, the entrepreneur often faces a dilemma. Being a non-profit and selling products and services it may have to pay taxes from them and the organization may lose its tax-exempt status. On the other hand, when choosing a for-profit organizational form, organization may face high pressures from the competitive market and decrease the social actions. This may lead to the situation of being locked in to the one of these sectors. One widely adopted solution is to execute both the non-profit and for-profit organizational forms by creating two separate legal entities and this way exploit the benefits from the both forms. However, this approach contains complicated design requirements and administrative separation. (Battilana et al., 2012)

Fortunately for social enterprises, also other legal structures for hybrid organizations have emerged. These will most likely increase interest towards establishing hybrid organization. Still, there are other factors of corporate law affecting to hybrid organizations, such as the tax code, which is not designed for an organization pursuing in both social and financial value. (Battilana et al., 2012)

2.3 Social enterprises in Finland

In Finland, there are two official forms of social enterprises: the social enterprises that are allowed to use the Finnish Social Enterprise Mark and the Work Integration Social Enterprises, which are provided by law. Committee of Social Enterprise in the Association of Finnish Work grants the Finnish Social Enterprise Mark. The enterprises applying for the mark are assessed based on the three primary criteria:

- The primary objective of the social enterprise is to promote social well-being and act responsibly
- A social enterprise uses most of its profits for the benefit of the society, either by developing its own operations or giving a share to charity, according to enterprise's business idea
- Social enterprise must maintain transparency and openness of its business operations. (Association of Finnish Work, 2015a)

In addition to primary criteria, following secondary criteria are assessed: promoting the well-being of the employees and developing ways to get their voice heard, customer-oriented approach in developing the business and relations to local communities, minimizing health and environmental hazards caused by the business, developing local economy, paying attention to the most vulnerable groups and demonstrating company's social effects. (Association of Finnish Work, 2015a) These criteria are illustrated in the figure 3. Currently (October 2015) there are altogether 72 social enterprises in the Social Enterprise Mark- register (Association of Finnish Work, 2015b).



Figure 3. A diamond model illustrating the criteria of the Finnish Social Enterprise Mark

The criteria related to the legal form of social enterprise, Work Integration Social Enterprises (WISE), are determined according to the Act on Social Enterprises (1.1.2004, renewed in 1.5.2007). The main criteria include that at least 30% of the company's workers need to be either persons with disabilities or a mix of those and long-term unemployed persons. In addition, at least 50% of the revenue must come from the business. The form of the company and business field can be freely chosen, but the company needs to operate in open markets. (Sosiaalinen yritys, 2015) In October 2015, there are altogether 53 social enterprises in the register of social enterprises maintained by the Ministry of Employment and the Economy (the Ministry of Employment and the Economy, 2015).

3. SOCIAL-BUSINESS TENSIONS

This chapter forms the main theoretical argument of this thesis. The main content of this chapter is formed with the identification of social-business tensions by means of theoretical perspectives and the theoretical proposals presented into the management of the social-business tensions. First, the literature regarding the organizational tensions is discussed in order to clarify the background of the concept social-business tensions. Next, the social-business tensions are introduced and their appearance in social enterprises is discussed. Thereafter, the four theoretical lenses are introduced and the viewpoints they provide to social-business tensions are declared. Also each theory's suggestions of how social-business tensions are managed in social enterprises are introduced. Lastly, a summary is presented in order to clarify the relationship between organizational tensions and social-business tensions and underlay the transition to the empirical part.

3.1. Organizational tensions

Tensions, contradictions and paradoxes are found in organizations and they are recognized as innate part of organizational life (Smith & Lewis, 2011; Andriopoulos & Lewis, 2009). Organizations face multiple different tensions, such as competition-cooperation, differentiation-integration, exploration-exploitation, individual-collective, flexibility-efficiency, collaboration-control and social-business (Smith & Lewis, 2011; Ashforth & Reingen, 2013). Tensions are argued to be innate in the organizations and therefore inescapable and permanent (Ashforth & Reingen, 2013).

Organizational tensions can be divided into the four main categories, which emerge repeatedly across the studies (e.g. Donaldson & Preston, 1995; Lewis, 2000; Luscher & Lewis, 2008): learning, organizing, belonging and performing. Learning tensions refer to the utilizing, evaluating and sometimes destructing the earlier understandings and behaviours in order to be able to build new ones (Lewis, 2000). They consider the change that occurs in the different time horizons (Smith & Lewis, 2013). Organizing tensions emerge from competing internal designs and practices that reach to the desired outcome. Belonging tensions consider the divergent identities of the organization, both in the individual and organizational level. (Smith & Lewis, 2011; Smith et al., 2013). Performing tensions emerge from different and competing goals of internal and external stakeholders (Donaldson & Preston, 1995; Smith & Lewis, 2011). In the figure 4, these four categories of tensions are presented with an example of the actual tension in each category.

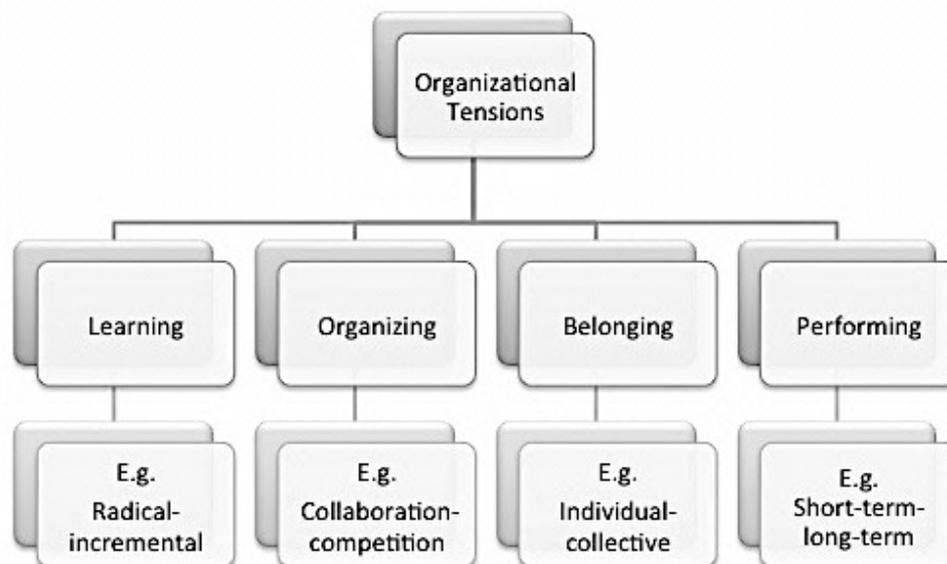


Figure 4. Four categories of organizations tensions with an example of each

3.2 Social-business tensions in social enterprise

The ambivalent relationship between creating social wellbeing and doing business may conceal multiple tensions (Anderson & Diochon, 2010). In particular in the discussion regarding corporate social responsibility, challenging tensions emerge between enterprise's social and economical objectives (Michaud, 2013). In the existing research, tensions within social enterprises are one emerging insight on them. Additionally, the previous research mainly concentrates on how social-business tensions are experienced at the organization level (e.g. Young, 2005; Michaud, 2013), whereas insight on how the individual members of the organization experience them is lacking.

Social enterprises aim at solving social issues through business ventures (Smith et al, 2013) and so they are practically created on the social-business tensions (Michaud, 2013). They combine features from both the traditional firm and not-for-profit organization and this is why they need to seek the balance between their social and commercial objectives, in order to be able to avoid focusing too much on the other to the detriment of the other (Battilana et al., 2012; Smith et al, 2013). In order to succeed, the entrepreneur must be able to manage the contradicting demands of both the social and the commercial focus (Smith et al., 2013). Social-business tensions may include features from every category of organizational tensions: social-business tensions can emerge in tensions of learning, organizing, belonging or performing.

3.3. Theories considering social-business tensions and their management

Next, the social-business tensions and their management are examined through different theoretical lenses. The theories chosen to the agenda are organizational identity, stakeholder theory, paradox theory and institutional theory. These theories are recognized in the earlier research (e.g. Battilana & Dorado, 2010; Pache & Santos, 2010; Smith et al., 2012; Jay, 2013; Smith et al., 2013; Besharov & Smith, 2014) as especially relevant to explain the tensions existing between the

social mission and business venture.

First, organizational identity research provides a comprehensive theoretical lens with an opportunity to provide better understanding regarding social enterprises and their unique position in the society. It is also used to provide insight on how social enterprises differ from traditional enterprises. (Albert & Whetten, 1985; Moss et al., 2010). Second, stakeholder theory offers insight into the management of the verifying demands of different stakeholders (Donaldson & Preston, 1995). Third, paradox theory suggests that tensions between the social and economic objectives are inherent in organizations and provides insight into their management (Smith & Lewis, 2011). Finally, institutional theory suggests that organizations addressing multiple institutional demands face a dilemma: when answering to the demands of one institutional logic may be harmful for the others and potentially endangers the organizational legitimacy (Pache & Santos, 2010) It also provides insight into the control of the multiple, divergent institutional logics in the hybrid organizations (Battilana & Dorado, 2010).

3.3.1. Organizational identity

Organizational identity refers to the permanent, crucial and distinct features of the organization that separates it from the other organizations (Albert & Whetten, 1985; Whetten, 2006). It includes the common and shared assumptions inside the organization, which defines the questions of "who we are?", "what we do?" and "what separates us from the others?" To answer to the question of identity, organizations rely at least of three essential criteria: centrality, distinctiveness and temporal continuity. First, centrality refers to the "soul" of the organization (who we are?) and forms a basis of differentiation from the other organizations. Second, the criterion of distinctiveness refers to the elements of the organization that makes it unique (what separates us from the others?). Not every attribute of the organization needs to be unique, but distinctiveness allows comparison between other organizations and makes the organization separable from the others. (Albert & Whetten, 1985) Third, the concept of temporal continuity is used to understand

the possible need for change of the organizational identity after some period of time (Gioia & Thomas, 1996). Guided by these criteria, the organization's identity is able to locate itself in social space, provide a behavioural guide and communicate its purpose to other stakeholders (Albert & Whetten, 1985).

A collective and logical organizational identity can conduct and unify the members of the organization to move towards the same goals and objectives (Smith et al., 2013). However, many organizations have multiple types of organizational identities, which may include incompatible features and hence be in conflict with each other (Albert & Whetten, 1985; Moss et al., 2010). Multiple identities may occur, for instance, when organization make divergent commitments to different stakeholders, adopts features from various organizational forms, or has multiple incoherent goals (Whetten, 2006; King, Felin, & Whetten, 2010). They may also occur if the members' sense of what is central in the organization includes different attributes or is totally divergent (Besharov, 2014). Even traditional organizations increasingly have multiple identities, as they operate in the global markets, employ diverse people and aspire to innovativeness in addition of exploitation their existing products (Smith & Lewis, 2011).

In the hybrid organizations, a common organizational identity can be challenging to form. Hybrid organizations usually have hybrid identities composed of types that generally would not be expected to coexist under normal circumstances (Albert & Whetten, 1985). Albert and Whetten (1985) argue that all organizations hold both the utilitarian and normative identities. By utilitarian identity is expressed the economic identity and rationality of the organization, whereas the normative identity refers to ideological control, high organizational commitment and social characteristics (Albert & Whetten, 1985; Moss et al., 2010). In social enterprises, the dual identities exist when the enterprise adopts both the entrepreneurial and social approach, hence adopting elements both from the utilitarian and normative identities (Moss et al., 2010). Social enterprises may express the utilitarian identity when they aim to reduce costs and increase revenues through activities that serve the social purpose (Haugh, 2007). Also, the profit maximization may be expected from the social enterprises backed by venture capitalists (Harjula, 2006). Normative identity emphasizes softer values. Enterprise's success is measured,

besides financial performance, through the degree the enterprise meets its expectations of identity (Glynn, 2000) and its impact to the social target (Sawhill & Williamson, 2001).

These multiple organizational identities, like utilitarian and normative ones, may create tensions in social enterprises (Moss et al., 2011). Tensions may occur, for instance, if the enterprise answers to the demands of one identity with a deleterious effect on the other (Glynn, 2000). Also individuals with mainly a non-profit background may have difficulties to identify the commercial side of the business, whereas entrepreneurs with the commercial background may have problems in recognizing the goals on the social side, especially when the social side undermines the stability of the business (Tracey & Phillips, 2007).

The appropriate identity management strategies may depend on the number of the different qualities and their synergies (Pratt & Foreman, 2000). Identity management strategies may also cause harm or benefit for the individual members of the organization (Pratt & Corley, 2007). Also multi-level strategies can be used by integrating multiple identities into the subgroups, while maintaining a common identity at the organizational level (Besharov, 2014). Social enterprises should be able to maintain their economical health while fulfilling their social goals and seek for a balance between these two identities (McDonald, 2007). However, some studies argue that organization can operate with multiple identities simultaneously and do it with high level of success (Moss et al., 2011).

3.3.2. Stakeholder theory

The stakeholder theory is intended to explain and to advise the structure and operation of the enterprise. It views the organization as an entity shaped by multiple, different participants, which frequently have divergent purposes. (Donaldson & Preston, 1995) Stakeholder theory expands the organization's focus from the shareholders' profit maximization to the consideration of the multiple stakeholder interests (Freeman, 1984). Stakeholders are defined as any individuals or groups that can affect or are affected by the achievement of the

organization's function (Freeman, 1984, 53), including social stakeholders, like the community and the environment (Cooney, 2012).

In the organization, the stakeholders are identified by their interest into the organization, whether the organization has any corresponding interest on them. Stakeholder theory argues that the stakeholders' interest into the organization occurs from the benefits they aim to obtain and the interests between the organization and its stakeholders are intrinsic of value, meaning that every stakeholder earns its consideration in the organization for its own sake. (Donaldson & Preston, 1995) Determining who are the organization's stakeholders and which stakeholders' demands actually matter to the organization are in the centre of the stakeholder theory (Freeman, 1994; Mitchell et al., 1997; Cooney, 2012) According the model of stakeholder influence (Mitchell, Agle and Wood's; 1997), the "highly salient" stakeholders include power, urgency and legitimacy in their claims. If the stakeholder's claim includes two out of three of these features, it reaches the "moderate" level of salience. (Mitchell et al., 1997) Though, in case of social enterprise, the degree to which these qualities caused salience may vary depending on the stakeholder (Cooney, 2012). Many social businesses draw on stakeholder theory to justify their focus on social goals instead of a narrow focus on financial ones (Wheeler & Sillanpää, 1998). New legal forms of social businesses have been established with an integration of socially motivated stakeholders into the legal structure of the company (Cooney, 2012). These new legal forms enable a broader set of stakeholders to hold a company accountable to its social, as well as its financial goals (King, 2008).

Social enterprises face a multiple expectations from various stakeholders (Anderson & Diochon, 2010) and the stakeholder theory provides insight into the performing of these expectations. For a social enterprise, the critical question is, which ones of the multiple stakeholders to include as stakeholders and whose claims to address (Smith et al., 2013). Stakeholder theory offers three approaches to address these questions: descriptive, instrumental and normative (Donaldson & Preston, 1995). These approaches are presented in the figure 5.

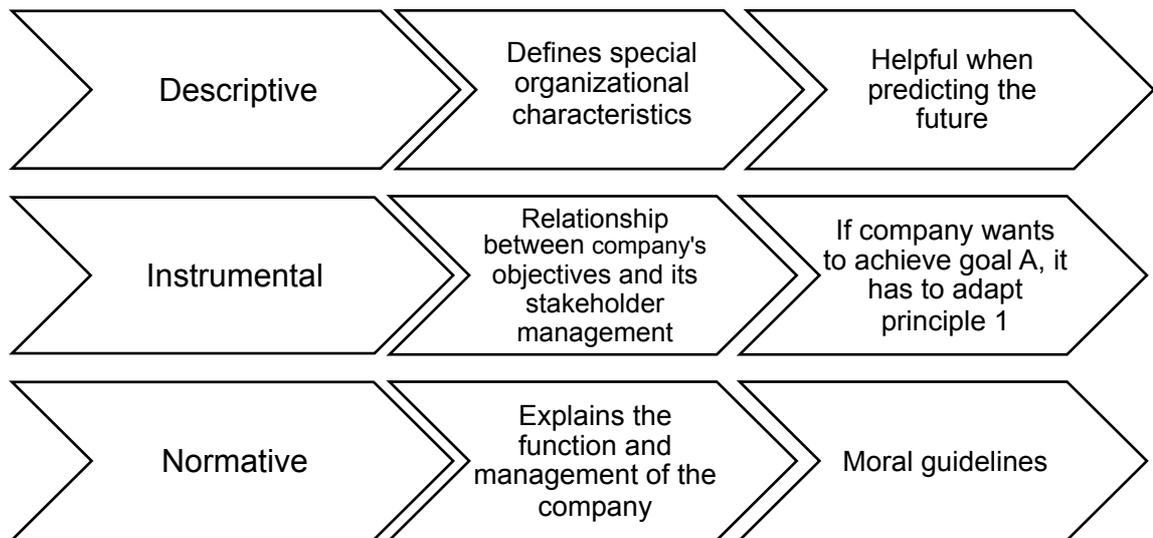


Figure 5. Descriptive, instrumental and normative aspects of stakeholder theory (Donaldson and Preston, 1995)

Descriptive aspect of stakeholder theory is used to describe the definite specific characteristics and behaviours of the organization. Description can focus on the present, past, or the future states of affairs in the organization and its stakeholders and can be helpful, when exploring new areas and predicting the future. (Donaldson & Preston, 1995). Descriptive aspect also emphasizes the number of the stakeholders that can be involved as enterprise's stakeholders (Smith et al., 2013).

