# Open value creation for the common good: a comprehensive exploration of social innovation in the context of social enterprises

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Received 30 August 2023
Revised 21 December 2023
Accepted 21 January 2024

## Abstract

**Purpose** – This study aims to explore the ways that social enterprises (SE) create value by embedding themselves in networks through the process of social innovation (SI). The processes of achieving common social missions were studied through selected organizations using an open approach to SI. Novel operational structures as well as unique forms of created value were explored.

**Design/methodology/approach** – Two organizations embedded in local and international networks were studied and were chosen due to their SI profiles. The study was based on qualitative exploratory research. In-depth analysis was conducted through interviews, open discussions, document analysis as well as personal observation to understand the dynamic interrelatedness of the main factors influencing success of SI ventures.

**Findings** – This paper identified the role of SI in SEs embedded in networks. Furthermore, the social value creation processes of these organizations as well as the value they create were explored. Based on the findings, SI is rooted in the personality of the included members of the network. The tools of collaboration are platforms that connect the network members to each other. The embedded organizations apply the concept of community sharing with the aim of social value creation.

**Research limitations/implications** – By focusing mainly on system design principles, the sample consists of mainly those at the core of organizations in facilitator roles, leaving peripheral actor perceptions to be determined by secondhand observations.

**Originality/value** – While providing a general summary of factors influencing SI activities from extent literature, the paper mainly contributes by providing deeper insight into complex models of SI practices used by SEs. The paper further contributes to popularizing the growing role of SI activities in SEs.

**Keywords** Social innovation, Social enterprise, Social value, Open innovation, Platform

**Paper type** Research paper



The authors would like to express their utmost gratitude to Judit Gáspár (PhD), the head of Department of Decision Sciences of the Corvinus University of Budapest, their supervisor and personal mentor for her contributions and advice during the research process. Without her professional guidance, the value this article represents would have been greatly diminished.

Social Enterprise Journal
Emerald Publishing Limited
1750-8614
DOI 10.1108/SEJ-08-2023-0103

## 1. Introduction

The collaborative processes of social enterprises (SE) have deep connections with the concept of social innovation (SI). Collaborations can happen in various ways with various stakeholders aiming to create innovative solutions for those communities who are interested in them or benefit from it. As part of SI, novel solutions are created to improve social challenges in ways that improve on previous solutions (Ungvarsky, 2020). The authors take a narrower approach to SI partially due to interest as well as the observed thematic elements within established literature. In the authors' interpretation of the concept of SI, social value is created through the reconfiguration of existing resources in their stakeholder networks. While collaborations are widely understood as vital parts of SE, SI is increasingly seen to be adopted by entrepreneurs whose express purpose is to establish communities around value creation. This research focuses on two such Hungarian-based SEs whose operations are embedded in international networks as well as local communities.

The goal behind SI is interpreted in the study as the detection of social and environmental challenges, the creation of inventive solutions for society as a whole in a collaborative framework and the distribution of the benefits. In support of social progress, collaborations are often needed among multiple, heterogeneous actors, such as for-profit and nonprofit organizations as well as government actors. The resulting collaborations between actors should result in higher efficiency as well as social transformation (Ungvarsky, 2020).

Part of the authors' focus in examining SI processes is the value proposed by SEs that aim at transformative connection of stakeholders: how they create value for the customer, or beneficiary what resources and activities are needed for value creation.

This paper contributes to understanding the opportunities of SI collaborations, SI (eco) systems and the methods and tools available to participating stakeholders. A deep exploratory approach is taken in a qualitative framework to map related activities of two SEs whose primary value propositions revolve around SI, to better understand the rich interrelated factors that might influence their success.

## 2. Theoretical background

This paper provides an overview of existing SE definitions (referred to as SE from now on) to highlight the main characteristics of these organizations, their value creation processes, conceptualized as social value creation, which can generally be considered their primary mission as well as the reason for their creation to begin with (Kokko, 2018). The paper examines those SEs which implement social value creation in a way which places the *locus* of these value creation processes outside the traditional organizational boundaries, instead having a decentralized approach. This approach is explored through the concept of SI (referred to as SI from now on) in the context of SEs.

### *2.1 Different interpretations of social enterprise*

Through existing SE definitions, SEs have various legal forms and business models which influence their revenue channels and affect their activities. The Western European approach of EMES ("EMergence des Enterprises Sociales en Europe") refers to the combination of social and economic objectives of SEs, with democratic decision-making and innovative ways in which organizations can increase the social impact of their activities (Fekete *et al.*, 2017). The market-based approaches are rooted in the USA, the (1) entrepreneurial nonprofit trend focuses on the market profit-making activities of nonprofit organizations, while the (2) social purpose business trend focuses on the business-based solutions to the social goals set by nonprofit and for-profit organizations. The SI approach refers to the social entrepreneur as an individual who is responsible for the creation of socially innovative solutions of their

customers and beneficiaries (Fekete *et al.*, 2017). The European Commission's definition is a synthesis of these concepts, which involves their social value creation process, their business activities, the profit reinvestment into their operation and their operation profile in connection with their social impact creation (European Commission, 2017). Hybridity, which is the feature of SE operations, involves the business and social goals of these organizations. "Although hybridity allows social entrepreneurs to accomplish multiple goals in a single venture, it also presents challenges in optimizing the results of both dimensions" (Eiselein and Dentchev, 2020, p. 309). This paper examines how social entrepreneurs tackle these multiple goals with the help of SI.

### *2.2 About social value creation processes of social enterprises*

Ryder and Vogeley (2017) distinguish between traditional nonprofit, SE and traditional enterprise along the lines of their primary aims. SE fits in-between the models of charitable funding and profit-orientation because they reinvest their potential-generated profit with the aim of generating social value. Kroeger and Weber (2014), have argued that social value occurs when "an intervention reduces its treatment group's relative social need." These processes are elaborated upon in the context of facilitated partnerships by Ostertag *et al.*, 2021, which alleviate resource scarcity through network cooperation. In this context, they argue that an understanding of SE blended value creation "might be found in the way they approach, orchestrate, and cooperate with partners" (Ostertag *et al.*, 2021, p. 428).

