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## Building competitive advantage through social value creation : a comparative case study approach to social entrepreneurship

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## Building competitive advantage through social value creation – a comparative case study approach to social entrepreneurship

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**Agnieszka Żur\***

Social enterprises possess specific features due to their social mission and high contextuality. The following paper analyzes the phenomenon of social enterprises' market competitiveness and their creation of competitive advantage. First, the paper discusses various approaches to social entrepreneurship, followed by a depiction of core differences between traditional and social entrepreneurship. Through a comparative analysis of data gathered in three different social enterprises, the article aims at distinguishing specific features of social enterprises competing for access to resources, instruments of competition and factors of their competitiveness. Findings lead to the identification of profound complexity of this phenomenon, which is associated with the necessity of fulfilling expectations of various groups of stakeholders. In the final part of the paper, a model of social enterprises' competitive advantage has been proposed as a conceptualization of research findings.

**Keywords:** social enterprises, competitiveness, competitive advantage.

## Przewaga konkurencyjna oparta na wartości społecznej – analiza porównawcza czynników konkurencyjności przedsiębiorstw społecznych

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W artykule przedstawiono istotę przedsiębiorstwa społecznego oraz specyfikę wynikającą z konieczności łączenia społecznej misji oraz celów rynkowych. Następnie, na podstawie literatury, omówiono specyfikę konkurowania przedsiębiorstw społecznych zarówno o dostęp do zasobów, jak i o udział w rynku. Cechy charakterystyczne przedsiębiorstw społecznych każą podejrzewać, że obszary, determinanty i instrumenty ich konkurencyjności posiadają swoją specyfikę, różną od innych podmiotów rynkowych. Na podstawie przeprowadzonych badań jakościowych zidentyfikowano czynniki konkurencyjności charakterystyczne dla przedsiębiorstw społecznych oraz omówiono złożoność i wielowymiarowość zjawiska konkurencyjności przedsiębiorstw społecznych wynikającą z konieczności pogodzenia oczekiwań różnych grup interesariuszy. Końcowa część opracowania przedstawia propozycję modelu konkurencyjności przedsiębiorstw społecznych, który może posłużyć jako punkt wyjścia do pogłębionych badań tego zjawiska.

**Słowa kluczowe:** przedsiębiorstwa społeczne, konkurencyjność, przewaga konkurencyjna.

JEL: M13, M19

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## 1. Introduction

The subject of this study is the domain of social enterprises, which function at the intersection of various economic sectors in different legal forms, either for-profit, non-profit or not-for-loss, often in multiple organizational forms simultaneously (Battilana and Lee, 2014). Social entrepreneurship has been recognized in the last two decades by numerous authors as a successful pathway of tackling both local and global social problems of the world (Dees, 2007, Curtis, 2007, Short et al., 2009). Their fundamental objective is a profound and lasting structural social change (Praszkier and Nowak, 2012, p. 64). Social enterprises use economic means to introduce social change and thus transform market, human and social resources into social capital (Stryjan, 2004). Their economic and social activity exposes them to market competition.

Through in depth qualitative inquiry this study aims at exploring determinants of social enterprises' competitiveness. The main research questions of this research are:

1. What is competitiveness in the context of social entrepreneurship?
2. What are the areas of competition for contemporary social enterprises?
3. What factors determine the competitiveness of social enterprises?
4. What instruments do social enterprises employ to build their competitive advantage?

The driving scientific goal of this research is to identify determinants of social enterprises' competitiveness. The methodological goal is to construct an analytical scheme which will serve as framework for further research on social enterprises' competitiveness.

The main problem that the study is aiming to solve is exposing the nature of competition in the social entrepreneurship sector along with factors shaping that phenomena.

The main reason of undertaking this study is the will to explore the hybrid nature of social enterprises, their necessity and ability to blend economic goals with a social mission in the context of competitiveness. Authors repeatedly note that social enterprises combine not only multiple goals, but often multiple organizational forms and experience unique organizational challenges, unlike any other organization (Battilana and Lee, 2014).

