

**SOCIAL ENTREPRENEURS' EXPERIENCES OF  
ETHICAL DILEMMAS: AN INTERPRETATIVE  
PHENOMENOLOGICAL ANALYSIS**

**Jyväskylä University  
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## ABSTRACT

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<p>Abstract</p> <p>The dominant narrative in social entrepreneurship posits it being inherently ethical; however, this study challenges this assumption by exploring social entrepreneurs' experiences of ethical dilemmas. The study aims to provide a deeper understanding of the complexities of ethics in the field of social entrepreneurship and sheds light on the individuality of social entrepreneurs' ethical decision-making processes, their awareness, emotional and cognitive responses, and sensemaking activities.</p> <p>Employing Interpretative Phenomenological Analysis, this research investigates how social entrepreneurs experience ethical dilemmas, examines their perceptions and sensemaking of these experiences, and explores the role of ethical dilemmas in social entrepreneurship. Phenomenological interviews were conducted with nine purposefully chosen social entrepreneurs involved in startups or small-to-medium sized social ventures based in Finland.</p> <p>The analysis reveals five main themes of ethical dilemmas: ethical decision-making, balancing social impact and financial sustainability, navigating systemic and institutional constraints, community engagement, and overcoming personal barriers. By challenging the prevailing notion of social entrepreneurship's inherent ethicality, the findings contribute to a more nuanced understanding of ethics in the context of social entrepreneurship.</p> <p>This study informs the development of ethical practices in social entrepreneurship and enhances knowledge of the field. The practical implications and recommendations derived from this study offer valuable guidance on leveraging ethical dilemmas in social entrepreneurship endeavors.</p>	
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## TIIVISTELMÄ

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<p><b>Tiivistelmä</b></p> <p>Vallitsevan yhteiskunnallisen yrittäjyyden narratiivin mukaan yhteiskunnallinen yrittäjyys on luonnostaan eettistä. Tässä maisterintutkielmassa kyseenalaistetaan tämä oletus tutkimalla yhteiskunnallisten yrittäjien kokemuksia eettisistä dilemmoista. Tutkimuksen tavoitteena on tarjota syvällisempi ymmärrys etiikan monimutkaisuudesta yhteiskunnallisen yrittäjyyden alalla ja valottaa yhteiskunnallisten yrittäjien eettisten päätöksentekoprosessien yksilöllisyyttä, heidän tietoisuuttaan, emotionaalisia ja kognitiivisia reaktioitaan sekä sensemaking-toimintaa. Tulkitsevaa fenomenologista analyysia käyttäen selvitetään miten yhteiskunnalliset yrittäjät kokevat eettisiä dilemmoja, tarkastellaan heidän käsityksiään ja aistimuksiaan näistä kokemuksista sekä tutkitaan eettisten dilemموjen roolia yhteiskunnallisessa yrittäjyydessä. Fenomenologiset haastattelut toteutettiin yhdeksän tarkoituksella valitun yhteiskunnallisen yrittäjän kanssa, jotka toimivat Suomessa toimivissa startup-yrityksissä tai pienissä ja keskisuurissa yhteiskunnallisissa yrityksissä, joiden pääasiallisena tavoitteena on luoda sosiaalista arvoa.</p> <p>Analyysi paljastaa viisi eettisten dilemموjen pääteemaa: eettinen päätöksenteko, sosiaalinen vaikutuksen ja taloudellisen kestävyuden yhteensovittaminen, systeemisten ja institutionaalisten rajoitteiden navigoiminen, yhteisön sitoutuminen ja henkilökohtaisten esteiden ylittäminen. Tutkimustulokset haastavat vallitsevan käsityksen yhteiskunnallisen yrittäjyyden luontaisesta eettisyydestä ja edistävät näin vivahteikkaampaa eettisyyden ymmärtämistä yhteiskunnallisen yrittäjyyden kontekstissa.</p> <p>Lisäksi tästä tutkimuksesta saadut oivallukset auttavat kehittämään yhteiskunnallisen yrittäjyyden eettisiä käytäntöjä ja lisäävät alan tietämystä. Tästä tutkimuksesta johdetut käytännön suositukset tarjoavat opastusta eettisten dilemموjen hyödyntämiseen yhteiskunnallisessa yrittäjyydessä.</p>	
Asiasanat Yhteiskunnallinen yrittäjyys, Eettiset dilemmat, Eettinen päätöksenteko, Sensemaking	
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# CONTENTS

## ABSTRACT

## TIIVISTELMÄ (ABSTRACT IN FINNISH)

1	INTRODUCTION .....	7
1.1	Background of the study.....	7
1.2	The research objectives and questions.....	8
1.3	The structure of the study .....	9
2	EMPIRICAL CONTEXT .....	11
2.1	Foundation of social entrepreneurship .....	11
2.2	Motivations & characteristics of social entrepreneurs .....	14
2.3	Opportunity recognition, exploitation & resource acquisition.....	16
2.4	Social change & innovation.....	19
2.5	Influence of context .....	21
2.6	Sensemaking processes .....	23
2.7	Concluding notes on social entrepreneurship.....	25
3	THEORETICAL FRAMEWORK.....	27
3.1	Branches of ethics.....	27
3.2	Descriptive ethics.....	28
3.3	Normative ethics.....	28
3.4	Applied ethics .....	31
3.4.1	Stakeholder theory .....	31
3.4.2	Ethical decision-making.....	32
3.5	Concluding notes on ethical theories.....	37
4	ETHICAL DILEMMAS IN SOCIAL ENTREPRENEURSHIP.....	38
4.1	Social impact dilemmas .....	38
4.2	Selecting beneficiaries .....	40
4.3	Balancing stakeholder interests .....	41
4.4	The role of the social entrepreneur .....	42
4.5	Concluding notes on ethical dilemmas faced by social entrepreneurs .....	44
5	DATA AND METHODOLOGY.....	48
5.1	Research approach.....	48
5.2	Data collection.....	51
5.3	Data analysis.....	54
6	FINDINGS.....	59
6.1	Ethical decision-making.....	61

6.1.1	Principles-based decision-making.....	61
6.1.2	Participatory decision-making.....	63
6.1.3	Responsibility and Justice.....	65
6.2	Balancing social impact and financial sustainability.....	66
6.2.1	Integrity vs. Profitability.....	66
6.2.2	Fairness vs. Care.....	68
6.2.3	Equality vs. Efficiency.....	69
6.3	Navigating systemic and institutional constraints.....	71
6.3.1	Rights vs. Responsibility.....	71
6.3.2	Managing spillover effects.....	74
6.3.3	Balancing stakeholder needs and interests.....	75
6.4	Community engagement.....	77
6.4.1	Care vs. Justice.....	77
6.4.2	Utilitarianism vs. Care.....	79
6.5	Overcoming personal barriers.....	80
7	DISCUSSION.....	83
7.1	Experiences of ethical dilemmas (RQ1).....	84
7.2	Perceptions and sensemaking of ethical dilemmas (RQ2).....	92
7.2.1	Awareness and recognition.....	92
7.2.2	Emotional and cognitive responses.....	94
7.2.3	Sensemaking.....	96
7.3	The role of ethical dilemmas in social entrepreneurship (RQ 3).....	98
7.4	Rigor and quality in qualitative research.....	99
7.5	Limitations.....	100
8	CONCLUSIONS.....	103
8.1	Theoretical contributions.....	104
8.2	Practical implications.....	105
8.3	Recommendations for future research.....	106
	REFERENCES.....	108
	APPENDICES.....	121

## LIST OF TABLES AND FIGURES

Table 1 Recognized ethical dilemmas in social entrepreneurship .....	44
Table 2 Profiles of the participants.....	52
Table 3 Steps in phenomenological data analysis (Smith et al., 2022) .....	55
Table 4 Selected illustrative experiential statements and themes .....	58
Figure 1 Structure of the field of ethics, with ethical theories relevant to this study, adapted from Crane et al. (2019), Freeman (2010), Hota et al. (2023) and Schwartz (2016) .....	28
Figure 2 Value creation of stakeholders (Freeman, 2010, p. 24) .....	32
Figure 3 Integrated model ethical of decision-making (Schwartz, 2017, p.67) ....	34
Figure 4 Group experiential themes .....	60

# 1 INTRODUCTION

## 1.1 Background of the study

The intersection of ethics and social entrepreneurship presents a complex landscape, where the prevalent idea often is that social ventures are ethical by default. However, this idealized perception fails to fully acknowledge the multifaceted nature of ethical decision-making and the ethical dilemmas faced by social entrepreneurs. Ethics in social entrepreneurship brings together two distinct yet interrelated areas of study: ethics and social entrepreneurship. The dominant discourse in the field is that social enterprises inherently are ethical due to their social nature and their goal of creating social value (Bull & Ridley-Duff, 2019). This perception is further perpetuated by the depiction of social entrepreneurs as heroic and thoroughly ethical characters (Bacq et al., 2016; Tolodano, 2020). However, this narrative ignores the complexity of reality. The decision-making processes of social entrepreneurs are not immune to ethical dilemmas and challenges.

Social entrepreneurship arises from the shortcomings of institutions and the private sector and aims fill the gaps created by these institutions (Saebi et al., 2019). Social entrepreneurs identify social problems and use the means of business to create solutions addressing the problems. The underlying assumption is that social change can be created using the market as a means rather than only being the end (Vedula et al., 2022). Thus, social entrepreneurs are motivated by the desire to create positive social change (Zahra et al., 2009). The concept of social entrepreneurship entails the promise of the ability to *do good* by *doing well*. However, the pursuit of social impact can also lead to the exploitation of vulnerable communities and the creation of unintended negative consequences (Bacq et al., 2016; Khan et al., 2007; van Wijk et al., 2019), underscoring the significance of conducting research in the field.

Ethics are concerned with the moral principles that manage human behaviour, and it provides frameworks for making decisions and taking action (Crane et al., 2019). The field of ethics encompasses a rich body of research and theories that explore the underlying ethical principles and frameworks for ethical decision-making. Ethical decision-making is a complex process that requires deep understanding of ethical principles and values in addition to context (Craft, 2013; Crane et al., 2019; Schwartz, 2017). The approaches guiding individuals in navigating ethical dilemmas are reflected on using both descriptive, normative, and applied ethical theories.

Ethical dilemmas in the context of social entrepreneurship present an interesting topic to research due to the lack of integration between ethics and social entrepreneurship research and particularly the lack of research on ethical dilemmas in social entrepreneurship. Several researchers e.g., Bacq et al. (2016) and Chell et al. (2016) have acknowledged this gap in the literature and have called for further research. Furthermore, it is a topic under current debate – Hota et al. (2023) recently studied how social enterprises navigate ethical dilemmas and the type of ethical dilemmas social enterprises face in a single case study.

Furthermore, the interest toward the topic stems from my personal desire to combine interests of social change, ethics, and business studies. I want to explore how this social entrepreneurship can influence society positively. Moreover, the thesis provides an opportunity to network with interesting social entrepreneurs as well as to increase the understanding of the phenomenon and its potential issues. The current narrative on social entrepreneurship is very simplistic and ignores the ethical challenges that entrepreneurs face. Replacing this narrative with a richer description can increase understanding of the complexity of social entrepreneurship. By understanding the ethical challenges that entrepreneurs face, new practices and solutions can be found.

These aspects are the motivations and background for conducting this study and investigating social entrepreneurs' experiences of ethical dilemmas, aiming to contribute to the emerging field of ethics in social entrepreneurship and provide insights that can inform both theory and practice.

## **1.2 The research objectives and questions**

Considering the aforementioned gap in the literature, this study aims to explore ethical dilemmas in social entrepreneurship and shed light on the experiences of social entrepreneurs in dealing with these challenges. The overarching intention is to replace the dominant narrative of social entrepreneurship being ethical by default with multifaceted in-depth narratives and a more nuanced understanding of ethics in this field. The objectives to reach the aim are to understand social entrepreneurs' experiences of ethical dilemmas and understand how social entrepreneurs perceive and make sense of these experiences. The role of ethical dilemmas in social entrepreneurship will be



described, drawing from, and interpreting these experiences. To achieve the aim, the following research question and sub-questions will be addressed:

1. How do social entrepreneurs experience ethical dilemmas?

#### **Sub-questions**

2. How do social entrepreneurs perceive and make sense of their experiences of ethical dilemmas?
3. What role do ethical dilemmas have in social entrepreneurship?

The research questions will be answered by applying Interpretative Phenomenological Analysis. It aligns with the research objectives and the benefit of this approach is in capturing the rich experiences of social entrepreneurs as it is well-suited for exploring subjective experiences and understanding phenomena from the perspective of specific individuals in a particular context (J. A. Smith, 2009, p. 51). The methodology will be covered in more detail in chapter 5.

The data is collected through conducting phenomenological interviews with nine purposefully chosen social entrepreneurs, who are involved in startups or small-to-medium sized social ventures based in Finland. This study will focus on a European context as the participants are from Finland, which is important to consider as the traditions of social entrepreneurship differ in different parts of the world (Defourny & Nyssens, 2010). In Europe the notion of social ventures having a dual mission, focusing on the social impact, and contrasting it with commercial entrepreneurship, is agreed upon and it is the definition this thesis is based on.

The study will contribute to a deeper understanding of the experiences of social entrepreneurs in navigating ethical dilemmas, and how these experiences impact their decision-making and actions. The implications of this study will inform the development of ethical practices in social entrepreneurship and enhance the knowledge of the field. By exploring the experiences of social entrepreneurs, this study will challenge the dominant narrative of social entrepreneurship being inherently ethical and instead provide a nuanced understanding of the complexities of ethics in social entrepreneurship in the Finnish context.

### **1.3 The structure of the study**

To replace the dominant narrative of social entrepreneurship being ethical by default with a more nuanced understanding of ethics in this field, the thesis is structured into eight main chapters. First, the introduction provides an overview of the background and motivations of the study in addition to the research objectives and questions. It sets the stage for the subsequent chapters, providing a comprehensive overview of the study's structure and purpose. The second chapter, social entrepreneurship, describes the empirical context of the thesis,

exploring the field of social entrepreneurship and its distinct characteristics. By providing an in-depth examination of social entrepreneurship, this chapter provides the necessary context to understand the ethical dilemmas faced by social entrepreneurs and their impact. The following chapter on the domain of ethics, serves as the theoretical framework for the thesis, outlining the central concepts and theories in ethics. It covers the various ethical theories relevant to the thesis including descriptive ethics, normative ethics, and applied ethics (including stakeholder theory and ethical decision-making). The comprehensive overview of ethics works as the foundation for understanding the ethical dilemmas in social entrepreneurship and ethical decision-making of social entrepreneurs. Chapter 4 serves as the culmination of the literature review section of the thesis by providing review of the scarce literature on ethical dilemmas in social entrepreneurship. The chapter presents the identified ethical dilemmas and the findings of existing literature. It draws on both the theoretical framework and the empirical context. This chapter is crucial step in fulfilling the aim and objectives of the thesis. The review of ethical dilemmas in the field helps to establish a foundation for the empirical investigation that follows in the subsequent chapters of the thesis.

The fifth chapter starts the empirical section of the thesis. The chosen methodology, Interpretative Phenomenological Analysis is described in this chapter. The methodology provides both a method of data collection and a method for analysing the data. In chapter 6, the findings of the empirical study, conducted by interviewing the nine social entrepreneurs, will be presented together with the analysis. The findings are then discussed in the context of the theoretical framework, providing answers to the research questions in chapter 7. This chapter also delves into how quality and rigor have been ensured in addition to discussing the limitations of the study. The research is concluded in Chapter 8 and the theoretical and practical contributions of the study are presented, ending in suggestions for future research.

## 2 EMPIRICAL CONTEXT

### 2.1 Foundation of social entrepreneurship

This section provides an overview of the discussion on the definition and the evolution of social entrepreneurship, including its distinguishing characteristics and the debate around the concept. By understanding the historical context, readers gain insights into the origins of social entrepreneurship and its growing significance in promoting positive societal transformation.

When the stream of social entrepreneurship research emerged, scholars initially focused on defining and describing social entrepreneurship and social entrepreneurs. Dees (1998) article "The meaning of social entrepreneurship" started the discussion on defining the concept (Hota et al., 2020). In the first era of social entrepreneurship research, few studies focused on the organizational side or the social enterprise as an organizational form. The papers said to have laid the foundation for further research were published in 2006 namely the papers by Mair & Marti (2006) and Austin et al. (2006), which also attempted to connect research in Europe and research in the US on the subject. Before this, the research was separated (Defourny & Nyssens, 2010). Moving forward, the focus shifted to social enterprises in addition to further theoretical conceptualization of social entrepreneurship. Some key advancements of this era were developing the foundation of the social entrepreneurship construct and defining social enterprises. However, Saebi et al. (2019) found the research on the organizational side to be split into different subsets and most research being based on case studies, resulting in a lack of generalizable results. After 2010 the hybridity in social entrepreneurship and the challenges related to the dual mission became the focus of the research and now in recent years the ethical social enterprise has moved into the sphere of focus alongside the hybrid organizations. An area expected to develop more in the future, is the integration of ethics and social entrepreneurship (Hota et al., 2020), which this study also aims to advance.

Scholars in the field have reached consensus in that social entrepreneurship strives to create social value (Mair & Martí, 2006). Yet, beyond this defining factor, the field is divided. Some, as Dacin (2010), reaches as far as to claim that social entrepreneurship cannot be considered to be a distinct type of entrepreneurship. Others define it broadly, including all ventures with a social mission, including non-profits (Short et al., 2009).

The hybridity of social enterprises is however at the forefront of social entrepreneurship research. Saebi et al. (2019) and Zahra & Wright (2016) emphasize the dual focus of social enterprises, which is both social and economic value creation. This dual focus is argued to set social entrepreneurship apart from non-profit organizations, which do not pursue profits, and traditional or commercial entrepreneurship, which primarily aims to maximize profit (M. G. Grimes et al., 2013; Kovács et al., 2017, pp. 359-362). Koe Hwee Nga & Shamuganathan (2010) reason that social entrepreneurship prioritizes improving people's lives, in contrast to the profit maximization aim of commercial entrepreneurship. Similarly, Litrico et al. (2019) describes how traditional non-profit organizations follow a social welfare logic, which implies a goal of addressing social needs, whereas traditional business ventures follow a commercial logic. Social enterprises follow a blend of both, in varying degree. Moreover, opposed to commercial entrepreneurship, social entrepreneurship works on the premise of the social mission and social value creation being the end goal and the markets being the means to achieve that end (Vedula et al., 2022). Hence it can be said that social entrepreneurship combines social and economic value creation, setting it apart from non-profit organizations and traditional commercial entrepreneurship.

Conversely, not everyone accepts a harsh distinction between social entrepreneurship and commercial entrepreneurship as hybrid goals can be part of both (Calic & Mosakowski, 2016). Social enterprises are a type of hybrid organizations, combining private, public and third sectors (Doherty et al., 2014) as the need for social entrepreneurship arises from the gaps between these institutions (Zahra & Wright, 2016). The perceptions of the hybridity of social entrepreneurship varies across different countries and continents, with social enterprises in Europe often combining commercial and social interests and social enterprises in the U.S. mostly being non-profit organizations (Defourny, 2010). Therefore, social entrepreneurship encompasses hybrid goals and combines various sectors, highlighting the diverse perceptions and practices of hybridity across different countries and continents.

A variety of other hybrid ventures do also exist e.g., in the fields of environmental and sustainable entrepreneurship. While the literature on social entrepreneurship often emphasizes the use of markets as a means to achieve social goals, studies on environmental entrepreneurship take a different perspective, considering the market as the goal and the environmental mission as a means to that end. (Vedula et al., 2022). Sustainable entrepreneurship can be described as the broad concept under which social and environmental entrepreneurship fit (Dean & McMullen, 2007; Vedula et al., 2022). It is a recently emerged research

stream that attempts to bridge the constructs of social and environmental entrepreneurship (Dean & McMullen, 2007; Vedula et al., 2022). Sustainable entrepreneurship addresses environmental needs in addition to the social ones (Hoogendoorn et al., 2019). Meaning that hybrid ventures extend beyond social entrepreneurship, encompassing environmental and sustainable entrepreneurship as well.

The hybridity might not be an adequate foundation for social entrepreneurship. Scholars such as Defourny & Nyssens (2012) argue that the additional criterion of actively opposing profit-maximizing behaviour should be included in the definition. Short et al. (2009) in turn exclude profit making intentions from the definition and grounds it exclusively on aiming for social impact, therefore including non-profit organizations. Defining social entrepreneurship solely based on social mission or aiming for social impact is in turn criticized by Bruder (2021) and Rawhouser et al. (2019). Rawhouser et al. (2019) argue that the definition of social impact includes both the positive and the negative outcomes of social change, meaning that social impact consist of both *doing good* and *doing no harm*. According to this view, all actions taken to fulfil the social mission are of importance in social entrepreneurship. Concluding, scholars have differing views on the foundation of social entrepreneurship, with some emphasizing the dual mission and opposition to profit-maximizing behaviour, while others focus on social impact and managing all consequences.

Moreover, the hybridity of social entrepreneurship can be further questioned because the concept of a social mission rarely is defined in research (Bruder, 2021). Santos et al. (2015) support this argument noting that what is seen as social is subjective. The subjective nature of the social mission adds complexity to the understanding and implementation of social entrepreneurship, as different interpretations and perspectives may arise.

Regardless of definition, all ventures have social impact, whether positive or negative (Saebi et al., 2019). Commercial entrepreneurship can benefit society through innovation, job creation, and solving global crises (Saebi et al., 2019), but its motive is economic and not explicitly focused on creating social value (Santos et al., 2015). In the terms of Santos et al. (2015) commercial entrepreneurship concentrates on maximizing value capture while social entrepreneurship emphasizes value creation. According to the theoretical framework social entrepreneurs capture only the value required to keep their venture afloat.

The duality of the mission in social entrepreneurship is often seen as a source of tension in the literature on ethics and social entrepreneurship. This lies on the assumption that social and commercial logics are incompatible (Dacin, 2022; W. K. Smith et al., 2013). However, Dacin et al. (2022) challenges this assumption as firms often must navigate multiple logics. For instance, a family firm must reconcile the needs of the business, family, and stakeholders. While multiple logics can lead to conflicts, the notion that they are inherently incompatible is misguided.

Building upon this understanding, the prevailing assumption is that socially aimed missions in social entrepreneurship are inherently ethical (Chell et

al., 2016). However, this creates certain issues as a simplified view of reality that ignores the ethical complexities that come with running a social enterprise. Despite attempts by researchers to link ethics to social entrepreneurship (Chell et al., 2016; Dey & Steyaert, 2016; Hota et al., 2023; Zahra et al., 2009), social entrepreneurship and ethics are not yet fully integrated (Hota et al., 2020). The complexities surrounding ethics in social entrepreneurship require further exploration and development to ensure that ethical considerations are fully embedded in the theory and practice of social entrepreneurship.

In conclusion, this chapter has provided an overview of the definition and evolution of social entrepreneurship. Scholars have engaged in extensive discussions and debates, focusing on various aspects such as the defining characteristics of social entrepreneurship, the role of social enterprises as organizational forms, the duality of the mission, and the integration of ethics. While there are differing views on the foundations and boundaries of social entrepreneurship, it is widely recognized that social entrepreneurship aims to create social value and combines both social and economic value creation. The complexities surrounding the concept of a social mission and the ongoing efforts to integrate ethics further emphasize the complex nature of social entrepreneurship.

## **2.2 Motivations & characteristics of social entrepreneurs**

The prevalent idea of the motivations of social entrepreneurs is that the motives are noble and inherently ethical because of the pursuit of a social mission (Bacq et al., 2016; Bruder, 2021; Chell et al., 2016). However, this assumption is misleading and has been criticised by e.g., Chell et al. (2016), Dey and Steyaert (2016) and Bruder (2021). Social entrepreneurs are instead a heterogeneous group with varying ethical motivations (Mair et al., 2012; Yitshaki et al., 2022). Hemingway (2005) argues that an entrepreneur's socially oriented values is the driver for pursuing social entrepreneurship. Others say social entrepreneurs' motivations can vary and often involve a blend of economic, social, and personal goals (Bacq et al., 2016). Profitability and financial wealth are however found to be less important to social entrepreneurs than to their commercial counterparts. In addition, social entrepreneurs are often community orientated and are motivated by a desire to make a positive impact on the people and places they care about (Sengupta & Lehtimäki, 2022). This connection to community can also shape their motivations and goals as a social entrepreneur.

Social entrepreneurs can be categorized into three types based on their approach and scale of impact (Zahra et al., 2009). Social bricoleurs focus on local issues, works with the available resources to address social needs within their communities. They wish to maintain social harmony in and create social value for their local community. Social constructionists aim for larger-scale social change and create alternative structures to provide solutions for unmet social needs. They fill the gaps left by existing organizations and institutions as inefficiencies of laws and regulations. Social engineers seek revolutionary change

by challenging and replacing existing social systems. Their initiatives have a national or international scope and often encounter resistance from established actors. These three types of social entrepreneurs contribute to addressing social issues in different ways and have distinct approaches to creating positive social impact. They are also associated with different ethical dilemmas, as will be discussed in chapter 4.

Social entrepreneurs are often described as driven by a desire to decrease the suffering of others and experiencing it as more important than pursuing their self-interests. Yitshaki et al. (2022) establishes that social entrepreneurs are driven by compassion, which Miller et al. (2012) describes as "A pro-social motivator characterised by others orientation and an emotional connection to others in suffering" (p. 620). There are two types of compassion, self-compassion and others-oriented compassion (Yitshaki et al., 2022). Self-compassion allows social entrepreneurs to empathize and address the suffering of others based on their own experiences. Thus, if someone has faced a particular social issue in their own life or community, they may be more motivated to address that issue with the means of social entrepreneurship. Others-regarding compassion is directed outwards and stems from becoming aware of social issues and value structures, which leads to prosocial action. The desire to act comes from the desire to help. Compassion can thus be described as what motivates social entrepreneurs to tackle pressing social problems through social entrepreneurship.

Personality traits (Koe Hwee Nga & Shamuganathan, 2010) and personal values are other identified motivations of social entrepreneurs (Zahra et al., 2009). Social entrepreneurs are driven by ideals of "doing good" and motivated by their core values, which are to identifying, addressing, and resolving societal problems (Zahra et al., 2009). Their passion for creating positive change drives their efforts to bring about meaningful impact and contribute to the betterment of society. Social entrepreneurs tend to exhibit proactivity and a willingness to take risks, demonstrating a proactive and adventurous approach to problem-solving (Bergner et al., 2022). They also display a strong sense of altruism and values related to self-transcendence, emphasizing the importance of contributing to the well-being of others. Furthermore, social entrepreneurs are characterized by innovativeness, a focus on achievement, and independence, reflecting their drive to create innovative solutions and make tangible impact (Koe Hwee Nga & Shamuganathan, 2010). They exhibit low risk aversion and tolerance for ambiguity, allowing them to navigate uncertainty and complexity. Additionally, social entrepreneurs demonstrate a sense of purpose.

While a desire to make a positive impact is a common motivation among social entrepreneurs, the outcome may not always be positive (Zahra et al., 2009). Some social entrepreneurs may hold values that conflict with societal norms and may as a result engage in unethical or manipulative behaviour as they believe in their cause. The solutions they create to address social problems might also bring new problems and have negative consequences (van Wijk et al., 2019; Zahra et al., 2009). It can however be argued that the motivation is to ultimately do good in these cases.

The assumption that social entrepreneurs are entirely altruistic and prioritize social values over profits is however oversimplified (Dacin et al., 2011). Some social entrepreneurs aim to both create maximal social impact and maximal profits, while others act on impure intentions and use the creation of social value only for their own political or economic gain. Others may cause negative social impact in their pursuit of solely self-interest (Bacq et al., 2016). For instance, if the underlying motivation for starting the venture is to gain respect and admiration due to the altruistic and compassionate values that are associated with social entrepreneurs. This highlights the need for a comprehensive understanding of the diverse motivations and behaviours of social entrepreneurs.