Instrumental aspect of stakeholder theory is used to describe the relationship between the achievement of company's objectives and its stakeholder management. It makes a connection between the stakeholder approaches and the generally desired objectives, such as performance. In the literature of the instrumental aspect, it is noticed that in order to achieve company's goals, the management must receive support from their stakeholder. Instrumental approach is typically hypothetical saying that if company wants to achieve the goal "A", then it has to adopt a principle "1". (Donaldson & Preston, 1995).

The normative aspect of stakeholder theory is used to explain the function and management of the company, including recognition of the moral guidelines in the

company's action. Normative approach is argued to be the fundamental basis of the stakeholder theory for addressing multiple stakeholders due to ethical reasons. Also the observations of the broader communities may form a basis of which stakeholders to address. (Smith et al., 2013). Compared to the instrumental approach, normative aspect is categorical saying that the company executes an act "A", because it is the right thing to do (Donaldson & Preston, 1995).

3.3.3 Paradox theory

Paradoxes have been noticed as a common, intensified phenomenon in organizations (Quinn & Cameron, 1988; Lewis, 2000; Smith & Lewis, 2011). For example, in a global field of competition, managers are confronted with the demands to form individualistic teams, protect creativity when simultaneously increasing efficiency and think globally when acting locally (Lewis, 2000). Paradox refers to contradictory, yet integrated elements that exist concurrently and persist over time (Smith & Lewis, 2011). Elements of the paradox may seem logical in isolation, but illogical and even preposterous when existing simultaneously (Lewis, 2000; Smith & Lewis, 2011). Usually paradox is used to depict contradicting demands, contesting perspectives, or obviously irrational findings (Lewis, 2000). Traditionally, when a company faces a paradox, it tries either resolving or removing it, or even denies its presence (Beech et al., 2004). Yet, this kind of rational problem solving is argued to be detrimental to the managers of hybrid organizations (Smith et al., 2012). Paradox theory offers insight into the nature and management of competing demands in organizations and proposes that tensions within the organizations are indigenous and permanent (Smith et al., 2013). Paradox theory argues that long-term profitability requires continuous efforts into answering the multiple, differing demands (Lewis, 2000).

For social enterprises, resolving or removing paradoxes is not an option because of their paradoxical dual nature. Instead social enterprises need to learn how to work within the paradox (Bull, 2008; Dacin et al., 2010). Competing demands arise in social enterprise while the organization pursues its social missions using

commercial means (Bull, 2008; Anderson & Diochon, 2010). Financial and social demands are based on different values and thus require different sort of focus. Financial aim requires efficiency and more narrow set of shareholders, whereas social aim requires broader group of shareholders and concentration on the social mission (Smith et al., 2013). These tensions entail both considerable challenges and considerable opportunities and it is seen critical, how the actors react to them (Lewis, 2010; Smith et al., 2013). Often actors' observation eclipses the other perspective of the paradox and in that way denies the interconnection between the two opposing sides. Over time, this distinction becomes regularized and actors begin to consider that their observations are separate and constant entities. (Lewis, 2000)

The dynamics of paradox are often negative. When actors seek to resolve the paradoxical tensions, they may instead be trapped into the cycle that reinforces and magnifies the tension. (Lewis, 2000). According to the Freudian psychology, paradoxical tensions threaten the actor's ego, which leads to a defensive reaction from the actor (Schneider, 1990). This deepens the denying of the affiliation of the contradicting tensions by attenuating the one side and simultaneously strengthening the other. Eventually this leads to the "strange loop" (Hofstadter, 1979), where aiming to reduce the anxiety of the tensions, the defensive reactions actually accidentally reinforce the underlying tensions (Lewis, 2000). Tensions also prevent the change. This is because the actors' natural reaction to change is usually defensive, while trying to avoid revealing the deficiencies of their own perspective. (Harris, 1996) Smith et al. (2013) see that these competing demands create two kinds of challenges to the social enterprise: first, the social enterprises risk losing their dual focus and become entirely socially oriented or entirely commercial. This happens if the management constantly prioritizes the other of the demands. The second challenge is that the personnel of social enterprise divide into the two, conflicting schools: the socially oriented one and commercial oriented one. This may lead to the distinctions between competing groups. (Smith et al., 2013)

On the other hand, the presence of these tensions can be seen as a strength for social enterprise, because they bring forth such different procedures (Smith et al.,

2013). While the commercial view focuses on efficiency, growth, innovativeness and performance, the social aspect highlights passion, motivation and commitment (Smith et al., 2012) When the enterprise succeeds to manage the paradox, it may be able to capture its potential (Haigh & Hoffman, 2012). By combining the commercial and social perspectives, the enterprise is able to create a powerful combination of performance and passion. This requires that the management identifies the social-business tensions and becomes familiar with them. (Lewis, 2000).

Research suggests three, partially interrelated means to manage the paradox in organizations: acceptance (Poole & Van de Ven, 1987), confrontation and transcendence (e.g., Smith & Berg, 1987; Vince & Broussine, 1996). Acceptance refers to the acceptance of the paradox and the preservation of the contrast between the contradicting parties. Confrontation emphasizes the construction of common social understanding of the paradox. One example of low-risk alternative for confrontation is approaching the paradox through humour (Hatch & Ehrlich, 1993). Transcendence refers to the ability of thinking paradoxically (Lewis, 2000) and moving from the first-order thinking to the second-order thinking. This means moving away from the mind-set related to the logics and behaviours used in the past and moving towards critical estimation of the entrenched assumptions. This helps to see the paradoxical tensions as correlative. (Watzlawick, Weakland & Fisch, 1974)

However, the context of social enterprise differs from the traditional paradox management, as in social enterprise the paradoxical tensions are not removable. Consequently, Smith et al. (2012) draw from the earlier research and propose three meta-skills that ease social enterprise to imbibe competing demands simultaneously more effectively. These are acceptance, differentiation and integration (presented in the figure 6).

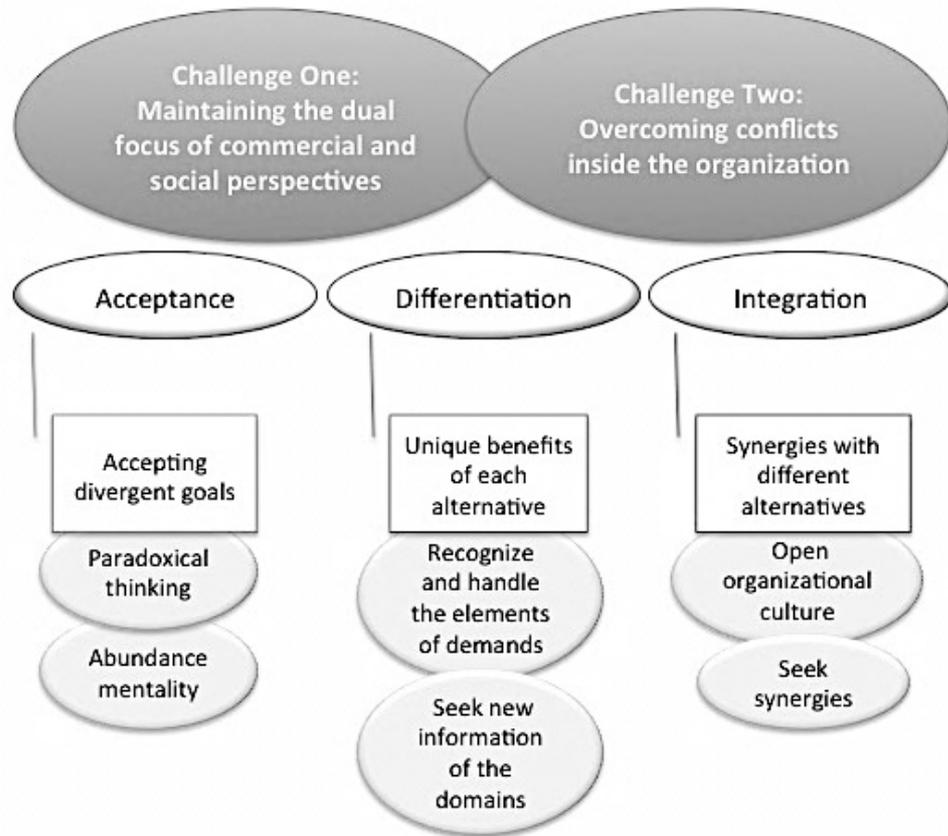


Figure 6. Paradox theory approach into the social-business tensions management (adapted from Smith et al., 2012)

The meta-skill of acceptance involves accepting the divergent goals and adapting the enterprise to act with them, even if the goals were in conflict (Smith et al., 2012). It provides a “sense of freedom” to the social enterprise, which arises from the learning to exist with the paradox (Schneider, 1990). For a social enterprise, acceptance is a necessary skill, while it enables the management of the enterprise to see paradoxical demands as opportunities instead of barriers (Beech et al., 2004). The traditional formal logic thinking accentuates polarization when explaining the positioning of the actors towards the tensions. Formal logic conducts to “either/or”-thinking, where the complexity of the paradox is not conceived. (Hampden-Turner, 1981; Ford & Ford, 1994) In order to accept and embrace the paradoxical thinking and create new, innovative solutions, the approach needs to be moved towards “both/and-thinking”. Such thinking also assists actors to avoid debates, which may lead to the negative dynamics (Lewis, 2000.)

Differentiation concentrates on identifying the unique benefits from both commercial and social demands. To be able to recognize the contributions, these demands should not be accurately categorized and separated but instead should pay attention on the nuances between them. By being more specifically aware of the characteristics of the demands, the social enterprise is able to avoid the risk of losing its dual focus. In order to be able to differentiate effectively, social enterprise needs to recognize, separate and articulate the elements that form the social and the commercial demand. These demands should also be developed and measured separately. (Smith et al., 2012)

Integration focuses on finding synergies between different, contradictory alternatives. Integration aims to bring the two conflicting demands together in order to turn the conflict into something productive. This can be done by creating a culture that supports openness and trust in the enterprise so that even the challenging questions are expressed (Argyris, 1988; Edmondson, 1999). Such environment contributes the cooperation between the members of social enterprise favouring either the social mission or the financial performance. Social enterprise may also seek synergies in its decisions, meaning that the both sides are advocated in the decision making. This way the enterprise learns to make decisions that promote both the social and the financial aspects. (Smith et al., 2012)

3.3.4 Institutional theory

Organizations are part of social environments, which affects on their behaviour (Pache & Santos, 2010). Institutional theory provides insight into the relationship between the organization and its regulative, normative and cognitive environmental elements (DiMaggio & Powell, 1983). The institutional influences appear in organizations in the form of rules and regulations, normative prescriptions and social expectations (Scott, 2001). They are also carried over through institutional logics, which are defined as social constructed routines

guiding actor's behaviour, including assumptions, values, beliefs and norms (Friedland & Alford, 1991; Thornton et al., 2012).

Institutional theory offers insight into the social-business tensions related to organizing and performing by exploring the emergence and survival of organizations and the process required in order being legitimate (Smith et al., 2013). Legitimate means that organization aligns with social rules, values and norms and is this way able to access resources and gain status (Meyer & Rowan, 1977). Even though early research suggested that legitimacy is gained through inner harmony and uniformity of the organization and its stakeholders and conflicting demands were seen as a threat, recent research suggests that environments actually constitute of institutional pluralism and inflict competing institutional demands on organizations (Battilana & Dorado, 2010). These competing demands rise from the multiple institutional logics (Besharov & Smith, 2014).

At the societal level, institutional logics form the framework for actions and organizing principles for a particular domain of actors (Besharov et al., 2014). Even though these logics individually may be clear and offer solid suggestions for action, in combination they often offer incongruent suggestions that lead to the uncertainty and conflict. Dealing with multiple institutional logics is challenging and may cause tensions between the members of the organization (Glynn, 2000). This is specifically challenging for the new hybrid forms of organizations, because they combine the various institutional logics in unprecedented ways and thus can rely neither on the existing models of handling the tensions nor the past experience of the similar situations (Battilana & Dorado, 2010). In the figure 7, the causal connections of company's institutional logic, its objectives and company's rules, values and policies are clarified.

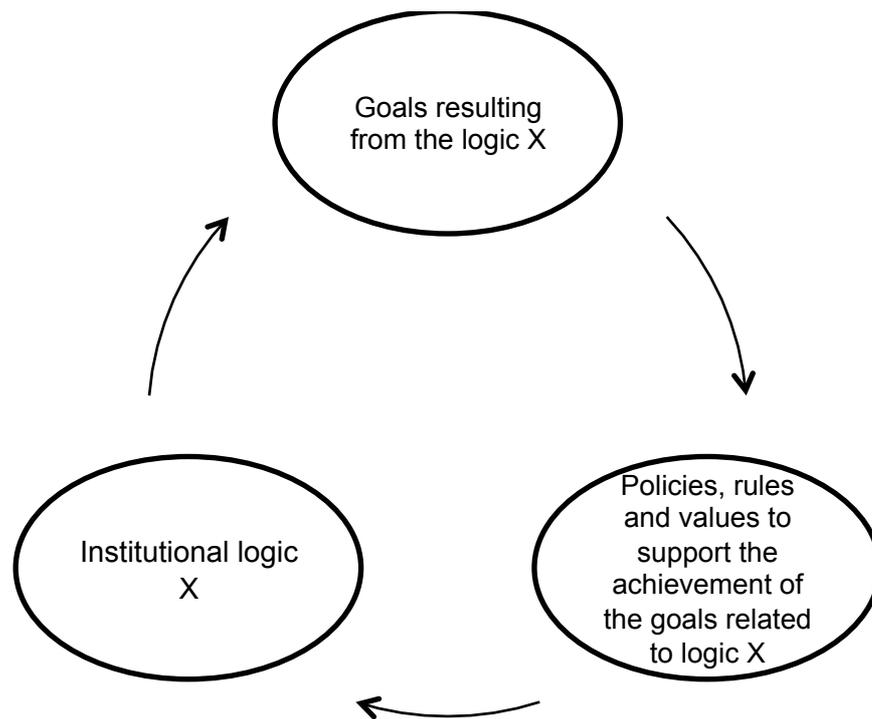


Figure 7. The causal connections of the institutional logic

Social enterprises are hybrids that operate in conditions of institutional complexity and receive conflicting suggestions from social and commercial logics (Battilana & Dorado, 2010), which are supported by differing institutional structures (Ebrahim, Battilana & Mair, 2014). Social welfare logic is attached to altruistic actors and non-profit legal form (Battilana et al., 2012) and has a straight goal: to address the social needs. It indicates to the way in which the social welfare goals have shaped the policies, rules and values in the field (Pache & Santos, 2010). The commercial logic instead concentrates on profits and a for-profit legal form (Battilana et al., 2012) and refers to the way in which the commercial goals have shaped the policies, rules and values in the field (Pache & Santos, 2010). What makes the situation especially interesting in the field of social enterprises is that in addition that these two competing logics are pressing, they are also inevitable. In order for a social enterprise to complete its mission and to survive, it is dependent on these two domains. (Pache & Santos, 2010). In the figure 8, the effect of the institutional influences via institutional logics and demands to the actor's behaviour is demonstrated with examples.

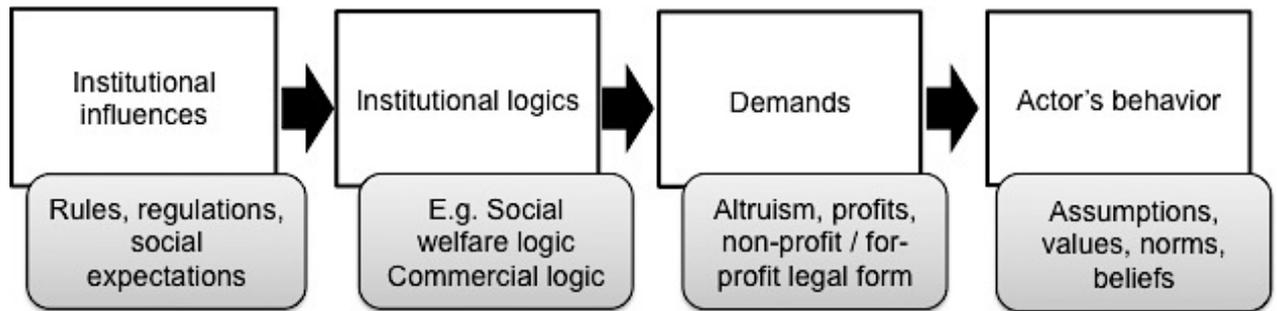


Figure 8. The effect of institutional influences to the actor's behaviour

Being at the crossroad of two distinct logics can be both an advantage and a challenge. Conflicting demands allow the manager to take more innovative approach in developing new, inventive alternatives to current institutional arrangements. (Smith et al., 2013) Some enterprises may even seek conflicting logics in order to create a novel form of organization (Thornton et al., 2012). Also the members of the organization may start seeking alternative courses of actions, because there is a lack of dominant institutional pressure that guides people (Pache & Santos, 2010). On the other hand, distinct logics may result in challenges when aiming to maintain commitments to competing logics simultaneously. Social enterprises may fail maintaining the demands related to social welfare logic while responding to demands rising from the commercial logic in order to gain assets. (Smith et al., 2013).