As the problem of competition in social enterprises sector is fairly new and unexplored, the study is exploratory in character, based on a qualitative approach and thus will not focus on testing hypothesis, but rather building new knowledge. The intended problem can be solved best by applying an inductive, field-rooted quality research approach. Through conducting multi-step field research, grounded in the object of the study, coding and data comparison procedures, it will strive to identify determinants of competitiveness as well as relations between these.

## 2. Social entrepreneurship

Social entrepreneurship (SE) has emerged as an important area of research and practice. Social entrepreneurship has been recognized in the last two decades by numerous authors as a successful pathway of tackling world's both local and global social problems (Dees, 2007, Short et al., 2009, Yunus, 2011, Praszkiel and Nowak, 2012). By blending initiative, innovativeness, community involvement and resource mobilization, social enterprises introduce solutions that work effectively. Their advantage over government programs is autonomy, flexibility and access to private resources (Dees, 2007). The primary advantage over charity lies in the problem-solving nature rather than providing aid nature of these organizations (Yunus, 2011). The number of articles published on social enterprise in academic journalism grew from 37 in 1997 to 529 in 2000 to 14,264 in 2012 (Battilana and Lee, 2014). The increasing popularity of social enterprise has also resulted in regulatory activity aimed at supporting the development of a social enterprise field. For example, new legal forms have been created in order to better address the needs of social enterprises that are neither typical corporations nor typical not-for-profits. Yet new research is still needed. In spite of twenty years of research, it still remains fragmented and polyphonic.

Most social entrepreneurship conceptualizations are broad and inclusive in character, which is why scholars emphasize the need to deepen our understanding of social entrepreneurship phenomena, “to bridge the gap between our current understanding of social entrepreneurship and an enhanced knowledge that could aid in researching this emerging field (Short et al., 2009: 162). Researchers have identified numerous exploration avenues to narrow that gap and one of them is the identification of competitiveness choices pursued by social enterprise to fulfill their social goals (Bull, 2008; Short et al., 2009). This research is the answer to that call.

Because definitions of SE have been developed in different domains (non-profit, for-profit and public sectors) a unified definition has not emerged. There are however certain features of SE phenomena that form the foundation of this research area, delineate its boundaries and lay foundations for definitions:

- first, they extend the “opportunity exploitation logic” of entrepreneurship onto the social sphere (Praszkiel and Nowak, 2012, p. 52);
- second, they blend social and financial objectives (Dees, 2007), yet the generated profit serves merely as a mean of extending the social value added (Yunus, 2011, p. 47);
- third, all coexisting conceptualizations of social enterprises refer to the ability of leveraging resources to address social problems (Dart, 2004).

And thus social entrepreneurship has been described in the past as “an innovative, social-value creating activity that can occur within or across the non-profit, business or government sector” (Stevenson et al., 2007: 4) or

as a “process of creating social value by exploring and exploiting opportunities and combing resources in new ways” (Mair and Marti, 2006, p. 37). Both these popular definitions are overlapping and completing in nature, referring to the essence of entrepreneurship, yet cannot serve as clear guidelines for SE recognition.

The coexisting normative definitions are often accompanied by a set of criteria that depict characteristics of social enterprises. These often are: centrality of social mission, fragmented heterogeneous financing, blending social and commercial approaches, dispersed governance, stakeholder-dependence and others. For the purpose of these research, the EMES (Emergence of Social Enterprises in Europe) criteria have been adapted, as clear, comprehensive and successfully applied as sample construction criteria in past research (Defourny i Nyssens, 2010, p. 32-53). The economic criteria outlined by EMES are: (i) commercial activity of selling goods or services, (ii) independence form government administration, (iii) undertaking economic risk, and (iv) employing paid labour. The social criteria are: (i) centrality of social mission, (ii) citizen and community rooted, (iii) participative in character, (iv) democratic governance and (v) limited profit distribution.