### **2.3 Opportunity recognition, exploitation & resource acquisition**

Opportunity recognition, exploitation and resource acquisition in commercial and social entrepreneurship differ (Austin et al., 2006; Corner & Ho, 2010; Mair & Martí, 2006). The fundamental difference is the aim to create social value and focus on societal issues rather than profit and individual value (Corner & Ho, 2010). Furthermore, social entrepreneurs use business competences to solve societal problems in innovative ways (Miller & Wesley, 2010). This involves recognizing and exploiting opportunities that are overlooked and inventing novel solutions to them (van Wijk et al., 2019; Yitshaki et al., 2022). The potential social impact must outweigh the resources required to pursue it and is thus a key consideration for social entrepreneurs (Yitshaki & Kropp, 2016). Social entrepreneurship entails recognizing and seizing opportunities to create social value, focusing on societal issues and utilizing business competences to develop innovative solutions.

Opportunity recognition is often a collective rather than individual process in social entrepreneurship (Lehner & Kansikas, 2012). Social entrepreneurs heavily rely on their stakeholders to achieve their dual mission (Fowler et al., 2019) Building strong relationships with stakeholders, including organizational members, volunteers, donors, and community partners, is essential (Brown et al., 2023). In comparison to commercial entrepreneurs, social entrepreneurs are even more dependent on their stakeholders for support, particularly when they address complex social problems that are not traditionally profitable and require engagement of multiple stakeholders to create meaningful change (Roundy & Lyons, 2022).

In the pursuit of creating social value, social enterprises can sometimes lose sight of the ecosystem of stakeholders, including the broader community (Roundy & Lyons, 2022). However, ignoring the needs and concerns of secondary stakeholders can damage the legitimacy of the venture and reduce support from the broader stakeholder community.

The entrepreneurial process in social entrepreneurship involves moving between the stages of opportunity recognition and exploitation, as well as a phase of developing the identified opportunities (Corner & Ho, 2010; Lehner &



Kansikas, 2012). Social entrepreneurs can face limitations in exploiting opportunities due to industry regulations (Lehner & Kansikas, 2012) or institutional barriers (Corner & Ho, 2010). However, redefining resources at hand can help social entrepreneurs overcome these challenges (Vedula et al., 2022).

Social ventures are reliant on various actors to secure resources such as financial capital, human capital, social capital, and intangible resources (Meyskens et al., 2010). For instance, a social entrepreneur aiming to provide clean water to a rural community may face significant upfront costs for infrastructure that may not be earned back later (Roundy & Lyons, 2022). Therefore, they need the support of stakeholders who share their vision and are willing to provide resources to help them achieve their mission.

Effective resource management helps balance financial success and social impact, benefiting all stakeholders, including beneficiaries, partners, and communities. Social ventures face challenges in obtaining resources due to prioritizing the social mission above profit maximization (Desa & Basu, 2013) and operating in environments with scarce resources (Janssen et al., 2018). This requires founders to adopt creative approaches to resource mobilization.

Bricolage, commonly recognized as the dominant approach to resource acquisition in social entrepreneurship, challenges the traditional view that only economic motivation drives entrepreneurs (Servantie & Rispal, 2018; Janssen et al., 2018). Bricolage, as social entrepreneurship, drives social innovation and creation of social value (Servantie & Rispal, 2018). Bricolage prioritizes community needs and involves the creative use of existing resources (Desa & Basu, 2013; Janssen et al., 2018). It entails “creating something from nothing” by the innovative use of overlooked resources and finding new ways of combining them (Bojica et al., 2018, p. 365). Di Domenico et al. (2010) distinguish social bricolage as a unique form of bricolage. They define it as the process of creating social value and involving stakeholders through persuasion to achieve their purpose. Social bricolage focuses on fulfilling unmet community needs and building innovative solutions through networking and capturing new resources. Social bricolage has been found to have a positive effect on the social impact of social ventures (Liu et al., 2021). Bricolage, with its emphasis on creative resource utilization and community-centric approaches, is one of the main approaches social entrepreneurs use for acquiring resources.

An opposite way to approach obtaining resources is through optimization (Desa & Basu, 2013). Optimization means acquiring standard resources that are suitable for the intended purpose. Firms that adopt this approach have a clear vision of their goals and the resources needed to achieve them. While it may improve a social venture's reputation and mission, it can also limit its independence and flexibility as contradictory demands of different stakeholders can come into play. Optimization and bricolage are necessarily not exclusive approaches (Desa & Basu, 2013). Social ventures may adopt optimization for some resources and bricolage for others, depending on the type of needed resources. Combining optimization and bricolage can be a beneficial strategy for

social entrepreneurs, as Kickul et al. (2018) found a positive relationship between the use of bricolage and disruptive innovation success.

Considering the acquired resources, Liu et al. (2021) recommend social entrepreneurs to emphasize their relationships with governments and institutions as they can be valuable resources, providing benefits such as increased trust and insight into social issues. Additionally, social entrepreneurs should prioritize ethical labour practices to ensure the wellbeing of their employees and volunteers (Brown et al., 2023). Failure to address these issues can damage the legitimacy of the venture and result in negative reputation.

Similarly, Williams & Shepherd (2018) found that social entrepreneurs who have strong ties to their local community are more likely to effectively utilize resources to achieve their mission and maximize their impact. Social entrepreneurs aiming to improve the wellbeing of marginalized communities must however ensure that their initiatives do not strengthen stereotypes or further marginalize these groups. To alleviate these concerns, the social venture ought to engage with community leaders and members to understand their unique needs and concerns and involve them in the design and implementation of the initiative (Qureshi et al., 2023). As an example, by providing marginalized groups opportunities to participate in the venture they can ensure that they are included in the knowledge sharing process and that their needs are considered. This illustrates how social enterprises can engage with marginalized individuals, who often are excluded from decision-making, as stakeholders in their initiatives.

As for financial resources, there are unique challenges that social ventures face in trying to secure funding compared to commercial ventures. Investors tend to prioritize growth, profits, and scalability, making it difficult for social entrepreneurs to secure traditional investment (Anglin et al., 2022; Gupta et al., 2020). This is due to traditional investors being cautious of the dual mission and focus of social enterprises (Lall & Park, 2022). In addition, traditional investors tend to favour pitches that use business discourse rather than social discourse, which can be challenging for social entrepreneurs who do not have a business background (Kreutzer, 2022). However, social ventures can apply for funding from several sources, including crowdfunding, philanthropy, government support, developmental venture capital, impact accelerators, and impact investing (Lall & Park, 2022). To prevent being dependent on any one funding source, social ventures must secure funding from multiple sources and try to minimize time spent on funding to focus on operations (Meyskens et al., 2010).

Social ventures that receive government grants are viewed as more credible by debt financiers (Lall & Park, 2022). However, with decreasing public funding, social entrepreneurs must explore alternative investment options (Zahra et al., 2009). For instance, many social enterprises rely partially on philanthropic donations (Defourny, 2010; Lehner, 2013) as they often are not able to generate enough income only through sales or investments (Bugg-Levine et al., 2012). Philanthropic grants and donations are beneficial as they enable social ventures to focus on their social mission (Fowler et al., 2019), but may reduce their appeal to equity investors, as it suggests dependence and a lack of profit-

maximizing goals (Lall & Park, 2022). Moreover, a fairly new alternative for social enterprises are social incubators (Sansone et al., 2020). Social incubators support start-ups specifically aiming for significant social impact. Another option is crowdfunding, which has become a popular investment option for social enterprises facing difficulty with securing traditional funding (Hoos, 2022). However, building credibility with potential crowdfunders is crucial, and this can be achieved by showcasing achievements related to the social mission, as crowdfunders are not motivated by financial returns. Social entrepreneurs who align with social roles and expectations are shown to be able to raise more funds via crowdfunding (Anglin et al., 2022). By leveraging a variety of funding sources, social enterprises can access specialized support and expand their opportunities.

In conclusion, social entrepreneurs have the ability to recognize overlooked opportunities, develop innovative solutions, and leverage business competences to achieve their mission. Building strong relationships with stakeholders and effectively managing resources are essential for social entrepreneurs. Social bricolage and optimization serve as approaches to resource acquisition, with bricolage emphasizing creative resource utilization and optimization prioritizing standard resource acquisition. Considering the diverse needs of stakeholders and engaging with marginalized communities can help social entrepreneurs to navigate the challenges they face and maximize their impact. Furthermore, securing funding for social enterprises presents unique challenges, but diversifying funding sources and leveraging specialized support can help overcome these obstacles. Next, the discussion delves into how social entrepreneurs harness the opportunities and resources to create social change.

## **2.4 Social change & innovation**

Social entrepreneurs address societal challenges to create positive social change. Central to this process is the development of innovative ideas that address social needs (Kreutzer, 2022; Stephan et al., 2016). Social entrepreneurs have emerged as key drivers of innovation, using inclusive strategies to create lasting social change.

Social entrepreneurship has become an important force for economic development and poverty alleviation in emerging economies (Rosca et al., 2020). Using inclusive strategies, such as creating job opportunities, enhancing skills and productivity, and involving disadvantaged communities as suppliers and producers, social entrepreneurs have been able to create lasting change. The process of transforming patterns of thought, behaviour, social relationships, institutions, and social structures is defined as creating positive social change (Stephan et al., 2016). Innovations are essential to creating social change.

Social innovation is the process of creating new, impactful solutions to social problems (Phills et al., 2008). Social innovations aim to generate financial value while solving social problems, and it is argued to be the foundation of modern social entrepreneurship (Del Giudice et al., 2019). Social innovation is

not just about problem-solving, but about creating new ways of doing things that challenge existing power structures (Hansen et al., 2022). Success in social innovation is measured by how wide it can reach and transform society, not just solve single problems. In other words, social innovation aims to create change on a large scale by inspiring and mobilising communities to work together towards a common goal.

Social entrepreneurs are innovative and strive to create valuable solutions for their communities by introducing new methods and approaches (Del Giudice et al., 2019). They are motivated to improve their current circumstances and create solutions that benefit society. The most cited definition of social innovation is that of Phillips et al. (2008):

*“A novel solution to a social problem that is more effective, efficient, sustainable, or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private individuals.” (p. 39).*

While some literature portrays social entrepreneurs as heroic actors driving social change through creativity, others emphasise the importance of collaboration and collective action between different stakeholders and communities in addressing social problems (Hansen et al., 2022). This latter approach recognises that social entrepreneurship inherently is collective-oriented, and collaborative action among diverse actors is essential for solving broader societal challenges.

Social innovation is key to tackling poverty, social, and political issues, particularly in emerging countries, and there is a pressing need to address these challenges (Del Giudice et al., 2019). It is demonstrated that social entrepreneurs working for social goals in poor countries have a strong will to innovate. Social innovation has the potential to create change at a systemic level, with social entrepreneurs such as the social engineer in Zahra et al.'s (2009) typology aiming for radical reform and societal transformation. Such social change often requires challenging institutions as they are creating the problems in the first place (Purtik & Arenas, 2019). Thus, social innovation is not only about solving social problems, but aims to create new and different ways of doing things that challenge the existing way of doing things and promote collective action.

Real-world examples have demonstrated the potential of social enterprises to drive positive social change through innovation. Case studies have shown how social enterprises can address social issues in innovative ways. For example, one case study involved using events to help support vulnerable people out of homelessness by providing transferable skills and social connections (Higgins-Desbiolles & Monga, 2021). Another case study focused on providing clean water to communities in need through community-based projects led by local stakeholders (Fowler et al., 2019). By empowering communities and working together to address social issues, social enterprises can create lasting social change in practice (Roundy & Lyons, 2022).

In conclusion, social innovation is a central concept in the field of social entrepreneurship, enabling the creation of impactful solutions to social problems. It challenges existing power structures and promotes new ways of doing things that benefit society. Through collaboration and collective action, social entrepreneurs drive broader societal change by addressing poverty, social inequality, and political issues. Real-world examples have demonstrated the potential of social enterprises to drive positive social change through innovative approaches. However, it is essential for social entrepreneurs to be mindful of potential risks and unintended consequences.

## **2.5 Influence of context**

Social entrepreneurship does not exist in isolation and is highly dependent on context (Littlewood & Holt, 2018). The cultural, historical and social context of social entrepreneurship affects the identification of social needs and the development of social innovations to address them (Murphy et al., 2020; Newth & Woods, 2014). The context in combination with the characteristics of the social entrepreneur shape the process of venture creation (Perrini et al., 2010) and venture scaling (Corner & Kearins, 2021). This sub-chapter underlines the importance of adapting to new geographic areas and engaging with stakeholders specific to the context, considering factors such as political systems and institutional conditions.

When social entrepreneurs expand their ventures to new geographic areas, they must consider the differences in the new context and adapt their products or services accordingly (Corner & Kearins, 2021). Scale-up strategies that emphasize standardisation, and are common in extant literature, do often not work for social enterprises due to challenges in replicating resource configurations. For instance, differences in the political system (Corner & Kearins, 2021) and the strength of public and third sector organizations in the new area affect the success of social ventures (Perrini et al., 2010). This can make it challenging to scale social enterprises, but it also emphasizes the importance of engaging with stakeholders and resources specific to the new context.

The institutional context influences the degree of resistance social entrepreneurs experience in their pursuit of social change (Newth & Woods, 2014). Institutional conditions can help to overcome the obstacles that often discourage people from pursuing entrepreneurship when faced with complex social issues (Dorado & Ventresca, 2013). For instance, favourable institutional conditions include policies promoting entrepreneurship and cultural beliefs valuing entrepreneurial tendencies like creativity and taking risks. However, the conditions may also involve institutional complexity, which refers to multiple conflicting logics in the institutional environment (Cherrier et al., 2018). To navigate the conflicting logics social entrepreneurs must understand and address regulatory barriers, cultural norms, and other institutional constraints that may constrain their activities (Cherrier et al., 2018; Newth & Woods, 2014). To do so, the social entrepreneurs need to adapt to the context they are operating in (Newth

& Woods, 2014). This includes using strategies like establishing partnerships with stakeholders, leveraging their existing networks, and engaging in advocacy efforts. Additionally, self-awareness enables social entrepreneurs to manage the psychological aspects of any resistance they may face. However, institutional complexity does not only present challenges, it also enables innovation. For example, it can lead to the development of business models that harness the inherent tensions of different institutional logics or the creation of new products or services (Cherrier et al., 2018). By understanding the contextual conditions embedded in the institutional environment and adapting to them, social entrepreneurs can effectively address the complexities posed by conflicting logics and institutional pressures.

Within the institutional context, the regulatory and legal environment further guide social entrepreneurship. For instance, in South Africa, the focus is on addressing the low skill and education levels among disadvantaged individuals through policies promoting skills development (Littlewood & Holt, 2018). The policies have guided several social enterprises in the area to engage in training and education of these individuals. In contrast, Nordic countries are inclined to associate social entrepreneurship with welfare services, emphasizing the improvement of the lives and welfare of vulnerable citizens (Nordic Council of Ministers, 2015). Different countries adopt different approaches to supporting social entrepreneurship, some, e.g. Finland (Nordic Council of Ministers, 2015), prioritize social entrepreneurship as a means to reduce unemployment, while others emphasize fostering competition and innovation within the enterprise sector (Jiatong et al., 2021). If the regulatory environment does not address social entrepreneurship in its policies or legislation, the development of social entrepreneurship is hindered (Littlewood & Holt, 2018). The regulatory and legal environment, with varying approaches adopted by different countries, influences social entrepreneurship, and the presence of supportive policies and legislation is essential for its successful development.

Cultural meanings differ across contexts and presents an additional factor that influences social entrepreneurship. When social entrepreneurs make decisions, their decisions are influenced by both local and broader cultural meanings (Margarida et al., 2020). How social entrepreneurship is perceived across different contexts varies, and can be influenced by factors as extreme poverty, and local norms and values. If local cultural beliefs do not align with the dominant global view of social entrepreneurship, which emphasizes individual problem-solving, it might make the implementation of social entrepreneurial initiatives challenging. When individuals hold different viewpoints on the goals and outcomes of social entrepreneurship, it becomes difficult to align efforts and gain support from all stakeholders.

In consideration of the cultural context, the social and cultural norms also shape entrepreneurial engagement. It is important to understand the norms and behaviours as challenging them can carry risk in some contexts, as Haugh & Talwar (2016) demonstrates. Their research highlights that social and cultural norms can have a significant impact on women's engagement with

entrepreneurial activity in developing countries. Women who challenge norms in patriarchal culture settings can be punished and face social consequences. However, by adopting innovative business approaches that align with local social and cultural norms while enabling women's economic engagement, it becomes possible to foster social positive change by empowering women. This further highlights the importance of understanding the context in which the social venture operates.

The complex, dynamic, and context-specific environments social enterprises operate in, makes it challenging to establish universal frameworks for measuring their impact (Mair & Martí, 2006). Unlike for financial performance, there are no widely agreed-upon guidelines or methods for social impact measurement (Molecke & Pinkse, 2017). As discussed, social enterprises are accountable to multiple stakeholders with differing expectations. Social entrepreneurs might feel pressure to present different metrics and evaluations of their social impact to different stakeholders. Many small-to-medium sized social enterprises feel pressure to adopt models from used by commercial ventures rather than creating their own (Nicholls, 2009). This can lead to social enterprises conforming to external standards rather than being innovative and effective.

Moreover, the complex nature of social problems can create additional challenges in measuring impact. Financial impact is often quantifiable and objective i.e., easy to measure but social impact involves assessing changes in social outcomes (Mair & Martí, 2006). These outcomes may include social inclusion, individual wellbeing, or community resilience. Measuring these outcomes requires in-depth understanding of the social problems and the stakeholders and actions involved. Furthermore, it requires the use of both qualitative and quantitative methods, which are time-consuming and expensive.

In conclusion, this chapter has explored the influence of context on social entrepreneurship, examining extant literature on global, institutional, and cultural factors. The findings underscore the importance of adapting to new geographic areas, engaging with stakeholders specific to the context, and considering political systems and institutional conditions. Moreover, cultural meanings and norms further influence decision-making, requiring an understanding of local perspectives. By understanding how context shapes their decision-making social entrepreneurs can make informed choices that align with their values and address the needs of the community.

## **2.6 Sensemaking processes**

The phenomenon of social entrepreneurship has gained significant attention in recent years. Social entrepreneurs are individuals who strive to address social problems and promote social justice through innovative solutions. In this chapter, we explore the concept of sensemaking in the context of social entrepreneurship, focusing on how social entrepreneurs make sense of complex and dynamic social problems, develop innovative solutions, and create shared value for all

stakeholders. It is important to note that while there is limited literature specifically on sensemaking in social entrepreneurship, we aim to synthesize the existing studies that shed light on this topic.

Sensemaking refers to the cognitive and interpretive process through which individuals seek to understand and make sense of their experiences and the world around them (Weick, 1995). It encompasses the ways in which individuals come up with explanations making sense of these experiences, more specifically *"How they construct, what they construct, why, and with what effects are the central questions for people interested in sensemaking."* (Weick, 1995, p. 4). Sensemaking activities of individuals are the basis for learning about their relationship to the world (Larkin et al., 2011). Sensemaking involves the process of organizing and making sense of events by integrating new information with existing knowledge, beliefs, values, and social contexts. In other words, it is about connecting the dots between different pieces of information and fitting them into a meaningful framework that aligns with individuals' pre-existing understanding of the world (Maitlis & Sonenshein, 2010). It entails the active construction of meaning. By doing so, sensemaking helps individuals create an understanding of their experiences and the world around them.

Sensemaking is an interpretive process through which social entrepreneurs make sense of the world around them, particularly in relation to social problems and their potential solutions. Social entrepreneurship in itself can be viewed as a form of sensemaking that addresses social problems and promotes social justice (Kimmitt & Muñoz, 2018). Social entrepreneurs employ different sensemaking practices when addressing social problems, including conformist problematising where they simplify the problem based on predefined assumptions, and a realisation approach where they reflect on the complexity of the problem, adapt solutions to local contexts, and refine them through ongoing conversations and observations. Additionally, Reynolds and Holt (2020) found that successful founders of hybrid organizations balance profit and social change by relying on their self-awareness and sensemaking. Sensemaking informs their strategic decision-making, aligning their personal perspectives and priorities and resolving tensions between profitability and social impact. Overall, sensemaking plays a crucial role in guiding social entrepreneurs and founders of hybrid organizations towards success in addressing social issues.

According to Drencheva et al. (2021), sensemaking in social entrepreneurship is a way for entrepreneurs to understand and make sense of confusing situations. They do this by noticing when things don't match their expectations, interpreting what it means, and trying out their interpretations through actions. This helps social entrepreneurs navigate complicated social situations and take steps towards achieving their goals.

As sensemaking is a broad concept, a wide variety of different processes can be sensemaking activities. This is illustrated by how within the context of social entrepreneurship, performance measurement serves a dual role (M. Grimes, 2010). It not only enables accountability but also acts as a sensemaking process, contributing to the establishment of social entrepreneurship as an organizational identity.



Context also impacts sensemaking. For instance, hierarchies in organizations affects how individuals in different positions perceive events (Lockett et al., 2014) and personal biases and environmental pressures can hinder accurate sensemaking, emphasizing the need to be aware of these constraints and actively work to overcome them (Thiel et al., 2012).

By comprehending how social entrepreneurs interpret and make sense of their lifeworld, it can help revealing the ethical principles that guide their actions.

## **2.7 Concluding notes on social entrepreneurship**

This chapter has explored the empirical context of social entrepreneurship, focusing on key concepts and ideas that are central to understanding the field from the perspective of the objectives of this study. The chapter began by providing an overview of the definition and evolution of the research field of social entrepreneurship. The concepts of hybridity and social impact emerged as fundamental elements, highlighting the duality the mission and the tension created by the pursuit of both social and financial objectives.

The motivations and characteristics of social entrepreneurs were subsequently examined. While social entrepreneurs often are depicted as heroic figures solely driven by ethical motives, they are essentially motivated by a blend of economic, social, and personal goals. Compassion, the desire to alleviate suffering, and the pursuit of social good were identified as key motivators. However, it was also recognized that self-interest and the potential for unethical behaviour may arise in the pursuit of social goals.

The exploration of opportunity recognition, exploitation, and resource acquisition shed light on the entrepreneurial process in social entrepreneurship and how it differs from commercial entrepreneurship. Opportunity recognition was found to be a collective rather than an individual endeavour, requiring collaboration and engagement with stakeholders. The concepts of bricolage, the innovative use of existing resources and optimization, acquiring suitable resources for a purpose, were highlighted as approaches to resource acquisition used by social entrepreneurs. Moreover, the significance of relationships with stakeholders and institutions, as well as the challenges imposed by institutional barriers, was emphasized. Social entrepreneurs also face challenges in securing funding and must explore alternative funding options to support their ventures.

Next, the process of creating social change through innovation was discussed. Recognizing that social change requires transformative approaches, the importance of social innovation in addressing complex social issues was emphasised. Social innovation meaning a collaborative, collective-oriented approach to finding novel solutions that address social problems and create value primarily for society. Social entrepreneurs have an important role in developing and implementing innovative solutions that can bring about positive change in society.

An important part of this literature review was exploring the influence of context on social entrepreneurship was explored. Social entrepreneurship is a highly contextual endeavour. Geographical expansion requires social entrepreneurs to adapt to the new context rather than duplicating its operations. The institutional context and regulatory environment were identified as highly influential factors, shaping the experiences and outcomes of social ventures. The role of cultural context was equally recognized, including norms and values, in influencing the perceptions and practices of social entrepreneurship. The complexities of measuring social impact and the absence of universally agreed-upon guidelines or methods for evaluation were also highlighted.

The final chapter examined sensemaking in social entrepreneurship and examined the cognitive and interpretive processes through which social entrepreneurs make sense of their experiences and the world around them. It emphasized the importance of sensemaking in understanding and addressing complex social problems, developing innovative solutions, and creating shared value for stakeholders. The chapter further highlighted the role of sensemaking in guiding strategic decision-making, resolving tensions between profitability and social impact, and revealing the ethical principles that guide social entrepreneurs' actions. Comprehending the sensemaking processes of social entrepreneurs is an important part in meeting the objectives of the study.

In conclusion, this chapter has provided a comprehensive overview of the empirical context of social entrepreneurship, focusing on the central concepts, ideas, and themes relevant to the study's objectives. By understanding the nuances of social entrepreneurship and its complex nature, we can now delve deeper into the examination of ethical dilemmas in the field. The subsequent chapters will establish the theoretical framework and analyse extant literature on ethical dilemmas faced by social entrepreneurs, contributing to a more nuanced understanding of ethical decision-making in the realm of social entrepreneurship.

## 3 THEORETICAL FRAMEWORK

### 3.1 Branches of ethics

The field of ethics encompasses a variety of philosophical approaches, including descriptive, normative, meta-ethical, and applied ethics. The branch of descriptive ethics is concerned with describing and explaining the ethical beliefs and values of individuals or groups (Schwartz, 2017). Normative ethics, on the other hand, aims to provide guidance on how to live a good life and make moral decisions (Crane et al., 2019). Meta-ethics explores the nature of ethics and moral judgements, including questions about the meaning of ethical terms and the existence of moral facts (Tropman, 2019). Applied ethics applies ethical theories to practical problems in areas such as business (Crane et al., 2019). While all four branches of ethics are important, this study focuses on descriptive and normative ethics, as they provide a framework for understanding the ethical principles and values that guide decision-making. In addition, applied ethics are examined through stakeholder theory and ethical decision-making. All relevant to create an understanding of the social entrepreneur's experiences of and the meanings they attach to ethical dilemmas.

Figure 1 visualises the field of ethics and places the ethical theories relevant to this study in relation to each other and the four branches of ethics. However, there are differing interpretations among scholars in philosophy and ethics. Some theories in applied ethics, like stakeholder theory, could also belong to other branches of ethics such as normative ethics and descriptive ethics (Freeman et al., 2010). It depends on the perspective from which the study applies the framework, and the studied phenomenon. However, the visualisation is based on the theories that have been discussed in literature on ethics in social entrepreneurship or business ethics and will be discussed in this chapter.

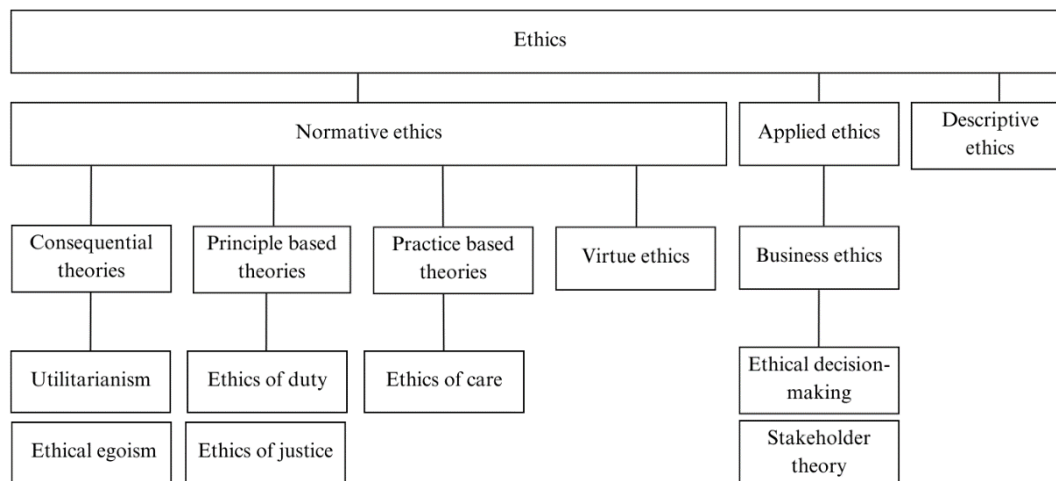


Figure 1 Structure of the field of ethics, with ethical theories relevant to this study, adapted from Crane et al. (2019), Freeman (2010), Hota et al. (2023) and Schwartz (2016)

### 3.2 Descriptive ethics

Descriptive, or behavioural ethical theory strives to explain *what* people do and *why* they do it (Crane et al., 2019; Tenbrunsel & Smith-Crowe, 2008). Research in behavioural ethics primarily focuses on understanding individual behaviour within the context of broader social norms (Tenbrunsel & Smith-Crowe, 2008). It recognizes that ethical behaviour is influenced by a wide range of factors including social norms, cultural values, personal experiences, and motivation (Crane et al., 2019) and ethical behaviour can thus vary greatly among individuals (Tenbrunsel & Smith-Crowe, 2008). The purpose is to understand the diversity of ethical beliefs and practices, rather than evaluating moral standards (Schwartz, 2017). Descriptive ethics describes the behaviour of individuals and the moral principles they claim to follow, meaning it is based on empirical observation and analysis of actual ethical practices, rather than abstract moral principles. For instance, in the context of ethical decision-making, descriptive ethical theories explain how cognitive and affective processes work leading to a decision (Schwartz, 2016). By understanding the factors that influence ethical behaviour, descriptive ethical theory can help individuals make informed decisions about ethical issues.