In order to be sustainable, hybrid organizations need to create a balance between the several logics the organization combines and form a shared organizational identity. The shared identity prevents the establishment of the subgroup identities, which may aggravate the tensions between different logics and thus prevent their conjunction. In the early phase of developing of the organizational identity, the hiring policy is in a prominent role to ensure the common values among the employees chosen. (Battilana & Dorado, 2010). When the competing logics already emerge, there are five different strategies for managing them: acquiescence, compromise, avoidance, defiance and manipulation (Oliver, 1991;

Pache & Santos, 2010). These strategies vary from passivity to the active approach in managing the multiple logics (Oliver, 1991).

Acquiescence is the most passive strategy, proposing that organization follows and accepts the society's rules and norms. It can include adopting a habit by following invisible, taken-for-granted norms or imitating other institutional models. Compromise refers to the aim to answer to all different expectations at some level. This is done by balancing the multiple expectations, pacifying the institutional elements or negotiating with the stakeholders. By avoidance, organization attempts to prevent the necessity for the uniformity by concealing the need for it, buffering the organization from institutional pressures or escaping from the institutional rules. A more aggressive strategy, defiance, refers to denial of at least one of the institutional logics. This can be done through ignoring, challenging or attacking the institutional commands. Finally, manipulation refers to the active attempt to transform the content of the institutional demands by trying to select, influence or control the source of pressure. (Oliver, 1991; Pache & Santos, 2010) Summary of the response strategies to multiple institutional demands is presented in the table 1.

Table 1. Response strategies to multiple institutional demands

Strategies	Tactics	Definition
Acquiescence	Habit, imitate, comply	Adoption of demands
Compromise	Balance, pacify, bargain	An attempt to achieve partial conformity in order to at least partly answer to all institutional demands
Avoidance	Conceal, buffer, escape	An attempt to prevent the necessity to adapt to institutional demands
Defiance	Ignore, challenge, attack	Explicit denying of at least one of the institutional demands
Manipulation	Select, influence, control	Active attempt to transform the content of the institutional demands

3.4. Summary

The social-business tensions are one form of organizational tensions that appear especially in the social enterprises and other hybrid organizations. In this chapter, the social-business tensions have been presented. Also the four theories, organizational identity theory, stakeholder theory, paradox theory and institutional theory, have been presented and their suitability to explain the social-business tensions has been indicated. This chapter is summarized into the figure 9, where the relationship between the organizational tensions, social-business tensions and the four theories is presented. This figure is extended from the figure 4 (chapter 3.1, page 24).

The social-business tensions can be seen as a one type of organizational tensions. In the figure 9, the social-business tensions are examined through the four categories of organizational tensions: learning, organizing, belonging and performing. The four theoretical perspectives used in this thesis are placed in between the categories of organizational tensions and the examples of them from

the view of social-business tensions. This is because, according to previous literature, the theories of organizational identity, stakeholder, paradox and institution all are able to provide unique insight and perspective to the social-business tensions, relating to the categories of learning, organizing, belonging or performing. Also the examples of every category can be examined through different theoretical perspectives and this provides multilateral approach when interpreting the social-business tensions in practice.

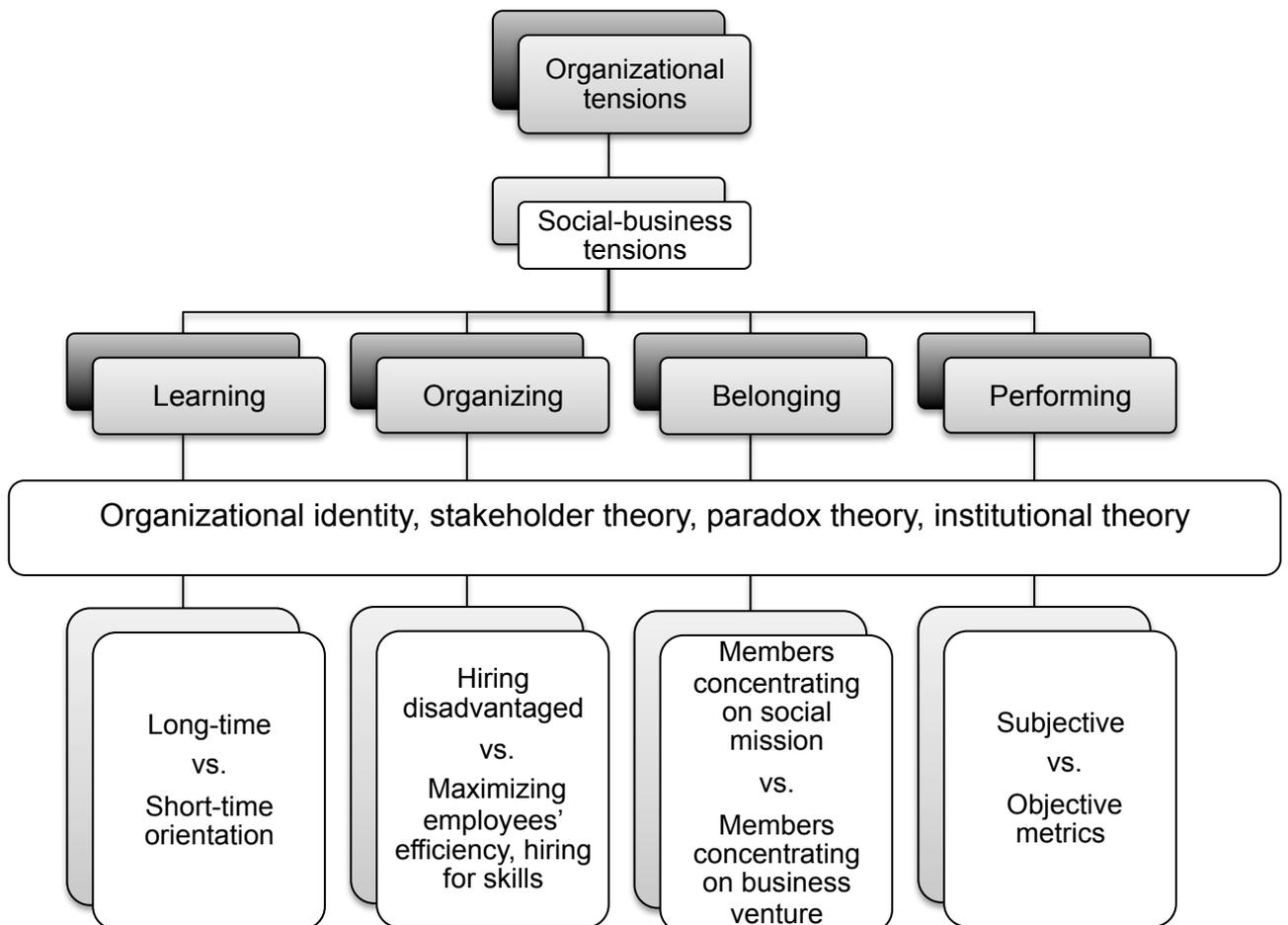


Figure 9. Social-business tensions conducted from the organizational tensions

In addition to explain the relationship of organizational tensions and social-business tensions, the figure 9 illustrates the presumptions of the current literature related to the four specific theories explaining the social-business tensions (e.g. Battilana & Dorado, 2010; Pache & Santos, 2010; Smith et al., 2012; Smith et al., 2013; Besharov & Smith, 2014). One aim of this thesis is to examine in practice the ability of these theories (organizational identity, stakeholder theory, paradox theory and institutional theory) to expose and interpret the social-business tensions and also their ability to provide suggestions into the management of social-business tensions in social enterprises. However, the categories of organizational tensions related to learning, organizing, belonging and performing are in this thesis utilized only to clarify the origin of the concept social-business tension and its features and thus they are not retained in the upcoming chapters.

4. RESEARCH METHODOLOGY

This chapter explains the research methodology utilized in the thesis. At first, the overall research design is illustrated in order to provide a distinct view of the research. Then the multiple-case study research and abductive research approach are more closely scrutinized. Thereafter, the data and data collection method of the research are presented, including the pretesting of the interview questions, discussion of semi-structured interviews and introduction of the interviewees of the study. The chapter finishes with the introduction of the triangulation method.

4.1 Research design

The research design of the study is presented in the figure 10. Starting from the farthest layer, interpretivism is adopted as a research philosophy. Interpretivism refers to the study of social phenomena aiming to provide insight into the subjective meanings rather than providing standardized generalisations. The philosophy of interpretivism relates to the study of social phenomena, research among people and the basis that the subject is formed by a particular set of circumstances and individuals at a specific time. Qualitative in-depth data with small samples is the most likely approach to conduct an interpretive research. (Saunders & Tosey, 2012)

Next, methodological choice refers to the decision, whether to use qualitative, quantitative or a mixture of both of them. In this study, data is collected via interviews and thus a mono method qualitative research is adopted. As a research strategy, a case study method with abductive approach is chosen. This study consists of two separate cases. Time horizon of the study is cross-sectional while the research aims to answer to the questions in a particular time. Final, in the core of the figure 10 is the data collection and analysis. Data of this study is collected via semi-structured interviews and analysed using triangulation method in order to attain comprehensive understanding of the phenomenon.

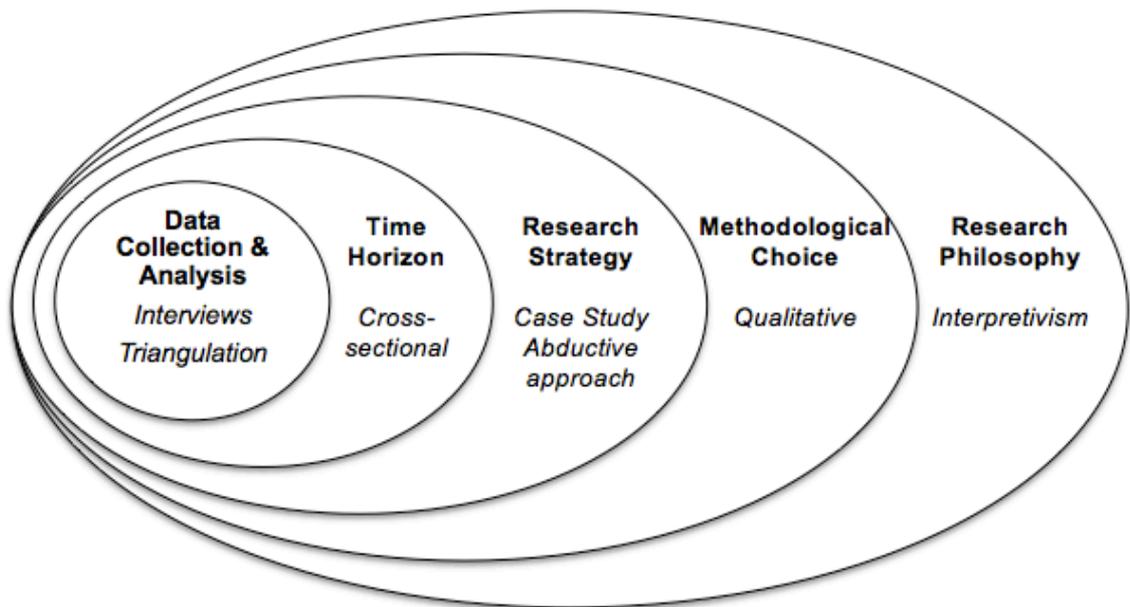


Figure 10. Research design of the study (adapted from Saunders & Tosey, 2012)

4.2 Multiple-case study research with abductive approach

Yin (2003, 1) defines that “the case study is used in many situations to contribute to our knowledge of individual, group, organizational, social, political, and related phenomena”. It focuses on describing, understanding, predicting or controlling the individual (Woodside, 2010, 1) and aims to develop detailed, intensive knowledge of a single case or a small number of related cases (Robson, 1993, 40). The need for case studies arises from the desire to understand some complex social phenomena. Applying case study research enables the investigator to maintain the holistic and meaningful characteristics of the real-life events, such as organizational and managerial processes and international relations. (Yin, 2003, 2). Case studies are generalizable to theoretical propositions and thus the goal of executing them should be in expanding and generalizing existing theories (Yin, 2003, 10). There are various methods of data collection in the case study research: questionnaires, interviews, observation and documentary analysis, to mention few. Case study research can be very useful when exploring existing

theories but also when challenging them and providing new hypotheses. (Saunders, Lewis & Thornhill, 2011, 94). In this study, the abduction is used as an approach to conduct a case study. By abduction is meant the relation of a theory and an observation, which results to the interpretation. The theory and observation are used together to achieve an interpretation of something specific. (Seale et al., 2004, 91).

Scientific facts are seldom based on single experiments. Instead, they are usually based on a multiple set of experiments that have replicated the same phenomenon under different conditions. When a study consists of more than a single case, it is called as a multiple-case design. (Yin, 2003, 10; 46). Advantages of multiple-case study are that the evidence of them is often considered to be more compelling and therefore the overall study is regarded to be more robust (Herriott & Firestone, 1983). When conducting a multiple-case study, every case should be considered as an experiment, following the “replication” logic. By replication is meant the need to repeat findings of a single experiment to prove its reliability and to continue investigation. This is the underlying logic of using multiple-case study research. (Yin, 2003, 47) Also cross-case technique is used in this study in order to examine the nuances between the cases A and B. When the study consist of at least two cases, the cross-case synthesis is an especially relevant to use in analysis. In the cross-case technique, the each individual case is treated like a separate case and the similarities and differences between the cases are examined. (Yin, 2003, 133-134)

4.3 Data and data collection

Next, the data and data collection method of the research are presented. In order to pre-test the interview questions, two pilot interviews were organized. As a data collection method, semi-structured interviews were used and the analysis was done utilizing a triangulation method.

4.3.1 Pilot interviews

In this study, two pilot interviews were used in order to ensure the suitability of the interview questions and to ensure the researcher's mature understanding of the phenomenon of social-business tensions. The purpose of the pilots was to discuss about the subject and the research questions of the thesis with an expert in the field of social enterprises. According to Yin (2003, 80), the pilot case inquiry can be much broader and less focused than the actual data collection plan and can cover both substantive and methodological issues. Methodologically, pilot interviews may provide information about relevant questions to the case.

The pilot interviews were executed in person in June 2015 before the actual interviews. The experts chosen were Harri Kostilainen and Niina Ollikka. Kostilainen is a researcher from Diaconia University of Applied Sciences, secretary of FinSERN (Finnish Social Enterprise Research Network) and a project leader in SOSVOIMA development partnership. Niina Ollikka works as a brand manager of The Finnish Social Enterprise Mark in the Association for Finnish Work. These two interviewees were chosen due to their comprehensive understanding and experience of social enterprises. To be mentioned, also the perspectives of the pilot interviewees covered both the theoretical and practical approaches, while Kostilainen has focused on the research work among social enterprises and Ollikka works with them in practice. The pilot interviews offered valuable insight into the adjustment of the questions and also some additional, complementary questions came up. Due to pilot interviewees' previous experience on the social enterprises, the interviewees were also capable to provide insight into the way the actual interviewees may understand and react to certain questions. Also some thoughts related to the actual interview situation and to the creation of reliable atmosphere were distributed.

4.3.2 Semi-structured interviews

In this study, interviews are used as a research method. According to Eskola and Suoranta (2008), the aim of an interview is to find out the opinions that the person in question has. Interviews can be categorized into the groups with many divergent means. One approach is to divide research interviews in four categories: structured, semi-structured, theme and open interviews. In a structured interview, questions and their order are same for everyone. Also the answering alternatives are the same. Semi-structured interview is otherwise same as structured, but there are no prepared answering alternatives, so the interviewee can answer with his or her own words. In theme interview, themes of the interview are predefined. There are no specific form or order for the questions. An open interview reminds an ordinary discussion situation. (Eskola & Suoranta, 2008, 85-86) The data collection method in this study is semi-structured interviews.