For the purpose of this research social enterprises have been defined as organizations exploring and exploiting opportunities and combing resources in new ways devoted to creating innovative, social-value within or across the non-profit, business or government sector. This definition is positioned very close to the traditional entrepreneurship roots, such as opportunity exploitation and innovation (Kuratko and Hodgetts, 2007). The fundamental difference between traditional and social entrepreneurship is the primacy of goals (figure 1). Traditional entrepreneurs through opportunity identification and exploitation seek to achieve economic commercial goals and generate economic market value added. Social entrepreneurs through the same processes seek to achieve social goals and generate social value added. Both types of entrepreneurs are characterized by proactive attitudes – the will to change the current state of equilibrium, and readiness

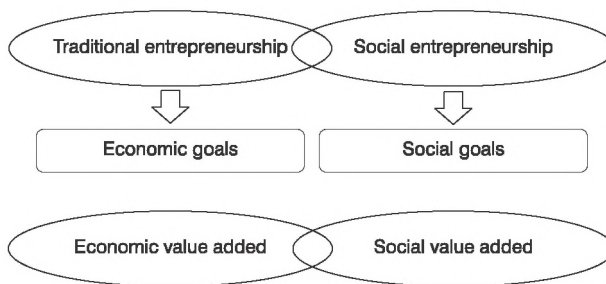


Figure 1. Traditional versus social entrepreneurship. Source: own evaluation.

to bear calculated risk. The major difference lies at their priorities. Social entrepreneurs are driven by the primacy of social goals, but they do not deny profit generation. Their economic activity and revenue streams serve their social mission. Traditional entrepreneurs are driven by the primacy of profit generation, although they do often introduce positive social changes in their environment (e.g. by providing employment opportunities or various CSR initiatives), which are side-effects of their economic activity.

### 3. Competitiveness in the social arena

Social enterprises' hybrid nature questions the application of traditional competitiveness concepts, models and theory to fulfill this project's goals.

The existing literature depicts very specific features of social enterprises that distinguish them in many aspects from strictly business-oriented ventures and thus may affect the nature of their competitiveness. First of all, they pursue social goals; although they are a part of a market economy, their mission and goals lie beyond it (Hausner et al., 2008). Social enterprises are highly contextual, embedded in local relationships and networks (Parszkier and Nowak, 2012, p. 136) and highly dependent upon their various stakeholders (Stevenson et al., 2007). These include founders, funders, partners, beneficiaries, suppliers, local community and authorities. The interests of these organizations are not always aligned (di Domenico et al., 2010). Social enterprises take numerous legal forms and cut across all sectors of the economy (Defourny and Nyssens, 2010). Their financial resources are varied ranging from private capital and profit generation to government subsidies and charity donations (Leś, 2008). What's more, its customers are often not the sources of their revenue and their profit distribution is highly limited (Defourny and Nyssens, 2010).

Although competition certainly exists among social-sector organizations, the social marketplace may not reward entrepreneurs for superior performance as readily as the commercial marketplace does for commercial entrepreneurs, neither does inferior performance get punished as readily (Austin et al, 2006). Moreover, authors point out that social entrepreneurs respond in fundamentally different ways to adverse contextual conditions than their commercial counterparts. They are cooperative, participative and inclusive rather than rival in character (Short et al., 2009). These features are also reflected in their management style. As observed by Parszkier and Nowak (2012) social enterprises often rely on a new type of leadership, to which authors refer as "empowering leadership" characterized by a high level of social empathy, focused on activating the potential of social groups and communities. These leaders assume the role of facilitators and enablers rather than "front men" of their organizations.