Members – organizations, or social entrepreneurs, described as the change makers who are responsible for creating innovative solutions for society (Canestrino *et al.*, 2019) – join networks because they have a common interest in the development of a given social mission and share their resources with the aim of social value creation. Among other things, such a resource can be knowledge, know-how or a better understanding of the given problem (Kokko, 2018). One way for these collaborations to succeed is through what can be conceptualized as an engagement platform, which provides physical or virtual touch points for the members with the aim of exchange and integration of resources and information. "The platform coordinates open networks of nonhierarchical actors engaged in value cocreation processes, although typically in an online context" (Kullak *et al.*, 2021, p. 630). Perspectives around these processes are further developed through the concept of SI.

### *2.3 Social innovation in the context of social enterprises*

This chapter focuses on SI as a systematic approach for social entrepreneurs to manage their collective social value creation processes. SI definitions and the main thematic elements of extent literature on SI are presented as: organizations operative properties, leadership and governance, SI processes and their outcomes and hindering factors. As a pivot from literature to empirical analysis, open innovation is also presented as a perspective that is highly resonant with the selected sample organizations.

SI can describe a wide range of interrelated concepts based on different conceptualizations. Core definitional constructs are presented based on Portales (2019) as: the satisfaction of a need, the innovation of the solution, the change of social structures and relationships and the increase of society's capacity to act. In this approach, SI emerges primarily as a focus is placed on meeting societal needs through mechanisms which should ultimately result in social transformation.

The core concepts of SI have multiple possible loci. They can describe an inalienable part of social entrepreneurship (Fekete *et al.*, 2017), a tool social entrepreneurs use to develop their operations (Esposito *et al.*, 2012; Tasavori *et al.*, 2018) or as part of a wider tool – once removed from specific SEs – to enhance the growing social economy paradigm

or a number of rural or urban development schemes (Chalmers, 2013; Kim and Lim, 2017; Membretti, 2007).

Two main interpretations that the study focuses on are that SI is a process involving a more organic influencing or emergence of social processes, organizational cultures, institutional logics and communities through exposure to diverse actors and activities (Goldstein *et al.*, 2010) and that it is a process of deliberate ordering of the social environment of SEs through personal or digital tools of facilitation (Tung and Jordann, 2017). Further elaborating on the micro-processes of SI in a large market-based SE, Vézina *et al.* (2019) use a dynamic capabilities approach and formulate a three-layered diagnostic model of SI processes involving sensing, the ability to identify opportunities, seizing, the ability to capitalize on them and finally reconfiguring resources to fit the tasks at hand. The participatory – mapping of enabling resources of SE and SI operations is brought to the forefront by Moriggi (2019) in contexts of place-based development, with local embedding being of particular interest as it elevates the importance of intangible, mainly personal resources. These could include ethical and emotional resources that drive individual motivations of participation as opposed to more materially grounded incentives.

Tortia *et al.* (2020) studied how the processes of SI fit SE operations, highlighting personal as well as institutional enabling conditions in the SI process that an SE can generally venture to improve while trying to induce social development as building on social motivations, encouraging collective action through novel governance structures and the socialization of resources.

With the advent of SI becoming mainstream, its framing and source signify a shifting of government responsibilities to the general population, while encouraging SI as a replacement (Bonifacio, 2014). This represents a top-down approach to SI, while out of this necessity, societal actors have learnt a lot about self-organizing and in some cases, they have recognized the shifting power dynamics and actively use these new tools to foster communal autonomy, leading to what Portales (2019) described as a democratization of collective organizing. Pasricha and Rao (2018) focused on the social factors at play, identifying ethical leadership practices as conducive of both increased perceptions of organizational social capital as well as SI tendency, with social capital perceptions directly influencing SI as well. A relationship was also discovered between positive employee relations and SI approaches in companies (Furmánska-Maruszak and Sudolska, 2016). Voltan and De Fuentes (2016) deal with the aspect of the dynamic between multiple institutional logics present within cooperative frameworks, describing diversity – the lack of a single dominant institutional logic – as well as compatibility – the existence of multiple logics that prescribe noncontradictory actions for actors – as factors related to successful ventures.

Phillips *et al.* (2019) have highlighted the difference between SI efforts that primarily aim at new opportunity identification, such as accessing new markets, stakeholders, communities or sharing risk and those aiming at building implementation capacities such as developing new knowledge, skills or expertise. In terms of innovation emergence, opportunity identification and close cooperation with partners has proven the most effective strategies, with a new innovation broker role being assumed by SEs in terms of their SI activities. This means that rather than a unitary role in implementation, with new know-how being constantly integrated, outsourcing and partnering strategies are applied. From a complexity science perspective, which fits the dispersed nature of SI and interprets SI activities as emergent from contextual factors, the dynamic between the opportunity tension – the pressure to use novel social organizing methods to solve issues that the existing social structures seem inadequate for – as well as information differences – the degree to which diverse perspectives and information sources are available and transparent – are highlighted

as prerequisites for SI emergence (Goldstein *et al.*, 2010). Kokko (2018) similarly point to complementary stakeholders cooperations as bridging exercises that encourage explicit admission of gaps in individual operations which contribute to the emergence of SI value creation.