In semi-structured interview, the researcher has a list of themes and questions to be covered, but these may vary among interviews. In addition, the order and amount of the questions may vary depending on the path of the interview. (Saunders et al., 2011, 244) The semi-structured method was chosen because of the need to adapt the questions in each interview and the researcher's desire to allow the interviewees to speak about themes freely instead of limited answers to the exact questions. All interviews were conducted in person.

The purpose of the interviews was to examine how the managers of the social enterprises experience and manage the social-business tensions in their operation. The interviews also considered the objectives of the social enterprises. The questions were categorized into the five groups that illustrated the theoretical part of the thesis. This categorization was not expressed to the interviewees in order to maintain their responses as neutral as possible. Explaining the theories was not seen relevant for the interviewees and could have been confusing for them. The five themes of the interviews were, adapted from the chapter three: enterprise's objectives, organizational identity, stakeholders, management of paradoxes and institutional influences.

Alltogether five persons in the leading positions were interviewed from the two case companies. From Helsinki Metropolitan Area Reuse Centre Ltd., three representatives were interviewed. The interviewees chosen to the study were Juha Lehtikuja, the CEO of the company, Elina Kauppila, the personnel director and Tuovi Kurttio, the development director. All three are also members of the operating committee of the Helsinki Metropolitan Area Reuse Centre Ltd. From Annanpura Ltd., the CEO Ari-Pekka Saarela was interviewed. Also the perspective of the Annanpura Ltd.'s owner, Finnish Federation of the Visually Impaired (FFVI), was wanted to include into the study and thus the CEO of the FFVI, Jukka Tahvanainen, was interviewed. Tahvanainen is also a board member of the Annanpura Ltd and thus can be seen as a part of the company's management. The case companies and interviewees are summarized into the table 2.

All interviews were audio recorded and transcribed. This enabled more thorough examination of the interviews and the use of the triangulation approach. Also by recording the interviews, there was more time to concentrate fully in the actual interview situation and listen attentively. The duration of the interviews varied from a half-hour to nearly two hours. After being transcribed, altogether 37 pages of material to be interpreted were received from the interviews.

Table 2. Interviewees of the study

Case company	Interviewees		
Annanpura Ltd (Case A)	CEO Ari-Pekka Saarela (Interviewee A1)	CEO of FFVI Jukka Tahvanainen (Interviewee A2)	-
Helsinki Metropolitan Area Reuse Centre Ltd (Case B)	CEO Juha Lehtikuja (Interviewee B1)	Personnel director Elina Kauppila (Interviewee B2)	Development director Tuovi Kurttio Interviewee (B3)

4.3.3 Triangulation method

When conducting a case study, the approach of individual sources of evidence is not recommended. Instead, using many different sources of evidence is seen as a major strength of a case study data collection. Any finding in a case study is probably more convincing when it is based on a multiple different sources of information. (Yin, 2003, 97-98). Triangulation refers to the “rationale for using multiple sources of evidence” (Yin, 2003, 97). Patton (1987) discusses four types of triangulation: triangulation of data sources (data triangulation), triangulation among different evaluators (investigator triangulation), triangulation of perspectives to the same data set (theory triangulation) and triangulation of methods (methodological triangulation).

In this study, the theory triangulation is utilized. Theory triangulation refers to the theoretical part of the study, where four different approaches to the social-business tensions are utilized. Theory triangulation is also repeated in the empirical part of the study, where the interviewees’ answers are examined from different theoretical perspectives. Triangulation is also taken into account when selecting the interviewees from the case companies. Multiple interviewees from one case company are interviewed and the interviewees are chosen from different areas of responsibility. This procedure ensures that as comprehensive and truthful perspective on social-business tensions as possible is achieved.

5. RESULTS AND ANALYSIS

In this chapter, the results of the interviews are discussed and analysed. First, the case companies are described. Then, first the case A (Annanpura Ltd)is analysed by examining the social-business tensions the company face from different theoretical perspectives, examining the interviewees' personal viewpoints on tensions and summarizing the case. Thereafter, the case B (Helsinki Metropolitan Area Reuse Centre Ltd) is analysed in the same manner. The chapter finishes with the cross-case analysis between the cases A and B.

5.1 Case descriptions

Next, the case companies of the study are presented. Presentations include the description of the companies' industries, their mission and vision (according their websites) and also financial ratio summaries from the last years are presented. However, as the case B operates as non-profit organization, no exact information of the company's profits was available from each year. Case companies of this thesis are Annanpura Ltd and Helsinki Metropolitan Area Reuse Centre Ltd.

5.1.1 Case A: Annanpura Ltd.

Annanpura Ltd. is a transcription company, which is completely owned by Finnish Federation of the Visually Impaired (FFVI). The company has operated since 2001 and was reorganized to Annanpura Ltd. in 2010. The company was granted by the Finnish Social Enterprise Mark in 2012. Company employs 18 visually impaired persons and one physically challenged person. (Annanpura Ltd., 2015a) The head office is located Helsinki, but the company offers its services everywhere in Finland. Their services include testing of web accessibility and transcription of research materials, police interrogations, doctor's statements and demanding juridical materials. (Annanpura Ltd., 2015b) According their websites, providing high quality services to their customers and career opportunities to visually impaired persons is the mission of the company. Annanpura's vision is to become

the leading service supplier in its own field of business. The values representing their operation culture are freedom, responsibility and communality. (Annanpura Ltd., 2015a)

Table 3. Annanpura Ltd.'s financial ratio summary from 2010 to 2014 (Taloussanomat, 2015)

Annanpura Ltd.	2010/12	2011/12	2012/12	2013/12	2014/12
Company's turnover (1000 EUR)	145	261	356	407	257
Turnover change %		95.00	36.40	14.30	-36.90
Result of the financial period (1000 EUR)	-14	1	19	6	15
Operating profit %	-9.00	1.00	5.90	6.00	15.00
Company personnel headcount	7		13		13

5.1.2 Case B: Helsinki Metropolitan Area Reuse Centre Ltd

The Helsinki Metropolitan Area Reuse Centre is a non-profit social enterprise, which runs recycling centres, produces goods from reused materials and provides environmental education. Company aims to act sustainable in ecological, social and economic manners. (Pääkaupunkiseudun Kierrätyskeskus Oy, 2015a) Company has five stores located in Vantaa, Espoo and Helsinki and also an online-store (Pääkaupunkiseudun Kierrätyskeskus Oy, 2015b). According their websites, company's mission is to improve the environmental state by reducing the amount of waste and by increasing environmental awareness. The Helsinki Metropolitan Area Reuse Center uses part of its income to provide environmental education and consulting services. They also offer work for people in different life situations, for example for long-term unemployed or disabled people. The company does not share any dividends for its shareholders and uses all profits to develop its business. The values of the company are environmental responsibility, communality, authenticity, empathy and rationality. (Pääkaupunkiseudun Kierrätyskeskus Oy, 2015a) The company's turnover, result (negative or positive) and company personnel headcount is presented in the table 4.

Table 4. Helsinki Metropolitan Area Reuse Centre Ltd's financial ratio summary from 2010 to 2014

Helsinki Metropolitan Area Reuse Centre Ltd	2010/12	2011/12	2012/12	2013/12	2014/12
Company's turnover (1000 EUR)	3 000	3 992	4 300	4 700	5 500
Result of the financial period (1000 EUR)	80 000	Neg.	Neg.	-4	Pos.
Company personnel headcount	129	252	252	335	417

5.3 Analysis of the case A: Annanpura Ltd

In this section, the social-business tensions experienced by the interviewees from the case company A are examined. First, the interviewees' perspectives of company's objectives are shortly discussed, followed by examination of company's operation using theoretical approach. In each theory, first the overall perceptions of the subjects relevant to the theory in question are discussed, followed by the examination of the social-business tensions the particular theory reveals. Each theoretical discussion ends with the interpretation how the company manages the social-business tensions according to the theory in question. After the analysis, the interviewees' individual viewpoints are scrutinized and compared. The interviewees of the case company A are the company's CEO (Interviewee A1) and the CEO of the company A's owner FFVI (Interviewee A2), who is also a board member in Annanpura Ltd.

5.3.1 Objectives

"We aim very strongly to the situation where the "goodwill"-value of our business would be seen as an additional bonus for the customer, whereas our main desire is to be the best operator in the field and provide the best quality service to the customers" (Interviewee A1)

Interviewee A1 sees that the company's most important objective is to fulfill the needs of company's customers. The second important issue is the employment of the disabled people by providing jobs for them and creating career opportunities for them. (Interviewee A1) Interviewee A2 sees the employment aspect as the most important objective; through education and support employees create high quality services and thereby also the company succeeds.

After the first year, the company has been able to be profitable, even if scarcely (see table 3). During the last years the common economic depression has affected to the business and increased the competition in the field. There is a lot of cheap labour force available and competitors benefit of that, which makes the business more challenging for company A (Interviewee A1). Both interviewees have been quite satisfied with the company's current operation.

5.3.2 Social business tensions through organizational identity

By determining the factors related to centrality and distinctiveness of the company, forming a picture of the organizational identity facilitates. The case company A's mission and the centrality of the organization is to employ disadvantaged people and turn their weakness into the strength. The company's core business consists of two services: transcription services, which are indicated to the diverse customers on the private and public sector, and the accessibility services. The company is constantly planning and developing its services forward.

"It is essential that the work we provide is high quality and the customers receive what is promised to them, because there is no "protection"; if the quality of our service is weak, the customers leave." (Interviewee A2)

The distinctiveness of the company relies in the ethical operation: company pays wages according to the collective bargaining agreement (CBA), which is not that typical among the field of business where many competitors are using occasional

workers. Though, the most important issue to separate from the competitors, according to interviewee A1, is to provide the best quality of service. Also the concentration and hearing skills of the visually disadvantaged are more advanced than an average human and thus are seen as a separate factor, in addition with the worker's authenticity when testing accessibility services. Interviewee A1 sees that operating ethically and company's goodwill value are seen as additional respected values to the customers. Interviewee A2 sees that the fact that all employees of the company are disadvantaged and the company has a Social Enterprise Mark are seen as ethical factors separating company from the other organizations. Also the fact that the company has been committed to the business for a long period of time, and thus has a lot of experience of the field, is seen as a distinctive factor. (Interviewee A2)

"However, this is business, we have earn our daily bread. So just the employment of the disadvantaged is not enough, we cannot employ if we make loss. So you have to constantly keep in mind the realities of doing business." (Interviewee A1)

When discussing about company's culture, the interviewee A1 sees that there are no major differences when determining the company's goals and objectives between the members of the organisation. He emphasizes that many of their employees have an entrepreneurial background and thus have a common mind-set of the realities of doing business. The organisation has also been able to transform this attitude to the more recent workers so the organizational identity seems to be collectively created and accepted. In the board of directors of company A, there is taken care that the company has constant objectives related to growth. Also the objectives related to the employment of the disabled people are determined. The interviewee A2 sees that there is not much debate between these two objectives. He still mentions that there are different perspectives among the members of the board and the decisions are made based on the synthesis of various perspectives. Interviewee A1 emphasizes that the company cannot operate without incomes and thus the financial aspects of the operation must be constantly taken into account. Fulfilling just the social aim is not enough, even

though the owner of the company is not looking for dividends. He sees having the owner that is able to provide assets if necessary as a great advantage. Interviewee A2 considers that the commercial thinking is connected to the social thinking and also to the development of the business. There is a possibility that among unions and citizens the commercial side has even too much effect on the action. Thus, he sees that especially in the times that are economically challenging, the economic aspect should be strictly connected to the action.

The fact that the society supports Work Integrated Finnish Social Enterprises with salary support means that the business must fulfil the related criteria and be socially accepted, and this also causes the company to have a specific political atmosphere when doing the business. Interviewee A1 sees that the factors measuring company's success are the amount of people the company is able to employ and the company's profit. Interviewee A2 sees that there are multiple different factors that can determine company's success: the amount and the trend in the amount of customers and employees, cost-effectiveness of the business, gross margin and profit. Also how the company is adopted and marketed forward by the owner FFIV (Finnish Federation of the Visually Impaired) is seen as a success factor, even though it is challenging to measure.

When adapting organizational identity theory to the case company A's organizational identity, can be seen that commercial and social identities exists. Company A seems to combine normative and utilitarian identities, creating this way multiple identities to adopt both the social and economic aspects. Among the factors measuring profitability, utilitarian factors include profit, amount of customers, cost-effectiveness and gross margin. Normative success factor, in turn, is the number of employees. On the other hand, the number of employees can also be seen as a utilitarian success factor, since the increased number of employees is a consequence of the growth and profits. However, the company has clearly more factors determining the utilitarian profitability. The fact that all the employees themselves are disadvantaged may itself form a base for a normative identity, but on the other hand, most of the employees have a strong entrepreneurial background, which strengthens the utilitarian identity.

When considering case company A's social-business tensions through organizational identity, the financial side seems to dominate the social one in the daily action, but it does not have straight deleterious effect on the social side. The deleterious effect appears more as a consequence of the lack of resources needed to fulfil company's social goals, not lack of management's interest on the social side. Due the economic depression, the company is not able to receive that much financial support from the government and thus the lack of funds indirectly affects to the execution of the company's social goal: providing more career opportunities to disadvantaged people.

When considering the management of social-business tensions related to the case company A's organizational identity, the management has been able to create a culture, where a common entrepreneurial approach to work maintains. There are no distinct subgroups inside the organization emphasising different objectives. Even though the normative and utilitarian identities exist inside the company, the balance between the identities has remained. The fact that the social action is direct consequence of the successful financial operation may diminish the confrontation of these two objectives.

5.3.3 Social business tensions through stakeholder theory

When discussing of company A's stakeholders, the interviewee A1 sees company's customers as the most important stakeholder group. After that, the owner FFIV is considered to be the second most important. Also the whole community of visually disadvantaged people, as well as other federations of disabled people are seen as stakeholders. In addition, the other social enterprises and the authorities are mentioned, The Ministry of Employment and the Economy as the most important authority. (Interviewee A1) The interviewee A2 also considers the community of visually disadvantaged people and the actors there as stakeholders. He emphasizes that the government is very central, including The Ministry of Employment and the Economy, The Ministry of Finance and

The Ministry of Social Affairs and Health. Also TE-services, particularly from the county in southern Finland and The Centre for Economic Development, Transport and the Environment (ELY) are important to maintain the interaction with. One wide stakeholder group is the customers. Also the normal assistances and advances given to the employees, like the health care services, form many stakeholders. In addition the competitors of the company are seen as one stakeholder group and their actions are constantly monitored. Despite of this, the company aims to maintain its own operation in the centre of the focus. (Interviewee A2)

Practically, the parties related to government and authorities are concentrating and expecting company to employ disadvantaged people. Also the community of visually disadvantaged people is looking for the employment. The customers of the company are expecting high quality services, as well as ethical operation from the company.

In the table 4, the different stakeholder groups and their interests towards the company are listed. When comparing these to the company's own objectives, mentioned by interviewees, can be seen that they are homologous. None of the stakeholder groups is expecting something divergent from the company than company is aiming to offer. Every stakeholder's interests seem to be intrinsic of value with the organization's interest. The stakeholders' interests seem to emphasize the employment aspect, whereas the company prioritizes successful business first, because through the profits company is able to obtain higher level of employment. However, the management of the case company A does not consider this as a problem.

"If the enterprise executes its work assignments well with high quality, then I do not see any kind of contradictions" (between stakeholders' expectations). (Interviewee A2)

Table 5. Case company A's stakeholder groups and their interests

Stakeholder group	Interests towards the company
Customers	High quality services Ethicalness and social responsibility
Owner (FFIV)	Employment Profitability Growth
Government & authorities	Employment Ethicalness
Community of visually disadvantaged	Employment Career opportunities

Drawing from stakeholder theory, company A seems to combine instrumental and normative approaches when choosing the relevant stakeholders and answering to their demands. The demands of the stakeholders are convergent with the company's objectives and thus, following the instrumental approach, receiving support from its stakeholders contributes the company to achieve its goals. For example, if the company aims to improve its profits, it has to provide high quality services to its customers. The interests of the parties are connected with each other. In the normative approach, certain acts are executed because they are morally right. Accordingly, also elements from the normative approach can be noticed: company offers career opportunities for the visually disadvantaged, because it is ethically right. Stakeholders' and company's compatible objectives make it distinct for case company A to decide, which stakeholders' claims to address.

5.3.4 Social business tensions through paradox theory

"The finance is certainly more important, it enables our social operation."
(Interviewee A1)

For the case company A, monitoring and managing both the financial and social objectives is quite transparent. Financial aspects are monitored simply by tracking

the profit and loss statement, whereas the social aspects are determined by the employment rate. These two aspects are under constant monitoring in the organization. The financial aspect is seen as the factor enabling the social actions and is thus considered to be the dominant one. (Interviewee A1)

Having both social and financial goals is seen as a positive issue and they are not seen restricting each other. Even when the times are challenging due to economic situation, the financial scarcity is seen somehow positive, because it forces company to the innovative thinking and finding new solutions. (Interviewee A1) This supports the paradox theory's presumption that the tensions in the organization are permanent and inherent in the organizations. Also the argument that in order to be profitable in the long-term, the company needs to answer to the multiple demands of stakeholders seems valid, because the demands of company's stakeholders are intrinsic of value with the company's own interests. Even though the financial aspect is seen as dominant one, the social action is included into the company's core business through the employment of disadvantaged people. This mitigates the negative dynamics the paradox may include. For instance, this reduces the risk of losing the company's dual focus due the paradox and also the risk that the personnel of the company divides into the conflicting groups emphasizing either financial or social side. Case company A seems to find the presence of the tensions as strength, because they bring out more innovative approaches and new solutions.