Classical competitiveness models do not always take these characteristics into account and are seldom applicable due to their concentration on

market results and profit maximalization. The existing publications refer to competitiveness on two basic levels: national economies and for-profit businesses. Gorynia (1998, p. 96) perceives competitiveness as achieving better results than competitors, while Stankiewicz (2005, p. 36) defines competitiveness as the ability to pursue organizational goals on a competition arena. Organizations need to compete twofold: for the access to resources (input based competition), as well as for customers (output based competition). Existing literature measures output based competition most often in terms of sales volume. This notion does cover output based competition for social enterprises, as their fundamental activity is very often focused on supplying non-paid services to their beneficiaries. However, these beneficiaries may as well pick the offer of competition in the area of professional training, elderly care or drug addiction rehabilitation. This is an example of the complexity of competitiveness issues in a social entrepreneurship domain. The problem of how these organizations manage their numerous tensions (i.e. goals, organizational and legal forms, stakeholder pressures) to their advantage is a critical question in terms of their competitiveness.

There is an identified need to define the determinants of social enterprises competitiveness and propose a model specifically regarding this sector. A model that will embrace the social purpose, different avenues of resource acquisition, the dualism of customers/beneficiaries versus founders/sources of revenue and the nature of competition in the social sector.

#### **4. Methodology**

The driving scientific goal of this research is to identify internal and external determinants of social enterprises' competitiveness. To fulfill this goal, a qualitative approach has been applied for several reasons.

The main goal of the research is to explore how two challenges – economic and social – are blended in the competitiveness of social enterprises. Flick refers to the need for qualitative research due to the „pluralization of life worlds” (Flick, 2009: 12). Social enterprises represent this trend as they are new forms of organizational life forms which enrich the biodiversity of our contemporary socio-economic reality. And as such they confront researchers with new contexts and perspectives. Traditional deductive approaches relying on testing theoretical models might fail to capture specific features of social enterprises. Second, qualitative research has been traditionally associated with studying complex and multidimensional phenomena (Creswell, 2007: 39). This research aims to capture and identify determinants of social enterprises' competitiveness taking their complex and multidimensional nature. Third, the goal of qualitative research is less to test what is already known, but rather to discover and develop empirically grounded theories (Flick, 2009). The qualitative approach is typically undertaken in cases when the research aims to fill a void in existing literature, establishes a

new line of thinking or assess an issue with an understudied group (Creswell, 2007: 102). This study fits those criteria. The empirical research is based on multiple case study analysis. This study will adapt phenomenological approach to each case study for the following reasons:

- A phenomenological approach provides a deep understanding of the phenomena as experiences by several units of study.
- The purpose of this approach is to reduce individual experiences with a phenomenon to the description of a universal essence, both the *what* and the *how*.
- The choice of conducting multiple case studies with a phenomenological approach using the logic of replication will reveal different perspectives on the research problem (Yin, 2003). Collection of multiple cases serves the purpose of establishing key dimensions of the process as well as encompassing all potential influences, both internal and external.

### **Sample**

As every qualitative research, this empirical research was based on purposive subjective sampling selection in which the researcher selects a sample to meet specific criteria (Kerlinger and Lee, 2000). For the purpose of this research social enterprises have been defined as organizations exploring and exploiting opportunities and combining resources in new ways devoted to creating innovative, social-value within or across the non-profit, business or government sector. The EMES criteria have served as guidelines for constructing the final sample pool. The organizations were contacted primarily by phone to verify these criteria and establish the cooperation relationship. Openness and willingness to cooperate was an additional important criteria.

Three following organizations were included in this research. The first was a health clinic from central Poland established to provide holistic care (traditional and non-traditional) to patients with complicated spine injuries. The founder is a dedicated doctor who worked in Poland as well as in other countries. His medical practice made him realize the fragmentation of a medical care and rehabilitation in Poland. He started treating patients at home and gradually established a renowned medical center, which treats thousands of patients each year. His social mission was to enable holistic and long-term care to all those in need. Patients are referred to as guests and receive services ranging from medical treatment, rehabilitation, yoga classes, East medicine approaches to psychotherapy sessions. The economic activity of the center enables the treatment of underprivileged patients at reduced rates. The clinic is run as a for-profit and is extremely successful on Polish medical services market.