The need for somewhat formalized systems – in this case, Human Resource Management (HRM) systems – is elaborated upon from an organizational learning capabilities perspective by Urban and Gaffurini (2018). In an emerging market context, knowledge conversion, risk management, organizational dialogue and participative decision-making are pointed out as significant. The dispersed nature of SE networks implies a deeper need for making tacit knowledge explicit which can be readily distributed and accessed. In this context, the number of ambiguous elements in operations need to be reduced through open dialogue that is made accessible through a deep level of participation opportunities. Godói-de-Sousa and Valadão Júnior (2013) also point out the toughness of transitions from an individual-based learning process that contributes to SE capabilities to a shared dialogue-based one that harnesses collective knowledge. This stresses the need for a conscious, iterative rethinking of taken-for-granted routines and operations to facilitate SI.

Further stressing the need for deeper cooperation through SI, Chalmers (2013) discusses barriers to success, such as localized protectionism and risk aversion of innovators, problem complexity – which necessitates transdisciplinary practices – and the dispersed nature of SE networks worldwide. He proposes that integrating the principles of the open innovation paradigm could help alleviate these barriers through:

> [. . .] a porous organizational structure, committed investment in developing absorptive capacity, the involvement of multiple stakeholders – including the user, and a systematic focus on reducing the risk involved with innovation through broad knowledge sourcing activities. (Chalmers, 2013, p. 29.).

Tsai *et al.* (2020) similarly point to transparent operations as trust inducing in terms of SE consumer behavior, while also stressing the need to make explicit and actively communicate how SE services contribute to social missions, specifically by using the aid of target groups of social missions as references for the validity of the social value creation efforts.

Zaional *et al.* (2019) have tested the relationship between certain SE capabilities and the scalability of SI ventures, pointing to earning generation, replication – of existing activities – and stimulating market forces as significant factors. Replicating in this case assumes a degree of formalization to ensure quality control, especially when it occurs through mechanisms analogous with open-source approaches where scaling occurs through external partners adopting existing activities. The synergies between SE and SI also become apparent as market forces need to be stimulated through both economic and social incentives that assume varied value interpretations inherent to SEs. This means that the SE logic is exported to different stakeholders, making them compatible with the noncapital-based markets created by SEs. Katonáné Kovács *et al.* (2016) have also pointed out that local development projects could require, besides the presence of strong embedded agentic initiators, an explicit institutionalization of social networks.

The balance between innovation targeting wider society, and employee-oriented innovation – even for the purpose of enhancing their working potential – in particular in case of disadvantaged groups has also been noted by Krejčí and Šebestová (2018) as a potential solution for internal social issues. The open innovation approach described above could have problematic or at least contradictory implications with social goals as noted by Lorne (2020). He describes open innovation spaces as conducive of entrepreneurial activity, while subordinating the individual to maximizing decentralized value creation potential by creating ambiguous circumstances that are in fact open but not necessarily easily accessible.

This individualization-masked-as-collectivism can, as he argues, contribute to an erosion of responsibility as well as a regeneration of selective exclusion.

After summarizing theoretical constructs relevant in the context of our study in Section 2, our methodological approach is presented below in Section 3. Literature is further connected to thematic groups that informed our empirical analysis (see Table 1 in the "Findings and discussion" Section 4).

## 3. Methodology

The aim of the research is to explore the forms of cooperation of SEs and their relationship to the concept of SI in a broad frame. As part of their cooperations, the examined organizations create socially innovative solutions for solving and improving social problems. Their distinguishing operational feature in the context of this research is the comprehensive openness to collaboration that is engraved in formal and informal systems of the organizations which they use to create social value. The processes involved and the value they create are scrutinized by the authors. To achieve this aim, the main research questions were:

*RQ1*. How can SI be interpreted in the operation of SEs?

*RQ2*. How they create social value through their collaboration?

*RQ3*. What elements can be identified in the SEs' operations that affect the social value creation?

Regarding the sampling method, two organizations were purposefully selected (purposeful sampling) based on the central structural role that SI plays in their operations (Patton, 1990). Specifically, maximum variation sampling was used, since this approach focuses on a rich, yet small sample with certain characteristics that diverge significantly. In this case, diverging approaches exist to SE as well as SI – with one building on personal methods that aim at cultural change locally while being embedded themselves in larger formal international networks and one deploying more structured IT-based solutions aiming at connecting their informal networks – which allows for more varied organizational features to be uncovered. This divide is especially interesting given the specificities of the Hungarian context, which the authors presumed would imply potential challenges regarding low levels of societal trust as well as high collectivistic tendencies, which could impact these approaches in various ways.

A literature review was undertaken, with the search criteria being the presence of both SE as well as SI being included in a given study, after which the most relevant articles were selected. To answer the research questions about the nature of SEs, how they can create value and what SI can mean in their context, qualitative exploratory research method was applied with the aim of understanding the dynamics of the interactions between the identified constructs involved. Data collection was based on semistructured qualitative interviewing and open discussion sessions with key stakeholders, organizational document analysis as well as in-depth personal observations of internal organizational dynamics.

This method was born out of mutual openness and common understandings of the value of the research process. Conversations moved from a descriptive to critical dimensions aiming at leveraging the opportunity to gather expert feedback. The resulting discussions provided enriched data for analysis due to the established trust, as well as outsider input for the organizations through open reflections on many aspects of their operations by detaching from formal structures.