Drawing from paradox theory, case company A seems to have acceptance as a meta-skill for managing the competing demands more efficiently. The management sees the divergent demands more as opportunities than barriers and sees that the divergent demands lead to the innovative solutions. The company has been able to adapt its attitude regarding tensions into "both/and"- thinking, where it accepts both of the demands and the paradoxical approach they generate. In the "both-and" -thinking the complexity of paradox is argued to be understood, unlike of "either-or" thinking. Also elements from differentiation skills can be found. The financial and social objectives are clearly recognized, separated and articulated and it is well understood, how these objectives and demands are

composed. Also they are both measured and developed separately; the management has separated its financial and social objectives and measures both of them constantly.

5.3.5 Social business tensions through institutional theory

When the case company A was established, the limited company was considered to be the most functional company form. Also cooperative was deliberated as an option, but the limited company was seen as the most reasonable. (Interviewee 1A) Reasons to choose limited company as a company form were that it was seen as agile to plan and execute, as well as to develop and examine its operation. Company A was supposed to concentrate on the certain working concepts related to the employment of the visually disadvantaged people and this continued to selecting the form of social enterprise and also to operate as Work Integration Social Enterprise. (Interviewee A2)

The company finds no difficulties to locate it among traditional “for-profit” enterprises and the non-profit ones. Making profit enables the company to develop its operation and thus employ more people and in that way accomplish its social mission. (Interviewee A1) Consequently the for-profit and non-profit aspects of the company are strictly connected with each other. After the FFIV’s investment to the company in the establishing phase, the company has mainly been able to finance its operations from its profits and has not needed external funding. Some credit from the FFIV has been needed during the time and there has been no complexity considering its availability. (Interviewee A1).

“I do not see that we receive any pressure (from the society’s rules and regulations). We have a large customership on the public sector and thus we can also call the society as our partner.” (Interviewee A2)

When considering the society’s regulations, the applying of the salary supports requests some paper work because even if the disability is a continuous stage, the

salary supports need to be reapplied every three years. The payments of the salary supports are often considerably delayed and this causes some scarcity to the company. Still, interviewee A1 sees that the society aims to balance the company's declining in productivity, caused by the visually disadvantaged employees, by offering salary supports to the company. The company has clients in the public sector and hence the society can be seen as a partner. (Interviewee A2).

Institutional theory examines the relationship between the company and its environment and aims to clarify, how the institutional influences appear in the organization. In order to be legitimate, case company A needs to fulfill the qualifications of Work Integration Social Enterprise (see chapter 2.3). Fulfilling these qualifications company A is able to gain resources in the form of salary support from the government. On the other hand, the company may become to some extent dependent of the government's support and this can be a negative issue, if the amount of supports decrease or is abolished. The Interviewee A2 states that if the atmosphere changes and the amount of salary support would be reduced, the company may aim to put pressure on the government to maintain the supports. Company also has the Finnish Social Enterprise Mark, which is granted against certain criteria (see chapter 2.3) and which gives the enterprise a standard of certain status. These commitments require the company to maintain its social mission and answer to the social demands and thus support the company's social welfare logic. The legal term Work Integrated Social Enterprise (*sosiaalinen yritys*) is not seen that functional because its connotations in Finland may lead to the false assumptions (*sossu, sosiaalipummi*) and the Interviewee A1 only uses it when interacting with the authorities. Instead the social enterprise (*yhteiskunnallinen yritys*) is seen generally as more appropriate term.

According to institutional theory, social enterprises operate in an environment consisting of social and commercial institutional logics, which are supported by different institutional structures. Social welfare logic aims to address the social needs shaping the company's policies and values. It is often attached to non-profit legal form, but since case company A operates as a Work Integration Social

Enterprise, social welfare logic is in this case actualized through certain legislative criteria the company needs to absorb. Social welfare logic can also be seen in the company's social objectives that have resulted into the employment of the disadvantaged people. Commercial logic instead is connected to the company's for-profit legal form, even though the case company is not aiming to maximize shareholders' profits and so differs from the traditional, profit driven limited company. Still, the company is aiming to make profits in order to be able to develop more social opportunities and in that way company is also driven by the commercial logic. The company has multiple objectives, which can be seen as the result of the company's commercial logic. Even though the literature suggests that the commercial and social logics are in conflict and in theory they may be, with the case company A commercial logic is essential and practically enables the existence of the social logic (illustrated in the figure 11).

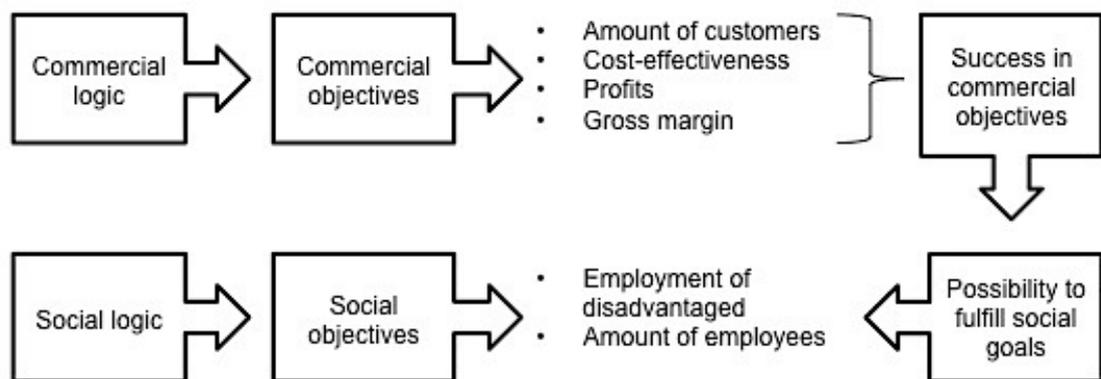


Figure 11. Case company A's relationship between commercial and social logic

When considering the management of multiple institutional logics, the case company A seems to use the strategy of compromising. The company aims to answer to all logics, both commercial and social ones, at some extent. Because company is aiming to make profits just for financing its social actions, it does not strive to fully answer to the commercial demands but still aims to keep its operations profitable. It does not either fully answer to all social demands, because its social actions are regulated by the financial resources. Instead the company

aims to balance between these two logics. However, when considering the possible reduction of the salary supports, the company is using the strategy of defiance by challenging this institutional demand and thus aiming to remove the pressure.

5.3.6 Examination of the interviewees' personal viewpoints

The interviewees of the case company A were company's CEO and the CEO of the FFIV, the owner federation of company A. The purpose of having interviewees both from the company and its owner was to gain more perspective on the social-business tensions company might face in its operation. Generally, the perspectives were quite parallel and there were no major differences in their answers. When considering case company's stakeholders, the CEO of the owning federation emphasizes slightly more government's and authorities' role as stakeholders, whereas the CEO of the case company focuses more on the stakeholders that are present in daily actions, such as customers and the owner. Also when focusing on the issues separating case company from its competitors, the CEO emphasizes that their service is the best of quality and the ethicalness comes as a bonus for the customer, whereas the owner of the federation seems to put more value on the ethical issues as separating factors.

These differences may be result from the fact that the CEO of case company A is present in company's daily operation, whereas the CEO of the owner federation is more involved in the administrative decisions and communication between the company and the government and authorities. Neither of the interviewees experience distinct tensions inside the company considering its social and commercial objectives. Both interviewees see that the duality of the enterprise is more an opportunity than a threat and thus no major contradictions appear in the organization.

During the interviewee, the interviewees were asked to place their company on the line based on their understanding of company's focus. In the other end of the line

is the commercial orientation (C) and in the other the societal orientation (S) (figure 12). The line was not further explained and so the interviewees used their own interpretation when considering the meanings of the commercial and societal orientations. The CEO of the case company A (A1) placed the company in the middle of the line stating that the company has sort of a balance between the two aspects. The CEO of FFIV, placed the company near to the centre, but still slightly towards the societal orientation.

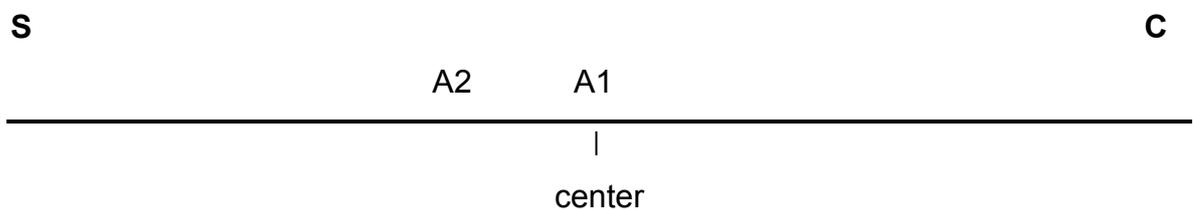


Figure 12. Interviewees' understanding of the case company A's orientation

5.3.7 Summary of case A

The social-business tensions and their management in the case company A have now been considered through perspectives of organizational identity, stakeholder theory, paradox theory and institutional theory. In this section, the summary of the findings will be presented as well as analysis of the theories' convenience when investigating the social-business tensions.

In the case company A, the social and financial aspects are both taken into account in the company's action. The company has been able to create an organizational culture, where both the normative and utilitarian identities appear in harmony. Utilitarian identity seems to be the dominant one, but it is simultaneously the one to enable the existence of the normative identity. One important factor to enable this is the employees' entrepreneurial background.

The stakeholders of the case company A have identical expectations and interest towards the company than the company has towards them. The objectives of the stakeholders and the case company A are parallel. Case company A follows instrumental approach by aiming to achieve its goals by fulfilling the stakeholders' demands. Company also utilizes the instrumental approach of stakeholder theory when it chooses to operate according to ethical principles.

The paradox caused by simultaneous commercial and social objectives is seen as an opportunity that may lead to innovative solutions. Social and commercial objectives are not seen as deleterious towards one another. Case company A utilizes acceptance as a meta-skill for management of the paradox by adopting the "both-and" thinking regarding its commercial and social objectives. Also the differentiation is utilized when articulating, discussing and measuring the commercial and social objectives separately.

In the case company A, the commercial logic and social welfare logic appear concurrently without apparent contradictions. Accordingly, multiple institutional logics are managed with the strategy of compromising, since the demands of all logics are aimed to answer to some extent. Also elements from strategy of defiance can be seen in the management's attempt to increase pressure towards the government when the atmosphere changes regarding social enterprise's governmental support. When examining the perspectives of the company A's CEO and the owner's (FFVI) CEO, there are no major differences between their understandings on social-business tensions.

The social-business tensions seem not to appear particularly strongly in the case company A. One issue to explain this is the symbiosis between the company's financial and social act: the social act (employment) is a consequence of the company's financial success. Similarly, since all the company's employees are disadvantaged, they are fulfilling the social act by simply working and thus the company's profits are gained through the social act in its daily operation. This observation supports Harjula's (2006) claim that when the social benefits are a

straight consequence of the company's core business, as in case company A, the question of double bottom line becomes irrelevant.

5.4 Case B: Helsinki Metropolitan Area Reuse Centre Ltd

Next the analysis of case company B's social business tensions is presented. The analysis is executed in the same manner as in case A. The interviewees of the case company B are the company's CEO (Interviewee A1) the company's personnel director (Interviewee A2), and the development director of the company (Interviewee A3). All three are also members of the operating committee of the Helsinki Metropolitan Area Reuse Centre Ltd.

5.4.1 Objectives

When talking about case company B's objectives, the primary objective of the company is to enhance the state of environment and decrease waste by reutilization and offering sustainable solutions for the consumers (Interviewees B1, B2, B3). Other objectives consider the social aspect, such as employment and voluntary work (Interviewee B2) and the environmental education aiming to increase people's environmental awareness (Interviewee B3). In the beginning of the business, the social aspect was seen exclusively as a means for executing company's environmental mission. Later, the social aspect has gained more attention and it nowadays has intrinsic value. Also values and objectives related to the social mission are nowadays determined. (Interviewee B1) Goals related to the employment are to provide meaningful work and support to the people who are in a challenging position at the labour market. The company also aims to assist them to become employed in the future. Another social goal is to provide poor people inexpensive usable items, such as clothes and furniture. (Interviewee B3)

“Sound finance forms a foundation for any kind of organization; it is a requirement for the continuity and development of the business. For us, the finance is clearly a matter of resources.” (Interviewee B1)

Finance forms a base for the operation of all organizations and enables the growth and continuity of the action (Interviewee B1). Case company B is a non-profit organization and thus its financial goal is not to maximize the shareholders' profit, which usually is what limited companies aim. However, the company aims to be as self-sufficient as possible and so be less depended on the government's supports. Company is aiming to make profit for the reason that all the profit is used to fulfil company's environmental and social mission. Consequently, the more the company is able to make profit, the better it can fulfil its goals. (Interviewees B2, B3). All the interviewees are quite satisfied with the company's operation. Interviewee B2 considers the amount of financial and personnel resources to be quite small compared to the amount of operations the company executes. Interviewee B3 and B1 see that even if they are satisfied to the operation at the moment, there is always room for the improvement and development.

5.4.2 Social business tensions through organizational identity

When considering the issues affecting to the company's identity, the themes related to company's objectives, distinctiveness and success factors are discussed. Case company B's mission and centrality relies on protecting the environment by advancing the sustainable lifestyle (Interviewee B2, B3). When considering the distinctiveness of the company compared to the other operators in the field, a question of case company B's actual field of business arises. One side of the operation consists of the environmental education and guidance and the other considers the employment aspect. Even this duality itself can be seen as a separate factor when comparing to the competitors (Interviewee B2). The strong environmental mission can be seen as a distinct separable factor, since traditionally the reuse centres' mission relies in the employment (Interviewees B1, B3).

In the case company B, the outcome of the operations does not need to be money; instead the outcome can be the goods reused. Typically, there are two types of recycling centres: the ones that aim to gather funds for some specific

cause and the ones, which main purpose is to employ people. In those cases, operating as a recycling centre is just a means for providing employment. The case company B does neither aim to generate profit nor exists purely in purpose to provide employment (Interviewee B3). Another separable issue is the company form. The form of limited company is not typical in the field, where the foundations, unions and organizations are the most common company forms. (Interviewee B1)

“For some people, the employment is more important than the environmental work.” (Interviewee B3)

The company’s focus on both the environment and the employment causes some contradiction inside the company. Contradiction rises from the differing perspective of what is the main objective of the company. The employees working at the shops located at the reuse centres have sales targets and thus concentrate a lot to the financial factors. Instead, the environmental aspect is strictly value driven and funded by other operations and thus no profit is expected from the environmental side. (Interviewee B2) Also the people working at the reuse centres see the impact of the employment from near and in that way the significance of the employment becomes concrete, visible and maybe more crucial than it is actually stated in the company’s strategy. Consequently, to some members of the company the environmental objectives are more important than employment, and vice versa. The emphasis on either employment or the environment varies also in the board of directors since both objectives are seen important. (Interviewee B3).

“Even though some option would be best for the environment, but there is not enough money, then we need to execute the second best alternative.”
(Interviewee B3)

The fluent connection of social, environmental and financial objectives is something the company aims to develop further. This is done for instance by arranging environmental education for all employees, including the ones working in the shops, where the environmental knowledge is not always that strong. (Interviewee B2) When employees come from different backgrounds, there is a

possibility that environmental aspect can be forgotten. (Interviewee B3) Financial issues constantly affect on the social and environmental ones. Sometimes the company is not able to implement the option that would be best for the environment due to lack of financial resources and then it has to search for the second best, more affordable option. However, the company executes also operations that are financially non attractive but best for the environment, when there is not large amount of money in question. Still, the company employs a considerable amount of people and thus has high financial pressure.

Case company B has multiple environmental success factors. At least the amount of reutilized goods and giveaways, the education lessons, events and people reached through them, the amount of saved natural resources and decreased amount of waste are listed. (Interviewees B1, B2, B3) The social success factors are employees' health and their willingness to start building a career. Only one financial success factor is mentioned and it is not to have negative operating income. (Interviewee B3).

The organizational identity of case company B consists of various focus areas. Company's main focus relies in its environmental mission, which is also a separable factor among the other reuse centres. Also its focus on both the environment and employment aspects and the limited company form separate the company from its competitors. The company has also changed its focus during time to address more the employment aspect.