The second organization was a private school for autistic children in Hong Kong. It was established with the social mission to enable autistic children reach their full potential and integrate with the local society. The founders' autistic child was seven at the time. After fourteen years this



educational institution is perceived as a world-class example of successful education for children with special needs. It is run in the form of a for-profit with a scholarship fund for children in need of high quality education.

The third organization was a digital printing firm, which was established with the social mission to provide training and employment opportunities for underprivileged teenagers within its local community, in Holland, US. The organization provides commercial graphic design and print services generating profit, which is invested in the local community through training and workshops for young people.

### Instrument

The data was gathered primarily in retrospective orientation in depth semi-structured extensive direct interviews, as well as documents and observations. In the Hong Kong School three two hours interviews were conducted with the school's principal, two interviews with two parents as well as teachers. All of these took place on school premises accompanied by observations. In the US, since the organization is founded and run entirely by two people, two three hours interviews with them took place on site. In Poland two interviews with the founder and one with one of the doctors, as well as three interviews with patients took place, as well as observations on site. Data was stored in the form of recordings, field notes, observations notes and obtained documents.

The primary research instrument was the semi-structured interview consisting of two main pans: general dimensions of activity and competitiveness dimensions (table 1 and 2). The general activity interview themes covered

General dimensions of activities	
Dimension	Content
Social	<ol style="list-style-type: none"> <li>1. Mission and goals</li> <li>2. Social needs being met</li> <li>3. Social value added</li> <li>4. Social participation</li> <li>5. Citizen involvement</li> </ol>
Economic	<ol style="list-style-type: none"> <li>6. Type of economic activity</li> <li>7. Sources of financing</li> <li>8. Economic risk</li> <li>9. Economic autonomy/dependency</li> <li>10. Level of revenue and profits</li> <li>11. Profit distribution</li> </ol>
Legal	<ol style="list-style-type: none"> <li>12. Legal form</li> <li>13. Legal implications: limitations/opportunities</li> </ol>
Human	<ol style="list-style-type: none"> <li>14. Members</li> <li>15. Paid labour</li> <li>16. Volunteers</li> <li>17. Stakeholders</li> <li>18. Stakeholder implications: limitations/opportunities</li> </ol>

Table 1. Pan 1 of interview themes. Source: own evaluation.

<b>Competitiveness dimensions</b>	
Arena of competition	Where do they compete?
Subject of competition	What do they compete for?
Internal determinants of competitiveness	
External determinants of competitiveness	
Potential relationships among determinants	
Instruments employed intentionally to raise competitiveness	
Reasons for application of various instruments	
Effects of application of various competing instruments	

Table 2. Pan 2 of interview themes. Source: own evaluation.

four themes (in order to verify the EMES criteria and gain an understanding of the nature of the organization), while the second pan focused on eight important aspects of competitiveness. For designing the questions referring to external and internal determinants, the classification introduced by R. Śliwiński (2010) was employed as broad and inclusive enough to fit the hybrid organization type of social enterprises.

All gathered data was analyzed according to rigorous procedures of phenomenological research, consisting of decoding the data and content analysis (Mousakas, 1994). The content analysis followed the steps of (i) horizontalization, reducing the information to significant statements and combining statements into themes (ii) textural description, which analyzes *what* has been experienced, and (iii) structural description, which will identify the *how* of the experience under study, depicting the various influences of the phenomena. The analysis also included the method of comparative analysis comparing the phenomena under research among units of the sample.

## 5. Results

The research has generated several themes emerging from the analysis of the gathered material. All respondents have noted that they compete within two broad competition arenas: at the input and within output of their activity. Both internal and external factors determine the competitiveness of social enterprises at these two ends. The content analysis has identified seven most important aspects of competitiveness, three referring to the internal factors and four referring to the external factors.