The authors applied semistructured analysis on interviews with 14 stakeholders from two SEs (namely, Envienta Association and Egyesek Youth Association), as well as 17 open

**Table 1.** Summary of coding structure, empirical constructs and theoretical connections

| Research question | Initial code | Connections to established literature | Final thematic code | Connections to initial codes | No. of connections | Empirical constructs |
|---|---|---|---|---|---|---|
| Q1 | (1) Social innovation | Canestrino *et al.* (2019); Esposito *et al.* (2012), Goldstein *et al.* (2010), Tung and Jordann (2017), Phillips *et al.* (2019), Chalmers (2013), Tsai *et al.* (2020), Lorne (2020), Krejčí and Šebestová (2018), Tortia *et al.* (2020), Pasricha and Rao (2018), Furmánska-Maruszak and Sudolska (2016), Vézina *et al.* (2019), Zaional *et al.* (2019), Katonáné Kovács *et al.* (2016), Urban and Gaffurini (2018), Godói-de-Sousa and Valadão Júnior (2013), Moriggi (2019), Voltan and De Fuentes (2016), Kokko (2018) | Social innovation scaling | Individual needs | 4 | Building groups |
| Q1 | (2) Inclusion | Goldstein *et al.* (2010), Phillips *et al.* (2019), Chalmers (2013), Lorne (2020), Krejčí and Šebestová (2018), Vézina *et al.* (2019), Zaional *et al.* (2019), Urban and Gaffurini (2018), Voltan and De Fuentes (2016), Kokko (2018) | | Meaning making | 2 | Exclusive inclusion |
| | | | | Platform | 4 | Homogeneous membership |
| | | | | Process | 3 | Meaning-driven commitment |
| | | | | Recombination | 3 | Open-sourcing |
| | | | | Social | 2 | Scaling by licensing |
| | | | | Agent | 2 | Thresholds of inclusion |
| | | | | Value | 3 | |
| Q2 | (3) Platform | Kullak *et al.* (2021), Tung and Jordann (2017), Chalmers (2013), Lorne (2020), Tortia *et al.* (2020), Zaional *et al.* (2019), Katonáné Kovács *et al.* (2016), Urban and Gaffurini (2018), Godói-de-Sousa and Valadão Júnior (2013), Goldstein *et al.* (2010), Kokko (2018 | Cooperative platforms | Inclusion | 3 | Adaptable governance |

(*continued*)

**Table 1.**

| Research question | Initial code | Connections to established literature | Final thematic code | Connections to initial codes | No. of connections | Empirical constructs |
|---|---|---|---|---|---|---|
| Q2 | (4) Cooperation | Kokko (2018), Kullak *et al.* (2021), Phillips *et al.* (2019), Chalmers (2013), Godói-de-Sousa and Valadão Júnior (2013), Voltan and De Fuentes (2016), Katonáné Kovács *et al.* (2016) | | Individual needs | 4 | Balance between standards and autonomy |
| | | | | Process | 4 | Boundary-spanning operations |
| | | | | Recombination | 2 | Involvement- and decision-making facilitation |
| | | | | SI | 2 | Matchmaking platform |
| | | | | Social | 1 | Platform maintenance cost |
| | | | | Value | 3 | Platform replicability |
| | | | | | | Project schematics |
| | | | | | | Responsibilities based on flexible contracts |
| Q2 | (5) Process | Tsai *et al.* (2020), Vézina *et al.* (2019), Zaional *et al.* (2019), Urban and Gaffurini (2018), Godói-de-Sousa and Valadão Júnior (2013), Kokko (2018) | Value-creation process | Cooperation | 2 | Brand as a guarantee |
| Q2 | (6) Value | European Commission (2017), Kokko (2018), Kullak *et al.* (2021), Phillips *et al.* (2019), Tsai *et al.* (2020), Zaional *et al.* (2019) | | Inclusion | 1 | Facilitation of local activities |
| | | | | Individual needs | 1 | Initial joint project harmonization |
| | | | | Meaning making | 1 | Transparent processes |
| | | | | Platform | 2 | |
| | | | | SI | 1 | |
| Q3 | (7) Factors related to social and communal aspects | Goldstein *et al.* (2010), Phillips *et al.* (2019), Tsai *et al.* (2020), Lorne (2020), Krejčí and Šebestová (2018), Tortia *et al.* (2020), Pasricha and Rao (2018), Furmánska-Maruszak and Sudolska (2016), Katonáné Kovács *et al.* (2016), Urban and Gaffurini (2018), Godói-de-Sousa and Valadão Júnior (2013), Moriggi (2019) | Common needs | Cooperation | 1 | Building groups |

(*continued*)

**Table 1.**

| Research question | Initial code | Connections to established literature | Final thematic code | Connections to initial codes | No. of connections | Empirical constructs |
|---|---|---|---|---|---|---|
| Q3 | (8) Individual needs | Kokko (2018), Canestrino *et al.* (2019), Chalmers (2013), Tsai *et al.* (2020), Lorne (2020), Tortia *et al.* (2020), Urban and Gaffurini (2018), Moriggi (2019) | | Inclusion | 5 | Change-maker mentality |
| | | | | Meaning making | 1 | Community-building schematics |
| | | | | Platform | 6 | Creation of common resources |
| | | | | Process | 1 | Development of members |
| | | | | Recombination | 2 | Distance from the operative level |
| | | | | SI | 2 | Divided focus |
| | | | | Value | 4 | Ecosystem complexity as detriment |
| | | | | | | Facilitating participation flow |
| | | | | | | Focus on cohesive symbols |
| | | | | | | High member fluctuation |
| | | | | | | Horizontal decision-making |
| | | | | | | Layered membership |
| | | | | | | Matchmaking platform |
| | | | | | | Merit-based responsibilities |
| | | | | | | Missing personal communities |
| | | | | | | Need for dedicated community management |
| | | | | | | Providing basic individual needs |
| | | | | | | Social value feedback |

(*continued*)