### 3.3 Normative ethics

Normative ethical theories in the context of business argue for what businesses *should* do (Crane et al., 2019). Normative theories relate to ethical decision-

making regarding moral judgments as they make up the moral grounds on which the decisions are made. By offering guidance and principles, normative theories contribute to a deeper understanding of ethical considerations, empowering individuals to make informed decisions. The discussion in this sub-chapter will focus on exploring normative theories that are discussed in relation to social entrepreneurship in existing literature. These include consequentialist theories such as utilitarianism and ethical egoism, principle-based theories like ethics of duty and ethics of justice, virtue ethics that focus on moral character, and care ethics that emphasize practical actions of care.

Most arguments in business ethics are about the outcome and consequence rather than the intention (Jones et al., 2005). Consequentialism is the dominant moral philosophy, particularly utilitarianism in the capitalist society. Utilitarianism is considered with utility maximization, and the guiding principle is creating the greatest amount of happiness for the greatest number of people (Hota et al., 2023). However, it has received criticism for potentially disregarding the unique needs of individuals and treating minorities as mere means to achieve majority goals. Utilitarianism emphasizes principles like efficiency and merit. From a utilitarianist perspective, people are motivated by pleasure and avoiding pain (Crane et al., 2019). In determining the best course of action consequences, both negative and positive, for all must be considered. Egoism is another consequentialist theory and it implies the maximization of desires and self-interest (Crane et al., 2019, pp. 92–95). According to ethical egoism, people are bound to solely serve their self-interest and have no moral obligations to others. Ethical egoism has been criticised for promoting self-centeredness and neglecting the wellbeing and interests of others in moral decision-making (Burkholder, 1974). In the realm of business ethics, the prevalent emphasis on consequentialist theories such as utilitarianism and ethical egoism underscores the significance of evaluating outcomes and considering the interests of all stakeholders.

Principle-based ethical decision-making theories provide rational and universal decision-making principles (Crane et al., 2019; Hota et al., 2023). The first of them, ethics as duty, consider the nature of intentions and decision-making (Hota et al., 2023). In the ethics of duty, morality is determined solely by the action itself, based on a set of rules and principles, and the obligation to act morally, regardless of any potential consequences or situational factors (Bowie, 1999). Autonomy and rationality are highlighted, and people are viewed to be rational moral actors with free will. Moral rightness is based on rationality rather than emotions. Equality and dignity of all people are central principles in ethics of duty (Hota et al., 2023). Nonetheless, critics of ethics of duty are concerned with its rigid adherence to moral rules without sufficient consideration of the context and consequences of actions (O'Neill & Timmermann, n.d.). Ethics of justice is another principle-based approach (Crane et al., 2019; Hota et al., 2023). Ethics of justice aims for equal opportunities (Hota et al., 2023). According to the theory of justice, inequalities are only acceptable if they benefit the least fortunate. It suggests moral choices should be based on what has least negative consequences (Crane et al., 2019). Individual rights and freedom are important

as well as the predisposition of all people being equal (Hota et al., 2023). The ethical principle of fairness is essential in the theory of justice (Crane et al., 2019). The objectivity, impersonal nature, and disregard for moral feelings and relationships are characteristics of ethics of justice that have been critiqued (Hota et al., 2023). By emphasizing concepts such as duty, autonomy, justice, equality, and fairness, principle-based ethical decision-making theories provide a foundation for moral reasoning that considers the intrinsic value of actions and the importance of equitable treatment and moral obligations in ethical decision-making.

Virtue ethics, in contrast to consequentialist or principle-based approaches, focuses the moral character and integrity of a person rather than the action or its consequences (Solomon, 1999). Virtue ethics consider social context and situations (Matej et al., 2021). A person with a strong moral character is thought to be able to resolve ethical dilemmas in the way best for most people (Wang et al., 2016). In addition, Solomon (1993, p. 145) argues that focusing on the character, can train individuals to act under moral pressure. From a business ethics perspective, to thrive in business, the individual must understand one's role in the business community and fulfil the purpose of that role in a way that benefits the community (Bertland, 2009). A virtuous person, is one that acts and a virtuous act is one that a person does intentionally, based on an assessment of the situation, with pure motives and the act is consistent with the character of the person (Whetstone, 2001). However, virtue ethics has been criticised for lacking clear guidelines and objective standards, making it challenging to apply consistently across different contexts (Doris, 2010). It is also argued that virtue ethics may prioritize character traits over concrete actions and outcomes, potentially leading to moral relativism. By emphasizing the virtuous character traits and the importance of acting in accordance with one's moral character, virtue ethics offers a framework for ethical decision-making that highlights the significance of personal integrity, social context, and the pursuit of the common good.

Ethics of care is a practice-based ethical framework (Hota et al., 2023). It is based on empathy and others' orientation (André & Pache, 2016). Care ethics are not concerned with rights or claims, but rather with fulfilling the responsibilities of giving and receiving care (Hota et al., 2023). Care in the realm of social entrepreneurship is for example embodied in opportunity identification as the connection to and caring for others' and in the venture creation process as the practical action of giving care i.e., turning responsibility and empathy into action (André & Pache, 2016). Critics argue that the emphasis on compassion and empathy in ethics of care leads to undervaluing rationality in decision-making processes and overlooking the importance of efficiency in achieving desired social outcomes (Ranville & Barros, 2022). By prioritizing empathy, responsibility, and the practical actions of care, care ethics provides a lens through which to understand and guide the compassionate practices of social entrepreneurship.

Normative ethical theories have an important role in guiding ethical decision-making. Consequentialist theories such as utilitarianism and ethical

egoism emphasize the consideration of outcomes and stakeholder interests, while principle-based theories like ethics of duty and ethics of justice provide rational decision-making principles based on rules, autonomy, and justice. Virtue ethics focuses on the moral character and integrity of individuals, while care ethics prioritizes empathy and practical actions of care. Normative ethical theories provide the theoretical foundation and ethical frameworks that guide social entrepreneurs' decision-making processes when faced with complex ethical challenges. Understanding the various normative theories establishes grounds for the discussion on the ethical dilemmas the social entrepreneurs experience later in the thesis.

### **3.4 Applied ethics**

The applied ethical theories relevant for this study are stakeholder theory and ethical decision-making. These frameworks help to explore how social entrepreneurs navigate the complex ethical dilemmas they face. Stakeholder theory emphasizes the importance of creating value for all stakeholders, extending beyond mere profit maximization. Understanding stakeholder dynamics and their influence on social entrepreneurship is particularly important because of the collective nature of social entrepreneurship. Ethical decision-making, on the other hand, provides a practical framework for analysing the ethical decisions and considerations of social entrepreneurs. By analysing the moral dimensions and considering individual and situational factors, social entrepreneurs can navigate ethical dilemmas effectively.

#### **3.4.1 Stakeholder theory**

Stakeholder theory attempts to link business and ethics, and it has been applied as a framework in multiple studies on ethics and entrepreneurship (Ahsan, 2020). Stakeholder theory suggests that a company has an obligation to create value for all its stakeholders, which includes customers, employees, shareholders, government, suppliers, and the environment. The focus of the firm should go beyond solely maximizing profit for its shareholders (Phillips & Freeman, 2003), as business is essentially comprised of relationships among stakeholders who are interconnected and have shared interests (Freeman, 2010). No stakeholders create value on their own but in connection with the other stakeholders. Figure 2 presents the value creation of stakeholders.

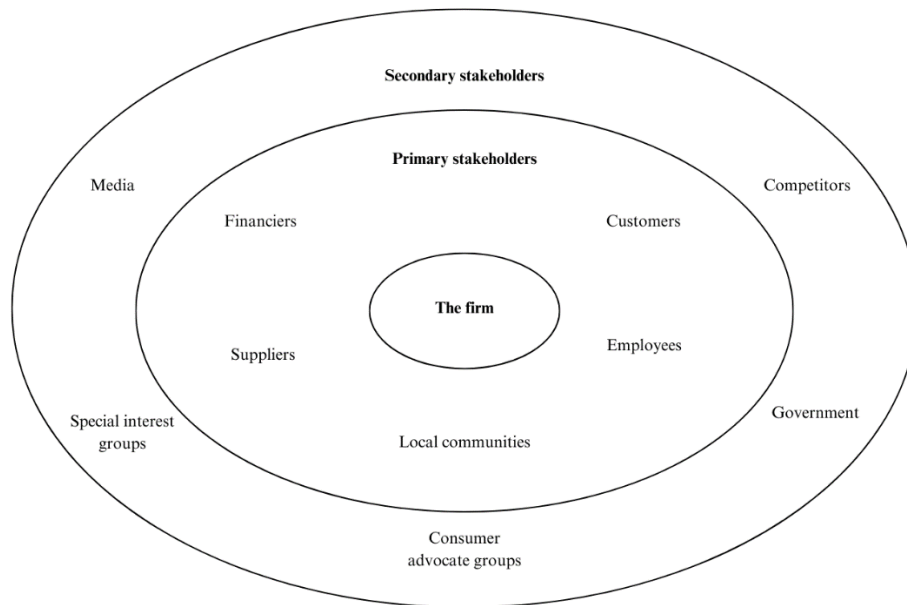


Figure 2 Value creation of stakeholders (Freeman, 2010, p. 24)

Social entrepreneurs, like other actors who are trying to tackle grand challenges of society, must balance between the differing, possibly contradictory, expectations and values of stakeholders (Bailey & Lumpkin, 2023). Many attempts to create positive social change fail due to resistance or low engagement of key stakeholders. Stakeholder pressure can also have a significant impact on ethical decision-making, particularly when stakeholders have conflicting interests. Social enterprises, in particular, face this challenge due to their dual mission and the need to balance the interests of stakeholders in both commercial and non-profit fields (Dacin et al., 2011). Crucke & Knockaert (2016) describes this tension arising from the lack of a dominant external stakeholder. The pressure can lead to social ventures prioritizing their financial missions over the social ones, (Ramus & Vaccaro, 2017; Smith et al., 2013) leading to a greater focus on financial metrics and less attention to social impact (Ramus & Vaccaro, 2017).

The ethical obligations a firm has to its stakeholders are directly tied to ethical decision-making. The decisions made can greatly impact the stakeholders and ultimately determine the success or failure of the firm in meeting its ethical responsibilities (Schwartz, 2017). Ethical decision-making will be discussed next.

### 3.4.2 Ethical decision-making

Ethical decision-making provides a framework for evaluating and making ethical choices in practice. It provides a practical approach to understand and analyse the ethical dilemmas experienced by social entrepreneurs. Ethical decisions are related to what is right or wrong (Crane et al., 2019). An ethical decision is characterised by having significant effect on others, the existence of alternative options, and the moral consideration it involves. *Ethical dilemmas* are the tension between conflicting values, principles, and practices about right and wrong



(Harris et al., 2009). It is also one where the choice stands between selecting what is “most right” or “least wrong” (Schwartz, 2017). In contrast, an *ethical issue* is one where the choice stands between competing moral standards. Ethical dilemmas therefore require complex balancing between moral considerations, competing values, and the impact they have on others and goes beyond simply identifying ethical issues.

Before delving into ethical decision-making models, it is important to understand how culture and context influence ethical decision-making. The effect cultural values have on ethical decision-making such as individualism and collectivism have been investigated by several scholars. For instance, Long-Chuan et al. (1999) found that Taiwanese participants in the study exhibited collectivistic cultural values and prioritized the interests of the company and fellow employees over self-interest. On the other hand, American participants reflected individualistic cultural values resulting in their focus being more narrowly directed towards fair treatment of customers, with less emphasis on the impact on the company and fellow employees. Contradictory findings are presented by Fok et al. (2016), examined the differences between the U.S. and Puerto Rico in terms of their cultural values and how they relate to ethical decision-making. The study found that there were differences in cultural values between the two groups, but no differences in the way they approach ethical decisions. However, they did find that cultural values have indirect effect on ethical decision-making.

Personal values and religiousness are demonstrated to influence ethical decision-making. Fritzsche & Oz (2007) examined the influence of personal values, showing that altruistic values have a positive effect on ethical decision-making while self-oriented values had a negative effect. Sulaiman et al. (2022) revealed the influence of Islamic religiosity and conscience on ethical intentions. Their study highlighted that adherence to Islamic religious beliefs alone is not sufficient to ensure ethical intentions but the presence of conscience, which is strongly linked with religiosity, plays a vital role in shaping individuals' ethical intentions. The findings from both studies show how the values of individuals play a vital role in ethical decision-making in addition to the cultural context.

Several models of ethical decision-making have been developed (Schwartz, 2017; Warner et al., 2022). Two different approaches ethical decision-making can be seen being used in the models, the rationalist and the intuitionist (Schwartz, 2017). The rationalist models dominated the field for long, with the foundations laid by the models of Kohlberg, and later Rest (Craft, 2013). Rest's model includes the stages of awareness, intent, judgement, and behaviour. It is integrated into many other models as the ones set forth by Lamberto et al. (2017) and Schwartz (2017).

The rationalist models assume logical reasoning is applied before making an ethical decision. They consider the ethical principles of efficiency, equality and fairness (Bhatt, 2022). The intuitionist models assume that cognitive processes of intuition or emotions are central to ethical decision-making. This approach assumes that individuals are capable of quickly making moral judgments and

instinctively knowing what is right or wrong. The context-dependency of ethical decision-making is also recognized in this approach (Bhatt, 2022). The rationalist models are more commonly adopted in business ethics research (Bhatt, 2022; Crane et al., 2019).

Bhatt (2022) argues that while objective knowledge and standards provide straightforwardness and clarity to ethical decision-making, it may not align with the values and norms of society. Most people are affected by inequality and hierarchies in society and thus, ethical decision-making cannot be solely based on rationality. The findings of Zhong (2011) provide additional support to the notion ethical decision-making should not be examined solely through rational factors. The study found that an overemphasis on rational decision-making processes can lead to an increase in unethical behaviours and a decrease in altruistic motives. Implying the importance of considering non-rationalist factors, for instance virtue and humanity (Small & Lew, 2021), in ethical decision-making. To account for both approaches to ethical decision-making, Schwartz (2017) integrated the two approaches into one, the integrated model of ethical decision-making, see figure 3.

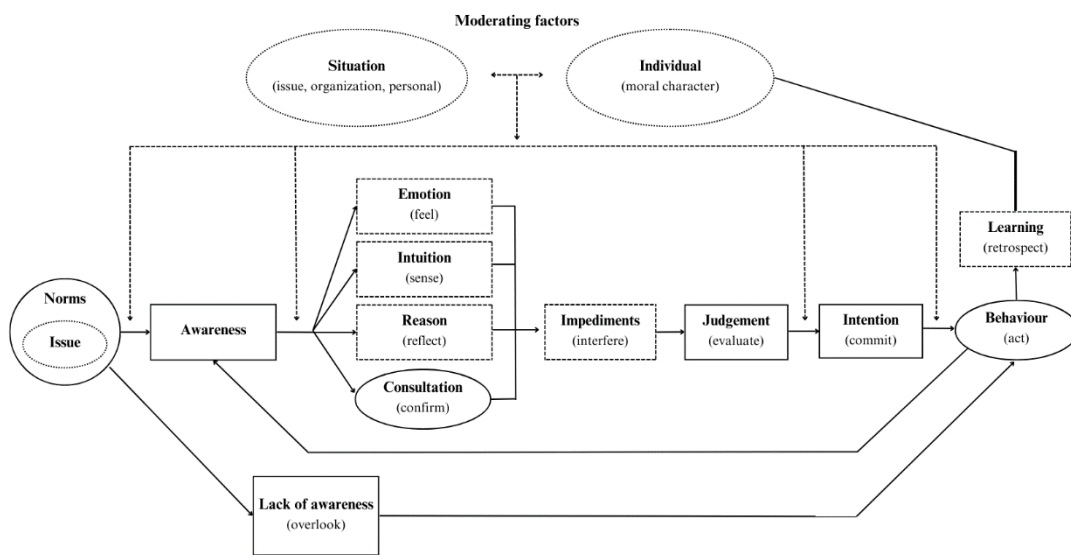


Figure 3 Integrated model ethical of decision-making (Schwartz, 2017, p.67)

To understand ethical decision-making we must understand the individual and the situational factors (Schwartz, 2016). Ethical decision-making is affected by both the person making the decision and the situational factors. The situational factors include the context, the nature of the dilemma, experienced pressure, and the ethical culture of the venture. The individual factors pertain to the moral character of the individual.

Moral character refers to a person's capability to engage in ethical behaviour and make moral decisions (Schwartz, 2017). It consists of two dimensions: the ability to determine what is morally right and wrong and the commitment to consistently behave according to these moral judgments. The first dimension of

moral character is influenced by factors such as a person's moral maturity, their moral value system, and their moral competence. Moral maturity refers to the stage of moral development at which a person forms moral judgments, while their moral value system guides ethical choices and behaviour. Moral competence involves the cognitive ability to reason and resolve ethical dilemmas using ethical knowledge and experience.

In addition to being able to reach moral judgments, moral character also involves the willingness and motivation to follow through on these judgments, which Schwartz (2017) refers to as the commitment dimension. This dimension is composed of three interrelated elements: moral identity, moral willpower, and moral courage. Moral identity is a person's self-concept of their moral character and how it is perceived by others. Moral willpower is the motivation to act in accordance with one's moral value system, and moral courage is the ability to act ethically and resist pressure to act unethically.

Together with the moral character, the situational context plays a crucial role in ethical decision-making (Bhatt, 2022; Schwartz, 2017). The situational context consists of three components: the issue, the organizational environment, and the personal context (Schwartz, 2017). The issue variable has three dimensions: issue intensity, issue importance, and issue complexity. Issue intensity refers to the level of moral importance of a situation, reflecting how strongly an issue demands ethical considerations (Tenbrunsel & Smith-Crowe, 2008). Issue importance refers to the personal relevance of an ethical issue to an individual. Issue complexity refers to the difficulty in understanding and resolving an issue. The organizational environment, or ethical corporate culture, represents the formal and informal elements that contribute to an organization's ethical effectiveness. Lastly, the personal context refers to an individual's current situation, which can make someone vulnerable to make unethical decisions.

In Schwartz's (2017) integrated model, the first stage, moral awareness, is when an individual realizes that they are facing a situation that requires a decision or action that could affect themselves or others in a manner that may conflict with moral standards. The way individuals respond to the characteristics of moral issues is influenced by their ethical predispositions. For instance, individuals who align with formalism, emphasizing adherence to moral rules and norms, acknowledge both harm and violation of norms as indicators of a moral issue (Reynolds, 2006). In contrast, utilitarians primarily respond to harm. Suggesting that different ethical orientations shape individuals' perceptions and interpretations of moral situations, guiding the subsequent decision-making processes.

Moral awareness is followed by intuition, a cognitive process that can lead to an initial moral judgement (Schwartz, 2017). Research on ethical decision-making emphasized the meaning of moral reasoning for long but the role of intuition, and emotion, has gained more attention. For example, Lamberto et al. (2017) argue that moral intuition, rather than pure rationality, has substantial influence on decision making.

In Schwartz's (2017) integrated model the role of moral reasoning, intuition and emotion is equally strong. Moral reasoning encompasses the conscious process of assessing moral issues and making decisions that align with ethical principles and values (Schwartz, 2017; Small & Lew, 2021). The moral reasoning process is influenced by both rational and non-rational factors, including subjective elements as personal values and virtues (Small & Lew, 2021). Complex ethical dilemmas make the moral reasoning process more demanding and require a higher level of moral competence (Schwartz, 2017).

Moral judgment is also affected by emotions. Notably, emotions can significantly shape individual's perceptions of ethical dilemmas, their evaluations of potential actions, and the decisions they make (Gaudine & Thorne, 2001). Moreover, emotions are particularly impactful in the evaluation stage of ethical decision-making. They can affect moral reasoning and judgment by influencing how the individual considers different courses of action. Additionally, emotions can influence decision-making by affecting the level of risk-taking, confidence in decisions, and commitment to act. This demonstrates how emotions significantly effects ethical decision-making.

Moral consultation is an additional process that can affect the moral judgment, intention, or behaviour (Schwartz, 2017). It does not always occur in ethical decision-making processes but when it does, it entails consulting external resources or people to get guidance or support in making the decision.

The following stages in the process of the integrated model, the intention stage refers to committing to acting ethically i.e., according to the moral judgment (Schwartz, 2017). If commitment takes place, it increases the chances of moral behaviour.

There are several views on ethical decision-making models and how emotions, intuition and moral reasoning relate to each other in ethical decision-making. For instance, diverging from Schwartz's model, Lamberto et al. (2017) proposed an integrated model in which moral intuition is a pre-stage of the 'rational' ethical decision-making process. The authors argue that moral intuition shapes intuitive moral judgments, particularly in situations characterized by uncertainty and change. In the model, the initial stage is followed by a reflective stage of moral reasoning where the decision maker engages in a conscious reasoning process.

However, it is important to note that ethical decision-making is a complex and dynamic process that goes beyond any model, and it is subject to individual and contextual nuances. Ethical decision-making models have been criticised for oversimplifying a complex process only examining the how ethical decision-making works and not at all accounting for why (Zhilla et al., 2018). Furthermore, Elm & Radin question whether ethical decision-making differs from any other type of decision-making (Elm & Radin, 2011). Critics argue that ethical decision-making is a more dynamic and iterative process, with individuals continuously revisiting and reassessing their choices throughout the decision-making process.

By examining the influences of culture, personal values, and situational context, as well as the interplay between moral character and cognitive processes,

this chapter provides valuable insights into the ethical decision-making processes of social entrepreneurs. However, it also highlights the need for further exploration and refinement of ethical decision-making models to capture the complexity and dynamic nature of ethical choices in practice.

### **3.5 Concluding notes on ethical theories**

This section has analysed the domain of ethics, including different ethical theories and approaches to ethical decision-making. Descriptive ethical theory provides a framework for understanding ethical behaviour, while normative ethical theories offer guidance for moral reasoning. Normative ethics include theories such as consequentialism, egoism, ethics of duty, ethics of justice, virtue ethics, and ethics of care. These theories provide different perspectives on what constitutes morally right actions and provide principles for ethical decision-making. Applied ethics are concerned with the practical application of ethical theories to real-world problems. In the case of this thesis, the relevant theories belong to the field of business ethics. The first theory discussed within applied ethics is stakeholder theory, which suggests that companies have an obligation to create value for all their stakeholders. Social entrepreneurs face the challenge of balancing the expectations and values of different stakeholders. The other examined framework, ethical decision-making, provides a practical approach to evaluating and making ethical choices, considering both rational and intuitive factors. It involves understanding the individual and situational factors that influence decision-making and considering the moral character and commitment of the decision-maker.

As the next section of this thesis will discuss, social entrepreneurs often face unique ethical challenges in their work. Given the importance of ethical behaviour in the context of social entrepreneurship, it is critical to understand how individuals navigate ethical dilemmas and make decisions that balance competing demands. The insights gained from this examination of ethical theories and approaches will provide a valuable foundation for the exploration of social entrepreneur's experiences of ethical dilemmas in the following sections.

## 4 ETHICAL DILEMMAS IN SOCIAL ENTREPRENEURSHIP

### 4.1 Social impact dilemmas

Ethical dilemmas faced by social entrepreneurs have yet to be thoroughly explored. An ethical dilemma is tension created by conflicting values, norms and principles about right and wrong (Hota et al., 2023). It is recognised that addressing social issues creates ethical dilemmas (van Wijk et al., 2019). Despite the recognition of the significance of ethical considerations in social entrepreneurship, a comprehensive understanding of the specific dilemmas encountered by social entrepreneurs remains limited. The subsequent chapters aim to explore extant research on ethical dilemmas in social entrepreneurship and that social entrepreneurs navigate as they strive to create social impact. This sub-chapter sets the stage by discussing the general ethical dilemmas related to balancing the aim for social impact with moral responsibility.

Social entrepreneurs may not fully consider the total impact of their venture, which can create unintended consequences i.e., *spillover effect*. It can even worsen the situation of the people who the social innovation was meant to benefit. For example, Khan et al. (2007) found that efforts to eliminate child labour in soccer ball manufacturing in Pakistan resulted in worsening the situation of the children. The creation of new technology or markets, which is often a goal of entrepreneurship, can also have unintended and harmful consequences for individuals, organizations, communities, and society (Harris et al., 2009; Wright & Zahra, 2011). As an example, introducing new technology can leave people unemployed, can be used for bad intentions if in wrong hands or can create environmental issues. In addition, managing spillover effects is related to the ethical dilemma of *rights vs. responsibilities* (Hota et al., 2023). According to the ethics of justice an entrepreneur has the right to do an activity if it will create social value, regardless of its spillover effects. The ethics of care dictate that an

entrepreneur should take responsibility for all consequences of their actions, whether intended or unintended. Conversely, social entrepreneurs must navigate the ethical challenge of managing unintended spillover effects by balancing their right to create social value with their responsibility to mitigate potential negative consequences.

Furthermore, *utilitarianism vs. fairness* is an ethical dilemma related to the impact of social entrepreneurs' initiatives. The social entrepreneur must balance between the principles of utilitarianism, justifying any means to get to the desired goal and fairness, ensuring that their means are morally right (Hota et al., 2023) and based on equal opportunity (Bhatt, 2022). In the typology of social entrepreneurs, this ethical dilemma of *utilitarianism vs. fairness* is associated to the social constructionist, as they may engage in opportunistic and manipulative behaviour to gain needed support (Zahra et al., 2009). They need a lot of resources to create the desired social change and thus, can feel that the end justifies the means. In navigating the ethical dilemma of utilitarianism versus fairness social entrepreneurs may face the challenge of balancing their pursuit of social change and taking measures that are morally sound to secure the necessary resources.

Scaling social ventures is another recognised source of ethical dilemmas, as it may require the venture to e.g., maximize resource utilization, optimize processes, and measure impact (André & Pache, 2016). At the stage of scaling and securing investment, the focus is likely to shift from only the customers and solving the social problem to creating quantitative growth and meeting external stakeholder expectations, a phenomenon called *mission drift*. It refers to when the focus in a social enterprise shift to emphasize the financial mission at the expense of the social mission (Bacq et al., 2016; Ometto et al., 2019; van Wijk et al., 2019). Scaling the venture may lead to prioritisation of wealthier customers over vulnerable beneficiaries, reducing support for those in need (van Wijk et al., 2019). Additionally, the intentions of social innovations may be questioned when they begin to benefit groups other than the intended beneficiaries (Khan et al., 2007). Again, the assumption that social innovation is ethically and morally based can result in unintended negative outcomes as reinforcing social structures that marginalize and exploit vulnerable communities.

Scaling the venture also raises the ethical dilemma of *fairness vs. care*. This dilemma involves balancing the need to create equal opportunities with the need to provide better care for existing beneficiaries (Hota et al., 2023). Fairness as a guiding principle seeks to provide equal opportunities, increasing outreach with the resources available. This might result in a lack of care for the existing beneficiaries. Care on the contrary suggests prioritising the needs of those who are already being served and aims to improve the care provided to them. André & Pache (2016) argue that the solution to remain caring for the social cause is to create a caring organization. Navigating the fairness vs. care dilemma in scaling the venture requires careful consideration to strike a balance between providing equal opportunities and ensuring the best possible care for existing beneficiaries.

Finally, when the stakes and rewards of running the venture becomes greater it introduces the risk of competition for resources and exploitation of network positions between social entrepreneurs (Dacin et al., 2011). This can lead to a "winner takes all" mindset, which can be harmful to the overall goal of social entrepreneurship.