In the case company B, multiple identities can be recognized. Company seems to have an environmental identity, social identity and also financial identity. Consequently, the case company B has a triple bottom line. Social-business tensions related to organizational identity seem to arise from enterprise's multiple incoherent goals and members' differing sense of what is central in the company. The employees working in the reuse centres have often had a challenging background in the act of being employed and thus appreciate the employment aspect over the environmental one. However, the environmental mission is partly executed via employment and thus employing people partly supports the

environmental identity. The division of social aspect into the environmental and social/employment sides seems actually cause more tensions than the duality related to the social-business objectives.

When considering the normative and utilitarian identities, the environmental aspect clearly forms the normative identity. The recognizing of the utilitarian identity is more challenging. Even if the objectives related to the employment include financial aspects in the form of sales targets, the employment itself represents the normative aspect, because it is done in order to help people. Also almost all of the company's objectives and success factors consider either the environmental or the social aspects. The elements of utilitarian identity can be seen in the company's desire to self-sufficiency and in the desire to make more profit in order to execute and develop company's environmental mission. The company sometimes executes actions that are not profitable but environmentally right and thus may have deleterious effect on the financial demands. With the case company B, it seems that the utilitarian identity is somewhat weak, probably due the fact that company operates as a non-profit organization. Still, the financial pressures are told to be present.

The company manages the social-business tensions rising from organizational identity by using multi-level strategies. The management of the case company B takes the environmental and employment identities into the account in its communications. The company aims to communicate that its main focus relies in the environmental sector but that it also executes the social work via employment. (Interviewee B3) By doing this, the company maintains its common identity in the environmental sector but also addresses the other, robust identity. The financial identity is not very visible addressed, even though it enables the company's social and environmental actions and is thus fundamental to company. The fact that only one interviewee mentioned financial aspect as a company's success factor, may speak that the utilitarian identity does not receive much attention in the company.

5.4.3 Social business tensions through stakeholder theory

Case company B operates in the field where the amount of stakeholders is plentiful. Owners are seen as the most important ones, concerning cities and municipalities and their offices and institutions (Interviewees B2, B3). Also public employment and business offices (TE-services) and other employing parties, via people are aiming to employ into the case company B are mentioned (Interviewee B2). Stakeholders also include company's customers from its all different services, investors, co-operating companies, ministry and logistic companies (Interviewee B3).

“The stakeholders’ expectations, from the government for instance, are not always exactly realistic concerning the matter of employment.” (Interviewee B1)

Interviewee B3 sees that in the end, all stakeholders are aiming to enhance their own status and thus their interests towards the company may vary. When considering the demands and expectations of different stakeholder groups, there is some variation. The expectations of the government, municipalities and TE-services towards the employment issues are not always realistic. The municipalities are providing assets into the employment through salary supports and thus expect the people to develop their expertise while working in case company B. They also expect that after the employment period, people become employed and start their career in some other organization. (Interviewee B2). This claim itself is quite optimistic, since the people that are employed to the case company B usually have a background of long time unemployment and a lack of education. The economic depression has influenced into the labour market in Finland and thus the act of becoming employed has become in general challenging. In a situation where the person lacks education and may have a background with social problems, the demands of the municipalities are quite intense. (Interviewee B2)

Municipalities also usually aim to maximize the amount of employed people and desire to do that in as short period of time as possible. This can result to the

contradictions between the case company B's customer service quality and municipalities' claims: to employ lots of marginalized people as quick as possible in a short period of time and still maintaining the quality of customer service is a contradicting and a challenging require. (Interviewee B1, B3) The support period that municipalities offer into the employment is about to become shorter, whereas the company would prefer to employ people for a longer period of time. This would enable the maintaining of the work quality high and providing people better chances for employment in the future. This way the interests of the parties differ from each other. (Interviewee B3)

Also the fact that the environmental operation is company's main mission over the employment, whereas many stakeholders emphasize the employment, causes some contradictions (Interviewee B2). The interest of the owners related to the factors of employment may also vary from the company's interests to some extent, but in general the goals are parallel (Interviewee B3). Sometimes, the customers may have expectations that the company should donate goods for free, if the company itself receives them free of charge. In that way, the company's operation is not always fully understood. Customers also may expect the company to take in all donated goods, regardless of their condition and the likelihood that they might not be sold forward. (Interviewee B1)

Sometimes the company has to downgrade its requirements and make contracts that are not as desirable from the environmental perspective. There are organizations that are legally obliged to handle their garbage, such as electrical waste, and may not be willing to advance the reutilization in a same scale as the case company B. Still, if case company B does not co-operate with them, some competitor will and thus the company sometimes needs to adapt its own requirements towards the stakeholder's ones. (Interviewee B3)

The case company B faces multiple social-business tensions from its stakeholders. First, the pressures in company's employment sector can be seen as social-business tensions, because the reason why the rapid process of employment is desired is monetary. The shorter periods of salary support per

employee lead to the shorter employment cycle, even though the company would desire to employ people for a longer period of time and thus help them forward in the working life. Second, the most of the stakeholders emphasize the employment over the environmental work. Since the employment aspect is emphasized due to monetary reason, the juxtaposition of social and environmental demands can be seen as social-business tensions. The demands of the government and municipalities can be categorized as highly salient ones since they include power and legitimacy. Third, the recycle centres' customers also bring about social-business tensions by questioning the prices of the goods sold and donating goods that would in the end turn out valueless to the company. Fourth, the co-operation with certain parties set social-business tensions to the company, when the company needs to settle for an agreement that does not satisfy the company's environmental requires completely.

When examining the company's management of the tensions related to stakeholders' claims, the company utilizes the instrumental aspect. In the instrumental aspect of stakeholder theory the company aims to achieve its goals by adopting certain principles. In the case company B, the environmentalism is the company's main target and the answering to the stakeholders' demands regarding employment is the means to achieve the environmental objectives.

5.4.4 Social business tensions through paradox theory

In case company B, the environmental mission is pursued partly using commercial means, which in this case means by employing people. By doing this, the company's goals actually consist of the combination of environmental, social and commercial objectives. The commercial objective is seen as the one to enable the environmental and social ones, as well as the growth of the company (Interviewee B2). Still, the amount of profit does not need to be plentiful; instead profit can be rather small and even negative in some accounting periods, given that the outcome will improve again during the next period. The environmental objective is

seen as a reason for the company to exist and thus as a dominate one. (Interviewee B3)

According Smith et al. (2013), there are two kind of challenges related to the tensions occurring from the paradox: risk of losing the company's dual focus and the division of the personnel into the conflicting schools. In the case company B, the risk of losing company's either side is not relevant, since the company needs the finance, gained through employment, to be able to fulfil its environmental mission. The risk about the personnel to divide in various groups instead is more topical. Some members of the organization emphasize the employment aspect over the environmental one and vice versa. However, the people emphasizing the employment do not see it as a commercial aspect, because the employment executes the company's social mission by giving marginalized people possibility to start their career and become part of the society.

With the case company B, the matter of social-business tensions seem rather be the matter of social-environmental tensions. When considering the management of the paradox, the case company B seems to have adopted the meta-skill of differentiation: company is fully aware of these two schools, they are measured and developed separately but still strictly connected with each other. Also features of integration are used when the company aims to expand its environmental mission among the organization by offering environmental education for its employees.

5.4.5 Social business tensions through institutional theory

When the case company B was about to be established, there were at least foundation, union and some models of co-operative, which were considered as a possible company forms. However, in the limited company the responsibilities of the parties are clearly determined and thus it was seen as the most functional company form. Still, being a non-profit limited company is considerably rare in Finland and the company form has caused some legal complexity for the

organization. Case company B is also a Work Integrated Social Enterprise (WISE), which typically are for-profit organizations and operating as a non-profit WISE brings more difficulties for the company. Also the term “non-profit” evokes discussion and is not seen as the most desirable one, because even if the company does not target to maximizing its profit or pay dividends, it still aims to make profit. Profit is needed to be able to cover the expenses and grow the operation. (Interviewees B2, B3) The company does not fit well in these categories and the reports to the stakeholders considering company’s form and operation have caused additional work and expenses to the organization. (Interviewee B1)

The company operates as a part of the corporation of Helsinki city (Helsingin kaupunkikonserni) and thus does not receive the development supports of small and medium size enterprises. When measured with the amount of turnover, the company is determined as a small enterprise. Still, even if the company was not part of the corporation, the receiving of the support would be insecure. This is because when measured by the amount of man-years the company is determined as a large company. Classification as a large company has also complicated the company’s gaining of funding, for instance relating to the start-ups of new business units. Compared to company’s man-years, company has a considerable small turnover. (Interviewee B3)

The government’s recent reform of the law related to the salary supports has had a major influence to the amount of governmental support the company receives. In 2014, the company was still contrasted to the foundations and unions when considering the salary supports. In 2015, the interpretation of the law changed and the amount of salary support became tied into the amount of the salaries paid. This led into the distinct decrease in the amount of company’s salary supports. Case company B is one of the largest organizations in Finland to employ people with salary supports and thus this change has caused uncertainty to the company’s operation and increased the pressure to develop company’s self-sufficiency. The decisions of which employees receive the salary supports and which do not are also sometimes unclear and the management of the company does not always know the reasons behind all decisions. Also there are some

variations in different parts of the Finland how the decisions are made and so the decision-making is not equal to every operator. (Interviewee B1)

"The receiving (of the project funding) has before been more effortless, now the criteria are clearly stricter. We just applied funding related to the couple of employment projects, but did not receive that." (Interviewee B2)

In addition, the criteria considering the European Union's funding of the projects have become strained and the case company B has not received much of them during this year. This is the result of the decrease of the overall amount of funding the EU provides to the organizations. (Interviewees B2, B3) These changes are probably the result of the current economic depression.

When discussing of other issues that are affected by the institution, the stiffness relating to the legislation of the volunteer work comes up. The statutes considering the work that can be done by volunteers are really tight and hence the company has to limit the tasks the volunteer can execute, even if there were volunteers willing to execute them. In that way these regulations do not act in anyone's best interests. (Interviewee B3) Also changes in the regulations considering the reutilization of the goods need to be constantly taken into account (Interviewee B2).

Drawing from institutional theory, the institutional influences appear in organizations by rules and social expectations, carried over by institutional logics and demands (Friedland & Alford, 1991; Scott, 2001; Thornton et al., 2012). When examining the rules, regulations, normative prescriptions and social expectations in the case company B, there are a lot of factors that are shaped by the institutional influences. The fact that the management of the company feels that the company does not fit into the common organizational categories, determined by the society, is an institutional influence. Also the strict rules relating the volunteer work, funding and the social expectations that rise from operating as a WISE and social enterprise are institutional influences.

When examining case company B's different institutional logics, social welfare logic is connected to the desire to provide work for unemployed people and volunteers, executing the environmental mission and operating as a non-profit company, as a social enterprise and as a Work Integrated Social Enterprise. The environmental education is held throughout the organization to strengthen the environmental aspect of the social welfare logic. The commercial logic can be seen in the objectives related to the incomes and growth and in the applying of the salary supports and project funding. Commercial logic also appears among the members of the organization who operate in the shops and reuse centers, where the sales targets are set. Currently when the amount of public funding is decreasing, the commercial logic strengthens because the company needs to be able to capitalize its operation itself. This causes tension between the commercial and social welfare logics. Some of the environmental or social actions are not profitable and when the funding decreases, the company is forced to concentrate on the execution of the operations that are profitable, even though its mission would be environmental or social.

When examining the management of different institutional logics, case company B uses tactics of compromise and defiance. In the compromise, the company aims to answer to the different institutional demands and expectations at some level. For instance, when the company has financial difficulties, it still aims to execute the options that are most preferable for the environment. When the government and municipalities aim to shorten the employment period, the company still aims to provide as high-class service as possible for the customers and also pleasant experience for its employees. The defiance tactic signifies that company ignores, challenges or attacks towards the institutional demand. The defiance is utilized when the management of the company strongly challenges and disagrees with the regulations considering the volunteers' work.

5.4.6 Examination of the interviewees' personal viewpoints

In order to implement the triangulation method more encompassing, also the nuances between the interviewees' perspectives are paid attention to. The interviewees from the case company B operate as a CEO, HR-director and development director in the organization. The CEO's tasks are quite administrative, including the general framework for company's operation and also financial and personnel issues. The HR director operates as a head of the human resources department and has projects related to the employment and volunteering. The development director is part of a small development department that assists other departments to develop their action. These job descriptions are important to signify, when analysing the distinctions between the interviewees' perspectives. Some logics and viewpoints may be explained by the person's orientation in the workplace.

In general, all the interviewees had some specific aspects that were emphasized in each interview. The CEO of the company discusses lots of the administrative issues, such as the impact of legislation to the company, the field of business in Finland in general and the company form's influences to the operation. The HR director adduces the employment aspect most among the interviewees. For instance, when discussing of the company's objectives and separable factors, the HR director is the only one to mention the employment aspect beside the environmental one. The development director seems to evaluate the company's operation the most and thus has the most critical examination towards the business. These nuances between the interviewees are explicable by comparing their emphasis to the persons' job descriptions.

When scrutinizing the interviewees' experiences of social-business tensions, the findings between the interviewees are quite convergent. All interviewees see that the stakeholders' expectations towards the company's operation cause tensions to the enterprise. Stakeholders capitalize the employment and thus expect people to become employed quickly forward and this conflicts with the enterprise's aim to educate employees properly. Proper education is necessary to maintain the high

quality of the service and execute the environmental work well. The CEO and the development director both see some contradiction, when company desires to execute a non-profitable environmental activity but simultaneously has pressures to operate profitable. The decrease of the government's salary supports has made these tensions to become more intense. The development director also sees social-business tension when the company needs to adapt its own criteria to be able to co-operate with some stakeholder group who is not that environmentally orientated.

The HR-director states that the company has very small resources compared to all actions they are aiming to execute. She also sees that some members of the personnel may focus more on the financial aspects than the environmental aspect. One interesting viewpoint that both the development and HR directors state is the tension between the company's environmental and social (employment) aspect. This "social-environmental" tension is a consequence of the company's triple bottom line, where the environmental aspect is taken into account in addition to financial and social ones (Cornelius et al., 2008).

In the meeting, the interviewees were asked to place their company on the line based on company's area of focus. In the other end of the line is the commercial orientation (C) and in the other the societal orientation (S/E), including both the social and environmental aspects (figure 13). All interviewees placed the organization on the societal side of the line, the development director (B3) stating that the organization is fully societal, and money being just the instrument enabling the operation. Also the CEO (B1) and the HR director (B2) of the company were on the same wavelength, stating that the finance is just the matter of resources, but still an important to pay attention to. However, despite the different locations on the line, in practise all three interviewees agreed that the main focus of the company is societal and thus different placements on the line are more a consequence of the interpretative reasons.

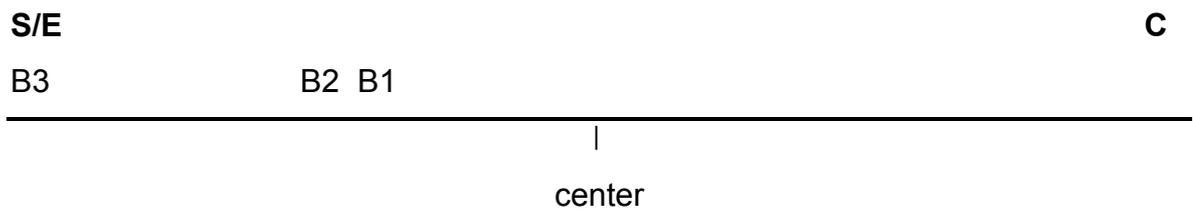


Figure 13. Interviewees' understanding of the case company B's orientation

5.4.7 Summary of case B

Next, the summary regarding the case company B's social business tensions is presented. The case company B has multiple objectives considering environment, society and finance: to advance the reutilization of goods and provide environmental education (environment), to employ long-term unemployed people, provide meaningful work and better career opportunities in the future, provide goods for needy people (society) and to be financially as self-sufficient as possible and grow the business (finance). Having these three categories of objectives means that the company is having a triple-bottom line. Answering to the different demands rising from multiple objectives can be challenging, when there are several issues that need to be paid attention to.

The case company B's multiple objectives and areas of focus generate multiple organizational identities, which lead to the social-business tensions. The members' focus either on environment or employment aspect seems to vary depending on the person's background and function in the organization. Also financial aspect is emphasized to some extent, especially among persons working in the shops and having sales targets. Still, the normative organizational identity dominates in the organization. The identities are managed using multi-level strategies, where different identities are addressed separately and paid attention to.

Case company B's stakeholders cause social-business tensions to the company by having partly unrealistic expectations and by emphasizing employment and

monetary issues over the environmental ones. The case company B aims to reach its own objectives by answering to the stakeholders' demands and thus utilizes instrumental approach in its stakeholder management.

Drawing from paradox theory, there is a risk of members' division into the different schools since some of the personnel are emphasizing the employment issue and some the environmental mission. This causes the appearing of the "social-environmental" tension in the organization. The strategies used to manage the paradox are differentiation, by addressing the differing schools separately, as well as integration by aiming to spread the environmental approach by educating personnel.