**Table 1.**

| Research question | Initial code | Connections to established literature | Final thematic code | Connections to initial codes | No. of connections | Empirical constructs |
|---|---|---|---|---|---|---|
| Q3 | (9) Meaning making | Kokko (2018), Zaional *et al.* (2019), Moriggi (2019), Tsai *et al.* (2020) | Meanings | Individual needs | 1 | Conflicts of mission drift |
| | | | | Platform | 2 | Creation of common resources |
| | | | | Process | 1 | Elaboration of shared goals |
| | | | | Social | 1 | Focus on flagship projects |
| | | | | Value | 1 | Individual need of fulfillment |
| | | | | | | Transparent value flows |
| Q3 | (10) Recombination of resources | Fekete *et al.* (2017), European Commission (2017), Eiselein and Dentchev, 2020), Kokko (2018), Kullak *et al.* (2021), Esposito *et al.* (2012), Phillips *et al.* (2019), Chalmers (2013), Tortia *et al.* (2020), Vézina *et al.* (2019), Zaional *et al.* (2019), Moriggi (2019) | Recombination | Cooperation | 2 | Convertibility of values |
| | | | | Inclusion | 1 | Creation of common resources |
| | | | | Individual needs | 4 | Ecosystem value interpretation |
| | | | | Meaning making | 2 | Establishing communal markets |
| | | | | Platform | 3 | Inclusion of ideas |
| | | | | SI | 1 | Matchmaking platform |
| | | | | Value | 2 | Overview of ecosystemic needs |
| | | | | | | Platform value communication issues |
| | | | | | | Transparent value flows |

**Source:** Own editing

discussion sessions with varying and overlapping stakeholder involvement. The pool of interviewees includes actors involved in local as well as international innovation networks with experience in operative work as well as varying degrees of management, leadership and facilitation roles. These key players in both organizations are deeply involved in the SI development of their organizations, which implied a complex understanding of the systems involved. In terms of data collection, the interviewing process and observation started in February 2023 and finalized in July 2023. Throughout the analysis, the experiences and opinions of social entrepreneurs of the two examined organizations about the topic were explored. Beyond that, internal documentation, and notes about the observations of their everyday functioning served to aid the interpretation of cultural and social dynamic aspects.

The interview guide included questions about the profile of the partners in their network; their view about their associated partners (customer, beneficiary, partner and ecosystem actor); concept of their innovative solutions; invested resources and types of activities involved in their processes; the created social value of their SI processes; the ways they conceive of social value creation; as well as motivating factors of the joining members.

The interviews as well as other data sources were coded by NVivo software. The coding process was based on 10 preliminary codes which were derived from existing literature – as shown in Table 1 – as well as by observing meta elements – items which were observed as generally applicable platforms where key SI elements can be analyzed, which provided opportunity for more inclusive integration of diverse constructs.

The subsequent coding process resulted in the formulation of key empirical constructs – represented in Table 1 – that intersected several of the initial codes. The resulting complexity derived from the interconnectivity of these constructs necessitated the aggregation of some of the initial 10 codes into 6 aggregated thematic codes that represent key areas of SI operations as observed by the authors. It is important to note that the initial codes still represent independently interpretable information which serves to highlight points of interconnectivity between aspects of the main themes. In the following section, results are, thus, interpreted according to the main themes.

## 4. Findings and discussion

In this section the experiences collected from the examined SEs are presented. The main findings, represented by the coding structure, are presented in Table 1. The table includes the primary stages of the coding process as well as connections between the different sources of constructs, including the initial research questions, the initial thematic codes drawn from established literature as well as the final codes, their connections to the initial codes, along with specific identified empirical constructs.

The examined SEs constantly interact with other members of their network locally and at an international level as well. They adapted the principle of community sharing into their operation, which type of operation is classified as socially innovative solution which is rare and not well known yet by the society. Thanks to this operation, they create social value and have multiple outputs regarding the social value they generate.

Results are presented in the following structure around the main selected thematic elements: SI scaling presents the primary modes of SI implementation as well as inclusion efforts by the organizations, which ultimately aim at scaling the SI models. Following that, the properties of Cooperative platforms – that is, the specific channels through which SI implementation occurs – are detailed. Value-creation processes are than presented as the actual work done together with network members, including their added value as well as the way in which value is created. Common needs follow as a complex construct involving network formation, the main motivating factors behind it as well as social barriers to success. Meanings are connected to this

construct through the concept of social meaning-making, a process of internal goal-harmonization. Finally, the Recombination of resources is highlighted as the central mechanism driving the specific market models used by the explored SEs.

### *4.1 Social innovation scaling*

The process of creating social value starts from the innovation-based thinking of the founders and continues to be built with the similar vision of the joining organizational members. In all cases, the founders were open-minded to the world, they considered the role of relationships and involvement in the organization to be important, either through common work or financial capital. When establishing their organizations, their goals were to break away from the constraints of established social structures and to create value for society, in addition to the organization members doing what they really love, communally. Due to the resulting commitment, the creative and productive thinking of the organizational members increased in terms of project initiation.

Envienta uses a conscious approach of open innovation, allowing their unique solutions to be used by anyone in their ecosystems and beyond. If the other connected network members create a product based on the adopted approach, they can realize their own income from it. This process is mediated by formalized coordinating as well as control mechanisms as prescribed by Zaional *et al.* (2019). The main idea and the financial share of the original innovator is guaranteed by the license agreement and the supplementary contract. In this process, the entry of members into the network and its expansion takes place:

> You will have access to global knowledge and will be able to create products locally. So instead of chasing material resources around the world, anyone anywhere in the world can come up with something good, it goes up in the cloud, and the one with the smallest environmental footprint locally wins the assignment. Then he makes an agreement with the innovator and the user, and in the smart contract they agree on who will take a share. (Envienta)

These mechanisms facilitate open access to many SI resources, making replicability (Zaional *et al.*, 2019) possible. Another aspect of this opening up of operations would be the very internal workings of the SEs to newcomers, new resources, knowledge and ideas (Chalmers, 2013), something which both organizations consider as valuable. The current logic, however, is that of efficiency, which focuses on homogenous functional groups, placing the burden of integration on those joining:

> Our goal was to create the ideal conditions for creative self-fulfillment. The interesting thing is that when people are truly free to work on what they desire, they organically find their place. If one is unable to achieve that within such open conditions, they might realize that they had wrong preconceptions about themselves to begin with. (Envienta)

When asked about these barriers to entry, in both cases the minimum requirement was to demonstrate compatibility by presenting an individual set of useful skills or a practical, executable pitch in case of new project ideas, preferably coupled with human resources. This approach highlights a potential challenge with the expected need for SEs to integrate varied stakeholders, (Voltan and De Fuentes, 2016) as these factors often limit joining to nonentrepreneurial individuals, who are also necessary for operations and could provide value in different ways.