This sub-chapter on balancing social impact and moral responsibility highlighted several ethical dilemmas faced by social entrepreneurs. These dilemmas include managing unintended consequences and spillover effects, balancing utilitarianism and fairness, and addressing mission drift during scaling. Social entrepreneurs must navigate these challenges while striving to create positive social change and find a balance between creating social value and mitigating harm.

## 4.2 Selecting beneficiaries

In addition to the ethical dilemmas of balancing impact and moral responsibility, social entrepreneurs face further challenges when it comes to selecting beneficiaries for their ventures. This sub-chapter examines the ethical considerations involved in choosing whom to serve and how to serve them, shedding light on the tensions and trade-offs faced by social entrepreneurs regarding this part of running their ventures.

The contradictory ethical principles of *efficiency vs. equality* create ethical dilemmas regarding whom the social venture should serve. Social entrepreneurs are faced with the challenge of balancing the need to maximize their resources with the goal of providing equal access to everyone (Hota et al., 2023). Bhatt (2022) and Hota et al. (2023) both found that social entrepreneurs often are faced with the dilemma of choosing who to provide services to and how to provide these services in an ethical manner. According to the ethical principle of efficiency, a social venture should focus on getting the most out of their resources to impact the greatest amount of people. The ethical principle of equality suggests the creation of equal opportunities, emphasizing the supporting of groups who are most vulnerable and in need of support. At the heart of the dilemma is choosing the "right" way to select the beneficiaries i.e., to whom the venture should provide services and the "right" way to provide the services i.e., who gets to benefit from the generated social wealth (Bhatt, 2022; Hota et al., 2023; Zahra et al., 2009). Zahra et al. (2009) linked this dilemma particularly to the social bricoleur, who wish to solve social issues in their local communities and create social value. This is in line with the findings of Bhatt (2022) and Hota et al. (2023) as both studies focused on social enterprises working in and impacting local communities. Moreover, social bricoleurs rarely act on solely utilitarian ethics (Zahra et al., 2009). Hence, the dilemma arises.



### 4.3 Balancing stakeholder interests

The ethical dilemma of balancing the needs of different stakeholders is a significant one in extant literature. It is recognized in multiple studies including Hota et al. (2023), Smith et al. (2013) and Toledano (2020). It occurs as social entrepreneurs are accountable to multiple stakeholders and must navigate the tension between addressing their different needs (Smith et al., 2013).

Hota et al. (2023) found that this dilemma is related to balancing the needs of *emotionally detached stakeholders*, such as investors, with the needs of *emotionally engaged stakeholders*, such as those who are more socially oriented. Kreutzer (2022) explored how using social and business discourse affected pitches of social entrepreneurs and the findings align with the finding of balancing emotionally detached vs. emotionally engaged stakeholders. Investors tend to ask business-oriented questions regardless of is the social entrepreneur relied on social or business discourse in their pitch. Emotionally detached stakeholders are interested in and base their decisions on data and logic, while the emotionally engaged stakeholders are more interested in the narratives of achieved social impact (Hota et al., 2023). However, venture philanthropists often value both the economic and social missions of social enterprises (Di Lorenzo & Scarlata, 2019) and thus, arguably would be more receptive to pitches including both discourses. The ethical dilemma related to balancing between different stakeholders derives from framing a social problem as a business problem can oversimplify it and create a too optimistic image of how much impact a business solution can have in solving the problem.

Moreover, in a study by Bhatt (2022) the ethical dilemmas of *fairness vs. power* and *cooperation vs. autonomy* are found. In the study, the social enterprise could not ignore the demands of the dominant group in the community, and the social enterprise was faced with the question of what the “right” way was to address the dominant group. The fairness principle suggests prioritizing the more vulnerable group to create equal opportunity, hence the dilemma of *fairness vs. power*. The dilemma of *cooperation vs. autonomy* came from having to choose between working independently and collaborating with local government institutions. Independence offered control over all activities in addition to political independence but on the negative, it also generated unwanted competition with local institutions. Collaboration, on the other hand, allowed for the benefit of synergies with existing institutional programs, but posed the risk of the social venture being politically influenced.

In conclusion, the ethical dilemma of balancing stakeholder interests presents a complex challenge for social entrepreneurs. They are accountable to multiple stakeholders, each with their own unique needs and expectations. The tension between emotionally detached stakeholders, driven by data and logic, and emotionally engaged stakeholders, focused on social impact narratives is one of the forms in which the dilemma arises. Additionally, social entrepreneurs face the dilemmas of *fairness vs. power* i.e., addressing the demands of dominant

groups while prioritizing fairness and equal opportunity and *cooperation vs. autonomy* i.e., navigating the decision to work independently or collaborate with local institutions. Navigating these dilemmas calls for an approach that considers the diverse interests and aspirations of all stakeholders involved, while staying true to the social mission of the venture.

#### **4.4 The role of the social entrepreneur**

The common perception of social entrepreneurs is them being ethically virtuous individuals who are equipped to tackle societal challenges, but social entrepreneurship is fundamentally a deeply contradictory and complex endeavour. The discussion will now delve deeper into the complex ethical dilemmas faced by social entrepreneurs, challenging the notion of the inherently virtuous social entrepreneur. Exploring the motivations, experiences, and decision-making processes of social entrepreneurs, uncovering the ethical tensions that arise with their role in creating social change.

Dey and Steyaert (2016) challenge the authenticity of social entrepreneurship. The image of the social entrepreneur is one who is ethically virtuous and are thus, more fit for tackling grand societal challenges like poverty alleviation. Being ethical is assumed to be a fixed characteristic of the authentic individual. However, social entrepreneurs battle with complex ethical dilemmas and social entrepreneurship itself can be perceived as a “deeply contradictory endeavour” (Dey & Steyaert, 2016, p. 628). Seeing the social entrepreneur as an ethical, virtuous individual ignores the complexities of the reality. According to Carroll (2015, p. 8) an organization that only pursues profits or and is not striving to add any social value is deemed less authentic by the public. Brands that project an image of not being interested in commercial goals, are perceived as more authentic than openly commercial brands (Beverland, 2005; Peterson, 2005). This suggests that a social enterprise will be perceived as more authentic by the public, even if the motivation of the social entrepreneur would be purely self-interest. Considering the ethical aspect, pursuing a social mission with the wrong intention, is deceiving stakeholders and will most likely affect the degree of commitment to the cause, which in turn can lead to more issues and unintended consequences. According to the ethical principle of ethical egoism, pursuing social entrepreneurship solely based on self-interest would however be considered ethical.

The motivation behind starting a venture, such as egoism or passion, can be a source of ethical dilemma as social entrepreneurs work with vulnerable people and vulnerable situations (Zahra et al., 2009). The narrative of the heroic social entrepreneur is strong and may have negative consequences (Toledano, 2020) as some social entrepreneurs might start their ventures to gain recognition or respect (Bacq et al., 2016; Zahra et al., 2009). Bacq et al. (2016) mentions how other forms of doing good are equally available for the social entrepreneur, for instance

volunteering, as starting a social venture is and thus questions the motivations behind engaging in social entrepreneurship.

Furthermore, the decision to scale and grow a venture raises questions about the entrepreneur's motivations and the potential consequences of their actions. The decision to scale and grow a venture is connected to the need for recognition and control (Kets de Vries, 1985; Wright & Zahra, 2011). The perception of entrepreneurship and social entrepreneurship as inherently good can lead to a black-and-white mindset, where the focus is solely on the positive impact of the venture without considering the potential negative consequences. (Kets de Vries, 1985).

As discussed, social entrepreneurs are however often described as driven by compassion. Others-regarding compassion results using the suffering of others to identify opportunities. This could potentially create an ethical dilemma regarding *saviourism*. The setting implies that there are saviours and people who need to be saved by them (Nilsson et al., 2022, pp. 86–88). It further implies the superiority of the saviours, in this case the social entrepreneurs. Also, social entrepreneurship works on the premise of that markets can work as a means to alleviate societal challenges (Vedula et al., 2022), which may not always be true (van Wijk et al., 2019). The inherent compassion and empathy driving social entrepreneurs can give rise to ethical dilemmas, particularly when it comes to the concept of saviourism.

Further ethical dilemmas are suggested by Bacq et al. (2016), who found that the fragility of entrepreneurs is a source for them. All individuals, also social entrepreneurs are vulnerable because of external factors (Toledano, 2020). Perceiving social entrepreneurs as heroic, moral and ethical beings, can even prevent the social entrepreneur from committing to ethics as they in reality tend to have a weaker entrepreneurial profile and less confidence in their abilities than their commercial counterparts (Bacq et al., 2016). There is a positive relationship between effort and outcome and thus a weaker entrepreneurial profile creates an issue as social entrepreneurs work with and try to improve the lives of the least fortunate and vulnerable people. Failing in their efforts can lead to causing more harm than good. Social entrepreneurship might thus not always be the right path to address a social issue. On the other hand, driven social entrepreneurs also face ethical dilemmas as they are prone to mission drift (Bacq et al., 2016). Emphasizing business models and generation of financial return can be detrimental to the social cause and people the venture is meant to serve (Zahra et al., 2009).

Additionally, working hard is often a value associated with entrepreneurs, and this can create ethical dilemmas for the individual and their family as they balance the need to ensure the survival of their venture with the needs of their personal life (Wright & Zahra, 2011). Arguably, the ethical dilemma becomes harder, when it is the question of pursuing a social mission as pursuing it has the potential of influencing many people's lives.

As this review demonstrates, the role of the social entrepreneur creates multiple ethical dilemmas. The authenticity and motivations of social

entrepreneurs come into question, as they must balance the pursuit of social impact with the pressures of scaling, financial sustainability, and personal aspirations.

#### 4.5 Concluding notes on ethical dilemmas faced by social entrepreneurs

Extant literature on ethical dilemmas in social entrepreneurship reveals several concepts and insights. A central notion is the tension between conflicting values and principles that arise in the face of ethical dilemmas. Prior studies emphasize that ethical dilemmas in social entrepreneurship are created by the clash of values, norms, and principles related to right and wrong. This highlights the complex nature of ethical decision-making for social entrepreneurs, as they must consider multiple factors and trade-offs. The ethical dilemmas recognized in extant literature, presented in table 1, highlight the often-contradictory ethical principles.

Table 1 Recognized ethical dilemmas in social entrepreneurship

Ethical dilemma	Recognized by	Description
<i>Equality vs. Efficiency</i>	Hota et al. (2023); Bhatt (2022)	Tension between maximizing resources and providing equal access to everyone.
<i>Utilitarianism vs. Fairness</i>	Hota et al. (2023); Bhatt (2022)	Balancing the goal of maximizing social impact with the goal of providing equal opportunities.
<i>Fairness vs. Care</i>	Hota et al. (2023)	Balancing providing equal opportunities with improving care for existing beneficiaries.
<i>Balancing the needs of stakeholders</i>	Hota et al. (2023); Toledano (2020); Smith et al. (2013)	Tension between addressing the needs of emotionally detached stakeholders and emotionally engaged stakeholders.
<i>Rights vs. Responsibilities</i>	Hota et al. (2023); Van Wijk et al. (2019)	Balancing the right to act to create social value with the responsibility for consequences of the action i.e., managing spillover effect.
<i>Cooperation vs. Autonomy</i>	Bhatt (2022)	Balancing control and independence with potential synergies from cooperation.

<i>Fairness vs. Power</i>	Bhatt (2022)	Balancing needs of the vulnerable to create equal opportunity with addressing power imbalances.
<i>Impure intentions</i>	Bacq et al. (2016); Dey & Steyaert (2016)	Pursuing a social mission with impure intentions may lead to deception of stakeholders.
<i>Personal values vs. consequences</i>	van Wijk et al. (2019); Zahra et al. (2009)	Balancing personal values and beliefs with the potential consequences of social entrepreneurial initiatives.
<i>Deception/Inauthenticity</i>	Dey & Steyaert (2016)	Navigating the ethical implications of misrepresentation or inauthenticity in social enterprise initiatives.
<i>Prosocial behaviour vs. saviourism</i>	Nilsson et al. (2022, p. 86-88)	Balancing the desire to do good and help others with the risk of reinforcing paternalistic or colonial attitudes.
<i>Technological advancement vs. ethical considerations</i>	Harris et al. (2019)	Balancing the potential benefits of new technologies with the ethical implications of their use.
<i>Contradictory ambitions among cooperating actors</i>	Lehner & Kansikas (2012)	Managing conflicting goals and priorities among different actors within a social enterprise.
<i>Persuasive methods in social bricolage</i>	Liu et al. (2021); Zahra et al. (2009)	Balancing the ethical implications of using potentially manipulative persuasion techniques to bring about social change.
<i>Balancing stakeholder interests</i>	Williams & Shepherd (2018)	Ensuring that the interests and needs of all stakeholders are adequately addressed in social enterprise initiatives.
<i>Balancing financial success and social impact</i>	Anglin et al. (2022); Gupta et al. (2020); Lall & Park (2022), Saebi et al. (2019)	Balancing the need for financial sustainability with the desire to achieve positive social impact.
<i>Funding trade-offs</i>	Fowler et al. (2019); Lall & Park (2022)	Balancing the need for funding with the potential trade-offs or compromises involved in accepting funding from certain sources.
<i>Mission drift</i>	van Wijk et al. (2019)	Managing the risk of losing sight of the original mission and purpose of a social enterprise over time.

<i>Spillover effect</i>	van Wijk et al. (2019)	Managing the unintended consequences of social entrepreneurial initiatives.
<i>Weak entrepreneurial profile</i>	Bacq et al. (2016)	Managing risks of having a weaker entrepreneurial profile and less confidence in abilities.
<i>Harmful competition between social entrepreneurs</i>	Dacin et al. (2011)	Avoiding exploiting network position and navigating competition between social enterprises without harming the overall social goal.
<i>Balancing work and personal life</i>	Wright & Zahra (2011)	Managing the tension between work obligations and personal wellbeing and relationships.

An important concept is the unintended consequences and spillover effects of social entrepreneurial initiatives. As previously discussed, well-intentioned efforts to address social issues can accidentally worsen the situation for the people they aim to help. This highlights the need for social entrepreneurs to carefully consider potential negative impacts and unintended consequences of their actions, particularly when introducing new technologies, creating new markets, or scaling their ventures. It emphasizes the importance of a holistic view that considers the broader systemic implications of the interventions.

The ethical dilemmas of rights vs. responsibilities and utilitarianism vs. fairness are also significant ethical dilemmas recognized in prior studies. Social entrepreneurs face the challenge of balancing the pursuit of social value and justice with the potential negative consequences of their actions. The tension between individual rights and the broader responsibility for spillover effects requires careful ethical consideration. Additionally, the dilemma between pursuing utilitarian goals and ensuring fairness and equal opportunity raises questions about the ethical foundations of social entrepreneurship. This highlights the need for social entrepreneurs to critically reflect on the moral implications of their strategies and approaches to achieving social change.

Furthermore, prior studies emphasize the ethical dilemmas associated with scaling social ventures. As social enterprises grow and seek investment, the focus can shift from the primary social mission to financial considerations and meeting external stakeholder expectations. This phenomenon, known as mission drift, raises ethical concerns regarding the prioritization of wealthier customers over vulnerable beneficiaries. It underscores the need for social entrepreneurs to ensure that their scaling efforts align with their core social values.

Balancing stakeholder interests and needs are another significant and common source of ethical dilemmas. Social entrepreneurs are accountable to multiple stakeholders with differing needs and expectations, arguably more than commercial entrepreneurs due to the collectiveness of social entrepreneurship. This creates an ethical dilemma in terms of prioritizing and settling conflicting stakeholder demands. The ethical dilemmas related to this issue can vary and

one way is in the tension between emotionally detached stakeholders, such as investors driven by financial considerations, and emotionally engaged stakeholders, who prioritize social impact. Achieving a balance between these interests requires careful navigation and decision-making that considers both the economic and social dimensions of social entrepreneurship.

In conclusion, the ethical dilemmas faced by social entrepreneurs are varying. Ethical decision-making in the context of social entrepreneurship is of complex nature. The central concepts of conflicting values, unintended consequences, rights versus responsibilities, utilitarianism versus fairness, scaling challenges, and stakeholder balancing underscore the multifaceted nature of ethical dilemmas in this field. These concepts highlight the importance of critical reflection and multiple perspectives in addressing ethical dilemmas. Bridging the empirical context and theoretical framework have created the foundation for understanding the empirical part of the study and how social entrepreneurs experience ethical dilemmas.

## 5 DATA AND METHODOLOGY

### 5.1 Research approach

An inductive qualitative research design is implemented due to the objective of generating in-depth understanding of the ethical dilemmas social entrepreneurs face. Qualitative research focuses on interpretations and understanding phenomena, while quantitative research proves facts by numerical data (Eriksson & Kovalainen, 2016). Qualitative research generates descriptive data suited for answering "how" and "why" questions, making it a suitable approach for understanding experiences of ethical dilemmas. Inductive reasoning is applied throughout the thesis as it enables refining theory throughout the study by simultaneous analysis of data and theory (Creswell, 2012; Eisenhardt, 1989). The inductive qualitative research design employed in this study facilitates a deeper understanding of social entrepreneurs' experiences of ethical dilemmas, allowing for nuanced insights into their decision-making processes.

A challenge in business ethics research is that the participants may feel compelled to provide answers that present them in favourable light rather than answers reflecting their true beliefs and behaviours. This phenomenon, known as social desirability bias, presents a challenge in business ethics research due to the nature of the research subject (Crane, 1999). Few people are willing to freely admit unethical conduct or character. However, to deal with potential bias in the data, an interpretive approach is used as enables acknowledging that people make sense of their experiences and that the researcher must interpret their accounts to understand their perspective (J. A. Smith et al., 2022). In navigating the complexities of business ethics research and addressing potential social desirability bias, the use of an interpretive approach not only illuminates the challenges but also underlines the importance of understanding the subjective experiences of social entrepreneurs.



Interpretive research is a philosophical approach that aims to understand how people construct and interpret subjective and shared meanings in social settings (Eriksson & Kovalainen, 2008). The approach is founded on the hermeneutic and phenomenological traditions, which emphasize the importance of interpretation and understanding the research process. In interpretive research it is assumed that reality is constructed through social constructions as language and shared meanings. It focuses on the full complexity of human sensemaking. Unlike quantitative research, interpretive research does not predefine dependent and independent variables but instead explores multiple possible interpretations of data and acknowledges that all of them can be meaningful. By emphasizing human intentions and actions, interpretive research provides a foundation for understanding the subjective experiences of individuals and groups in a variety of social contexts (Eriksson & Kovalainen, 2008), which is essential in business ethics research (Crane, 1999). While it is important to recognise the limitations of interpretive research, which prioritizes contextual depth rather than breadth, it does not diminish the relevance of employing an interpretative approach in this study. The focus on understanding how social entrepreneurs experience, perceive and make sense of ethical dilemmas, replacing dominant narratives with nuanced understanding aligns well with the interpretive approach.

The specific methodology applied in this study is Interpretative Phenomenological Analysis (IPA). It establishes both research design and method of analysis (J. A. Smith et al., 2022). Phenomenological studies explore common meanings of a concept or phenomenon (Creswell & Poth, 2018, pp. 75–82) and seeks the universal (Van Manen, 2012, p. 19). Phenomenological research develops descriptions of the *universal essences* of the experiences (Moustakas, 1994). It being universal means that it is a shared experience that holds relevance for many individuals, allowing many people to relate to and understand it. The essence describes *what* is experienced and *how* it is experienced. It captures the true nature and importance of the lived experience (van Manen, 1990, pp. 39–40). Through exploring the essence, phenomenology enables deep inquiry into the lived experience, revealing its meaning and implications. Employing phenomenology allows for a meaningful exploration of the universal essences and meanings underlying social entrepreneurs' experiences of ethical dilemmas.

There are two main types of phenomenology, transcendental or descriptive and interpretative or hermeneutic (Creswell & Poth, 2018). Transcendental phenomenology focuses on developing descriptions of phenomena, both on what an individual has experienced and how an individual has experienced it. The attention is on developing a pure description of an experience (Van Manen, 2012). Hermeneutic approaches, including Interpretative Phenomenological Analysis, emphasize the interpretation of the experience (Elliott, 2005; Moustakas, 1994; Van Manen, 2012). Hermeneutic phenomenological research aims to understand the meaning of lived experiences and uncover the meaning structures beneath (Van Manen, 2012). It considers the sociocultural and historical context and reflects on how it influences the lived experience. Contrasting it to transcendental phenomenology, hermeneutic phenomenology constructs both a

description of the experience and in addition it reveals the underlying dynamics or structures of the experience (Moustakas, 1994, p. 9). Applying hermeneutic phenomenology allows for gaining a deeper understanding of the meaning and contextual influences within lived experiences, revealing the underlying dynamics and structures of these experiences.

Hermeneutic phenomenological research involves developing a full interpretive description of some part of our lived experience, while acknowledging that the actual lived experience always is more complex than any description can capture. According to Van Manen (2012) doing hermeneutic phenomenological research entails the following:

“To *do* hermeneutic phenomenology is to attempt the to accomplish the impossible: to construct a full interpretive description of some aspect of the lifeworld, and yet to remain aware of that lived life is always more complex than any explication of meaning can reveal” p. 18

The phenomenological description is in other words always only one possible interpretation and it leaves room for other interpretations. It will never fully be able to capture the lived experience or the meaning as a lived experience (Van Manen, 2012, p. 78). The objective is to develop a description that resonates and captures our lived experience as well as possible. A description that resonates has been said to produce a *phenomenological nod* i.e., when people can relate and recognise their lived experience in the description. In phenomenology, the research and the phenomenological description is a result. Van Manen (2012, p. 13) compares it to poetry, you should not try to summarize a poem, the poem in itself is the result.

Hermeneutic phenomenological research approaches vary in terms of structure and guidance provided to the researcher. For this study, Interpretative Phenomenological Analysis is chosen due to it having a clear structure and methods (J. A. Smith et al., 2022). It makes it particularly suitable for a master's thesis where the researcher often has limited experience in conducting academic research. Moreover, IPA's focus on the meanings individuals attach to their experience of a phenomenon aligns it with the topic of the thesis. Specifically, IPA does “*Focus on personal meaning and sensemaking in a particular context, for people who share a particular experience.*” (J. A. Smith et al., 2022, p. 39). Hence, the selection of IPA as the research approach not only provides a clear framework for this master's thesis but also aligns with the aim of exploring personal meaning within a specific contextual setting.

In considering the suitability of IPA as a research methodology, it is also important to highlight its theoretical focus. IPA research is based on theoretical rather than empirical generalisability (Cope, 2011). The meanings attached to certain experiences can illuminate the moral and ethical reasoning of the participants (J. A. Smith et al., 2022), further emphasising the applicability of the methodology for this study. The IPA process is double hermeneutic as the researcher acts in two roles (J. A. Smith & Eatough, 2007). First, the researcher makes sense of the meaning of the participant from the perspective of the participant. Second, the researcher interprets the meaning from the own

perspective. The double hermeneutic nature of the IPA process contributes to a comprehensive understanding of participants' perspectives.

When considering different research methodologies that could have been applied to this study, such as case study research, each approach presented its own distinct strengths and limitations. For instance, case study research has the potential to provide rich contextual insights and detailed descriptions of individual cases, offering an understanding of specific contexts or situations (Eriksson & Kovalainen, 2008; Yin, 2012, p. 12). However, as the focus of this study is the human experience of ethical dilemmas and uncovering the underlying meanings attached to these experiences, it became evident that a case study design would be less suitable.

Alternatively, narrative inquiry, with its focus on exploring the experiences of individuals within social, cultural, and historical contexts (Creswell & Poth, 2018), could also have offered valuable insights into the ethical dilemmas and experiences of social entrepreneurs. However, while narrative inquiry offers valuable insights into the broader social and cultural contexts, IPA specifically focuses on exploring personal meaning-making in a particular context. Given the emphasis on understanding the subjective experiences and meanings attached to ethical dilemmas, IPA provides a more nuanced analysis and interpretation of the individual experiences of social entrepreneurs. Ultimately, the above-mentioned considerations in addition to the scarcity of extant literature on the topic led to the choice of IPA as it offers a valuable means to strengthen knowledge and understanding of the phenomenon.

Although IPA more often is employed in e.g., health and psychological research (Smith et al., 2022; Smith & Eatough, 2007), it has also been applied in business research (Gill, 2014) by e.g., Cope (2011) and Jayawardena-Willis et al. (2021). Given the research aim of gaining deep understanding of the subjective experiences and attached meanings of social entrepreneurs, coupled with the exploratory nature of the research questions, IPA emerged as the most suitable approach. Considering all these aspects, IPA was deemed the most appropriate methodology to address the research questions effectively.

## **5.2 Data collection**

The data is collected, in accordance with the methodology, by conducting phenomenological interviews. As suggested by IPA, the participants are chosen purposefully to ensure that individuals who have insight and experience of the studied phenomenon are included (Cope, 2011; Smith et al., 2022). Given the idiographic focus of IPA, a small sample size was deemed appropriate, allowing for a comprehensive exploration of each participant's unique perspective.

In line with these guidelines, the participants in this study are social entrepreneurs, specifically founders or co-founders of social ventures spread throughout Finland. The selected ventures are start-ups or small-to-medium sized businesses. To identify suitable participants the purposive sampling

method was employed by doing thorough examination of member lists on the websites of ARVO (The Finnish Association of Social Enterprises), YYO (The Centre of Expertise), and The Association for Finnish Work, which manages the "Social Enterprise" symbol. In addition, snowball sampling was used, whereby existing participants recommended other social entrepreneurs within their networks who were likely to provide valuable insights. The final number of participants is nine. The participants profiles are presented in table 2, to protect the privacy of the participants each were assigned a pseudonym. Allocating pseudonyms rather than numbers or codes allows to stay close to the participants lived experiences (Smith et al., 2022, p. 102).