Case company B is somewhat rare enterprise due to its company form and operation and thus it does not fit well into the society's categories regarding enterprises. This has led to the increased complexity in receiving of the government's salary supports.

Commercial logic and social welfare logic both appear in the enterprise and they are partly in conflict. The company's commercial logic recommends fulfilling financially profitable actions, whereas the social welfare logic desires to operate environmentally, even by the cause of the financial aspect. Also rigid regulations considering the volunteer work cause institutional social-business tensions into the company. When managing the multiple institutional logics, case company B uses strategies of compromise and defiance. The compromise strategy is executed when the company aims to answer to both commercial and social welfare logic at some level, even if they were in conflict. The defiance strategy can be seen in the way the company responds to some institutional demands: by challenging and strongly disagreeing with them.

5.5 Cross-case analysis between the cases A and B

This chapter finishes with the cross-case analysis of the cases A and B. The purpose of the comparison is to summarize the case studies and examine the differences and similarities they have. First, the social-business tensions the companies experience are compared, including the strategies used in the management of the tensions, based on the four theoretical lenses. Next, the congruence of the case companies' personnel's' perspectives is compared. Lastly, some general issues that may cause differences between the results of the case studies, such as the industry and company size are listed.

The social-business tensions the case companies experience are listed into the table 6. They are uncovered and interpreted using the four theoretical lenses, which also provide insight into the management of the tensions. In the table 6, first the results of the case A are summarized followed by the summary of case B. In the case A, there were not many social-business tensions to be found and thus a short explanation why tensions do not exist in the organization is offered instead. However, the management strategies are indicated, thus the management of the situation that could cause tensions is in important role when interpreting the formation of the tensions in the organizations.

Table 6. Comparison of the social-business tensions and their management between cases A and B

Case A	Organizational identity	Stakeholder Theory	Paradox theory	Institutional theory
Social-business tensions from the theory's perspective (if exist)	Financial and social identities in balance	Stakeholders' interests coherent with the company's interests	Paradox seen as an opportunity leading to innovativeness	Commercial and social logics in balance - Uncertainty of receiving salary supports - Payments often late → scarcity
Management	Utilitarian (Normative)	Instrumental Normative	Acceptance Differentiation	Compromise (Defiance)
Case B	Organizational identity	Stakeholder Theory	Paradox theory	Institutional theory
Social-business tensions from the theory's perspective (if exist)	- Equivocal field of business - Members emphasizing different identities (social, environmental and financial)	- Stakeholders have partly unrealistic expectations - Interest may vary from the company's own interest - Employment is emphasized over the environment	- Members of organization dividing to various schools - "Social-environmental tension"	- Problems fitting into the categories determined by society → affects to the amount of government's supports - Decrease in amount of EU's supports
Management	Normative (Utilitarian) Multi-level strategy	Instrumental	Differentiation Integration	Compromise (Defiance)

Starting from the organizational identity, multiple identities are recognized in both case companies. Company A has financial and social identities, whereas company B also has an environmental identity, in addition to the social and financial ones. In case company A, there is a balance between the financial and social identities, even though the financial (utilitarian) identity dominates in daily operation. Accordingly, no specific strategy to manage the tension is needed. In the case company B, the formation of the organizational identity is more complex, thus the field of business the company B operates is equivocal. Inside the company,

members representing different identities have various objectives that are not always parallel. On the contrary to the case company A, where the utilitarian identity dominates, in the company B the normative identity, including the social and environmental identities, dominates. The case company B uses a multi-level approach, where different identities are addressed separately, to manage its multiple identities.

Continuing with the stakeholder theory, company A's stakeholders' claims are parallel with the company's own interests and thus no tensions emerge. Instrumental and normative management approaches are applied, meaning that company fulfills stakeholders' demands in order to reach its own goals but also because it is morally right to do so. With the case company B, the stakeholders' expectations are unrealistic to some extent and thus their interests are not always concordant with the company's own interests. Also the case company B uses instrumental approach when managing the claims of the stakeholders.

From the perspective of paradox theory, the case company A sees the paradox more as an opportunity leading to innovativeness than as a risk or challenge. The paradoxical situation is accepted in the enterprise. Consequently, the company uses a meta-skill of differentiation, where the social and financial objectives are determined and measured separately. In the case company B, the paradox theory reveals a topical risk of the members' division into the conflicting schools: members concentrating on the environmental mission and members with focus on the employment issues. Consequently, instead of social-business tensions, the paradox theory adduces the "social-environmental" tension in case company B. Also the company B uses differentiation as a meta-skill for managing the paradox. In addition to differentiation, also meta-skill of integration is used when the company aims to spread the environmental approach by providing environmental education to the personnel of the company.

Drawing from institutional theory, both commercial and social logics exist in case company A and they appear in balance. Still, particularly due the current economic depression, the receiving of the salary supports or the maintaining of their amount

in the current level is seen as slightly unsecure. Also the fact that the payment of the salary supports is constantly remarkably late and this has caused some monetary challenges to the company. Company A adapts the strategy of compromising when managing the tensions by aiming to answer all institutional logics to some extent. Also elements of defiance can be seen when the company is prepared to increase pressure towards the government if there becomes changes in the amount of supports. In the case company B, the institutional influences cause multiple tensions. The company has problems to fit into the society's categories determined by the company form and size. The problematic categorizing of the company has had a major influence to the salary supports the company is able to receive during the year 2015. Also the amount of support the European Union is about to provide has decreased during this year. These societal and governmental changes affect to the monetary support that the company B is able to receive and thus cause social-business tensions to the company, because company has to focus more on the financial issues over the environmental to be able to survive. Such as the case company A, also company B utilizes strategies of compromise and defiance to manage the social-business tensions caused by institutional influences.

In general, the case company A does not face as much tensions in its operation as the case company B. When examining the issues explaining this, one possible reason is the simplicity of company A's objectives compared to company B's ones. Case company A aims to fulfill its customers' needs and employ disabled people (Interviewees A1, A2). Company B aims to enhance the state of the environment (by decreasing waste amounts, increasing reutilization, providing environmental education), employ unemployed people and assist them to become employed in the future and also provide poor people inexpensive usable items. (Interviewees B1, B2, B3) Company B has both environmental and social goals and they are quite multidimensional, including many aspects that need to be taken into account. These multiple areas of attention, which include multiple stakeholders, may be one explanatory reason for the social-business tensions.

In addition, the case companies are very different by size, which may affect to the tensions: company B currently employs altogether approximately 490 people, wherefrom 50 are permanent employees (Interviewee B2), whereas the company A has 18 employees. Having numerous members in the organization naturally increases the amount of differences in opinions, which affect to the tensions related to the organizational identity and paradox theory, at least. In the small enterprise, building of convergent organizational identity becomes easier. Case company B also operates in an industry, where the amount of stakeholders is remarkably plentiful. For example, company B has 15 corporate shareholders and additionally also private shareholders (Pääkaupunkiseudun Kierrätyskeskus Oy, 2015a), whereas the company A is completely owned by one federation. Having multiple shareholders and stakeholders entail also multiple demands and expectations.

Another important issue to take into account is that the case company A fulfills its social mission by employing only disadvantaged people, so the operation itself forms the social aspect of the business. The case company B instead employs people who then execute different tasks targeting to eventually enhance the environment's condition. In that way the company A's operation as such already includes the execution of the social mission and thus social acting is an innate part of the operation. This probably explains partly why the case company A does not see social-business tensions as negatively influencing to the organization.

When concentrating on the differences and similarities between the interviewees of both companies, in the case company A the perspectives the company's CEO and the owner federation's CEO. The CEO of the company discusses slightly more of the stakeholders related to the everyday operation, whereas the owner federation's CEO concentrates more on the governmental stakeholders. Also in the case company B, the interviewees are emphasizing issues related to their own areas of responsibilities. All interviewees from case company B see that the various expectations of company's stakeholders cause social-business tensions to the organization. Neither in the case company A nor in the case company B there

are contradictions found between the interviewees' responses, rather only small nuances in their areas of emphases.

6. DISCUSSION AND CONCLUSIONS

The purpose of this research was to find out what social-business tensions social enterprises face in their operation and how these tensions are managed. The underlying purpose was to achieve profound understanding of the nature of the social-business tensions to be able to better understand the challenging operation of the social enterprises. In this thesis, the social-business tensions were examined using four theoretical perspectives, which were chosen based on the recommendations of the previous literature (see chapter 1.2). The appearance of social-business tensions and their management were investigated in two case companies. Also the differences between the respondents' perspectives in each case company were explored.

Because of the nature of the research questions addressed in this thesis and the nature of the examined phenomenon, a qualitative research method was chosen. The data was collected using semi-structured interviews that were implemented in person with altogether five respondents from two case companies. Before the actual interviews, two pilot interviews were organized in order to gain insight from the experts of the field of social enterprises to perfect the question forms and ensure their convenience.

This chapter begins by summarizing the findings of the thesis. Thereafter the theoretical and managerial implications of the research are discussed. Lastly, the limitations and directions for future research conclude the thesis.

6.1 Summary of the findings

This thesis studied the appearing of social-business tensions in social enterprises and strategies used in their management. Two case studies were conducted among Finnish social enterprises. In both cases, the social-business tensions and their management were examined using four theoretical perspectives. Also the perspectives of each interviewee were investigated separately and compared. The

cases were also compared with each other to reveal the similarities and differences between their results.

This research improved the knowledge of the characteristics of social-business tensions that social enterprises face in their operation. Whereas previous research has conducted the social-business tensions as a key characteristic of social enterprises (e.g. Anderson & Diochon, 2010; Michaud, 2013), their different types and management's response to them is less discussed. Therefore the different theories were utilized in this thesis to expose the tensions and their management from various standpoints.

Based on the literature review, the theories of organizational identity, stakeholder, paradox and institution were chosen to explain the social-business tensions. Overall, the theories chosen emphasized different aspects of social-business tensions and thus provided valuable insight into their deeper understanding. Also the management of social-business tensions was analysed using theoretical perspectives, which were proven useful by providing different strategic approaches.

In both cases, the tension between enterprise's social and commercial objectives existed. The most central factors causing tensions were the company's multiple incoherent objectives, stakeholders' various demands and the differing understanding of the company's central operation among the members of the organization. Consequently, the tensions were created both from within the company and they were also arisen from without the company. One of the central findings was that the appearing of the tensions was experienced both as negative and positive, and as neutral cause, depending on the company, its situation and its management. Another important finding was that the tensions may appear completely differently in different social enterprises. The social-business tensions appeared quite differently in the two case companies. On the one hand, the tensions caused uncertainty and polarization in the organization, whereas on the other hand, they were seen as a source of innovativeness. The academic discussion related to the social-business tensions should pay attention into their

unique appearing and experiencing in social enterprises and hence generalisations regarding tensions should not be made without solid justifications.

When summarising the outcome of this research by each theory, the organizational identity perspective provided insight into the social-business tensions rising from inside of the enterprise by concentrating issues related to organizational culture and members' backgrounds and perspectives. Organizational identity theory allowed the recognition of the enterprise's multiple organizational identities and their significance and impressiveness in the enterprise. In both case companies, both normative and utilitarian identities exist and in the case B their coincidental existence caused tensions in the enterprise. Tensions arose from having multiple incoherent goals and from members' different sense of what is central in the company. In case A, multiple identities existed in balance.

Stakeholder theory turned out to be the most concrete of the theories utilized in this thesis and thus the most effortless to apply in practise. Using stakeholder theory enabled the recognition of the company's different stakeholders and determination of their expectations towards the company. By comparing these with the company's own interests, the social-business tensions caused by stakeholders were revealed. In the case B, there were multiple tensions rising from the contradiction between the company's and its stakeholders' differing interests. The tensions occurred from the stakeholders' emphasis on the financial aspects more than to the environmental ones, which were in the centre of the company B's operation. In the case A, the interests of the company and its stakeholders were parallel and thus no tensions occurred.

Paradox theory concentrated on the company's overall performing in the controlling and management of differing objectives. It aimed to provide insight into how the company reacts to the paradoxical situation. Still, the use of paradox theory to analyse the social-business tensions turned out to be the most abstract of the theories and thus being the farthest from the practise. The theory was challenging to apply in practice and thus conducting interview questions related to

it turned out to be complicated. Paradox theory literature pointed out two risks that paradoxical situation create: risk of losing the company's dual focus and the division of the personnel into the conflicting schools (Smith et al., 2013). However, both of these aspects were already addressed to some extent in the organizational identity perspective, so there was some overlapping between the theories and thus paradox theory did not actually bring any added value to this research. This was a bit surprising, because from the research regarding organizational tensions, the paradox theory perspective is probably the most utilized (e.g. Lewis, 2000; Andriopoulos & Lewis, 2009; Smith et al., 2012).

Institutional theory clarified the causation between the company's actions and society's rules and expectations. The theory was useful when recognizing the different institutional logics appearing in the company and considering their influences to the organization. Institutional theory adduced partly similar issues than the organizational identity. The difference was that the institutional theory focuses on influences coming from the without the company, whereas the organizational identity concentrates issues rising from inside the company. Still, the existence of commercial logic and social welfare logic could be juxtaposed with the normative and utilitarian identities discussed in the organizational identity theory. However, since the institution largely regulates the operation of social enterprises, this theory provided valuable insight into the influence these regulations may have to the enterprise. In both case companies, the commercial and social welfare logic existed. In case B, the government's restrictions considering the amount of social supports that company receives caused major social-business tensions to the company.

All theories also suggested some means how to manage the social-business tensions in question. The management strategies varied between the case companies to some extent, as if the existence of the tensions. In organizational identity management, the company B utilized multi-level strategy to address the needs of multiple identities. In company A, the identities were in harmony and thus no specific management strategy was needed. Both companies A and B used the instrumental approach to manage the demands of various stakeholders and case

A also utilized the normative approach. In the management strategies suggested by paradox theory, there were the most variation between cases. Company A utilized the acceptance and differentiation, whereas the company B used the strategies of differentiation and integration. Lastly, when considering the management of companies' multiple institutional logics, both companies utilized the approaches of compromise and defiance. Consequently, the management strategies provided by four theories were all applicable to explain the management of the tensions in practise.

One aim of this thesis was also to examine, how different stakeholders of the company experience the social-business tensions. To answer to this question multiple representatives from each case company's management was interviewed. In general, the perspectives of the stakeholders were quite parallel in both cases. However, the respondent's role in the organization caused some nuances between the interviewees and thus each respondent emphasized more the issues related to their own job description.

6.2 Theoretical contributions

It has been suggested that theory-driven empirical research should be utilized more in the field of social enterprise research (Moss et al., 2014) and that empirical research is needed to explore the nature of the competing demands and different implications they have for managerial responses in social enterprises (Bull, 2008; Smith et al., 2013). Consequently, to gain more information of social-business tensions that cause competing demands in social enterprises, their existence and management was empirically investigated in this thesis.

Previous research has shown that the tension between the social mission and financial objectives exist in social enterprises (e.g. Dees & Elias, 1998; Anderson & Diochon, 2010; Michaud, 2013). However, prior research has concentrated on scrutinizing social-business tensions in theory, whereas this thesis focuses on exploring them in practise. As previous research discusses of theories'

(organizational identity, stakeholder theory, paradox theory, institutional theory) potential capability to identify and manage tensions in social enterprise (Smith et al., 2013), this thesis added knowledge of the theories' convenience in practise. Moreover, where previous research concentrated on describing the social-business tensions from the organizational perspective (Young, 2005; Michaud, 2013; Smith et al., 2103), this thesis considered the sensing of the tensions also from the individual's perspective. Based on the results, the individuals emphasize different qualities of social-business tensions, though they generally speaking recognize them in the same manner.

The insight the theories of organizational identity, stakeholders, paradox and institution provided on social-business tensions was discussed in the research of Smith et al. (2013) at theoretical level. This thesis utilized the research agenda provided in their research and applied it into the practise. As the purpose of this thesis was not only to investigate the existence of social-business tensions but also test the suitability of theoretical perspectives in their identification, more emphasis was given to the examination of the attributions of the theories. To the best of my knowledge, no prior research has applied existing theories to empirically investigate the existence of social-business tensions to this extent. Overall, the theories utilized supplemented each other and adduced differing nuances in their interpretation. The viewpoints of the theories varied from the enterprise's internal issues to the larger scale including enterprise's environment and stakeholders. The organizational identity theory turned out to be essential in understanding of the other theories' insight into the social-business tensions. When the enterprise's culture, identity and objectives were properly understood, the stakeholders' expectations and institution's influences could be analysed thoroughly and compared to the enterprise's identity and mission.

However, there was also some overlapping between their areas of concentration and also the theories had influence on each other. The institutional logics have an impact on the organizational identity and on the stakeholders' procedure and thus explained also their outcome. The examination of paradoxical tensions was present in organizational identity theory, stakeholder theory and institutional theory

and thus the paradox theory perspective itself turned out to be less relevant one. Thus, the paradox theory perspective as such is comprehensive and could probably function more preferable without any other theoretical perspectives beside.