### *4.2 Cooperative platforms*

The organizations use organizational platforms (Kullak *et al.*, 2021), which connect independent actors with each other. General functions of platforms, their operational

dynamics as well as specific use cases are discussed. The platform is a tool for implementing the dual-purpose combination of SEs (Eiselein and Dentchev, 2020), combining social and economic goals. Another responsibility is to connect actors with different capacities (Vézina *et al.*, 2019) (manufacturers, companies, inventors, marketers, PR experts and product developers) who are worth more together than separately. All this offsets the expenses associated with external experts, say the costs of an external PR employee or simply finding someone. The platform coordinates the members, all the contracts are accessible for them, it provides a service framework during which no disputes can arise between international members because of the international standards. It is a tool of horizontal communication and common decision-making. The parties decide on the future of projects, about the application of new ideas, the way of using capacities and the involvement of financial investors:

> The open-source hardware and software technologies ensure the involvement of members in the implementation. Milestones regulate the process of creating a prototype, production, and the distribution. The platform connects all of this to a chain that ensures the trust of the paying parties, as the process itself becomes transparent. (Envienta)

The platforms serve as key assets of cooperation for the organizations. The parties establish participatory nodes regarding which member works at which location and what they are doing which is involved in the cooperation framework agreement:

> We do not operate as a separate entity, but according to the participatory nodes, we have our place in the value creation process, and we are connected with the young volunteers. (Egyesek)

The responsibilities of the members are clarified in each project, but in the case of Egyesek, the tasks are also clarified in the framework of voluntary contracts. It is problematized that due to the shifting nature of activities as well as individual capabilities and skills – upon which the tasks and responsibilities of member are based – these nodes should be iterated upon which is a time-consuming undertaking. The Envienta platform, therefore, uses flexible, smart contracts which enable a non-bureaucratic, accessible process of formal renegotiation.

Besides aiding decentralized processes, platforms also provide centrally deliberated standards, serving as governance platforms. The platforms – be they tangible or informal – in many cases supersede the regular organizational boundaries. The usual challenge would be creating shared decision-making structures, however, in both cases, the choice was to provide the frameworks for ad-hoc governance structures to be created around specific groupings. This level of accessibility creates a sense of trust in the system. Beyond this incentivizing participation, a certain cost is associated with maintaining platforms of cooperation, be it in terms of resources or surrendering of a degree of autonomy by accepting ready-made regulations and standards. In any case, some resources must be exhausted, however, the level of autonomy reduction is essentially negligible since from the start, new rules can be created by those choosing to take part. Participation is not limited to the umbrella of the platform, the logic and structure of the platform itself can be copied and iterated upon while not taking away from its benefits. The only limitation to this is that a certain degree of professional standards is expected to be created as per Zaional *et al.* (2019).

What was observed is that besides the legal organizational structures, certain members have formed councils for debating important arising issues. Entry requirements into these forums were, however, not properly elaborated, creating arbitrary positions of authority, problematized as eroding organizational trust. Although the goals of these structures were to allow open, nonhierarchical discussions, the lack of explicit structures seemed to create hidden hierarchies in some cases due to entropy as described by Lorne (2020).

*4.3 Value-creation process*

The created value of the SEs and the processes leading to its creation are discussed in the following section. The central created value of Egyesek is the support of local bottom-up initiatives and the motivation of youth to do something for the county. The aim of these initiatives is to reduce the poverty level of Nógrád county and develop the local ecosystem. The topics of projects are environment protection (introduction to organic farming), health care (organizing health-conscious summer camp for young people) and culture (establish an application which involve the tourist attractions of the county and present the local traditions). The mission of this SE is to improve the local initiatives. Partners are helped to implement their ideas.

The created value is related to the organization's mission, it is an integral part of it (Kokko, 2018) because all of the projects increase the local initiatives. The first organization ensures an ethical open system as generated value, where members can access contract templates at any time. The name of the brand and the organization is a guarantee and security for members that the given product will not be lost and can be repaired at any time, since the members involved in this are included in the network:

> I think it is a very big advantage for the members that this source is completely open, so that you can see the contract templates, you can see everything. And precisely because this is such a general, open and ethical system, this alone constitutes such a value that it is worth coming here. (Envienta)

The system makes it possible to access global knowledge, which enables partners to produce products locally, thus, creating local value. This value can create autonomy for the customers. "The other thing that our colleagues in Békéscsaba really liked is that if you can produce most of your energy needs with just one good solar panel, it provides you with incredible autonomy" (Envienta). The value creation process generally begins with potential partner identification, working group formation and planning activities. The members collect information about the legal background and possible pitfalls, the production and distribution process and the way of revenue generation of the new products and services. Then, they customize the software to handle the new projects and put it on the platform, so the mechanism of value generation process becomes transparent for the community. This essentially constitutes the automatization process of creating a new product or a service. In addition to the integration of new projects onto the platform, part of the value-creating process is the organization and conduct of meetings. In the case of organization 2, representatives of the networks take part in the kick-off meeting. The purpose of the meeting is joint brainstorming, the mapping of competing networks and the harmonization of the steps of the given processes. "After the kick-off meeting, we started to create an exchange guideline, with the aim of defining the minimum standards that we expect from an organization" (Egyesek). At the heart of both organizations is a deep focus on individual needs. These needs are harmonized with collective needs through the social fabric of the organizations which helps participants identify with shared values, increasing their willingness to contribute to them.