### **Internal factors of competitiveness**

#### Human resources

The people aspect emerged as a dominant thread in all three series of interviews. The respondents referred to people as their key asset. *“Human skills, competence, former professional experience is all important, but enthu-*

*siasm and will to change the reality is absolutely fundamental for us. That's what we are looking for in people*". In all cases, founders admitted that social enterprises cannot offer the same level of remuneration as for-profit businesses, yet still must compete for human resources on the inputs. In the case of the digital printing shop, the organization relies in majority on volunteer work, in the other two cases, the proportion is reverse and volunteers constitute a small fraction of the workforce. Social enterprises adapt non-financial measures to attract the workforce. The respondents indicated several factors which determine their competitiveness in this arena: the attractiveness of their social mission, the idea of social service and social good, credibility of the organization, trust of local community, possibilities for professional skills development and personal growth. *"People have to believe in what we do and share our vision. When their personal goals and values are aligned with ours, we can have a connection"*. Respondents indicated that these areas of competitiveness take long to build, thus give an obvious competitive advantage to older organizations with a long record of social activity and that they are very sensitive to factors such as rumours, bad press, unfair competition.

Another human aspect of competitiveness is the role of networking and stakeholders management. All respondents admit to numerous efforts to include their various stakeholders within the informal networks. They recognize informal networks as an important asset and source of competitive advantage. *"Networks create a sense of community and belonging. People support us in many ways and many projects are an effect of human relationships."* Respondents recognize networks as a channel through which volunteers and paid workers join the organization, as a source of ideas, inspiration and new projects and as a means of marketing and promotion. *"Often people choose to buy from us because they heard from their friends what we do"*. Networks also enable access to the market and commercial services on favourable basis. Very often people or organizations will offer their services free of charge or at a lower price simply to contribute to the social mission, as the US social entrepreneurs have noted.

#### Financial resources

Social enterprises rely on various different sources of financing. All organizations under study relied primarily on their commercial services, exposing a high level of economization. The second most important source of financing was: sponsors and government funds (for the school), social investment funds (for the print shop) and European structural funds and investors (for the medical clinic). The interviews exposed an important problem: social enterprises must meet different expectations and criteria in order to obtain different types of external financing. Government grants are awarded according to the reliability and past records of effects, while Social Venture Funds allocate funds according to the criteria of innovati-

veness, replication potential and economic self-sustainability potential. The problem of discrepancy among financial resource providers emerges an important aspect of competitiveness on the inputs (competing for financial resources).

Again, respondents indicated that networks are an important source of information and help regarding their efforts in external financing acquisition.

#### Intangible resources

The study has revealed that the decisive intangible factor of competitiveness for social enterprises both on the inputs (competing for resources) and on the outputs (competing for customers/beneficiaries) is the legal form in which they operate. The hybrid nature of social enterprises is a challenging tension. Founders of all organizations struggle with aligning the social mission with commercial activity within the given legal framework. Whether they operate as a non-profit or a for-profit, they perceive their legal form as a limitation.

A second intangible factor which emerged as a leading theme was human capital, the set of skills, knowledge, enthusiasm and human relationships, including relationships with stakeholders.

#### External factors of competitiveness

The study revealed four major external factors which determine the competitiveness of social enterprises: legal regulations, stakeholder expectations, external competitors and cultural/social norms.

#### Legal regulations

In all cases legal regulations were perceived as a limitation to aligning the social mission with commercial activity and building a strong lasting competitive advantage. For example, according to the founder of the clinic, the Polish context for social entrepreneurship is very specific, lacking a clear legal framework. There are still no legal regulations that refer specifically to that sector and therefore no clear government policy. This lack of legal regulations results in a very slow process of economization of social enterprises and then undertaking commercial activity and generating revenue. Having often to compete with for-profit businesses with a limited revenue generation practices is challenging. That is why the medical clinic under study operates as for-profit limited liability organization. Only this legal form enables the clinic to pursue its goals. It excludes however, the possibility of gaining the status of a social service organization and accepting 1% of personal income taxes.