Table 2 Profiles of the participants

Profile
<p><b>Alex</b> is the founder and CEO of a venture dedicated to improving the quality of home care for the elderly using technology to provide personalized and transparent services. They recognize the importance of involving family members in the care process. They place great importance on adhering to regulations and guidelines to the letter yet is frustrated by the inconsistencies in interpretation across different authorities and municipalities. Alex advocates for a more explicit and specific approach to societal expectations, where ethics and morality are clearly defined and not left up to subjective personal interpretation.</p>
<p><b>Caro</b> is the co-founder of a tech-based platform that connects volunteers with people in need of help. The platform aims to alleviate loneliness and improve community spirit on a local and national level. They emphasize the importance of making decisions together, involving users, and removing the stigma around asking for help. Caro feels a strong sense of responsibility towards their users and strives to maintain the stability and continuity of their venture for them.</p>
<p><b>Dima</b> is the founder and CEO of a social venture in the mental health sector providing a platform connecting therapists and individuals in need of therapy. They strongly believe in taking the side of the underdog and helping those in need. They are heavily guided by the societal goal of making a difference in people's lives rather than maximizing profits. As a social entrepreneur, Dima has faced ethical dilemmas particularly related to balancing the creation of social value with financial sustainability and meeting high external demands that can be difficult for small firms to comply with.</p>
<p><b>Elmi</b> is the co-founder of a venture aiming to alleviating loneliness in society. They provide a free mobile application that allows individuals to find like-minded friends globally. They value community, transparency, efficiency, and concrete action and are aware of ethical dilemmas that may arise as their venture grows. They have so far experienced ethical dilemmas concerning the financial aspect of the venture and the challenges of balancing social impact and financial sustainability.</p>

<p><b>Isa</b> is the founder and CEO of a venture aimed at improving the social and healthcare sector through the development of participatory tools. They emphasize values of recovery-oriented care, cultural sensitivity, and social justice. They believe that people should have a say in decisions that affect their lives and want to empower people to take an active role in their own lives. Their main ethical dilemmas include the challenges of expanding into new markets while maintaining their values and personal dilemmas of managing the demands of full-time entrepreneurship.</p>
<p><b>Kim</b> is the co-founder and CEO of a social venture providing a platform for students to access mental health resources. They aim to reduce the stigma around seeking support for mental health issues among students. Kim emphasizes values such as being of service and doing things right, and their venture is grounded in a principle-based approach to decision-making. The main ethical dilemmas they have experienced are balancing the desire to help students in vulnerable positions with ensuring financial sustainability, as well as addressing the challenges of maintaining ethical integrity while adhering to the needs of stakeholders.</p>
<p><b>Noa</b> is the founder and leading expert of a consultancy and training organization that focuses on promoting intersectional equality and wellbeing in organizations and society. Noa has a background in human rights organizations. They provide substantive services that help organizations address inequality issues comprehensively and emphasize the importance of community-oriented development work. They aim to create a community of experts and activists who can collaborate to provide a comprehensive perspective on the issues. The ethical dilemmas Noa faces are mostly related by the pressure created by their mission such as to operate in line with their values, deciding on customer relationships, and ensuring their work is not used for tokenism or performative actions.</p>
<p><b>Oula</b> is the founder and CFO of a social venture focused on providing affordable and high-quality nursing home care. They value the residents and involve them as well as their close ones in decision-making. Oula has been balancing the need to make a profit to ensure the venture's survival while also striving to provide affordable pricing. The main ethical dilemma they have grappled with is that of quality, care, and pricing. They want to ensure high-quality care for residents, a good workplace fostering wellbeing for staff while keeping down the costs. The recent times how however changed the attitude on making profit as a social venture to a more positive one.</p>
<p><b>Sani</b> is the founder and CEO of a social venture in the EdTech field. Their venture provides schools with an app that promotes mental health and wellbeing among students. Sani values diversity and inclusion, ensuring that their content is relevant and knowledgeable to people of all backgrounds. They have experienced ethical dilemmas regarding how to focus their services without offending anyone and ensuring data privacy requirements are met. Sani advocates for entrepreneurship, teaching resilience, uncertainty tolerance, and always learning new things. Sani hopes to change the culture of education and internationalize their venture to solve global challenges.</p>

This group of social entrepreneurs were deemed to be able to offer valuable insights for the study. As mentioned earlier, the primary method of data collection is phenomenological interviewing. In other words, semi-structured in-depth interviews intended to gain deep understanding of an individual's experience (Cope, 2011). Semi-structured interviews give the researcher flexibility of going deeper into certain themes and asking follow-up questions

based on the interviewees answers opposed to structured interviews (Eriksson & Kovalainen, 2008). In interviews in qualitative research, the researcher guides the conversation within certain themes by asking open ended questions. This allows the interviewee to discuss their thoughts, experiences, and feelings. The researcher can develop concepts and theories based on the interviews and eventually, form the findings. Accordingly, through the phenomenological interviews, the aim is to delve into the rich and nuanced experiences of these social entrepreneurs, enabling the exploration of their thoughts, experiences, and feelings to gain deep understanding of their experiences of ethical dilemmas.

In the beginning of each interview the purpose of the research was repeated to each participant before the interview, consistent with good research ethics. To ensure thorough data capture, all interviews were recorded with the participants' consent. Given the geographical distribution of the participants and the need for flexibility, most interviews were conducted online using the Zoom meeting software. The interview conducted in person was recorded using a smartphone. Out of the 9 interviews 8 were conducted in Finnish and 1 in Swedish.

To maintain consistency and relevance, the interview guide, see Appendix 1, was designed in accordance with the identified themes from the initial literature review. Open-ended questions were formed to encourage in-depth answers from the participants. The interview guide was reviewed, revised, and refined throughout the data collection process to ensure its effectiveness in provoking meaningful insights from the participants.

The duration of the interviews varied, ranging from 27 minutes to 49 depending on the depth of the participants answers. Some of the interviews were fairly short due to limited availability of the participants. It is also noteworthy that the nature of the research topic itself posed challenges for some participants in reflecting on their experiences, making it difficult to sustain lengthy interviews. For instance, some participants did not consider having experienced any ethical dilemmas or did not consider them ethical considerations. Also, most of the interviews being conducted online arguably made it harder to create an open and reflective environment.

In conclusion, the data collection process involved semi-structured interviews with nine social entrepreneurs in Finland. The interview process included transparent communication of research objectives, audio recording of interviews, a combination of online and in-person interviews, the use of both Finnish and Swedish languages, an iterative interview guide, and consideration of participant availability and topic sensitivity. These measures were taken to ensure the gathering of insightful data from the social entrepreneurs involved in the study.

### **5.3 Data analysis**

The data gathered from the interviews is analysed according to the steps in phenomenological data analysis. The step-by-step guide to conducting

phenomenological data analysis offers a sense of manageability of as well as guidance for conducting the analysis and reduces the risk of being overwhelmed by the task. It involves, as depicted in table 3, reading and re-reading each interview, taking initial and exploratory notes, developing experiential statements, searching for connections between statements, identifying personal and group experiential themes, and making deeper interpretations by viewing the analysis from different perspectives, including theories (Smith et al., 2022). The goal of the analysis is to identify both shared and unique experiences, while reducing detail while maintaining complexity, to gain deep understanding of the participants' experiences with ethical dilemmas.

Table 3 Steps in phenomenological data analysis (Smith et al., 2022)

Steps in Phenomenological Data Analysis	Description
1. Reading and re-reading each interview and taking initial notes	The interviews are read multiple times to develop a deep understanding of the participants' experiences and to make the participant the focus. Initial notes are taken on most notable observations.
2. Taking exploratory notes	Writing comprehensive and detailed notes, analysing the transcript closely, avoiding only superficial reading.
3. Developing experiential statements	Experiential statements are formed based on the exploratory notes and the transcript. Aiming to reduce detail while maintaining complexity.
4. Searching for connections between experiential statements	Connections between experiential statements are searched for to identify personal and group experiential themes.
5. Identifying and naming personal experiential themes	Personal experiential themes are identified and named based on the connections between experiential statements.
6. Repeat analysis for each case	Phenomenological Data Analysis is repeated for each case to identify personal experiential themes.
7. Develop group experiential themes across cases	Developing group experiential themes that emerge from the analysis of personal experiential themes. Aiming to highlight both shared and unique experiences of the participants.
8. Interpretation and analysis from multiple perspectives	Deeper interpretation is made by viewing the analysis from different perspectives, including theories, to gain a better understanding of the experiences of the participants.

The initial notes and observations are used to describe important things to the participant and their meaning (Smith et al., 2022). Initial notetaking was done directly after each interview in a note taking app on the computer. To ensure accessibility and facilitate the analysis process, all notes and subsequent analysis steps were conducted and documented in English.

After initial note taking, each interview was transcribed soon after it had taken place to ensure that initial thoughts and observations from the interviews were freshly in mind. As the study focuses on experiences and their meanings, transcription of non-verbal content in detail is not required, and all spoken words were transcribed conventionally, as recommended by Smith (2022). To improve quote readability, filler words are removed from illustrative quotes in the analysis and findings sections.

The exploratory notes serve as a foundation for developing experiential statements, which reduce detail while maintaining complexity. The exploratory notes of the first four interviews were written down using the paraphrasing function of the MAXQDA software, the latter ones were done using the comment-function of MS Word. To simplify further analysis, both the exploratory notes and the paraphrased sections of the interview transcriptions were subsequently exported in Excel format from MAXQDA and MS Word, respectively.

The following step of writing the experiential statements based on the exploratory notes was done using MS Excel. These statements were formed based on both the transcript and the exploratory notes, focusing on sections that were in close proximity to each other within the transcript. This approach ensured that experiential statements were constructed based on the questions asked, even if the same experience was discussed multiple times during the interview in relation to different questions.

The next step in the analysis process involved searching for connections between the experiential statements to identify personal experiential themes. The experiential statements were added into a separate worksheet in MS excel and then organized within the worksheet. The formation of clusters required multiple iterations and experimentation with different clustering approaches. During this stage, some experiential statements were found to be inadequate in capturing the essence of the participant's experience, prompting revisions based on the exploratory notes. Once the clusters were formed, they were given names that were specific enough to reflect the individual's experience while also being relatable and recognizable to others (Smith et al., 2022). Throughout the process, the naming convention had to be reflected on multiple times. It was challenging to avoid being affected by how prior experiential statements were named but essential to ensure that the experiential statements accurately reflected the experiences of each individual social entrepreneur. This analysis and clustering process was repeated for each case.

As the analysis progressed and when six interviews were conducted and analysed to the level of personal experiential themes, forming group experiential themes was started. This was necessary due to the other interviews taking place quite late in the process. However, it was crucial to ensure that the analysis of the last interviews did not influence the prior steps. The formation of group experiential themes aimed to illuminate both the shared and unique experiences of the social entrepreneurs. When all interviews were finished it became evident that some of the groups needed to be revised and modified, as the latter



interviews brought new insight. Thus, the Group Experiential Themes were modified at this point.

Subsequently a deeper interpretation was conducted by reflecting on the analysis from various perspectives, including relevant theories. This final step allowed for a comprehensive understanding of the data and the extraction of meaningful insights. This was then written up to form the findings section of the thesis. During the write up, some minor changes were done to the group themes as it was deemed necessary to properly depict the entrepreneurs' experiences. After the final revision of the themes, the findings section could be finished.

In conclusion, the data analysis process in this study followed the steps of phenomenological data analysis, providing a systematic approach to uncovering the participants' experiences with ethical dilemmas. By carefully conducting each step of the analysis, a comprehensive understanding of the data was achieved. Table 4 presents selected illustrative experiential statements, personal experiential themes and group experiential themes. Attention was paid to preserving the complexity of the experiences while reducing unnecessary detail throughout the analysis.

Table 4 Selected illustrative experiential statements and themes

<b>Participant</b>	<b>Experiential statement</b>	<b>Personal experiential theme</b>	<b>Group experiential theme</b>
<b>Sani</b>	Want to ensure accessibility for everyone while acknowledging it being expensive	Ensuring accessibility and affordability	Balancing social impact and financial sustainability
<b>Sani</b>	Accessibility reflected in pricing		
<b>Oula</b>	Balancing ethical practices and resource allocation	Providing quality care with limited resources	
<b>Oula</b>	Providing quality care while dealing with limited resources and the unwillingness of the public sector to pay for it		
<b>Elmi</b>	Balancing profitability and social impact	Balancing ethics and profitability	
<b>Elmi</b>	Maintaining ethical integrity in the face of financial challenges		
<b>Kim</b>	Balancing pricing, scaling up, and quality	Balancing social impact, values, and financial pressure	
<b>Alex</b>	Advocates for society to set clear expectations and standards for ethical conduct	Ethical conduct in social entrepreneurship	Navigating institutional and systemic constraints
<b>Alex</b>	Emphasizes importance of compliance with regulations and rules		
<b>Caro</b>	Feels conflicted in highlighting one group's needs over others	Balancing competing needs of beneficiary groups	
<b>Caro</b>	Struggles with prioritizing the needs of different groups		
<b>Dima</b>	Feeling limited by external demands and regulations as small social venture	Systemic issues and constraints	
<b>Dima</b>	Desire to do more to help but limited by system constraints		
<b>Isa</b>	Pricing reflects desire to create access for everyone	Equal access and customer empowerment	Community engagement
<b>Isa</b>	Customer involvement in product development is a core ethical value		
<b>Kim</b>	Challenge of balancing risks with benefits of using new technology	Principles-based decision-making	Ethical decision-making
<b>Noa</b>	Purpose creates pressure around equity, diversity, and wellbeing	Pressure created by purpose	
<b>Noa</b>	Pressure created by purpose		

## 6 FINDINGS

The analysis started after the first interview was transcribed and was subsequently reviewed multiple times to establish familiarity with the data and ensure that the interplay between data and theory was ongoing. The same process was repeated for each interview transcript.

Common ethical dilemmas faced by social entrepreneurs emerged in the data e.g., the fundamental tension arising from balancing social impact and financial sustainability and maintaining integrity of the social mission when scaling the venture. Five group experiential themes are formed based on the data: Ethical decision-making, Balancing social impact and financial sustainability, Navigating systemic and institutional constraints, Community Engagement, and Overcoming personal barriers. Figure 4 presents the data structure of the findings including the personal experiential themes and group experiential themes with their sub-themes formed based on the personal experiential themes.



Figure 4 Group experiential themes

## 6.1 Ethical decision-making

This chapter focuses on the group experiential theme of ethical decision-making, specifically examining principles-based and participatory approaches. The participants in the study exhibit diverse perspectives and experiences when it comes to making ethical decisions. While some proactively anticipate potential ethical dilemmas and base their decisions on ethical principles in advance, others rely on intuition and make decisions as dilemmas arise. The purpose of the social venture itself can also introduce tension or conflict for social entrepreneurs. To navigate these complex ethical decisions, many social entrepreneurs adopt participatory decision-making processes that prioritize input from various stakeholders. Equity, authenticity, and stakeholder involvement emerge as key values guiding their decision-making, with a strong emphasis on working together and involving users, customers, and other stakeholders. By engaging stakeholders in the decision-making process, social entrepreneurs ensure that all perspectives and needs are considered, and decisions are grounded in the experiences of those most affected by them. Additionally, as will be discussed, feeling a sense of responsibility toward others and emphasising values of justice and fairness are guiding the decision-making of social entrepreneurs.

### 6.1.1 Principles-based decision-making

The participants have varying approaches to ethical decision-making, particularly in terms of ethical principles. While several participants rely on ethical principles to guide their decision-making, the extent to which they reflect on, identify, and prioritize these principles differs. For example, Kim considers making decisions based on ethical principles as fundamental to ensuring integrity when facing ethical dilemmas. On the other hand, Noa's focus on promoting equity and diversity within their venture generates guiding principles and places pressure on them to act accordingly. Additionally, many participants express a reluctance to collaborate with organizations that do not share their values or fail to demonstrate authenticity.

Integrity and making principle-based decisions is particularly important for Kim. Kim regularly discusses value contradictions to make principle-based decisions with the team. They have anticipated potential ethical dilemmas and made principle-based decisions before they have faced the dilemma. Kim describes that it is easier to maintain integrity if the decisions on how to act and on what premises to act on are made in advance.

"Known ethical conflicts or issues that come up, as when business model and values are in conflict or fundraising and values are in conflict, have been discussed and have been thought about in advance before they have happened. This is a thing that we do, we have tried to anticipate them [the ethical dilemmas] and then made principle-based decisions before the money is on the table." (Kim)

However, even within the team there have been differing opinions about this approach. Kim says that some struggle with making these decisions beforehand, which may indicate that such decisions are not easy to make and require a conscious effort to understand and adhere to ethical principles.

"You find that decisions like this are more difficult for some people, especially when they are discussed beforehand. They are not able to make principle-based decisions, but rather want to see case by case." (Kim)

Reflecting on and discussing philosophical questions and guiding ethical principles is natural for Kim. Guidelines are discussed within the team as well as with the board. The ethical principles the venture lies on guide the decisions and the founding team does not give in or bend regarding the decisions.

"Then bribes, it is also a question of how you see it ethically. If with bribes you can help students who would not otherwise get help, and then the principle of utilitarianism versus the categorical imperative, which philosophy is the one guiding you. These we have been trying to talk about in advance both between the founders between the team and between the board, do we would have decided guidelines." (Kim)

The purpose of the social venture can also create tension or conflict for social entrepreneurs, as solving a social problem sets the entrepreneur and the venture under scrutiny. This is evident in the case of Noa, who describes how the focus on wellbeing, diversity and equality in the venture creates pressure to act in a way that aligns with their mission. The extent to which things can be considered is affected by e.g., resources and these kinds of decisions regarding values might create ethical dilemmas.

"The fact that we are a social enterprise does not yet bind us, but the fact that our focus is on equality and wellbeing puts quite a lot of pressure on how we operate." (Noa)

The venture Noa founded is still at the starting point and the entrepreneur is forming the expert community for the venture. Hence, the experiences of ethical dilemmas are somewhat limited, but Noa still identified some. Noa further highlights the challenge of taking diversity into account in their operating practices, acknowledging how limited resources might affect the extent to which the concerns can be addressed. This could be seen as a dilemma between valuing diversity and balancing practical concerns.

"Well, they are, in my opinion, already partly present in the fact that when we talk about intersectional equality and wellbeing and diversity, how we actually are able to take into account diversity in our operating practices, our premises, our work, our work with our customers, our expert community composition, to what extent." (Noa)

Moreover, the type of stakeholder relationships and partnerships are an area in which the participants rely on principle-based decisions. Many of the entrepreneurs highlighted the importance of shared values with partners and how they do not engage in partnerships that do not feel right or awakes doubts about the intentions of the potential partner.

"In a way, the partnerships do not deepen, if you notice that there are no genuine similarities. [...] They do not go that far as we have a very clear message and also, knowing what we are and who we are. We are really sensitive if we experience foul intentions, so the experience is that it has not gone so far that any value conflicts would have risen." (Elmi)

For Isa a motivation behind the service is to empower the employees and that is a guiding principle in the development of the service. The users of the service are the experts in their own profession and do not need someone else telling them what they need to be successful. The development of the service is done in collaboration with the professionals.

"I do not want that professionals and experts talk over the customer's head and supposedly know better what would be good for them, but that, in a way, we would create a kind of internal motivation." (Isa)

The sub-theme of principles-based decision-making reveals the diverse approaches and experiences of social entrepreneurs in navigating ethical dilemmas. While some entrepreneurs prioritize making decisions based on ethical principles to ensure integrity, others emphasize the purpose of their venture as a guiding principle. Collaborative decision-making processes and stakeholder involvement are commonly employed to ensure decisions consider the perspectives and needs of those affected. However, differing opinions within teams highlight the challenges and complexities associated with making principle-based decisions. The tension between the social venture's purpose and practical concerns, as well as the importance of shared values in stakeholder relationships and partnerships, further shape the decision-making process. The next sub-theme will delve deeper into how the social entrepreneurs engage with their stakeholders to navigate ethical dilemmas.

### **6.1.2 Participatory decision-making**

Social entrepreneurs engage in participatory decision-making processes to navigate ethical dilemmas. By involving stakeholders in the decision-making process, entrepreneurs can ensure that the perspectives and needs of all parties are considered. The participants experience the collaborative nature of decision-making important and ensuring that the voice of various stakeholders is reflected in the decisions.

"Yeah, none of us [founders] make any big decisions like that alone, which is very good." (Caro)

"Then, of course, we try to ask users as often as possible what they think about these [changes] in advance or afterwards." (Caro)

With this collaborative approach to decision-making, the social entrepreneurs ensure that ethical considerations are not overlooked and that decisions are made with the input and support of all stakeholders. Although also acknowledging that all stakeholders cannot be included in making the decisions every time.

In addition to collaborating with stakeholders, social entrepreneurs prioritize authenticity and inclusion in their decision-making processes. They want to ensure that the consequences for the ones affected by the decisions are positive. For example, Oula emphasizes the importance of empowering the staff by inclusion as well as involving residents and their loved ones in the decision-making process. This ensures that the decisions are made based on the experiences of those who will be most affected by the decisions even though they are not the ones paying for the service. As often is the case in social ventures i.e., the beneficiaries are not the ones paying.

"Yes, a central value for us is working together and we have had the staff as shareholders all the time, we have offered shares several times to them [...] working together and thus engaging has of course been quite central and then one thing that has been guiding us is to genuinely involve our residents and their loved ones." (Oula)

Simultaneously, social entrepreneurs can be cautious about partnerships and collaborations, recognizing that they are a potential source of ethical dilemmas if the values and ways of working do not match. Noa mentions how they try to avoid partners or customers who are not ready to commit to longer partnerships. This is due to the experiences of it meaning that the organization is not ready to try to commit to working toward cultural and lasting change in the organization.

"We do not only produce things like inspirational speeches or guest speeches. If we do not know and get confirmation from the co-operation partners that they are committed to promoting the issue, tokenism and pink, green and whitewashing is so common related to diversity and equity issues." (Noa)

"There have been good discussions about potential partnerships with organisations, that have been very interested, but then have not been ready to commit to a longer partnership." (Noa)

Dima similarly expresses a cautious approach to potential partnerships and collaborations, often relying on intuition in determining whether to engage with the parties. This caution is driven by a desire to ensure that their organization's values are aligned with those of potential partners.

"We have refused to cooperate with certain parties, just because we felt that this is not suitable for us, we think carefully about who we are going to work with. In retrospect, it has now proven to be a really good decision, because there have been a lot of revelations over the years about certain actors, on how things have been handled so it's just, our own intuition has... We have trusted it." (Dima)



This suggests that social entrepreneurs prioritize ethical considerations over short-term gains, even when the decisions may be difficult or mean less profit for the venture.

Participatory decision-making is important for the social entrepreneurs as it allows stakeholders to contribute and ensure that the ones affected by the decisions are heard. Authenticity, inclusion, and long-term commitment are valued in forming partnerships and collaborations.

### 6.1.3 Responsibility and Justice

The social entrepreneurs share a strong sense of responsibility towards their beneficiaries and society. They share a common desire to promote fairness and equality, each in their own unique way. Furthermore, they strive to create broader cultural change beyond the scope of their own operations. Their primary goal is not solely on the success of their ventures, but on making a positive impact on society at a larger scale.

The importance of social responsibility and justice, and the desire to promote these values, is evident throughout the interviews. The entrepreneurs discuss the role of their venture in influencing their respective fields beyond just their own success, showcasing a broader sense of responsibility to society. Isa describes the feeling of joy in seeing a broader change starting to take place in their field.

"Above all, I want to somehow change the culture, so it's not just about us being successful as a company. [...] I have been so delighted that now, for example, the recovery orientation has gained traction in the social and healthcare sector. Many wellbeing services counties have taken it as a kind of starting point." (Isa)

Kim describes a desire to be useful. They want to remove the stigma around seeking help, which for example also is one of the core goals of the venture of Caro, highlighting the desire of social entrepreneurs to create social change.

"The core is that we want to be useful. We try to remove the stigma of asking for support and seeking support, as it still involves a lot of shame, and we try to be useful and do things the right way." (Kim)

Dima emphasizes that the promotion of social or ecological issues guides decision-making in a different manner than when companies are set up with other agendas. This highlights the importance of responsibility towards larger societal goals rather than just individual or organizational gains or only focusing on profit-making.

"If you are primarily promoting something like a social, social or ecological issue and solving the problem, it guides, makes you do things differently than if you have set up companies with some other agenda." (Dima)

Dima further underscores the idea that helping others is the guiding principle for the actions of social entrepreneurs, further underscoring the responsibility and moral obligation towards others.

"One of the most important ones is something like fairness and also being on the side of the weaker ones. It may be the individual person who needs help. Or it can be the sole trader on the side of therapists, who wants support of this kind. Maybe more than anything else, helping others is the principle guiding actions." (Dima)

Caro highlights the responsibility of social entrepreneurs towards their users and not just towards their investors or themselves. For Caro the wellbeing of the users is prioritized above any others. This resonates with the idea of justice, where social entrepreneurs are expected to ensure fairness and equality for all stakeholders, particularly the weaker ones, who are the beneficiaries of the venture.

"The fact that we are, we are responsible to our users to keep the venture afloat and on a solid basis. I don't see that we are responsible to investors or ourselves for anything, more to our users who use the [company's application]." (Caro)

The social entrepreneurs exhibit a strong sense of responsibility and a desire for justice in their ventures. They are committed to promoting fairness, equality, and the wellbeing of their beneficiaries, emphasizing their moral obligation to help others and prioritize the needs of the weaker ones. These principles guide their ethical decision-making and reinforce their responsibility towards creating a more just and equitable society through addressing social problems.

## **6.2 Balancing social impact and financial sustainability**

Social entrepreneurship involves a balancing act of creating social impact while maintaining financial sustainability. It is a fundamental tension creating a recurring ethical dilemma for social entrepreneurs. The data illustrates that the social entrepreneurs have different experiences of balancing these two objectives and that most of them have experienced tension between the two. While their aim is to create social value, they also acknowledge the necessity of financial sustainability to sustain their services and extend their social impact. The degree to which the social entrepreneurs emphasize the financial performance of the venture varies. The principles and underlying beliefs the social entrepreneurs act on reflect on how they make sense of their experiences of the often-contradictory goals of creating social and financial value.

### **6.2.1 Integrity vs. Profitability**

Social entrepreneurs encounter the challenge of maintaining ethical integrity while simultaneously pursuing financial viability, and striking a balance

between these two aspects can be challenging. Some participants anticipate that maintaining integrity may become increasingly difficult as their ventures grow, potentially requiring compromises with partners. On the contrary, other participants emphasize their willingness to forgo profit opportunities if they believe that the resulting benefit for their beneficiaries is inadequate.

Elmi describes how, as the scale of their operations is still small, they have not experienced any ethical dilemmas related to partnerships but sees how it might change in the future. They believe that the biggest issue for social entrepreneurs is acquiring financing and now as their venture is taking on new owners, they expect that they will have to make compromises.

“This may come up if you ask me about this in a year or six months from now, I might answer differently, because now that we are considering taking on partners on an ownership-based approach, it may be that it will change, probably even change it [...] It may be that we have to make some compromises. I hope not, but so far there have been no, no problems with that.” (Elmi)

For Oula the risks that realized during the corona pandemic and the war in Ukraine changed their perspective on making profit. They describe how they held a stronger opinion against making profit before but has now come to realize that making profit has a purpose particularly to ensure the survival of the firm and therefore, to ensure the care of the beneficiaries. Also, Oula has previously tried to handle much as possible themselves to minimize costs, but it has come at the expense of own wellbeing. It has opened the eyes for how personnel and the entrepreneur themselves must do well to be able to provide good care.

“Well, if you think about it, what has been a big contradiction in the last couple of years, our idea has been that we provide a good price-quality ratio and we have actually been a really low-cost operator and spent all the money that we have received so in our operations. When looking at the financial figures we have hardly made a profit, we have only tried to keep a small buffer of course against risks. But now when the corona and then the war we realized that the fact is that we must be able to make more profit” (Oula)

Unlike Oula, Dima experiences the tension of having to make profit and create social value as constant and emphasises the social mission of the venture. They tell how they have pondered on questions related to this ethical dilemma every now and then, highlighting the tension they are experiencing. However, Dima also acknowledges the necessity of generating profit to ensure continuity of the venture:

“The fundamental balancing comes from the fact that, after all, you have to do profitable business. It basically can't be only charity, it has to combine doing something good, but then still get enough money so the operations are profitable. It's a certain kind of ethical conflict all the time. How is it balanced?” (Dima)

Especially decisions related to scaling the venture created ethical questions to some. For instance, Dima carefully considers new opportunities and whether their impact in a new market will be sufficient and make an actual impact on the

lives of the customers in that market. In decisions to scale or not to scale, the benefit of the customers far outweighs the benefits for the firm for Dima.

"How to expand your business? For example, deciding on whether to go to another country and similar things, there may be potential for it, but on the other hand considering whether we are an actor that would really be useful to the customers in that market, can we make a change, what is possible? So maybe in this kind of situation you need to think about how to do this and whether it is worthwhile to do it at all."  
(Dima)

These diverse experiences of navigating the balance between maintaining ethical integrity and profitability highlight the ongoing ethical dilemmas and complexities involved in balancing profitability and social impact. The subsequent theme, fairness vs. care, explores another identified ethical dilemma related to this group experiential theme.

### 6.2.2 Fairness vs. Care

The ethical dilemma of *fairness vs. care* revolves around the tension between ensuring equal access for everyone and maintaining high-quality services. While the participants aspire to make their services accessible to as many individuals as possible, they also acknowledge the importance of delivering services that meet the specific needs of their customers and beneficiaries. The challenge lies in striking a balance between these two objectives given the constraints of limited resources.

For Sani it is important to ensure accessibility and particularly mentioned providing the service in several languages. There is a desire to provide equal access, which embodies as wanting to do the translations properly starting from scratch rather than just quickly translating the texts in the app. However, the desire to do make the language versions properly requires a lot of resources slowing down the process.

"Well, the only thing that comes to mind at the moment is the language, that is, at the moment we are offered bilingually in Finnish, English, third comes Swedish, so it may have been a limit for example, if it is not your native language, it affects the use of the service, that it is the only thing we want to be able to influence, but it is always expensive to translate everything, make content from scratch, because then again we do not only want to translate the text, we want to make all the content in their native language and do it properly." (Sani)

In addition to enabling wide access to their services, social entrepreneurs often empathise with the most vulnerable groups and want to help where it is most needed. However, the most marginalized groups and the stakeholders around them do not always have resources to pay for a service. This creates ethical dilemmas for the social entrepreneurs. Sani has tackled the issue of schools not having the financial means to start using their service by collaborating with companies as they can support schools financially and thus, enable the schools to use the service.