*4.4 Common needs*

The formation and maintenance of the community is ensured by the project ideas of the network members. This is an emergent concept in the research that interviewees identified as "the commons," and in this sense, as elaborated upon below, resources are transformed into common resources, meaning that as more projects are generated, the pool of commons increases (Agrawal *et al.*, 2023). In practice both organizations oscillate between a facilitator

role in the implementation of the ideas, and the role of an operative project member. Harmonization is approached in each case through a lens of socialization and social construction. This requires the presence of a social fabric and community building is sometimes difficult:

> These ideas are not usual, with them you can change the world, but to get people to work just a little bit differently is difficult. So, community building itself and dealing with people is a separate magic (Egyesek).

Conscious efforts and attention are being put into community building, for example by uploading documentation to the platform which describes how a self-sustaining community should function. Open-source communities define themselves in such a way that they exclude subordination relationships between themselves. Each member is responsible for his own task. These responsibilities are determined based on one's own skills. Predefined milestones show the steps to complete the whole process of value creation.

Especially in the case of local development, but in general as well, socialization is conceptualized as a key driver of social change. Socialization is thought of as occurring between individual interactions naturally through certain shared activities. It is supposed to result in a natural replication of organizational logics and activities.

A challenge that arises, however, is that many SEs conceptualize socialization as a networked, rather than a communal activity. Besides the core teams – making up the nucleus of SI organizational ecosystems – peripheral actors make up the majority of the active workforce that takes part in tangible value creation. These diverse actors – if not part of another functional community – often lack the social capital to develop individually and capture the potential benefits the SI process presents, while integration into the SI catalyzing community can be difficult without a certain level of pre-existing functional and cultural compatibility. Due to the SE culture of change-maker entrepreneur centrality, an underlying assumption is that this character can and should be just as easily replicated.

Educational programs have been developed to achieve just this, directly in the case of Egyesek and indirectly by Envienta. However, some observations indicate the need for a long-term committed engagement of certain target groups that the natural inclusion processes do not always provide, resulting in high fluctuation of participation. Envienta tries to rely on the mindset that project-based groups – when selected to maximize inter-group compatibility – provide an ideal framework to bring out the best in everyone. The short-term project-based nature of SE and SI operations resulting from the varied activities needed, however, do not necessarily provide stable environments that constantly create schemes that incentivize prolonged participation. This also reflects on inclusion efforts since the integration of new people becomes much more complicated.

This direct socialization, thus, becomes a central issue that the probed organizations are becoming increasingly aware of, but find problematic to solve due to their scale, as dedicated attention would need to be invested. In both cases, the desire for active community management is expressed, but it is admitted that this would require dedicated personnel that the SE model's financial constraints limit. The creation of digital facilitating platforms in both cases serves to aid with this. Especially in the case of Envienta, the platform serves as an open window to most elements of the ecosystem, creating the chance for all to participate according to their abilities, while reducing risk perceptions through transparency. At this point, the sophistication of the system in terms of the level of elaboration on entry points and the complexity of the ecosystem become the only bottlenecks, as openness also means that potentially a larger set of information can be presented, than what can be reasonably computed by someone on the periphery without

guidance. This essentially means that the platform has could be supplemented by a customized social process of meaning making.

The issue of community values intersects with the factor of individual needs. With a sense of community already assumed and a number of other needs expressed through varied forms of value, time is interpreted as the most limiting factor. Envienta conceptualized its ecosystem in a way that basic needs of those involved are at the center of the innovation model. Though not yet implemented in practice, the idea is that participation within the ecosystem directly provides access to certain produced resources, similarly to a cooperative structure. In a simpler, but tangible way, Egyesek relies consciously on its material and place-based resources to provide the infrastructure for members in a working context. In theory, these models could provide solutions by alleviating pressures related to limited time and personal resources, however, due to the loose nature of both ecosystems, pooling resources for what is essentially a complex time-banking system that spans boundaries is not yet feasible.

It is proposed that individual needs should be taken into account at least to the minimum extent that the greatest number of participants become unconstrained by the constant stress of individual or organizational survival, thus, creating a sense of safety that can bring forward:

> The natural state of being inherent to them which enables a sense of presentness where one can fully engage with what is in front of them and bring out the creative energies enabling them to do what they do best. (Envienta)

### *4.5 Meaning making*

The creation of a shared vision and a set of meanings behind the daily operations of organizations is considered to be a prerequisite of engagement. They are the filters through which stakeholders make sense of their surroundings as well as their roles in it. Various participatory brainstorming and strategizing sessions are used in both cases to create, iterate and strengthen shared goals. Shared symbols and meanings are being highlighted in case of the wider networks as tools to create such cohesion, viewed by member organizations as a prerequisite of cooperation. Participation in the creation of these meanings is maximized to a reasonable level, however, this poses a challenge in that those who are already on the periphery of those nodes might not directly interact with these symbols.

These meanings should be constantly held up and elaborated upon by those in close proximity to participants. Especially in case of farther members, a danger that arises is that the sharing of knowledge and resources – if not becoming outright unequal – can become based on needs rather than shared values, eroding the established trust through conflicting scenarios that are not properly mediated. It is proposed that even in the cases of sharing resources akin to bartering, the ways in which meeting individual needs contributes toward the furthering of shared goals should be elaborated. Needs also include a set of intangible needs, as individual meanings of importance are attributed to self-fulfillment, among others, which often conflict with the required shared tasks at hand especially given the proclivity of SE members to participate in many alternative networks. A typically controversial conflict is, for example related to the necessary prioritization of activities not connected to the social goals. The items that appear most often as inspirational are tangible goals related to short- to mid-term milestones that can be viewed as impactful. This often takes form in material achievements that can be easily grasped as something that creates stabilizing points for further scaling, such as the establishment of a community center or an invention that has the potential to reliably generate resources.