The problem of legal regulations was also a major issue for the US based social enterprise. It chose to function in the form of a non-profit organizations (501C3), which exempts them from some federal income taxes

and enables them to receive unlimited contributions from individuals and businesses. However, taken the limitations on profit distribution and pressure to keep the administration costs very low, the founders are considering splitting the organizations into two subunits. *“Low administration costs end up hurting the mission. We cannot hire professionals and professional services, which we need to grow and expand”. “We want to build a self-sustainable lasting business and we need to provide for our family. A non-profit form makes that impossible”.*

For similar reasons the school in Hong Kong did not choose a non-profit form of operations. *“Low administration costs are not easy for our kind of school, which needs to cooperate closely with parents, hire the best professionals for autistic kids and keep a tight communication network among teachers, parents, partners and trainers. We need to invest in our people. There are constantly new forms of rehabilitation and education, we need to learn all the time. That generates costs”.*

#### Stakeholder expectations

For all of the interviewed social entrepreneurs stakeholder expectations was an extremely important factor of their competitiveness. All of these social enterprises have a broad scope of stakeholders including customers, partners, local government administration and organizations working toward similar social goals. The primary rule of conduct for the researched organizations seems to be participation and inclusiveness. Yet very often, as respondents have noted, stakeholder expectations are not aligned or even contradictory. *“This is a tough balance to strike. We need to constantly talk to people, learn their problems and remain flexible”. “The opinion of our customers and their satisfaction determines whether we can expect some financial support in the future”.* Communicating their mission, programs and services to all stakeholder groups have been pointed out as crucial in building competitive advantage.

#### Competitors

In the case of social enterprises market competition takes two forms. One is competing with other market players within one competition arena for commercial customers, such as the case of all three units of study. This commercial activity may be the heart of the organization as in the case of the medical clinic or special needs school or it may serve the purpose of revenue generation for social services as in the case of the digital printing shop. The competitive advantage is based upon extremely high quality of services provided. This seems to be easier among social enterprises, as they are often engaged in active and deep relationships with their customers. Additionally, the printing shop founders have declared that market customers choose their services because they perceive it as a way of contributing to the social mission.

The second aspect of competitors refers to other social enterprises or government agencies for beneficiaries who will choose to benefit from services provided free of charge. The number of applications the Hong Kong School receives for scholarship, the number of people come to see medical help in the Polish clinic and the number of high school students that want to gain new skills at the US printing shop are all perceived by respondents as measures of performance, very important for donors, sponsors and investors. Again two aspects were identified as key: the quality of services and the clarity and communication of social mission.

#### Cultural aspect of competitiveness

Another important factor affecting inputs (competing for resources) which emerged from the study is the cultural factor and societal norms as to profit generation by social entrepreneurs. The interviewed social entrepreneurs claim to be culturally challenged by a conviction that “social” excludes profit generation. This often pressures social enterprises to government and European grants dependency and harms their competitiveness on the inputs. *“When people learn we provide commercial services and generate revenue, they are hesitant to offer any kind of contribution. That is the only way we can offer our services to the poor”*. *“I know social entrepreneurs who must hide the fact that they make a profit. Even if that profit is a 100% reinvested. It doesn’t help to have a good business. People perceive us as a for-profit business, even though we are not”*. In the opinion of the clinic founder, the social conviction that social enterprises cannot be thriving at business is a pressing issue in Poland. To some degree it has been noted in the US case, and was a factor of minor importance in Hong Kong.

## 6. Discussion, conclusions and limitations

The nature of the case study method is that its conclusions are limited to the case itself and generalizability of the findings is problematic and not the main objective (Creswell, 2007, p. 76). As the study has been carried out in three very different contexts, much caution is needed when formulating conclusions. Therefore the three series of interviews and observations serve to highlight the issues under study and lead to some hypotheses, which may serve as a starting point for further research, rather than provide definite conclusions. Yet, several themes emerge from the study, as repetitive and form a type of “collective experience”, from which future works may draw.