"Then there is also cooperation with companies, because companies can financially support schools, so that they can start using this service." (Sani)

Furthermore, pricing is also used to reflect the values of the firm and signal outwards that the mission is creating social good rather than profit. For Sani it was important to differentiate their venture from commercial ventures and highlight not seeking maximum profits.

"Of course, as a company our values are reflected in our pricing. That is, we do ask the highest possible price, but the price that we see is possible for more people, so we try to look at it that way too." (Sani)

Isa likewise uses a pricing point that enables access for many. They describe it to be the result of own experience of working in the sector and knowing how reluctant public sector organizations are to paying for services.

"Well, for example, I feel that we probably have a bit too low pricing, because I have so often been on the buyer's side, so I know what the realities are and other things. I think it is important that people should have the opportunity to use tools and others. So, for example, it certainly shows in pricing." (Isa)

Pricing the services reasonably can also be seen to signal being a good organisation and being on the same side as public and third sector organisations. This is exemplified by Sani mentioning how other firms in the same field have been seen as trying to financially benefit of helping people but has personally not experienced similar attitudes toward their firm.

"But the social good, pricing, so maybe it is there. I feel that we have a really fair way of doing it, I have heard other companies, even such that help or so, they have been asked if they want to get rich with helping people or? And we have never, for example, encountered such a question, we have in the pricing taken into account only the application maintenance costs and how we can develop the activities that are visible to students and how we can offer something even better." (Sani)

Striking a balance between equal access to services and providing high-quality care is a complex task, particularly considering the limited resources available. Strategies such as collaborative partnerships and thoughtful pricing approaches are employed to navigate these dilemmas and ensure that care is delivered to those who need it most.

### **6.2.3 Equality vs. Efficiency**

The pursuit of both equality and efficiency presents a compelling ethical dilemma. This dilemma is particularly present in the selection of beneficiaries for the venture, and the participants experience conflicting values and contradictory desires related to it. Social entrepreneurs strive to maximize their impact while ensuring equal access and opportunities for all beneficiaries. Two examples from the data provide insight into the experiences of the social entrepreneurs.

Selecting between which beneficiaries needs to highlight in their service is a struggle for Caro. Caro describes it as one of the main ethical dilemmas they experience.

"Well, the challenges are, for example, we find all help important, so then the decisions of what should be highlighted, at the moment, food aid is so critical and acute that it is just has to be highlighted. At the same time, we should also raise the need for help for Ukrainians or the need of help in Finland and many others. So that, how to be equal, if we want to be equal toward users. As well as possible." (Caro)

The dilemma is created because of highlighting one group in need inevitably will affect the other groups negatively and the underlying desire is to treat all beneficiary groups equally. The decision to prioritise certain problems have been more straightforward such as the pressing need for help among Ukrainians. This issue is both urgent and significant in the broader societal context, making it an important issue for the firm to address.

"Raising the need of help of Ukrainians will of course oppress everyone else in its own way, but it is timely, and we see it as important for the company to be involved." (Caro)

Further illustrating how social entrepreneurs experience the ethical dilemma, Kim expresses wanting to provide their service to countries where students have more problems and need help. However, providing an expensive, high-quality service to countries with less resources is not possible because of the countries' lack of resources and thus, striking a balance between price, scaling and quality has not been easy.

"One of the recurring themes we have is that there's a conflict between price and scalability and quality. We could make a really expensive, really high-quality service, but that would mean that it would only be available in rich countries, rich students or schools. In practice, we would have to sell to private schools alone. And the other side of it is that we could automate quite a lot of the support processes and push down the price and reduce the share of people in support. But it would also mean that it would be bot-provided support and content and self-care programs, and students, young people often need human contact. And because we are struggling, our solution here has been, we initially made a kind of high-end version that can be used in Finland, for example, where there is a lot of money and support, and now, we try to push it so that it could also be used in places where there is less money and less support resources." (Kim)

As the quote illustrates, Kim is not willing to provide the service only to people in rich countries, suggesting the underlying guiding principle of fairness and wanting to enable equal opportunities for people in more vulnerable positions.

The ethical dilemma lies in selecting beneficiaries and deciding how to allocate resources in a manner that maximizes impact while ensuring fairness. Striving for efficiency, such as optimizing resource utilization and scalability, often comes at the expense of equal access and personalized care. Conversely, emphasizing equality may hinder scalability and pose financial constraints.

Social entrepreneurs face several constraints in running their ventures in addition to financial constraints, as the next chapter on navigating systemic and institutional constraints will demonstrate.

### 6.3 Navigating systemic and institutional constraints

This chapter examines how social entrepreneurs navigate systemic and institutional constraints. The first sub-theme is balancing rights and responsibilities. The first sub-theme explores the ethical dilemma *rights vs. responsibilities*, which relates to both compliance with laws and regulations, and providing care within societal constraints. The experiences of the interviewed social entrepreneurs vary, with some finding it easy to comply while others express frustration with the lack of clarity or demands being too high, especially for small ventures. Despite this frustration, most social entrepreneurs express a sense of responsibility to adhere to the rules, as compliance is seen as inherently the right thing to do. The second sub-theme delves into the ethical challenge of *managing spillover effects*, illustrated through the experiences of two participants who have introduced technological solutions to address social issues. These examples illustrate the ethical considerations involved in mitigating unintended consequences. The third and last ethical dilemma the chapter presents is *balancing stakeholder needs and interests*. It explores how social entrepreneurs navigate the conflicting interests of various stakeholders.

#### 6.3.1 Rights vs. Responsibility

The ethical dilemma of *rights vs. responsibility* is experienced by the social entrepreneurs in relation to adhering to laws and regulations in society. The entrepreneurs also face the dilemma in balancing individuals' rights to receive quality care and the responsibility to provide care within systemic and institutional constraints.

When asked about how the social entrepreneurs experience being ethical from the perspective of the expectations of society including complying with laws and regulations, some experienced it as very easy and straightforward while others felt frustrated with lack of clarity or demands being too high especially for small ventures. Kim for instance is frustrated with how laws assume that all private sector organisations try to maximize profit regardless of the consequences.

"All the laws are written from the point of view that these companies are really only interested in commercial returns and they want money, so you need protection against all possible sorts of abuses, and then our values are not like that but we are treated as if they were, so they are avoiding risks, but actually perhaps it leads to preventing the creation of added value and benefit." (Kim)

Entrepreneurial experience and clarity of the purpose of the venture are described as factors helping with meeting the requirements of laws and regulations. This is the case for Elmi, who finds it easy to comply and finds the expectations clear.

“If I hadn't had the experience of how to act as an entrepreneur or what it's like to try to deal with all the Finnish bureaucracy, I might be more concerned but when you're so used to, in a way, know the ins and outs, what to do and how to do it, it has actually felt really easy. And then what we do is somehow clear, like what we do and why, so in fact yes it has been easy and clear.” (Elmi)

However, the experiences among the social entrepreneurs differ, but a common experience emerges regarding the challenges faced by small ventures with limited resources in terms of compliance. They often find it more difficult to meet the requirements and expectations imposed by rules and regulations.

Furthermore, frustration toward leaving interpretation up to the organisations themselves is also experienced. Alex describes how rules and regulations are left to be subjectively interpreted by different actors. Expressing a desire of society setting clear rules, which businesses could follow and frustration with the current situation. Complying with rules and regulations is important for Alex.

“We would hope that hey, just tell us how you want it, and we can follow it to the letter. But it's like, firstly, the laws and regulations are left unclear. Secondly, not even Valvira or Avi want to tell how they want it, or can't take a stance, and then each municipality works differently. So, this uncertainty is something that makes it very difficult. I think it would be much easier to comply ethically if society just told how they want it and not leave it so uncertain and subjective for each municipality and even within the municipalities.” (Alex)

Feeling a sense of responsibility to adhere to the rules is evident. This emphasizes the ethical principle of responsibility, suggesting that compliance is inherently perceived as the right course of action for social entrepreneurs. Alex further highlights how the venture is meticulous in following rules and regulations but has noticed smaller ventures acting in more of a grey area.

“We follow the rules and regulations, be it labour law or the social welfare act and the municipality's rule books for subcontractors, we follow them to the letter and there are many, I see that many, small entrepreneurs ... It's not black and white. There are many things that are deliberately left undefined in the laws and guidelines.” (Alex)

Dima, representing a smaller venture, describes how the high requirements can be impossible to meet by small ventures.

“There are also certain regulations that create so high requirements that you, as a small company, may not be able to meet them by any means.” (Dima)

The frustration felt toward systemic flaws and constraints is apparent. Dima continues to talk about how issues in the system even can prevent people from getting the help they need. The systemic flaws lead to multiple solutions solving individual parts of the problem leading to a partially optimized system. The



inability to be able to reform the system frustrates social entrepreneurs. Most of the interviewed social entrepreneurs expressed their desire to drive cultural change regarding the social problem they are trying to solve and being frustrated about the fact they are not able to do more.

"It's frustrating that the system itself is flawed or the rules and so on, and it prevents people from getting help and you can't do anything about it." (Dima)

Isa also experiences frustration regarding rules and regulations as a small firm, saying that it is hard to keep up with all requirements with small resources. The balancing act of feeling responsibility to comply with regulations and the resource constraints.

"They are pretty clear, but of course all these regulations and so on are changing constantly and you have to keep up with what the requirements are. Then it's a bit of a balancing act with resources, because for example, an accessibility directive is set and you have no idea how it should really be implemented and where you could get the resources to implement it, and so on and so forth." (Isa)

They have found solutions to meeting the demands of regulations by collaborating with organizations that have knowledge and expertise in certain fields in exchange for something they can offer. Highlighting how the resource constraints drive the social entrepreneurs to create creative solutions to challenges they face.

"Then we have had to be a little creative, for example, we are now negotiating with an organization in the third sector if we could do something like squirrel skin trade, that they could use our tool and they would help us with accessibility and things like that." (Isa)

The ethical dilemma of rights vs. responsibility is also at play in relation to providing care. The social entrepreneurs navigate the tension between the rights of individuals to receive quality care and the responsibility to provide care within the limitations imposed by institutions and funding constraints.

For Alex it comes down to balancing care and financial constraints, as they care about both the revenue and the family. They experience a conflict between wanting to provide the best care possible and accepting financial constraints. The constraints are mainly described as external constraints posed by institutions e.g., municipalities who are subsidising the services and have limited budgets.

"We also do not have the budget from the municipality or the public sector to provide that good care [...] in many cases, what the municipality can pay for or help with is perhaps insufficient. And with this, I would say, we would like to help more and that's why there is a balance like that." (Alex)

The institutional constraints are particularly notable for the social entrepreneurs providing services in the social and health care sector. Oula experiences the institutional constraints similarly explaining how the unwillingness of municipalities to pay for implementing the obligations they set

is a challenge for the firm. The unwillingness stems from political decisions of funding the social and health care sector.

"Well, it's been challenging that the public sector sets a lot of obligations, but there has not been willingness to pay for them in the past. And now, even though this increase in the number of nurses costs a lot, I see it as a good thing that it enables us to provide better care and it also eases the value contradictions our staff experiences. The biggest problem has been the staff's ability to cope with the fact that most of them would like to provide good care, but the resources are insufficient and there is not a willingness to pay." (Oula)

Even though the social entrepreneurs experience the constraints, Sani, Oula and Dima expressed how other actors view them as equals, sharing the same kind of values. This is experienced as an improvement in the social sector as before private ventures were met with prejudice and the willingness to collaborate did not exist in the same way.

*Rights vs. Responsibility* highlights the ethical dilemma faced by social entrepreneurs in complying with laws and regulations while striving to provide quality care within institutional constraints. The experiences of the interviewed social entrepreneurs vary, with frustrations arising from the lack of clarity and high demands, particularly for small ventures. Despite these challenges, a strong sense of responsibility to adhere to the rules prevails, although resource constraints often make compliance difficult.

### 6.3.2 Managing spillover effects

Social entrepreneurs operate in a complex landscape where they must carefully consider the potential consequences of their ventures, both positive and negative. A prominent area where these considerations became evident in the interviews was in relation to using technology. While technology can enhance the services provided, it can also lead to negative unintended consequences for users. This requires the social entrepreneurs to having to identify and navigate potential spillover effects of their operations as the examples of Kim and Sani will reveal.

Sani faced a challenge in implementing technology to offer courses to the users, who are young students. They wanted to ensure that the app is engaging while also avoiding addiction to screen time, as it already is a concern for young people. They wanted to create a solution that would hinder the negative effects but still have the desired positive impact. Thus, Sani developed a solution that incentivized users to use the app for short periods a few times a week instead of encouraging continuous use. This approach was beneficial for both learning outcomes and user wellbeing.

"It was clear to me from the very beginning that even if we can offer good content, useful content, content made with experts, do we want to be one more app that makes people spend even more time on the phone, for example. And can we even use gamification to make this person you use the app as much as possible, because our application is gamified, and thinking about how we could do it without this kind of thing happening." (Sani)

Moreover, the use of emerging technologies, such as artificial intelligence, have the potential to greatly improve the effectiveness and efficiency of social ventures, they also pose risks and uncertainties that must be considered. Kim has discussed the ethical dilemmas related to the use of artificial intelligence with their team. They acknowledge that while artificial intelligence can bring significant benefits, the risks associated with these technologies, particularly when dealing with sensitive issues like mental health, are significant. For Kim, the potential for even a few negative outcomes at critical stages outweighs the potential benefits, leading the team to be cautious of implementing the technologies. Use of technologies we do not have a complete understanding of can eventually lead to a negative outcome.

"Another question that creates ethical challenges is that through the use of artificial intelligence through the more powerful use of AI, there would be a lot of benefits, but it brings risks with it as those technologies are indeterministic black boxes, it would probably behave better than the current software in many cases, but there is the risk that at a critical point, with a student who is in a really bad situation, it would behave incorrectly." (Kim)

The examples of Sani and Kim demonstrate the importance of identifying and addressing potential spillover effects to ensure positive outcomes. Sani successfully designed their app to balance engagement and screen time addiction concerns, promoting learning outcomes and user wellbeing. On the other hand, Kim exercised caution in adopting emerging technologies like artificial intelligence, recognizing the significant risks and uncertainties associated with them, particularly in sensitive areas such as mental health. By carefully managing spillover effects, social entrepreneurs can maximize the positive impact of their ventures while mitigating potential harms and ensuring ethical and responsible practices.

### **6.3.3 Balancing stakeholder needs and interests**

The conflicting needs of stakeholders pose ethical dilemmas for social entrepreneurs, who must navigate the challenge of prioritizing one stakeholder's needs over others, sometimes at the expense of the other stakeholders. The decisions are sometimes driven almost solely by financial considerations to ensure firm survival and other times by the benefit for the firm. In addition, the entrepreneurs experienced that it is hard to acquire funding as a social entrepreneur, emphasizing the specific issues social entrepreneurs face when it comes to stakeholders providing financial support. The ethical principles guiding these decisions, often principles as equity, fairness, and care, vary depending on the specific circumstances.

Some organisations may implement guidelines stricter than the laws and regulations for their subcontractors and partners creating challenges for the social entrepreneurs. Sani describes how data privacy is an important aspect of their operations. The firm only does anonymous tracking in their app to support

the development and improvement of the app. However, many schools have implemented guidelines prohibiting tracking in any form.

"Perhaps we have faced such issues that schools may have had policies not allowing certain things, for example, that even within the app the use of analytics e.g., which are the points in the application that user x, who is not identifiable, uses the most, which is then information for us as developers. We may notice that hey, no one uses chat, maybe there is something wrong. [...] Some have a direct guideline, against this kind of use, that you cannot track anything. So that it is sometimes considered and OK, then we have taken it out. Maybe in that kind of situation, what we thought more about, is that we cannot identify the person at all, and it is only applied from a developmental perspective." (Sani)

For Kim balancing stakeholder needs is particularly evident with their international clients. Upholding moral values opposed to adhering to cultural norms is an ethical dilemma the firm has faced. The social entrepreneur's values of helping all students and providing preventative care clash with cultural norms in some countries where only the well-performing students are supported, leaving those with mental health and coping challenges behind.

"In some countries separating the wheat from the chaff -thinking is common, that they actually want to filter out, in quotation marks, bad students and they may be those who have mental health challenges or coping challenges, and they want them gone, and is quite a difficult idea for myself. We have then had discussions with them asking hey, is it really so that you do not want to support all students? We have not had to make any explicit decision regarding these situations [...], in the end they have yielded." (Kim)

Additionally, the firm faces conflicts between the wishes of their different stakeholders. The needs of parents, students, and the schools differ particularly regarding sensitive topics such as sexuality and gender identity. Despite these challenges, Kim remains committed to meeting the needs of their clients while upholding their ethical values.

"We had a pilot in Croatia, through the EU, and they have big ethical conflicts or differences of opinion between families and schools, for example on sexuality and gender identity. And it was the kind of thing that we asked the students and it's the kind of thing that parents would not want to be asked. Schools want to educate to help those young people, parents necessarily not. They have a more conservative there. In Italy we have met a similar challenge with one of these pilot schools we have, it is a Catholic school, that is very religious and sometimes when we formulate the message paths, Christian values and the things that students need are in conflict and we basically go according to the student's needs. And we have not yet had to give in on it." (Kim)

During the interview with Elmi it also came up how it is particularly hard for social entrepreneurs to secure funding as they might not be applicable for funding from either private or public sources.

"It's actually not that simple, and especially not in social entrepreneurship, because as you are not covered by public funding and in a way do not belong to the third sector either, you do not get any STEA funding, but on the other hand Business Finland does not necessarily understand as there is the social entrepreneurship aspect" (Elmi)

Isa had similar experiences, having had difficulty with securing funding as a social entrepreneur.

“It is very difficult to get funding. We have now gotten funding from Business Finland. First grant now last year. Previous applications have all been rejected. [...] It is really difficult to get funding and makes this initial phase of development laborious. [...] I think that the challenges are also partly related to this industry, that this is not something that generates quick profits like consumers services do, the market is quite difficult, and the financiers know it.”

Kim, however, had a contradictory experience and did not find funding harder for a social entrepreneur, stating that securing funding is always challenging and did not find it more challenging being a social entrepreneur.

Social entrepreneurs encounter the challenge of managing the expectations and needs of various stakeholders. They strive to treat all stakeholders equally, but this can be challenging when faced with limited resources and competing priorities. Navigating stricter guidelines imposed by partners adds an additional layer of complexity, requiring social entrepreneurs to find a balance between meeting the requirements and staying true to their mission. Furthermore, conflicts may arise when cultural norms clash with the moral values held by social entrepreneurs, requiring them to make difficult decisions that align with their principles. Trying to secure funding and meeting the requirements of different investors also pose challenges for the social entrepreneurs.

## **6.4 Community engagement**

The social entrepreneurs face ethical dilemmas in relation to community engagement. Social entrepreneurs are shown to prioritize the wellbeing of their community while also wanting to enable equal access for everyone. However, this creates a tension between the ethics of care and the ethics of justice. In addition, social entrepreneurs are shown to experience a conflict between utilitarianism and care. This conveys itself in their attempts to prioritize the greatest good for the greatest number of people, while also caring for both beneficiaries and staff. How the social entrepreneurs experience these two ethical dilemmas will be presented in this chapter.

### **6.4.1 Care vs. Justice**

The social entrepreneurs underlined the importance of their community and prioritizing the wellbeing of the community while also striving for enabling equal access for all. The tension between prioritizing the wellbeing of community members and promoting justice for all can be framed as a conflict between the ethics of care and the ethics of justice. The ethics of care emphasizes the

importance of empathetic and compassionate relationships, while the ethics of justice focuses on fairness and equality for all.

For Dima this ethical dilemma arises when new features need to be added to the service that do not directly add value to the beneficiaries. On the one hand, the company wants to ensure that the service is directly helping the beneficiaries and adding value to their lives. On the other hand, they recognize the importance of providing support to the therapists who use the service and who are paying customers. The company is trying to navigate this tension by finding ways to indirectly benefit the beneficiaries and thus also justify creating features that support the customers.

"And then when we have completed it, we have then been able to think about how we can add some features that will help the person who needs help. For example, the customer information system for therapists. It includes billing and other things. Things that they need to do but do not directly help the person in need of help, but indirectly it might help them, because using the system can save therapists time, even 4 hours a month, which might create time to take on one client more so it is again then just a reason for it so that we can make a thing like that. Sometimes we can find the reason to do something by seeing the indirect impact and see that in fact, that we should do this, because this is really useful." (Dima)

Isa emphasizes the importance of providing tools that enable end customers to actively participate, empowering them to be heroes in their own lives. This approach acknowledges the ethical principle of care, recognizing that people are more motivated when working towards their own goals. By involving the end users in the development process, Isa ensures that the products and services meet their specific needs and preferences, reflecting a commitment to personalized and empathetic community engagement.

"I would like to create tools that promote the involvement of the end customer. They would be like a hero in their own life. People don't go out to do things if the goals are someone else's, that has been a really central value for me. Here I saw that they should be the client's own goals." (Isa)

This approach recognizes the expertise of the end users themselves, aligning with the ethics of care and fostering a sense of ownership and empowerment within the community. Moreover, by valuing the individual's own goals and aspirations, Isa also addresses the ethics of justice by promoting fairness and equal opportunity, as people are more likely to engage when pursuing their own objectives in a community-driven context.

"It affects, for example, the way that we have developed these products, in collaboration with users, that there has been, actual end users have been developing them. I thought that as they are, the best experts when something is developed for them." (Isa)

The ethical dilemma described in this sub-chapter arises from the conflict between the ethics of care, which emphasize empathetic relationships and individual needs, and the ethics of justice, which focus on fairness and equality. The social entrepreneurs face ethical dilemmas when deciding how to allocate resources and design their services to best serve their beneficiaries. They must

consider whether to directly prioritize the immediate needs of the community or indirectly benefit them by supporting other stakeholders, such as paying customers or partners. This requires finding innovative solutions that address the concerns of both care and justice, recognizing the importance of personalized engagement and empowering individuals while striving for equal opportunities and outcomes.

#### 6.4.2 Utilitarianism vs. Care

Utilitarianism prioritizes the greatest good for the greatest number of people, which could lead to a focus on beneficiary wellbeing over staff wellbeing or focusing on the wellbeing of the majority of beneficiaries over a few. On the contrary, care ethics emphasizes the importance of relationships and the need to care for both beneficiaries and staff. This presents the contradictory ethical principles underlying the ethical dilemma of *utilitarianism vs. care*.

Oula initially prioritized beneficiary wellbeing but later realized the importance of staff wellbeing in achieving overall community wellbeing. For example, if the staff is not doing well, it results in high turnover, which results in lower quality care for the beneficiaries. Furthermore, the challenges created by the worsening situation of the social and health care sector has created a shortage of workforce. This further enhances the importance of staff wellbeing to ensure retention and attracting new employees. For Oula this led to the realization of having to make more profit to be able to ensure overall wellbeing and a change in the attitude toward making profit.

"Of course, there has been quite a contradiction in the fact that we have not been able to reward our staff in the way we would have liked to in recent years. Of course, it has caused a little bit of conflict in the fact that some people have left when they have experienced that their work is not appreciated in the way they would like it to be. In the case of residents, we have not had to make compromises when it comes to resident care." (Oula)

"Just the fact that we have not been able to reward the staff. Now the labour shortage [in the sector] is so great that we have to turn it the other way around, we are forced to differentiate from others, like I take care of our staff, our value base and operating model is not quite just enough on their own." (Oula)

Noa values creating a positive and sustainable work culture, which reflects the values of care ethics. For both Noa and Oula it is related to personal experiences of burnout or too-high workload. It has created a desire to form the venture into a workplace that is good for everyone and that reflects the values of the venture.

"Yes, I would say right from the start that I hope that we can create an organisational culture that would make the company feel like the best place to work." (Noa)

"I worked for so many years in very intensive development leadership positions, on the third sector organization side and I found that now, even if I would want to produce more or create job opportunities for people faster or see a need for the services,

in a way, an organic pace, taking into account people's wellbeing, including my own wellbeing, is it." (Noa)

For Elmi this ethical dilemma presents itself in form of having to prioritize between the wellbeing of individuals and the majority. The entrepreneur has taken a strict approach to the issue of people behaving inappropriately in the app, where the wellbeing of the majority of the users in the app is prioritized. Elmi recognizes that the bad behaviour of users can be a result of mental health issues and even though the decision to remove users behaving inappropriately was taken, the perspective of the individual is also considered.

"Unfortunately, from the side of the app, the end user, the private individual. The world is full of trolls and yes, the malaise and mental health problems of people will come out. There are actually two paths, from the app you have to remove profiles of those who are clearly in the business of bullying, which is probably always the case when you create a new community service of this kind. And the other side is then the fact that it is, for example, it is a little difficult to determine whether it is bullying or whether it is really, for example, so bad mental health problem that the user even behaves inappropriately there, so have to be removed. [...] We are quite strict about inappropriate behaviour. For example, today unfortunately I received an email from a user who had noticed inappropriate behaviour from another app user and there is probably a person with mental health problems behind it and they are taking it out on others." (Elmi)

Social entrepreneurs struggle with the ethical dilemma of prioritizing utilitarian principles and embracing care ethics within their ventures. While some have initially prioritized beneficiary wellbeing, they come to recognize the significance of staff wellbeing in achieving overall community welfare. The personal experiences of burnout and high workloads further highlight the importance of creating a positive and sustainable work culture aligned with care ethics.

## **6.5 Overcoming personal barriers**

The social entrepreneurs have described social entrepreneurship to be mentally challenging and draining. Both because of struggling with feelings of inadequacy and the transition into the role of an entrepreneur. The entrepreneurship journey is also experienced as challenging, requiring, and developing resilience. Some of the participants expressed how their background being in the social sector rather than business also is challenging. The financial and energetic strain associated with starting a business was also highlighted, as well as the difficulty of securing funding, particularly for social entrepreneurs who may not be eligible for funding from either private or public sources. Sacrifices can extend beyond financials to personal relationships, with the venture often requiring a large portion of the entrepreneur's time, leading to ethical conflicts in the everyday life of the social entrepreneur.



Dima highlights the resilience and belief required to continue pushing forward. The journey has ups and downs that require a lot of resilience to navigate. One moment, there may be a great success that pushes the venture forward, only to be followed by a rejection or setback that requires more mental resilience.

"It's a bit like a rollercoaster, you reach the bottom and then comes some great thing and then you get excited, and you can move forward and then someone rejects you again or you get excited again and that has been mentally something requiring a lot of resilience and belief in it." (Dima)

"Well, probably the biggest challenge is that in this field, especially claiming your expertise and in a way it's like polishing your own profile, and you should actively do it on social media and LinkedIn and selling your expertise and it has not been a natural thing for me. In my previous job, I advanced from social worker to designer and designer to executive director and I somehow always thought that I am in service work and that my work is aimed at promoting something good and then the fact that even to get customers or sales, I should do a type of communication and content that I perceive as problematic in relation to my identity as a social professional." (Noa)

Similarly, Elmi highlights the financial and energetic strain that comes from starting a business. Expressing the amount of work and financial resources that is required. If the social venture is faced with challenges securing funding, it might lead to the social entrepreneur having to finance the venture on their own. For Elmi this means having a paid job and doing that to finance the venture.

"But it has not been easy, especially from the point of view of the entrepreneur, it takes a lot that you have had to work elsewhere which has, in a certain way, financed the time to do this kind of work." (Elmi)

The sacrifices can extend beyond the financials to personal relationships. Starting any kind of venture requires time management and prioritization. Particularly in the beginning the venture might require a large portion of the entrepreneur's time. Arguably the value contradiction becomes even bigger, when the venture social entrepreneurs are running aim to solve a social problem. Personal values like spending time with the family and the social mission of the venture might create ethical conflicts in the everyday life of the social entrepreneur.