*4.6 Recombination of resources*

Resource scarcity is a central issue in the SE context. Organizations using SI work toward finding and integrating complementary resources from within their networks. These resources can have many different variants, in the case of the studied organizations they are monetary resources, time, goods or services, infrastructure, human resources, access, data or knowledge. Similar factors are also considered in the most practical step of the pure SI processes, which is the recombination of resources. A big challenge in this case is the simple elaboration, structuring and distribution of information regarding available but dispersed resources including material or intangible resources such as social capital or knowledge, especially in case of small organizations attempting to facilitate SI while having to maintain their own core operations. Beyond the data handling aspects, recombining occurs in an ad-hoc way as well as through conscious strategic choices. The Envienta platform essentially serves as a facilitator of this recombination process, not only allowing for matchmaking but also providing an overview of interconnected factors and arising needs as well. As noted above, inclusion efforts in terms of people, resources and ideas have to be the starting points of combinatory efforts. In the case of non-IT-supported efforts, a marked loss of potential is noted when inclusion cannot occur due to the underdeveloped, not yet integratable level of these items. One of the IT supported approaches' main benefits can, therefore, be found in the capability to store information for when they become more developed or when the ecosystem become capable of absorbing them.

A complex task that also needs to be managed is the conversion between different forms of resources (values) when recombination happens between independent participants, especially when the SE interacts with other forms of organizations. Traditionally, varied funding schemes were established to channel public and private sector funds, for example in exchange for PR value, while increasingly, as noted by Zaional *et al.* (2019) the new practice is the creation of new market logics that are presented to stakeholders as alternative value propositions. Envienta especially strives to create novel incentive systems and a culture in which participants are not attempting to profit off of exchanges in the short term, by presenting both tangible long-term value and especially by emphasizing the interconnectedness of actors within the ecosystem, which implies a shared prosperity derived from contributing to new value creation. One of the advantages of the open platform especially can be grasped in the fact that these value flows become explicit and transparent instead of the more philosophical idea of the common good. Egyesek, in the meantime, focuses more on – often proactively – providing services that benefit complementary operations as well as participating in international volunteer exchange schemes based on both a transactional as well as a shared goal-oriented approach.

Symbolic, inspirational and strategic resource-creation is prioritized as having "flagship" resources such as a community center, or the existing training facility of Egyesek, or the Envienta platform itself as well as its pilot innovation projects serve both tools to increase autonomy as well providing opportunity to proactively share, therefor leading the way in establishing new ways of value exchange. What appears to be a complicated issue is that much of the SI-related ventures themselves are important strategic assets that the organizations find hard to communicate the values of to date while they might be the most resource-intensive parts of their operations. In practice, the facilitatory recombination efforts occur as services that are provided pro-bono or serving specific, different value-creating ventures. This is a well-functioning system in terms of the SE model sustainability, however, they severely hinder the SI sustainability and scalability. SI is not thought of consciously as a core part of the organizational offerings by ecosystem members, meaning that the SE scaling is not occurring parallel with that of SI, since direct investments – out of a sense of urgency of developing more tangible capacities – are not placed so much into expanding the social facilitation efforts.

## 5. Conclusion

In this study, the concept of SI is rooted in the views and ways of thinking of those entrepreneurs who established the formal organizations. They are not afraid to break away from the views of the established market logics, and their goal was to break away from them. The process of generating change started from their way of thinking, members who were open to change, joined the organizations. Creating change based on community sharing is embedded in the missions and DNA of the organizations. The operation of organizations takes place through and is empowered by SI processes through joint value creation with network members, as they believe that they can achieve greater social impact by working together. They come up with innovative products and services that bring radical – as of now – potentially disruptive change and improve people's quality-of-life by easing society's diverse everyday problems, be they material or intangible. With these outputs, social value is created, which is embedded in the mission of SEs (Kokko, 2018).

The main asset of the social value creation process of the members is the platform itself which provides information about legal and professional rules of common activities, the outputs and projects; a channel of communication; and presents the key milestones of the value creation processes. The members generate local values with the adaptation of open knowledge as well as through the commons approach of transforming individual resources into shared resources.

The outputs of the local initiatives are the generated social value. The framework of the social value is the separation from systems with established power structures, mutual prosperity and the exchange of resources for the sake of common value creation. Under this framework, the examined SEs and their networks create value for youth work, education, health care, innovative products which serve as solutions for environmental problems as well as serving essential local needs such as food or energy. These values are based on a conceptualization of basic needs that are easily translatable to stakeholders.

Furthermore, the platforms themselves allow for complete bottom-up, non-bureaucratic integration of outside nodes as well as the reproduction of already integrated nodes by other parties, while the recombination mechanisms ensure that value feeds back into the given ecosystems. The recognition of the SI operations as well as the platforms themselves as strategic assets to be communicated as part of the core value propositions are identified as a potential development opportunity.

Finally, this feedback mechanism could ideally aid the creation of an optimal balance between an organic combination of human and material resources that provides ideally efficient value-creation and a structured, communally facilitated process of inclusion that does not subordinate ecosystem members to passively exploitative logics of collective individualism. There is no universally applicable balance, therefore, the basic structures of these ecosystems could be up for constant renegotiation.

## 6. Limitation and future research

The primary limitations of the research include limited sampling as well as a lack of wider contextual analysis. This was compensated for by the inclusion of rich data from the two SEs which are embedded in international as well as local networks, ensuring a certain level of general applicability, strengthened by the wide knowledge and experience of the field that SE leaders possessed. Furthermore, the inclusion of only key players weakens perceptions of peripheral actors, who were later determined to be crucial to the observed dynamics.

Future research of the topic could focus on the experiences of those SEs which do not focus on community value creation processes and compare the result of this study with them with the aim of exploring the similarities and differences among the entrepreneurial aspects and created value potentials.

The main contribution of the article is increasing the visibility of novel value creation mechanisms as well as aiding their comprehension through complex influencing factors, such as socialization. Understanding this complexity offers value for practitioners, as well as academia and policymakers.

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