The study has identified seven most important determinants of competitiveness for units under study. Among internal determinants: human, financial and intangible resources. Among external determinants there were: legal regulations, stakeholder expectations, cultural/social norms and competitors. In spite of the fact that these were three organizations from three very different countries operating within three different domains,

the analysis revealed a common perception of several factors presented in the results. This implies that there is a chance that social enterprises are challenged similarly across the world in terms of building a strong lasting competitive advantage.

Several important propositions for further inquiry emerge. Social enterprises' competitive position on the outputs seems to determine their competitive position on the inputs. In all three cases, their social mission is the base of their competitive advantage. As repeatedly reported by the interviewees, creation of solid social value added determines financial inflow, market position both within commercial and social activity. Stakeholders relationships and networks are an important factor influencing their access to resources and competitive advantage.

The study has established that the problem of social enterprises competitiveness is complex, multidimensional and context specific, thus requiring in-depth regional studies. However, based on the initial findings, a working definition of social enterprises competitive advantage has been formulated as a voice in an on-going academic discussion. Competitiveness of social enterprises has been defined as a multivariate system based on a clear social mission, consisting of internal resources and external factors of building a lasting competitive advantage which can:

- create social value added;
- meet market customers' needs;
- meet social beneficiaries' needs;
- meet stakeholders' expectations.

The model below is a graphic conceptualization of the working definition proposal.

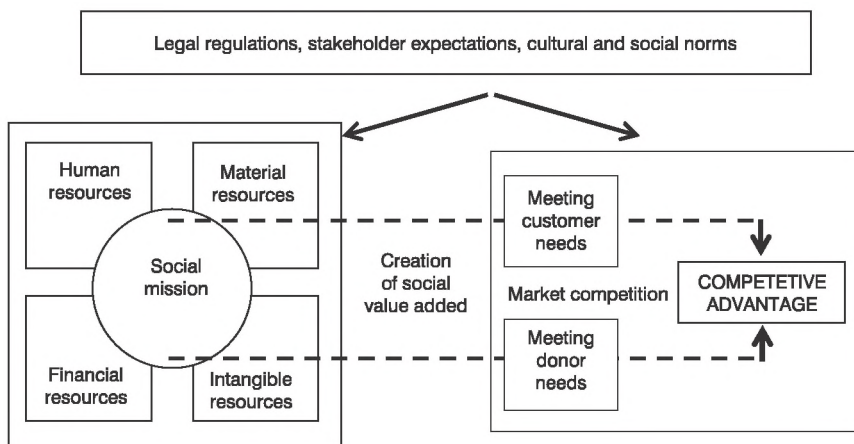


Figure 2. Social enterprises competitiveness. Source: own evaluation.

Due to their complexity, social enterprises base their competitive advantage, not only on the quality/price ratio as for-profit business do, but even more, so on the clarity and attractiveness of their social mission. The centrality of the social aspect is what distinguishes them from traditional commercial business ventures and introduces a new “logic” in building a lasting competitive advantage.

Several limitations to the study necessitate caution when interpreting results. Sample size is the most significant limitation for this study and the generalizability of results is an issue of concern. Another limitation are deep differences in the cultural, legal and social context among the units under study. Adapting a new sampling strategy, which will produce a larger pool of firms or allow to focus on a specific context, may help to verify the proposed model and develop the results. An important question for empirical studies is whether the relationships identified in the study could be explained differently than it has been by the author. And the answer is usually yes. Therefore an obvious limitation of the study is employment of a single method. To minimize the risks involved with single method approach, this study used purposeful sampling and a rigorous set of criteria. Moreover, the researcher engaged three types of data, following the canon for case study research.

Taken these limitations into consideration, it is suggested to further investigate social enterprises competitive factors by employing different and multiple data collection methods both qualitative and later quantitative. Hopefully, the proposed model may prove to be a helpful lens for exploring competitiveness of social enterprises and determining the level of importance of various competitive factors to organizational growth and social value creation.

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