"What has suffered, is the family and things like it. When you are a full-time entrepreneur too little time is left, for example, for your own family and loved ones." (Isa)

Feelings of inadequacy or not having the right capabilities for running the venture are tough situations. Caro has particularly struggled with feelings of inadequacy in addition to equality related issues. They express a desire to stay empathetic and trying not to let any of the issues influence that. The participants generally had belief in the abilities of their team and believed in working together, as this illustrative quote from Caro also emphasizes:

"Quite a lot of mental challenges, how to cope with such things. Very general belittling, sexism, sexual harassment. Feelings of inadequacy. There have been more mental

challenges. Those have been the biggest ones, but at no point have I had doubts of the team being able to do great things. It has been more personal doubts. And on the other hand, I do would not want to harden myself and becoming cynical." (Caro)

Isa is one of the participants who do not have business background and expressed challenges related to the lack in experience. Wanting to grow the venture was a clear goal but the entrepreneur was cautious of how far they can go with the current capabilities and resources.

"Yes, we have a clear desire to grow, but let's see what we are able to do." (Isa)

Realizing the limitations of own knowledge led to the social entrepreneur using a consultant for funding applications even though having done applications in the past. The information needed however differs in the social sector.

"For example, now that we finally got the funding, ended up using an outside consultant who knew what to write in the application. Although I have made all sorts of applications to the public sector and organisations, but it is a bit different, the evaluation criteria." (Isa)

For Noa the background in the social sector created a challenge with the own professional identity. Selling one's own expertise and creating a professional brand does conflict with the professional identity created working in the social sector.

"Well, probably the biggest challenge is that in this field, especially claiming your expertise and in a way it's like polishing your own profile, and you should actively do it on social media and LinkedIn and selling your expertise and it has not been a natural thing for me. In my previous job, I advanced from social worker to designer and designer to executive director and I somehow always thought that I am in service work and that my work is aimed at promoting something good and then the fact that even to get customers or sales, I should do a type of communication and content that I perceive as problematic in relation to my identity as a social professional." (Noa)

Social entrepreneurship presents significant personal barriers that social entrepreneurs must overcome in their journey. These challenges include struggling with feelings of inadequacy, transitioning into the role of an entrepreneur, and managing the financial and energetic strain associated with starting a business. Sacrifices extend beyond financial aspects to personal relationships, as the venture often demands a large portion of the entrepreneur's time, leading to ethical conflicts in everyday life. However, resilience, belief, and the support of a strong team play a vital role in navigating these barriers. The experiences of the social entrepreneurs highlight the importance of managing personal challenges while staying true to their social mission and values.

## 7 DISCUSSION

The objective of this study was to present a more nuanced understanding of ethical dilemmas in social entrepreneurship, challenging the general notion of social entrepreneurship inherently being ethical. By exploring the ethical challenges faced by social entrepreneurs, this study aimed to examine specific situations that give rise to these ethical dilemmas and how social entrepreneurs experience them. The research questions guiding this study were: 1) *How do social entrepreneurs experience ethical dilemmas?* 2) *How do social entrepreneurs perceive and make sense of their experiences of ethical dilemmas?* and 3) *What role do ethical dilemmas play in the context of social entrepreneurship?*

To address these questions, the study employed a review of existing literature on social entrepreneurship, ethical theories, and ethical dilemmas in social entrepreneurship. The identified gap in extant literature further motivated the research and formulation of the research questions. For the empirical study, an inductive interpretative research approach was employed. Interpretative Phenomenological Analysis was applied as the methodology and in accordance with it, the empirical data was gathered through semi-structured interviews with nine social entrepreneurs.

The main findings of the study are how the social entrepreneurs experience ethical dilemmas and the role of ethical dilemmas in social entrepreneurship. Five group experiential themes were formed based on the empirical data, and in their sub-themes experiences of 12 ethical dilemmas are presented.

In this chapter, the findings of the study will be discussed and reflected on by applying extant theories and frameworks. Subsequently, the theoretical and practical implications of the study will be presented. The chapter ends with discussing the limitations of the study and suggestions for topics for future research.

## 7.1 Experiences of ethical dilemmas (RQ1)

The study reveals how social entrepreneurs experience ethical dilemmas. They encounter ethical dilemmas in various aspects of their work. These dilemmas arise from the complex nature of their work, which involves addressing social issues while operating within economic, social, and cultural contexts. Each of the five identified group experiential themes present one area from which ethical dilemmas arise. The themes are ethical decision-making, balancing social impact and financial sustainability, navigating systemic and institutional constraints, community engagement and overcoming personal barriers. Noteworthy is, that the first group experiential theme, ethical decision-making, does not represent a group of ethical dilemmas per se, but rather illuminates how social entrepreneurs approach ethical dilemmas, providing insights into the underlying values and decision-making processes. To set the stage for the discussion on the experiences of the social entrepreneurs, below is a summary of each of the group experiential themes, and related sub-themes.

### **Ethical decision-making**

Ethical decision-making illustrates the underlying values and approaches social entrepreneurs have to ethical dilemmas. Social entrepreneurs integrate both rational and intuitive approaches, actively engage stakeholders, and have a strong sense of responsibility and justice toward society.

#### *Principle-based decision-making*

Social entrepreneurs use principle-based decision-making, where they make choices based on ethical principles such as fairness, justice, and equality. They rely, in a varying degree, on ethical theories and principles in making ethical decisions.

#### *Participatory decision-making*

The sub-theme of participatory decision-making highlights that social entrepreneurs feel it is important to involve stakeholders in the decision-making process. They recognize the importance of engaging diverse perspectives to ensure inclusivity, shared ownership, and democratic decision-making. However, they also encounter challenges in balancing the need for participatory processes with the efficiency and effectiveness required to make timely decisions.

#### *Responsibility and justice*

The sub-theme of responsibility and justice emerges in how social entrepreneurs navigate their responsibilities towards various stakeholders and strive for social justice. Social entrepreneurs want to make decisions that consider the broader societal impact and promote a just distribution of resources and opportunities. They grapple with the complexities of balancing individual and collective

responsibilities, seeking to create positive change while upholding ethical principles of justice and fairness.

### **Balancing social impact and financial sustainability**

In social entrepreneurship, balancing social impact and financial sustainability is a fundamental challenge. Social entrepreneurs aim to create social value while also recognizing the need for financial sustainability to extend their impact. The degree to which the social entrepreneurs prioritize financial performance varies.

#### *Integrity vs. Profitability*

Social entrepreneurs face the ethical dilemma of *integrity vs. profitability* in relation to them making choices of upholding their values and maintaining the integrity of their mission while also ensuring the financial sustainability of their ventures. They face tension between prioritizing social impact and generating revenue, often needing to navigate complex partnerships and funding sources while staying true to their social mission.

#### *Fairness vs. Care*

Social entrepreneurs experience the ethical dilemma of *fairness vs. care* when they balance fair treatment of stakeholders with compassionate care for vulnerable individuals or groups. They face challenges in allocating resources, determining pricing structures, and ensuring fair access to their services while also addressing the unique needs and vulnerabilities of specific individuals or communities.

#### *Equality vs. Efficiency*

The ethical dilemma of *equality vs. efficiency* arises when social entrepreneurs strive to create equal opportunities for all while maximizing their impact with limited resources. The dilemma is present in various aspects of running the ventures, including the selection of beneficiaries and the development of pricing and scaling strategies. On one hand, social entrepreneurs aim to address the needs of diverse beneficiary groups equally, but highlighting one group often comes at the expense of others. On the other hand, they seek efficiency and scalability to reach more people, but this may compromise personalized care and equal access.

### **Navigating systemic and institutional constraints**

Social entrepreneurs experience ethical dilemmas regarding systemic and institutional constraints in having to balance rights and responsibilities, manage spillover effects and manage stakeholder expectations and needs. Social entrepreneurs are frustrated by the shortcomings of the institutions and feel a responsibility to take all consequences of their operations into account.

#### *Rights vs. Responsibility*

Social entrepreneurs encounter the ethical dilemma of *rights vs. responsibility* when they must balance respecting and advocating for the rights of individuals or communities with fulfilling their own responsibilities and obligations. The ethical dilemma arises in relation to care and in adhering to rules and regulations. They feel frustration toward and an obligation to addressing systemic injustices and institutional shortcomings while simultaneously fulfilling their duties as social entrepreneurs.

#### *Managing spillover effects*

Social entrepreneurs encounter the ethical dilemma of managing spillover effects when incorporating technology into their solutions. They carefully consider the potential positive and negative consequences of their technological interventions. They want to design solutions that enhance services without creating negative unintended effects and often choose the solutions with least risk for the individual.

#### *Balancing Stakeholder Expectations and Needs*

Social entrepreneurs face the ethical dilemma of balancing stakeholder needs and interests, where they must navigate the diverse interests and demands of their stakeholders while striving to create positive social change. They encounter challenges in managing conflicting expectations, prioritizing stakeholder needs, and maintaining transparent and inclusive decision-making processes.

### **Community engagement**

Engaging their communities is important for social entrepreneurs. They face ethical dilemmas when they must weigh the immediate needs of the community against indirect benefits to different stakeholders, while also finding the balance between utilitarian considerations and care ethics. By addressing these dilemmas, social entrepreneurs aim to foster community engagement that prioritizes the wellbeing of individuals, promotes fairness and equal opportunity, and creates a positive and sustainable work environment.

#### *Care vs. Justice*

Social entrepreneurs confront the ethical dilemma of *care vs. justice* when engaging with communities. They must balance the need to provide immediate care and support to individuals with the broader pursuit of justice and systemic change. They face tensions between addressing immediate needs and addressing the root causes of social issues, often needing to find ways to integrate both care-based and justice-based approaches in their work.

#### *Utilitarianism vs. Care*

Social entrepreneurs experience the ethical dilemma of *utilitarianism vs. care* in deciding between maximizing overall societal wellbeing and focusing on the specific needs and wellbeing of individuals or marginalized groups. They face weigh the collective impact of their actions against the individual experiences and

wellbeing of those they serve, often wanting to find a balance that ensures both societal benefit and individual care.

### **Overcoming personal barriers**

Social entrepreneurs experience a range of personal barriers that present ethical dilemmas in their entrepreneurial journey. They struggle with feelings of inadequacy, transitioning into the role of an entrepreneur, and managing the financial and energetic strains associated with starting a business. They also face sacrifices, including strained personal relationships and ethical conflicts in balancing their personal values and the social mission of their ventures. Overcoming these personal barriers requires resilience, belief in their ventures, and finding ways to align their professional identity with the demands of entrepreneurship.

The findings illustrate the multifaceted ethical dilemmas that social entrepreneurs encounter across various dimensions of their work. The discussion will now delve deeper into these dilemmas, exploring how the entrepreneurs perceive them, their implications, and the broader significance for the field of social entrepreneurship. Several of the identified ethical dilemmas support the findings of prior studies. Each of the group experiential themes will now be reflected on in relation to prior literature.

Ethical decision-making is a fundamental aspect of social entrepreneurship and provides a framework for evaluating and making ethical choices in practice. The findings of this study align with the theoretical perspectives on ethical decision-making, shedding light on how social entrepreneurs experience complex ethical dilemmas. The integrated model of ethical decision-making, proposed by Schwartz (2017), offers a comprehensive understanding of the factors and processes involved in making ethical decisions and help to create understanding of the experiences.

One of the sub-themes identified is *principle-based decision-making*, which resonates with the rationalist approach to ethical decision-making. Some social entrepreneurs in the study, best exemplified by Kim, emphasized the importance of ethical principles in their decision-making process. This aligns with the rationalist model, which suggests that ethical decisions should be based on logical reasoning and the consideration of ethical principles (Bhatt, 2022; Crane et al., 2019). However, the findings also support the other factors presented in Schwartz's (2017) model that influence ethical decision-making such as intuition. For instance, Dima said that they have trusted their intuition when it comes to making decisions about partnerships with other organizations and felt that the decisions have proven to be the right ones. The findings highlight how social entrepreneurs draw upon ethical theories and principles to navigate ethical dilemmas and make principled decisions that align with their venture's values.

Another sub-theme, *participatory decision-making*, reflects the importance of involving stakeholders in the decision-making process. This aligns with the integrated model's recognition of the situational factors in ethical decision-making. Social entrepreneurs in the study emphasized the significance of engaging stakeholders, including community members, beneficiaries, and

partners, in their decision-making processes. This participatory approach is consistent with theories of stakeholder engagement emphasizing the inclusion of diverse perspectives and the consideration of stakeholders' needs and experiences. For instance, Caro emphasized involving the founding team and the users in the decision-making process. The findings suggest that social entrepreneurs recognize the value of collaborative decision-making and the positive impact it can have on ethical decision-making outcomes.

The sub-theme of responsibility and justice aligns with the moral character dimension of the integrated model. Social entrepreneurs expressed a strong sense of responsibility towards addressing social problems, promoting justice, and creating equal opportunities. This commitment to fairness and equity reflects the moral character dimension of moral competence, moral maturity, and moral value system. Furthermore, the ethics of duty and ethics of justice offer frameworks that emphasize the importance of moral principles such as responsibility, equality, and fairness. The findings suggest that social entrepreneurs integrate responsibility and justice into their decision-making processes, aiming to create sustainable and impactful solutions that address the root causes of social issues.

Balancing social impact and financial sustainability is recognized as an inherent tension in social entrepreneurship by e.g., Gupta et al. (2020) and Saebi et al. (2019) as also in this study. However, the entrepreneurs more prone to highlight the business aspects of their venture also seemed to experience less tension created by the hybridity of the venture. The participants experienced the tension in different aspects of their work and the implications of this tension are three-fold.

First, the tension arises in the form of trying to maintain ethical integrity while ensuring profitability. Drawing upon virtue ethics, integrity is recognized as a virtue (Solomon, 1999). Making decisions that are ethical even though it is not maximizing profit for the venture is thus a characteristic of a virtuous social entrepreneur. Similarly, considering ethical decision-making, the social entrepreneur maintaining ethical integrity can be perceived as having a strong moral character i.e., having good capability to engage in ethical behaviour and make moral decisions (Schwartz, 2017). The data reveals integrity being emphasized by some social entrepreneurs e.g., Dima, while others acknowledge the need to make compromises as the venture grows. Furthermore, the ethical dilemma of *integrity vs. profitability* can be perceived as taking form through the phenomenon of mission drift. Mission drift refers to the shift in focus of a social enterprise towards financial goals at the expense of its original social mission and is exemplified by e.g., Elmi's realization of the possibility to having to make compromises, when taking on new owners. According to Bacq et al. (2016) scaling the venture and securing investment often necessitate a shift in attention from solely addressing the social problem to creating quantitative growth and meeting external stakeholder expectations.

Second, *fairness vs. care* arises on relation to scaling operations, as highlighted in both the findings of this study and the research by Hota et al.



(2023). As social entrepreneurs strive to expand their operations, they face the challenge of ensuring equal opportunities for all while simultaneously improving the care provided to existing beneficiaries. Prioritizing scalability and efficiency may result in the prioritization of wealthier customers, potentially reducing support for vulnerable beneficiaries in need. Kim's struggle with balancing price, scalability, quality, accessibility, and human support in different regions exemplifies this dilemma. These findings reinforce the significance of navigating the dilemma of *fairness vs. care* in scaling social ventures, as recognized in the existing literature.

Third, the ethical dilemma of *equality vs. efficiency* emerges as a recurring theme in the experiences of social entrepreneurs. Social entrepreneurs experience a tension between maximizing their resources to have the greatest impact on a large scale and providing equal access and opportunities to all beneficiaries. They struggle with prioritizing certain needs over others, balancing price, scalability, and quality, and navigating resource limitations. The case of Caro specifically exemplifies the challenge of making decisions about which beneficiary groups to highlight. This is consistent with findings of prior studies by Bhatt (2022) and Hota et al. (2023), who similarly found the selection of beneficiaries to be a source of ethical dilemmas. The desire to treat all beneficiary groups equally while addressing critical issues adds complexity to the decision-making process. Striving for efficiency can compromise equal access and personalized care, while prioritizing equality may hinder scalability and create financial constraints.

Navigating systemic issues and constraints was another prominent area in which social entrepreneurs were found to experience ethical dilemmas. Social innovation, a key driver of social entrepreneurship, plays a pivotal role in addressing these constraints. Social innovation involves creating new, impactful solutions to social problems that challenge existing power structures and traditional ways of doing things (Purtik & Arenas, 2019). Social entrepreneurs are motivated to improve current circumstances and create valuable solutions for their communities (Zahra et al., 2009), perfectly exemplified by Elmi saying “*We are constantly wanting to hear from them [the community] about how they want things, we are developing this service for their benefit and help*”. The ability to challenge norms and traditional behaviours is essential for creating systemic change. This is in line with the findings of this study, the participants aimed to create greater social change than only succeeding in the mission of their venture. Consequently, this desire for reformation was the root cause for the experiences of ethical dilemmas related to systemic and institutional constraints. Feelings of frustration and the desire *to do more* were apparent. Social entrepreneurship, therefore, goes beyond solving isolated social problems and aims to promote collective action.

The findings particularly highlight the frustration toward the constraints in complying with laws and regulations while striving to provide quality care and address social problems. The participants experienced feelings of frustration with the lack of clarity, high demands, and subjective interpretation of rules and regulations. Small ventures encounter difficulties in meeting the requirements due to limited resources, emphasized by the example of Dima who explained how hard it is to meet the requirements. Alex experienced a desire for clear rules

and a more predictable regulatory environment, which reflects the need for supportive institutional frameworks for social entrepreneurship (Corner & Ho, 2010).

The findings further underscore how important the social entrepreneurs experience considering and managing spillover effects. Experiences related to the management of spillover effects emerged especially regarding the use of technology. As discussed by Harris et al. (2009) the incorporation of technology, while beneficial, can also have unintended negative consequences. Social entrepreneurs carefully consider potential spillover effects, such as addiction to screen time, as in the case of Sani, or risks associated with emerging technologies like artificial intelligence, as exemplified by Kim. This aligns with the literature on creating social change and social innovation and the need to anticipate and mitigate the unintended consequences (Harris et al., 2009; van Wijk et al., 2019; Wright & Zahra, 2011). The experiences of the participants highlight how these kinds of ethical considerations are an integral part of running their ventures.

The central role stakeholders hold arises, not unexpectedly, in the findings and illustrates how social entrepreneurs must balance the conflicting needs and interests of different stakeholders. Navigating the needs and interests of various stakeholders is experienced as a challenging task, as also in prior studies including Hota et al. (2023); Smith et al. (2013). Stakeholder theory provides a framework for understanding the root cause of the experienced tension. According to stakeholder theory, companies have an obligation to create value for all stakeholders, beyond solely maximizing profits for shareholders (Freeman, 2010). Stakeholder pressure can impact ethical decision-making and the balancing of commercial and non-profit interests. For example, Sani discussed the challenges arising from strict guidelines imposed by partners or institutions and it highlights the complexity of stakeholder management in social entrepreneurship. The clash between cultural norms and the social entrepreneur's ethical values emphasizes the cultural and contextual challenges faced by social entrepreneurs operating in diverse environments as discussed by Margarida et al. (2020) and demonstrated by Kim, who talked about their experiences of having to negotiate with actors abroad about the differences in values regarding how students should be treated. Moreover, the experiences of Isa and Elmi in their endeavours to secure funding serve as compelling illustrations of the challenges faced by social entrepreneurs. These experiences align with existing literature, as highlighted by e.g., Anglin et al. (2022) and Gupta et al. (2020). Moreover, these findings support the notion put forth by Kreutzer (2022) that social entrepreneurs with backgrounds outside of business often encounter more difficulties with funding. These findings illustrate how social entrepreneurs must balance stakeholder needs and interests, as supported by existing literature.

The theme of community engagement was the fourth aspect to which the experiences of the social entrepreneurs were related. When making ethical decisions, social entrepreneurs faced dilemmas in relation to community engagement, balancing the ethics of care and justice, as well as the tension

between utilitarianism and care. The social entrepreneurs e.g., Dima and Isa, acknowledged the importance of empathetic and compassionate relationships with community members (care ethics), while also striving for fairness and equality in their services (justice ethics). This highlights the role of compassion in social entrepreneurship and it being one of the driving forces of social entrepreneurs (Yitshaki et al., 2022). The compassion arguably is the source for experiencing the ethical dilemmas related to community engagement.

Stakeholder theory provides further insights into the ethical dilemmas faced by social entrepreneurs in community engagement. The findings indicate that social entrepreneurs recognized the diverse stakeholders involved in their ventures, including beneficiaries, staff, and the wider community. They navigated the ethical dilemmas by considering the needs and interests of different stakeholders. For example, Oula and Noa prioritized the wellbeing of their staff, recognizing that it impacts the overall welfare of the community. This approach aligns with stakeholder theory, which emphasizes the importance of considering the interests and values of various stakeholders in decision-making processes.

The personal barriers that social entrepreneurs encounter, and their experiences of those barriers are the last area in which the participants experienced ethical dilemmas. One notable barrier is the struggle with feelings of inadequacy, which can be particularly challenging for social entrepreneurs as social entrepreneurs may have weaker entrepreneurial profiles and less confidence in their abilities compared to their commercial counterparts according to Bacq et al. (2016). This dilemma is illustrated by how Isa describes the lack of experience as a challenge. Furthermore, the dilemma is illustrated by how personal backgrounds and professional identities create additional challenges for social entrepreneurs. For example, Noa who come from social sectors rather than business background express difficulties in areas such as marketing themselves, selling their expertise, and creating a professional brand. This vulnerability stems from external factors and the recognition of social entrepreneurs as heroic and ethical figures. The pressure to live up to this ideal creates ethical dilemmas.

The financial and energetic strain associated with starting a business is another significant personal barrier highlighted in the findings (Wright & Zahra, 2011). Social entrepreneurs often struggle to secure funding, as they may not be eligible for funding from private or public sources (Lall & Park, 2022), as also Elmi explained during the interview. This difficulty can lead to the social entrepreneur having to seek alternative sources of funding or finance the venture on their own or, the case for e.g., Elmi. Additionally, starting a venture requires significant time and energy, which can strain personal relationships and create ethical conflicts in everyday life. Isa for instance experienced that the entrepreneurial journey is very straining and that values like the family suffer. Balancing the needs of the venture with personal values and commitments becomes a value contradiction, particularly when the social mission of the venture aims to address a pressing social problem.

Resilience emerges as a key factor in overcoming personal barriers. Dima described the entrepreneurship journey as a rollercoaster ride, with moments of success and setbacks that demand mental resilience and a steadfast belief in the venture's purpose.

In conclusion, this study sheds light on the complex ethical dilemmas faced by social entrepreneurs in various dimensions of their work. The findings particularly support existing literature on ethical decision-making and stakeholder engagement. Furthermore, the study adds depth to prior studies on ethical dilemmas in social entrepreneurship, for instance by revealing the experiences and feelings the social entrepreneurs have toward navigating systemic constraints and managing spillover effects. Overall, these findings contribute to a deeper understanding of the ethical dilemmas faced by social entrepreneurs by reflecting on the social entrepreneurs' experiences of them.

## **7.2 Perceptions and sensemaking of ethical dilemmas (RQ2)**

Social entrepreneurs often struggle with conflicting values and priorities, feeling torn between different ethical principles and stakeholder expectations, as demonstrated in the prior chapter. Now, the discussion will explore the perceptions and sensemaking processes of social entrepreneurs regarding their experiences of ethical dilemmas. By understanding how social entrepreneurs perceive and interpret ethical dilemmas, we can gain valuable insights into their decision-making processes and the factors that influence their choices. This chapter delves into the awareness, recognition, emotional and cognitive responses, and strategies employed when confronted with ethical dilemmas. By exploring these perceptions and sensemaking processes, this chapter enhances the understanding of the complex nature of ethics in social entrepreneurship.

### **7.2.1 Awareness and recognition**

The findings reveal how social entrepreneurs perceive and make-sense of their experiences of ethical dilemmas. The social entrepreneurs' awareness and recognition of ethical dilemmas will be examined first. The findings of the study suggest that social entrepreneurs differ in their level of awareness and consideration of ethical issues within their work.

The findings have implications for the integrated model of ethical decision-making introduced by Schwartz (2017). The integrated model proposes that ethical decision-making involves a combination of cognitive reasoning and intuitive processes, influenced by personal values, moral development, and situational factors. The experiences of social entrepreneurs in the study align with the integrated model in several ways.

Firstly, some social entrepreneurs seemed unaware of ethical dilemmas initially, which resonates with the model's emphasis on the role of cognitive

processes. Exemplified by Elmi, who did not actively consider ethics in their work but as the interview progressed shared experiences of ethical dilemmas. This implies that ethics may not always be a deliberate and conscious focus for these individuals. Secondly, the case of Sani, who did not view the design of their service to avoid addiction as an ethical dilemma, reflects how social entrepreneurs may perceive certain issues primarily as business problems rather than ethical dilemmas. This aligns with the integrated model's recognition of the influence of situational factors on ethical decision-making. Social entrepreneurs, like Sani, may prioritize business considerations or overlook the ethical dimensions of a particular issue.

The study further revealed that ethical dilemmas often become apparent to social entrepreneurs when there is a conflict of values or when they try to anticipate potential ethical conflicts. The case of Noa highlights the role of intuition and emotions in the moral judgment stage of the integrated model. They actively consider their values and principles when making decisions, particularly in choosing to engage only with organizations committed to long-term partnerships. It combines intuition and reasoning to arrive at initial moral judgments. This demonstrates a proactive approach to anticipating and addressing potential ethical dilemmas.

By contrast, social entrepreneurs like Kim actively engage in considering the implications of ethics on their operations and apply ethical principles in their decision-making processes. This aligns with the integrated model's emphasis on personal values and moral development as influential factors in ethical decision-making. Kim's conscious focus on ethics suggests a higher level of moral development and a more deliberate consideration of ethical principles in decision-making. These contrasting experiences highlight the differences in how social entrepreneurs perceive and prioritize ethics, emphasizing the nuances that exist within the realm of social entrepreneurship.

Stakeholder needs and expectations were also found to play a significant role in the awareness of ethical dilemmas, as seen in Caros's struggle to choose between beneficiaries to highlight and Noa's challenge in balancing the needs of staff, beneficiaries, and the paying customers. These findings align with prior literature in that balancing the conflicting needs of stakeholders cause significant tension social entrepreneurs must navigate (Hota et al., 2023; Smith et al., 2013). From the perspective of stakeholder theory, which emphasizes the importance of considering the interests of various stakeholders (Freeman, 2010), balancing between the needs of various stakeholders is vital even though it creates an ethical dilemma.

Moreover, the study revealed that the desire to create lasting social change serve as a driving force for the participants. Social entrepreneurs are motivated to make a significant impact on society and address pressing social needs (Zahra et al., 2009). Despite their aspirations to make a significant impact, social entrepreneurs often face resource constraints (Janssen et al., 2018) and institutional barriers (Corner & Ho, 2010). The findings showed how this limits their ability to address social needs to the extent they desire to. This creates a

tension between their ethical commitment to social change and the practical realities. Alex felt a desire to do more but is constrained by the limited budgets in the social sector. Drawing on the theory of social innovation and social change, we can understand this tension as an inherent part of social entrepreneurship. Social innovation aims to transform society by creating new ways of addressing social problems and by challenging existing institutions (Hansen et al., 2022; Phills et al., 2008). In the context of resource constraints and institutional barriers, social entrepreneurs are faced with ethical dilemmas that arise from the gap between their desire for greater impact and the constraints they are faced with. Noa, for instance, provided a first-hand account of contemplating the ethical questions that will arise from the clash between practical considerations and their mission to promote equity and diversity. This underlines the limitations in the extent to which any organization can address these considerations.

In conclusion, the findings demonstrate that social entrepreneurs become aware and recognize ethical dilemmas within their work in varying ways. Some may initially be unaware of ethical concerns but later acknowledge and reflect upon them, while others actively engage in ethical reasoning and decision-making. Factors such as conflicting values, stakeholder needs, and societal pressures contribute to their recognition of ethical dilemmas. By exploring these perceptions, this study adds depth to our understanding of social entrepreneurs' awareness and recognition of ethical dilemmas.

### **7.2.2 Emotional and cognitive responses**

Social entrepreneurs exhibit varying emotional and cognitive responses to their experiences of ethical dilemmas. The emotional and cognitive responses shape their perceptions and decision-making processes. The findings study illuminates both the range of emotions experienced by social entrepreneurs, including conflict, moral distress, frustration, and uncertainty, and the cognitive responses, including reflection and moral reasoning.