The integration of the scopes of the theories' perspectives to explain the social-business tensions is illustrated in the figure 14. The organizational identity theory focused on the tensions rising from within the enterprise. The stakeholder theory perspective addressed demands of the enterprise's stakeholders and focused on how they comport with the enterprise's own interests. The institutional theory concentrated on institution's influence that cause social-business tensions and in that way impacted to the factors discussed in the organizational identity theory and stakeholder theory. The most extensive scope came from the paradox theory, which addressed the overall paradoxical situation of having multiple differing focus areas simultaneously and thus contained elements from all other theoretical perspectives to some extent.

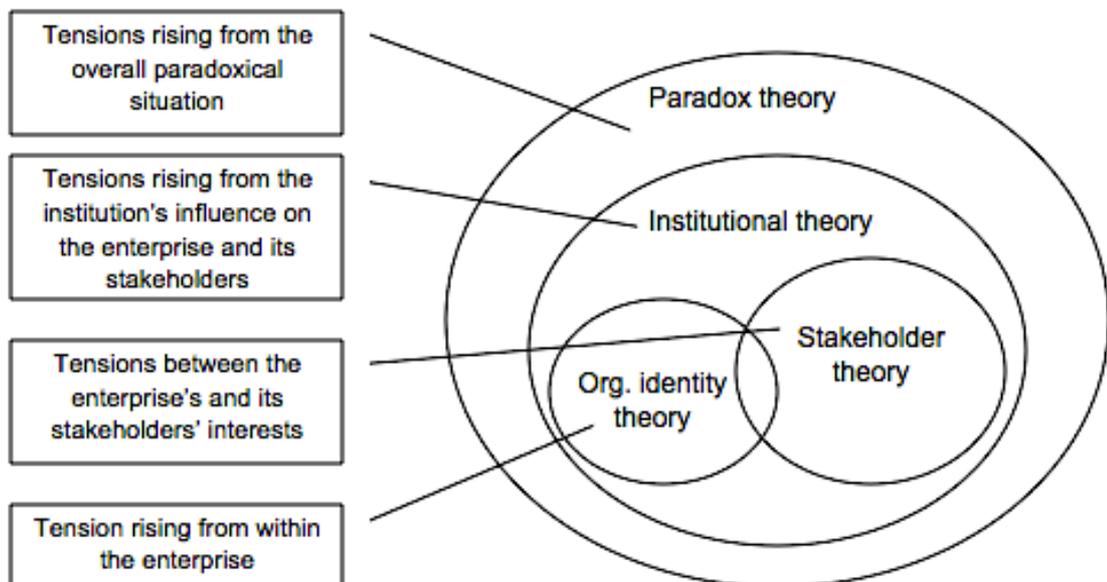


Figure 14. The integration of theories' scopes on social-business tensions

The results of this thesis support the claim that social enterprises need to seek balance between their social and commercial objectives (Smith et al., 2013) and that the management of the tensions is a critical skill for a social entrepreneur (Dacin et al., 2010). However, this thesis also proves that it is possible for the social enterprise to survive even when the balance between the objectives is not completely accomplished. The critical question is, as previous research has suggested (Lewis, 2000; Smith et al., 2013), how the management of the social enterprise reacts to the tensions and are they seen as opportunities or as challenges. The results of this thesis prove that tensions can be seen also as a source of innovativeness and creativity. Still, also the Harjula's (2006) argument that in the enterprises, where the social benefits follow straight from their core business, the question of double bottom line is irrelevant is supported by the results of this thesis.

6.3 Managerial implications

Identifying the reasons that cause social-business tensions in social enterprises is crucial for the management. Being aware of the causation is the only way for the management to influence to tensions and make changes. Understanding the formation of the tensions also enables their acceptance and the discovery of their hidden potential.

The social-business tensions appear differently in different social enterprises and also the management of the enterprises experience them differently. The sensations associated with the social-business tensions may in general be negative and thus tensions are automatically perceived as risks. However, this thesis proves that tensions may also be a source of innovativeness and lead to the positive impacts in the organizations.

Social-business tensions can be recognized and managed in social enterprises. This thesis provides a guideline for the managers of social enterprises to examine the social-business tensions and find out the reasons for their existence. This

research informs managers how they can analyse their own operation to reveal and address the social-business tensions. In addition, this thesis provides various proposals of how the tensions can be managed. In addition, this study also widens the perspectives of how the several members of the organization experience the social-business tensions and thus may enhance the comprehension of different perspectives on tensions inside the organization.

Moreover, this thesis improves the common understanding of the unique features of the social enterprises. By providing deeper understanding of their nature and characteristics, more interest towards them may be generated. Also by proving that social-business tensions are recognizable and they can be managed, may attract more operators to the field.

Furthermore, not only the managers of social enterprises, but also the public sector, including representatives of government and municipalities, can learn more of the tensions appearing in social enterprises. The majority of the tensions occurring in this research were caused by the demands and rules originating from the institutions and stakeholders. This may partly be conducted from the lack of mutual understanding and communication between the parties. By understanding the special challenges the social enterprises face in their operation, the stakeholders' cooperation with social enterprises could become more effective.

6.4 Limitations of the research and future directions

In order to correctly interpret the results and conclusions of this research, some limitations need to be recognized. However, these limitations simultaneously also include suggestions for further research. Firstly, this thesis is limited to one country only, Finland. The legislation and general attitudes towards social enterprises may vary in other countries and thus also social-business tensions may occur differently elsewhere.

Moreover, this research was executed as a multiple-case study including two separate cases. In order to generate more insight in the social-business tensions and more generable findings, a research with bigger sampling should be accomplished. Furthermore, the case companies of this thesis operate in different industries and are very different of size. Therefore, the comparison of the case companies' social-business tensions and their management strategies could probably have been more realistic, if the case companies resembled each other better. Future research could also focus on the social enterprises operating in some specific industry in order to find out, if there are some industry-based characteristics of social-business tensions to be discovered.

Additionally, in this research both of the case companies are Work Integrated Social Enterprises and also have the license of the Finnish Social Enterprise Mark. In order to see, if there is variation in social-business tensions between these two groups or special characteristics in either one of them, research concentrating merely one of these groups is needed.

Furthermore, the focus of this study relied in the management's perspective of the social enterprises. To achieve a broader understanding of social-business tensions in social enterprises, also perspectives of other members of the enterprise should be included. The employees of the social enterprises operate among different tasks and thus may experience the social-business tensions differently.

In this thesis, organizational identity theory, stakeholder theory, paradox theory and institutional theory were chosen to explain the social-business tensions and their management. In addition to these theories, also other theoretical lenses should be utilized. In this research, the tension between company's environmental and social objectives arose. Even though it could be juxtaposed with social-business tension to some extent, it could be investigated also on its own. This arouses interesting with, what other tensions there may exist among social enterprises, in addition to social-business ones. To reveal other tensions, or to find out, if there are still more social-business tensions to be discovered, some other

theoretical lenses should be utilized. For example, the rational choice theory could explain, why the managers of the social enterprises end up with certain decisions, whereas the social network theory could explain, how the stakeholders related to social enterprise interact with each other inside the network.

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APPENDICES

Appendix 1: Questionnaire

Appendix 2: Original direct speeches in Finnish

APPENDIX 1: Questionnaire (in English and Finnish)

The background of the interviewee. Haastateltavan taustat.

Education, position in the organization.

Koulutus, asema organisaatiossa.

1. Company's objectives. Yrityksen tavoitteet.

1.1 What objectives the company has?

Mitä tavoitteita yrityksellä on?

1.2 Have the objectives changed after the establishment?

Ovatko tavoitteet muuttuneet yrityksen perustamisen jälkeen?

1.3 What social objectives the company has?

Millaisia yhteiskunnallisia tavoitteita yrityksellä on?

1.4 What commercial objectives the company has?

Millaisia taloudellisia tavoitteita yrityksellä on?

1.5 Are you satisfied with the company's operation and outcome?

Oletteko tyytyväisiä yrityksen toimintaan ja tulokseen? (Tulos – yrityskulttuuri)

2. Social-business tensions. Yhteiskunnallis-taloudelliset jännitteet.

2.1 Tensions related to organizational identity.

Yrityksen identiteettiin liittyvät jännitteet.

2.1.1 What is the mission of your business?

Mikä on yrityksen missio?

2.1.2 What is the core operation of your business?

Mitä on yrityksen ydintoiminta?

2.1.3 What separates your company from the others in the same field?

Mikä erottaa yrityksen muista saman toimialan yrityksistä?

2.1.4 Can there be seen any distinctions between the members of the company of what is considered as the most central objective?

Onko yrityksen sisällä huomattavissa eroja siinä, minkä kukin työntekijä/jäsen näkee keskeisimpänä tavoitteena?

2.1.5 Between the employees of the company, can there be seen any emphasis on either social or commercial objective? Does the background of the employee have an influence on this (where worked before)?

Onko yrityksesi työntekijöiden kohdalla havaittavissa painotusta jompaankumpaan tavoitteeseen? Vaikuttaako työntekijän tausta tähän (missä työskennellyt aikaisemmin)?

2.1.6 If there can be seen different schools at the work place, are they treated in the same manner? Or are the different viewpoints taken into account?

Jos ilmenee tällaisia eri koulukuntia työpaikalla, kohdellaanko ryhmiä samalla tavalla? Huomioidaanko eriäviä näkemyksiä?

2.1.7 Do the financial objectives of the company have any influence to the social ones, or vice versa?

Vaikuttaako yrityksen taloudelliset tavoitteet jollain tapaa yhteiskunnallisiin, tai päinvastoin?

2.1.8 What are the success factors of your business?

Mitkä ovat menestyksenne mittareita?

2.2 Company's stakeholders and their demands. Yrityksen sidosryhmät ja niiden vaatimukset.

2.2.1 What stakeholders the company has?

Mitä sidosryhmiä yrityksellä on?

2.2.2 What demands do the stakeholders have?

Mitä vaatimuksia näillä sidosryhmillä on?

2.2.3 Do different stakeholders have different perspectives how the company should operate and what is central in its operation?

Onko eri sidosryhmillä erilaisia näkemyksiä siitä, miten yrityksen tulisi toimia ja mikä on tärkeintä sen toiminnassa?

2.2.4 Are the stakeholders' perspectives identical with the company's own perspectives?

Onko sidosryhmien näkemykset yhtäläisiä yrityksen omien näkemysten kanssa?

2.2.5 How the company answers to the stakeholders' different demands in order to reach the company's own objectives?

Miten vastaatte eri sidosryhmien vaatimuksiin, jotta saavutatte yritykselle asetetut tavoitteet?

2.2.6 Are there any external factors that have influence on the decision, which stakeholders' claims to address?

Vaikuttavatko jotkin yrityksen ulkopuoliset syyt, minkä sidosryhmien tarpeisiin vastataan (esim. Yrityksen maine)?

2.2.7 Have there been challenges to choose, which operators to include as stakeholders? How they have been chosen?

Onko ollut haastavaa valita, mitä tahoja ottaa sidosryhmikseen? "Ketä kuuntelee, kuka merkitsee" Miten valinta on tehty?

2.3 Leading of the paradox. Paradoksin johtaminen.

2.3.1 How does the enterprise manage its differing objectives (social vs. Financial)?

Miten yritys hallitsee kahta eriävää tavoitettaan (yhteiskunnallinen vs. taloudellinen)?

2.3.2 How different objectives are determines?

Miten määrittelette eri tavoitteet?

2.3.3 Is some objective the dominant one in the organization?

Dominoiko jompikumpi tavoite yrityksessä?

2.3.4 Are the different objectives addressed separately in the organization?

Käsitelläänkö eri tavoitteita erikseen yrityksessä?

2.3.5 How do you lead the different objectives? Are multiple objectives seen as an advantage or as a challenge?

Miten johdatte eri tavoitteita?

Näettekö kaksi eriävää tavoitetta etuna vai haittana?

2.4 The impact of institutional factors. Institutionaalisten tekijöiden vaikutus.

2.4.1 Did the differing objectives have any influence when choosing the company form?

Vaikuttivatko eriävät tavoitteet yritysmuodon valintaan?

2.4.2 Did you face pressure to choose some specific company form?

Oliko painetta valita jokin tietty yritysmuoto?

2.4.3 Has the enterprise had difficulties to locate itself among the non-profit and for-profit enterprises?

Onko yrityksellä ollut ongelmia löytää paikkaansa non-profit- yritysten ja ”normaalien” yritysten joukosta yritysmaailmassa?

2.4.4 Has there been any difficulties to receive funding?

Onko rahoituksen saaminen koettu ongelmalliseksi?

2.4.5 Does the company feel any pressure coming from the society's rules, demands and expectations? How does the enterprise answer to these?

Kokeeko yritys painostusta yhteiskunnan asettamista säännöistä, vaatimuksista ja odotuksista? Miten yritys vastaa näihin?

APPENDIX 2: Original direct speeches in Finnish

Interviewee A1, page 53:

- *“We aim very strongly to the situation where the “goodwill”-value of our company would be seen as an additional bonus for the customer, whereas our main desire is to be the best operator in the field and provide the best quality service to the customers”*
- *”Mut kyllä me yritetään vahvasti et sellanen good will-arvo on niinku reilun kaupan meininki ja asiakkaalle lisäbonus, et kyl me pyritään siihen et ollaan täs meidän toimialoissa myös paras toimija, et meiltä saa parasta palveluu ja laadukasta palvelua.”*

Interviewee A2, page 54

- *“It is essential that the work we provide is high quality and the customers receive what is promised to them, because there is no “protection”, if the quality is weak, the customers leave.”*
- *”Toinen hyvin tärkeä on se, että työ on laadukasta, ja he saavat sen mitä on luvattu, koska ei siinä mitään ns. suojelua oo siinä suhteessa, jos laatu on heikkoa niin asiakkaat häipyvät.”*

Interviewee A1, page 55:

- *”However, this is business, we have to earn our daily bread. So just the employment of the disadvantaged is not enough, we cannot employ if we make loss. So you have to constantly keep in mind the realities of doing business.”*
- *”No totta kai kylhän se on tärkeä juttu kun tää on kuitenkin yritystoimintaa, et kylhän meidän pitää leipämme ansaita. Et tää ei riitä pelkästään tää työllistäminen että tota ei me voida sitä tehdä tappiolla. Et täytyy pitää koko ajan mielessä yritystoiminnan realiteetit.”*

Interviewee A2, page 58:

- *“If the enterprise executes its work assignments well and with high quality, then I do not see any kind of contradictions” (between stakeholders’ expectations).*
- ”Jos yritys tekee hyvin laadukkaasti asiat ja tekee ne tehtävät, mitä sillä on, niin en mä nää että siinä olis semmosta niinku köydenvetoa/ristiriitaa. Ei sitä ole juurikaan.”

Interviewee A1, page 59:

- *“The finance is certainly more important, it enables our social operation.”*
- ”Kyllä se totta kai se talous on tärkeempi, et se mahdollistaa sen sosiaalisuuden.”

Interviewee A2, page 61

- *“I do not see that we receive any pressure (from the society’s rules and regulations). We have a large customership on the public sector and thus we can also call the society as our partner.”*
- ”En koe, että paineita tulee. Meillä on iso asiakkuussegmentti myös julkisella puolella, joten voi sanoa kumppaniksikin.”

Interviewee B1, page 67

- *“Sound finance is a foundation for any kind of organization; it is a requirement for the continuity and development of the business. For us, the finance is clearly a matter of resources.”*
- ”Terve talous on perusta millä tahansa organisaatiolle, edellytys toiminnan jatkumiselle ja kehittymiselle. Meille talous selkeästi on resurssikysymys...”

Interviewee B3, page 69

- *“For some people, the employment is more important than the environmental work.”*
- ”Osalle ihmisille tärkeämpää työllistäminen, kuin ympäristöasiat.”

Interviewee B3, page 69

- *“Even though some option would be best for the environment, but there is not enough money, then we need to execute the second best alternative.”*

- ”Et vaikka joku asia olisi ympäristön kannalta paras mahdollinen, mutta rahat ei riitä, niin sit pitää tehdä niitä toiseks parhaita vaihtoehtoja.”

Interviewee B1, page 72

- *“The stakeholders’ expectations, from the government for instance, are not always exactly realistic concerning the matter of employment.”*
- ”Sidosryhmien odotukset ei oo aina ihan realistisia tähän työllistämiseen liittyen, esimerkiksi valtiolta.”

Interviewee B2, page 77

- *“The receiving (of the project funding) has before been better, now the criteria are clearly more strict. We just applied couple of projects related to the employment, but did not receive the fundings.”*
- ”Saaminen aikaisemmin paremmin, nyt selkeesti kriteerit tiukentuneet. Just haettiin paria hanketta tähän työllistämiseen liittyen, ei saatu niitä rahoituksia, huomattiin että siellä on kriteerit tiukentuneet.”