Emotions and moral distress arise from experiencing tension created by conflicting ethical principles. For example, Dima's experience highlights the moral distress experienced when decisions that benefit the firm's survival may not directly benefit the beneficiaries of the venture. However, some of the entrepreneurs were able to manage the feeling of moral distress, for example Oula, who after the financial crisis the venture went through during the COVID-19 pandemic and the war in Ukraine, understood the importance of making profit leading to a milder opinion toward generating profit as a social venture.

Several of the social entrepreneurs experienced frustration as an emotional response to experiencing an ethical dilemma. The feeling of frustration was most often related to the systemic and institutional constraints including slow systemic changes, and difficulties in securing funding. Dima expressed the dissatisfaction and frustration with not being able to address the systemic flaws they have identified, revealing feeling a sense of helplessness. Reflecting on extant literature, studies on social innovation by e.g., van Wijk et al. (2019) demonstrate

how social entrepreneurs must overcome institutional barriers in their pursuit of a social mission. As social change is slow and requires systemic reform, the emotional responses of frustration and helplessness are not surprising and can arguably even work as a motivator for social entrepreneurs. These emotional responses emphasize the need for supportive frameworks and policies that address the unique challenges faced by social ventures.

Furthermore, to address resource constraints and navigate institutional barriers, some of the participants relied on bricolage strategies. Sia's experience of struggling with adhering to a new regulation despite limited resources evoked emotional responses. Sia was determined to find solutions to overcome the resource limitations. Feeling a sense of responsibility to adhere to rules and regulations is clear, which arguably can be explained by normative theories like ethics of duty, suggesting a moral obligation to act ethically, virtue ethics, with explaining ethical integrity being a virtue or perhaps the contextual factors. In the Finnish context, adhering to rules and regulations is considered the norm and breaking them is often sanctioned, reflecting the cultural inclination towards a low power distance, emphasis on equity and welfare, and the need for rules to indicate appropriate behaviours (Hofstede, 2001).

In terms of cognitive responses, Sia's response to the ethical dilemma was taking a bricolage approach, reflecting their ability to think adaptively. By forming a collaborative partnership with another organization, Sia demonstrated resourcefulness in finding innovative solutions to the constraint. This cognitive response aligns with extant literature, which emphasizes both the collectiveness (Meyskens et al., 2010) and the bricolage strategies (Servantie & Rispal, 2018) to resource acquisition in social entrepreneurship.

Social entrepreneurs reflect on the implications of their decisions and consider the potential consequences, as the subordinate theme of managing spillover effects illustrated. Moral reasoning is employed to guide their decision-making, where they consciously weigh different ethical principles and align their choices with their values (Schwartz, 2017). For Kim, the risk of artificial intelligence hallucinating at a critical time during a conversation with a student was reasoned to be too much of a risk even though it would have substantial benefits in general. Thus, artificial intelligence was not applied. Importantly, this moral reasoning is not limited to individual reflection but extends to collective reflection with internal and external stakeholders. Continuing the case of Kim, the team had recently discussed the particular issue with utilizing artificial intelligence and were going to continue the discussion. The collective nature of social entrepreneurship is further highlighted through how the participants were seeking guidance from other actors, such as making deals with organizations to meet legislative requirements (e.g., Isa) and involving founders and beneficiaries in decision-making (e.g., Caro).

These findings contribute to the existing literature on ethical decision-making in social entrepreneurship by providing empirical evidence on how social entrepreneurs perceive and respond to ethical dilemmas. The emotional responses underline the importance of considering the affective dimensions of

ethical decision-making, highlighting the internal conflicts and external frustrations that social entrepreneurs experience. The cognitive processes, including moral reasoning, demonstrate the active efforts of social entrepreneurs to navigate ethical challenges and align their actions with their social missions. The emphasis on collective decision-making and seeking guidance from stakeholders further supports the notion that social entrepreneurship is a collaborative endeavour.

### 7.2.3 Sensemaking

The aim of this section is to build on the prior sections and examine the sensemaking processes employed by social entrepreneurs to interpret and understand their experiences of ethical dilemmas, illuminating how they make sense of these situations. The aim is to understand what the experiences mean for the participants in their contexts (Larkin et al., 2011). Through analysis of the collected data, it is evident that the participants utilized various sensemaking activities, including reflective thinking, moral reasoning, dialogue and discussion, and the application of ethical principles, to navigate complex ethical challenges.

Context and cultural norms play a significant role in shaping sensemaking processes and the interpretation of experiences (Larkin et al., 2011; Thiel et al., 2012). Oula's experience with the ethical dilemma of utilitarianism vs. care provides insight into how prevailing norms and values in social entrepreneurship shape their sensemaking process. Initially, Oula prioritized beneficiary well-being, aligning with the common emphasis on not maximizing profit within the field. However, as Oula encountered contextual challenges, such as workforce shortages in the social and health care sector, they recognized the significance of staff wellbeing for overall community wellbeing. This realization prompted Oula to reconsider their understanding of profit-making in a social venture and acknowledge the need to generate more profit to ensure overall wellbeing. This reinterpretation of profit-making in social entrepreneurship aligns with the perspective of Kimmitt and Muñoz (2018) perspective on social entrepreneurship as a form of sensemaking that promotes social justice. According to this perspective, generating profit can be viewed to achieve broader social impact and promote wellbeing. In Oula's case, the recognition of the importance of staff wellbeing and the need for increased profit generation reflect their sensemaking process influenced by the goal of social justice. Noa, on the other hand, values creating a positive and sustainable work culture, which aligns with the values of care ethics. Noa's experiences of burnout and high workloads influence their desire to establish a workplace that is good for everyone. This value is also influenced by the Finnish cultural emphasis on solidarity, concern for others, and welfare (Hofstede, 2001). Both Oula's Noa's experiences demonstrate how personal values and cultural factors intersect in shaping sensemaking processes.



Reflective thinking emerged as another way the participants made sense of their experiences, aligning with reflection in Weick's (1995) theory on sensemaking. They engaged in introspection and self-reflection to understand the underlying reasons, motivations, and consequences of their choices. For example, Kim utilized reflective thinking and discussions to make sense of value contradictions and anticipate potential ethical conflicts, developing a proactive approach to decision-making. Similarly, Noa reflected on the tension between their venture's focus on wellbeing, diversity, and equality, and the practical considerations they faced. Furthermore, reflective thinking was exhibited the way the participants interpreted their values within the context of ethical dilemmas. Participants considered their principles, beliefs, and guiding values to make sense of the experience with the ethical dilemma and guide their decision-making process. For instance, Kim sought to establish guiding principles in advance to ensure integrity and consistency in their actions. Elmi prioritized partnerships with organizations that shared their values, and Noa emphasized the importance of sustainable and meaningful relationships.

Additionally, the findings revealed that participants relied on social interactions and conversations with others to make sense of their experiences. The participatory decision-making sub-theme exemplifies this. This involved seeking validation, feedback, and perspectives, especially from stakeholders. For instance, Caro valued collaborative decision-making, considering the input of all founders and users, while Isa involved professionals and employees in the development of their service. Furthermore, the participants consider the experiences and needs of stakeholders. By actively considering the needs of those affected by their decisions, they engage in a sensemaking process that helped them interpret the impact and consequences of their actions. Caro sought feedback from users before and after making changes in their service, while Oula and Isa empowered those most affected by the decisions by including their experiences and perspectives.

Lastly reflecting on the sensemaking process of understanding and interpreting the experiences of the social entrepreneurs. Throughout the research process, a variety of sensemaking processes were employed. Comparative analysis was conducted, comparing the experiences of the participants, uncovering patterns, similarities, and differences in their experiences and sensemaking processes. This approach facilitated a deeper understanding of the variations in how social entrepreneurs experience ethical dilemmas and derive meaning from their experiences. Additionally, the analysis process was iterative, to ensure systematic analysis of the data. The process involved reading and re-reading the collected data, writing exploratory notes, forming personal experiential statements and group experiential statements, and continuously revisiting the data to ensure that the interpretation presented the genuine experiences of the social entrepreneurs. The application of theoretical frameworks, normative ethical theories and related ethical principles provided a conceptual lens through which to interpret the data. Normative ethical theories, including consequentialist theories, principle-based theories, and virtue ethics,

provided a lens through which to assess the ethical conflicts and trade-offs inherent in the dilemmas faced by social entrepreneurs. This served as a theoretical foundation, aiding in the understanding of the sensemaking processes, and identifying key factors that influence ethical decision-making in the context of social entrepreneurship. Furthermore, engaging in dialogues with peers, including discussions and seeking input from colleagues and supervisors during thesis seminars, was part of the sensemaking process.

### **7.3 The role of ethical dilemmas in social entrepreneurship (RQ 3)**

Ethical dilemmas shape the practice and impact of social entrepreneurship. They serve as critical decision points where social entrepreneurs must make choices that align with their values, missions, and needs of their stakeholders. These dilemmas challenge social entrepreneurs to reflect on the ethical implications of their actions, consider the potential consequences and trade-offs, and find ways to maximize positive outcomes while mitigating potential harms. The discussion will now move onto the role ethical dilemmas have in social entrepreneurship, answering the final research question.

The findings of this study, supported by existing literature, emphasize that ethical dilemmas often arise from the inherent tension between the social mission and financial sustainability of social ventures (Saebi et al., 2019). These dilemmas, as demonstrated by the findings of this study, are further shaped by systemic and institutional constraints, community engagement, and personal barriers faced by social entrepreneurs.

An important role that ethical dilemmas arguably play is acting as catalysts for innovation and institutional change. They push social entrepreneurs to critically reflect on their practices and find creative solutions to balance competing values while addressing complex social problems. The findings particularly highlight the systemic challenges and inequities within the social entrepreneurship ecosystem and the ethical dilemmas born from it. Social entrepreneurs are often confronted with constraints imposed by the institutional and regulatory contexts (Newth & Woods, 2014). For instance, participants in the social and healthcare sector, such as Alex, Dima, Kim, and Oula, express experiencing frustration and conflict arising from being constrained by limited public budgets. The ethical dilemmas arising from the systemic and institutional constraints could therefore potentially serve as motivators for social entrepreneurs to challenge the status quo and advocate for systemic transformations. In a broader sense, this indicates that the experiences of ethical dilemmas can reveal where institutional shortcomings exist, that hinder, or slow down, social entrepreneurs in their endeavours. These insights can further inform policymakers in creating supportive institutional and regulatory environments for social entrepreneurs.

The findings of the study demonstrated that the social entrepreneurs rely on participatory decision-making. Conversely, ethical dilemmas create opportunities for collaboration and stakeholder engagement, contributing to the development of strong relationships that are crucial for various aspects of social entrepreneurship, such as opportunity recognition (Lehner & Kansikas, 2012), resource acquisition (Meyskens et al., 2010), creating social change (Roundy & Lyons, 2022) and achieving their dual mission (Fowler et al., 2019).

Finally, ethical dilemmas can be a source of learning and personal growth. Dealing with ethical dilemmas can be emotionally and cognitively challenging for social entrepreneurs as reflected by their experiences. However, these experiences also offer valuable opportunities for learning and reflection. Individuals who feel in control of their lives and have high moral competence tending to behave more ethically (Trevino & Youngblood, 1990) suggesting that social entrepreneurs who possess these qualities may approach and deal with ethical dilemmas in a more principled manner. They may be more likely to consider the ethical implications of their actions, weigh the potential consequences, and make decisions aligned with their values and moral beliefs. Furthermore, individuals who effectively identify ethical issues are more likely to act ethically emphasizing the significance of ethical awareness (Selart & Johansen, 2011). However, it is important to acknowledge that ethical dilemmas also may have negative implications. High levels of stress can increase the likelihood of unethical behaviour (Selart & Johansen, 2011). This implies that when social entrepreneurs experience significant stress, they may be more prone to compromising their ethical standards.

In conclusion, ethical dilemmas in social entrepreneurship have a role in shaping both the practice and impact. They act as catalysts for innovation and institutional change, fostering collaboration and stakeholder engagement. While promoting morally sound decision-making and ethical practices, they can also lead to moral distress and unethical behaviour. Additionally, they can serve the role of offering opportunities for learning and personal growth.

## **7.4 Rigor and quality in qualitative research**

Rigorous qualitative research requires careful attention to several key aspects as the reliability of qualitative research often is questioned because of the subjectiveness that does into it. Trustworthiness in qualitative research encompasses both validity and credibility (Bryman & Bell, 2011). Validity refers to ensuring that the study's design and methodology are appropriate for the intended purpose (Smith et al., 2022) and that the findings make sense and are authentic (Miles & Huberman, 1994). Credibility involves establishing a level of confidence that the data collected and the interpretations made accurately represent the experiences and perspectives of the participants (Lincoln & Guba,

1985). By employing rigorous data collection and analysis methods, researchers can enhance the credibility of their findings and establish trustworthiness.

Measures have been taken to ensure the trustworthiness of the study. The research objectives have been clearly stated (Levitt et al., 2018), aligning with the chosen methodology of IPA, which emphasizes the exploration of participants' experiential and sensemaking aspects (Smith et al., 2022). The importance of explaining the participant selection strategy, as suggested by Levitt et al. (2018), has been applied. The participant selection process has employed purposive selection, ensuring including individuals with direct experience relevant to the research focus and thus, enhancing the validity of the study by selecting participants who can provide rich and meaningful insights. Regarding data collection, Levitt et al. (2018) stress the need for a clear description of the degree of structure and flexibility used. The data collection process, including structured interviews, was employed to capture in-depth experiences from the participants. Ethical considerations, as obtaining informed consent for recording interviews and maintaining participant confidentiality through pseudonymization, were addressed to uphold the credibility of the research. The analysis phase followed a rigorous approach, adhering to the principles of IPA. The collected data were transcribed followed by making exploratory notes, generating experiential statements, and forming group experiential themes. The analytic process was conducted with rigor, ensuring that the findings represented the genuine experiences of the participants. This was achieved by a transparent account of the analytic process, aligning with the criteria set forth by Lincoln & Guba (1985) and Smith (2022). By explaining the step-by-step process of analyzing the data, the credibility of the study is strengthened and hence, makes the results more trustworthy.

To enhance the quality of IPA research, Smith (2022) suggests several key points. Firstly, considering the analytic span and focusing on depth rather than breadth is a sign of quality. This study focused on specific themes and delved into them in detail, showcasing sub-themes and providing a comprehensive analysis. Secondly, elaborating on each personal experiential theme or group experiential theme to provide an in-depth analysis. In the findings section of the thesis, each theme received attention and elaboration, going beyond mere description. The analysis provided detailed interpretations and insights pointing to both convergence and divergence of the participants' experiences.

## **7.5 Limitations**

The limitations of this study should be acknowledged to provide a comprehensive understanding of its scope and potential implications. While efforts were made to ensure trustworthiness, several limitations should be considered when interpreting the findings.

The study employed a small sample size of nine social entrepreneurs from Finland. Although the participants were purposefully selected to provide

valuable insights into the experiences of ethical dilemmas, the limited number of participants may restrict the generalizability of the findings to a broader population of social entrepreneurs. Furthermore, the interpretive approach employed, focuses on understanding the subjective experiences and meanings attached to ethical dilemmas. While this approach allows for a rich exploration of individual experiences, it may lack the ability to provide broad generalizations.

The findings may also be influenced by the cultural, social, and institutional context of the specific setting. The experiences and challenges faced by social entrepreneurs in other countries or cultural contexts may differ significantly, limiting the generalizability of the findings to a global or diverse population of social entrepreneurs. The findings are context-dependent and represent the participants' perspectives due to the idiographic focus. The participants were social entrepreneurs with ventures in different fields and which further might affect the experiences of the social entrepreneurs. However, the aim was to understand the individual lived experiences of the social entrepreneurs.

The sensitive nature of the research topic, which involved exploring ethical dilemmas, may have introduced social desirability bias. Participants might have been inclined to present themselves in a favourable light or provide socially desirable responses, potentially leading to an underrepresentation or downplaying of unethical behaviours or conflicts. Despite efforts to mitigate this bias using an interpretive approach and acknowledging the complexity of ethical decision-making, the presence of social desirability bias cannot be completely ruled out.

My background, experiences, and perspectives may have influenced the data collection, analysis, and interpretation of the findings. Despite efforts to maintain objectivity and adhere to the principles of IPA, preconceptions or biases might have inadvertently influenced the study's outcomes. For instance, the potential influence of understanding of prior studies on ethical dilemmas in social entrepreneurship. The knowledge and familiarity with existing literature could have inadvertently shaped the formulation of group experiential statements and the interpretation of social entrepreneurs' experiences. There may have been a tendency to align the findings with prior literature or to interpret the data in a way that supports existing theories and frameworks. This bias could have influenced the selection and presentation of participant narratives. While efforts were made to approach the data with an open mind, this limitation highlights the importance of critically examining the influence of prior studies and actively seeking alternative perspectives to ensure the integrity and objectivity of the research.

The interviews were conducted primarily in Finnish, with one interview conducted in Swedish. Which required the translation of terms and words specific to social entrepreneurship and exact translations conveying the meaning might not exist in all languages. For example, the direct translation of “social venture” in Finnish is “sosiaalinen yritys” but in Finland it refers to ventures employing difficultly employable individuals (30.12.2003/1351). This was surrounded by defining it as societal ventures with a social goal.



## 8 CONCLUSIONS

This master's thesis aimed to address a gap in extant literature by exploring the ethical dilemmas faced by social entrepreneurs and gaining insights into their experiences. By using an interpretative inductive research approach and Interpretative Phenomenological Analysis as the methodology, in-depth semi-structured interviews were conducted with nine social entrepreneurs in Finland.

The significance of this study lies in its contribution to further integrate the field of social entrepreneurship with the field of ethics. By investigating ethical dilemmas in social entrepreneurship, this research offers a more nuanced and comprehensive perspective on the ethical challenges encountered by social entrepreneurs in their pursuit of creating social impact as opposed to prior literature which mainly depicts social entrepreneurs as heroic and deeply moral characters.

One of the key contributions of this study is the exploration of ethical decision-making within the context of social entrepreneurship. It highlights the complexities involved in the decision-making process, where social entrepreneurs face ethical dilemmas that require them to navigate between conflicting values and principles. This understanding expands the theoretical perspectives on ethical decision-making and challenges the prevailing assumption that social entrepreneurs are ethical by default.

Furthermore, this study sheds light on the diverse experiences and perceptions of ethical dilemmas among social entrepreneurs. It recognizes that social entrepreneurs vary in their awareness and recognition of ethical dilemmas, emphasizing the individuality and complexity of their ethical decision-making processes. This finding adds nuance to our understanding of how social entrepreneurs experience ethics in their endeavours, showing that they do have different approaches in relation to ethics.

The emotional and cognitive responses of social entrepreneurs to ethical dilemmas also emerged as important aspects of this study. It identifies a range of emotions experienced, such as conflict, moral distress, frustration, and uncertainty, underscoring the affective dimensions of ethical decision-making.

These insights contribute to our understanding of the emotional and cognitive aspects of ethical decision-making in the field of social entrepreneurship.

The implications of this research extend beyond academic discourse and have practical relevance for social entrepreneurs and stakeholders in the field. Firstly, the study highlights the potential for social entrepreneurs to leverage their experiences with ethical dilemmas to advocate for systemic and institutional change. Secondly, the importance of stakeholder engagement in ethical decision-making processes is underscored. Lastly, promoting reflective practices among social entrepreneurs can enhance their ethical awareness and decision-making abilities, fostering a culture of ethical conduct within the social entrepreneurship ecosystem.

## **8.1 Theoretical contributions**

The study contributes to a deeper understanding of the ethical dimensions of social entrepreneurship. By delving into the lived experiences of these entrepreneurs, it provides a nuanced understanding of how they navigate and respond to multiple ethical dilemmas within their work. This exploration expands our theoretical perspectives on ethical decision-making and sheds light on the unique ethical challenges encountered within the realm of social entrepreneurship.

One theoretical contribution of this study is the illumination of the nuances of the social entrepreneurs' experiences of ethical dilemmas. The findings highlight the complex nature of these dilemmas, demonstrating the conflicting values and priorities that social entrepreneurs must balance daily. For example, related to balancing social impact and financial sustainability. By acknowledging the complexities inherent in ethical decision-making, this research challenges oversimplified assumptions and underscores the need for more nuanced frameworks and theories that account for the intricacies of ethical dilemmas in social entrepreneurship.

Additionally, this study enriches our understanding of the diverse perceptions and approaches to ethical dilemmas among social entrepreneurs. It reveals that social entrepreneurs exhibit varying levels of awareness and recognition of ethical dilemmas, ranging from initial unawareness to proactive consideration. Factors such as conflicting values, stakeholder needs, and societal pressures contribute to the recognition of ethical dilemmas. This finding contributes to the theoretical discourse by emphasizing the individuality of social entrepreneurs' ethical decision-making processes.

The emotional and cognitive responses of social entrepreneurs to ethical dilemmas were also explored. The findings revealed a range of emotions experienced, such as conflict, moral distress, frustration, and uncertainty. These emotional responses highlight the internal conflicts and external frustrations experienced by social entrepreneurs. The thesis further delved into the sensemaking processes employed by social entrepreneurs to interpret and understand their experiences of ethical dilemmas. Context and cultural norms



were found to play a significant role in shaping sensemaking processes. Reflective thinking emerged as a common sensemaking activity, as social entrepreneurs engaged in introspection and self-reflection to understand the underlying reasons and motivations behind their choices. They also relied on social interactions and conversations with others to make sense of their experiences, seeking validation, feedback, and perspectives from stakeholders. Applying ethical principles and considering the experiences and needs of stakeholders were key activities in the sensemaking process.

By furthering our understanding of ethical dilemmas in social entrepreneurship, this research enables the development of supportive mechanisms and policies that can enhance social entrepreneurs' ability to navigate these dilemmas while upholding their values and pursuing social impact.

## **8.2 Practical implications**

The study's findings and discussions offer some practical contributions for social entrepreneurs to address ethical dilemmas and promote ethical decision-making. The following recommendations are based on the study's findings and can guide social entrepreneurs in their pursuit of ethical practices and enhanced social impact.

First, social entrepreneurs can leverage their experiences with ethical dilemmas to advocate for systemic and institutional change. By sharing insights into regulatory barriers, funding limitations, and other institutional shortcomings, social entrepreneurs can contribute to creating a more supportive environment for ethical practices and social impact. The insight social entrepreneurs have on how current regulations may even hinder ethical practices can introduce new perspectives to policymakers that they otherwise would have been oblivious to. Collaborative efforts among social entrepreneurs and engagement with policymakers can lead to necessary reforms that address these systemic challenges, fostering impactful social change.

Second, the study highlights the significance of stakeholder engagement in ethical decision-making. Social entrepreneurs should actively involve diverse stakeholders in the resolution of ethical dilemmas. It would improve collaboration, build trust, and enhance the legitimacy of decisions. Organizations can establish networks for dialogue and encourage stakeholder participation to facilitate meaningful discussions among social entrepreneurs, beneficiaries, funders, policymakers, and other stakeholders. Creating networks where social entrepreneurs can connect, share their experiences, and exchange insights can be beneficial. This type of collaboration would enable social entrepreneurs to learn from one another, identify best practices in ethical decision-making, and collectively advocate for change. By actively participating in knowledge-sharing initiatives, social entrepreneurs can contribute to the growth and development of the social entrepreneurship field.

Third, social ventures should encourage reflective practices that promote ethical awareness and decision-making. Regular reflections and team discussions can help social entrepreneurs process their ethical experiences, articulate their values, and align their actions with their social missions. By fostering a culture of ethical consciousness within organizations, social entrepreneurs can continually refine their ethical decision-making skills and contribute to individual and collective ethical growth. These reflective practices also enable social entrepreneurs to learn from their experiences and share potential solutions with the wider community.

Fourth, social entrepreneurs could be provided with training on ethical dilemmas (Kimmitt & Muñoz, 2018). Social entrepreneurs who receive training are more likely to recognize ethical issues and make ethical choices. This implies that offering ethical training programs or resources to social entrepreneurs or as part of general entrepreneurship education can enhance ethical decision making among social entrepreneurs.

The study's findings provide practical contributions for social entrepreneurs in addressing ethical dilemmas and promoting ethical decision-making. Recommendations include advocating for systemic change, engaging diverse stakeholders, fostering reflective practices, and providing ethical training programs. Implementing these recommendations can empower social entrepreneurs to navigate ethical challenges effectively and contribute to the growth of the social entrepreneurship field.

### **8.3 Recommendations for future research**

The first recommendation for future research is researching ethical dilemmas in specific industries or contexts. Exploring ethical dilemmas within specific industries or contexts (e.g., environmental sustainability, healthcare, education) can provide nuanced insights into sector-specific challenges and opportunities. Understanding the ethical considerations and decision-making processes within these specialized domains can guide policymakers, practitioners, and educators in addressing the unique ethical dilemmas faced by social entrepreneurs in various fields.

Another possible avenue for future studies is comparative studies. Comparing the experiences of social entrepreneurs across different countries, cultural contexts, and legal systems can explain the influence of cultural, social, and institutional factors on ethical decision-making. As this study found the systemic and institutional constraints to be a source of frustration and barrier for the social entrepreneurs, such comparative research could identify similarities and differences in ethical dilemmas faced by social entrepreneurs in different contexts.

Future studies should aim to include larger and more diverse samples of social entrepreneurs. By expanding the participant selection, researchers can capture a wider range of perspectives and experiences, allowing for more robust

generalizations and a better understanding of the universal and context-specific aspects of ethical dilemmas in social entrepreneurship. Furthermore, studies with cross-cultural samples would clarify the effect culture and cultural values have on the ethical dilemmas' social entrepreneurs face.

In addition, conducting longitudinal studies that follow social entrepreneurs over an extended period would provide valuable insights into the dynamics and changes in ethical dilemmas faced by social entrepreneurs, like the single case study conducted by Hota et al. (2023). By examining ethical decision-making processes and dilemmas across different stages of venture development, researchers can uncover how these dilemmas evolve, the factors influencing decision-making, and the impact of ethical choices on social entrepreneurs and their ventures over time.

In conclusion, this study contributes to the field of social entrepreneurship by shedding light on the ethical dilemmas faced by social entrepreneurs and offering insights into their experiences. By exploring the ethical dimensions within the context of social entrepreneurship, this research challenges preconceived notions and opens avenues for further inquiry. Ultimately, this research invites scholars and practitioners to continue advancing knowledge in the field of social entrepreneurship and ethics, encouraging a more comprehensive understanding of the ethical complexities inherent in creating positive social change.

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## APPENDICES

### APPENDIX 1: Interview guide

*(The interviews were semi-structured, enabling asking follow-up questions and focusing on the topics, on which the participant had experiences.)*

#### Background questions

- What is your name, title, and responsibilities?
- Describe your company shortly.

#### Questions

- Why did you start your venture?
  - Describe the experiences that led you to solve this social problem.
- Describe the values of your venture.
  - How do the values affect decision-making?
- Who are your customers?
  - How do you determine who your customers are?
- Who are your stakeholders?
  - How does your venture engage with its stakeholders?
  - What challenges have you faced regarding collaboration?
  - Has any stakeholder created situations, where you have had to think about right and wrong?
  - Have you experienced conflict of values regarding any stakeholder relations?
- Describe the journey of how you have developed the venture.
  - Can you think of any turning points?
- How do you perceive the future of the venture?
  - How are you going to scale your venture?
  - What ethical challenges have you faced regarding scaling?
- What kind of challenges have you faced during this entrepreneurial journey?
  - Can you think of ethical challenges you have faced?
  - What were the options you considered when facing the ethical dilemma? How do you balance between the options?
  - How has your role in the venture evolved and what challenges have you faced?
- Have there been any ethical issues within the team?
  - What was the experience like?
  - Have there been any conflicts of values?
- How do you experience acting according to the expectations of society? (adhering to laws and regulations)
- Have you noticed any ethical issues in your environment, in other social enterprises?

- Is there anything in general that creates ethical dilemmas for social enterprises?

**Final questions**

- A question I should ask the next interviewee?
- Can you recommend someone who I should interview?