

Social or Commercial? Innovation Strategies in Social Enterprises at Times of Turbulence

Tommaso Ramus

Católica Lisbon School of Business & Economics

Barbara La Cara

ETH Zürich

Antonino Vaccaro

IESE Business School

Stefano Brusoni

ETH Zürich

ABSTRACT: In this study, we investigate how different internal and external stakeholders influence the innovation strategy of a social enterprise to adopt product, process, and partnership innovations that impact either social or commercial performance. Relying on survey data from a sample of work integration social enterprises, we find that in situations of turbulence, administrative leaders do not significantly influence the innovation strategy of a social enterprise. Instead, board members and external stakeholders seem to play a role. Our study contributes to strategic and business ethics research on social enterprises and, more broadly, to the literature that explores how business organizations combine social value creation and wealth generation.

KEY WORDS: social enterprises, innovation strategy, social performance, commercial performance, mission drift

In recent years, business organizations have been increasingly asked to have a proactive and innovative role in tackling deep-seated social problems such as poverty (Margolis & Walsh, 2003), environmental damage (Spence, Jeurissen, & Rutherford, 2000), and wealth inequality (Hudon & Sandberg, 2013). Hence, a growing body of research has studied how to adopt innovative business solutions to address social issues (Scherer, Palazzo, & Matten, 2009) and to combine social impact and profit (Smith, Gonin, & Besharov, 2013).

A research stream that emerged in the last two decades has approached this issue from the perspective of social enterprises (Battilana & Lee, 2014; Dees & Elias, 1998), organizations that seek to address complex social problems through business ventures (Battilana & Lee, 2014; Smith et al., 2013). Social enterprises have both social and commercial performance objectives since they aim to generate value

for society and to create positive social impact while capturing enough value to be profitable and to thrive (Santos, Pache, & Birkholz, 2015).

The successful recombination of social and commercial performance is extremely challenging because it is based on managing largely divergent organizational arrangements (Canales, 2013), values (Besharov, 2014), and stakeholders (Pache & Santos, 2013) that create almost antithetical prescriptions for action (Smith et al., 2013), either socially or commercially centric (Ashforth & Reingen, 2014; Smith et al., 2013). Hence, a social enterprise is constantly exposed to the risk of adopting a combination of processes, arrangements, and innovations that might cause it to unbalance toward the prioritization of either social or commercial performance (Ramus, Vaccaro, & Brusoni, 2017). Both scenarios are dangerous for social enterprises. On the one side, an unbalancing in favor of social performance might displease those customers, commercial partners, and investors who support the social enterprise for its commercial performance and capacity to address market needs and be profitable (Pache & Santos, 2013). On the other side, however, the prioritization of commercial performance at the expense of social impact might break a social enterprise's fiduciary relationship with those donors, employees, and partners who support it for its social performance and positive impact on society (Zahra, Gedajlovic, Neubaum, & Shulman, 2009).

Previous research has investigated how social enterprises design their practices (Pache & Santos, 2013), processes (Besharov, 2014), and arrangements (Battilana, Sengul, Pache, & Model, 2015) to recombine social impact and profitability. Yet, we have scarce empirical evidence about the relationship between social enterprises' innovation strategy—defined as the set of choices that lead to the combination of innovations that an organization adopts (Li & Atuahene-Gima, 2001; Tidd & Bessant, 2014)—and social and commercial performance. In particular, scholars have highlighted the influence of both internal stakeholders—e.g., administrative leaders (Besharov, 2014) and board members (Almandoz, 2012)—and external stakeholders—e.g., commercial partners (Tracey, Phillips, & Jarvis, 2011) and nonprofit organizations (Ramus & Vaccaro, 2017)—on the practices and arrangements adopted by social enterprises. We lack a comprehensive understanding of how different internal and external stakeholders influence the innovation strategy of a social enterprise and, in particular, the adoption of innovations that (im)balance social and commercial performance.

Challenges and opportunities for innovation are particularly visible in situations of turbulence (Almandoz, 2012), triggered, for instance, by a reduction in available resources (Battilana et al., 2015), changes in the organizational resource-dependence pattern (Ramus & Vaccaro, 2017), or shifts in the regulatory environment (Reay & Hinings, 2009).

A change in their innovation strategy can help social enterprises adapt to environmental turbulence. Indeed, innovations are critical enablers for organizations to navigate turbulence because they help change and adapt to new market and society requests (Chen & Huang, 2009; Li & Atuahene-Gima, 2001). So organizations often adopt new combinations of novel products, processes, and partnerships (Damanpour, 1987), thus transforming their innovation strategy

(Tidd & Bessant, 2014) to sustain their performance under conditions of instability and uncertainty triggered by environmental turbulence (Subramaniam & Youndt, 2005). Yet, a change in the innovation strategy can also jeopardize a social enterprise's capacity to balance social and commercial performance. Turbulence exacerbates the incompatibility between social and commercial objectives (Almandoz, 2012; Ramus et al., 2017); hence it might be difficult for a social enterprise to adopt the right combination of innovations to sustain both social and commercial performance.

In this article, we investigate how different internal and external stakeholders may influence the innovation strategy of social enterprises in situations of turbulence, focusing, in particular, on how they influence the adoption of innovations that affect primarily either social or commercial performance. Addressing this question is paramount not only because the innovation strategy dramatically influences a social enterprise's balancing of social and commercial performance in situations of turbulence, but also because it explains social enterprises' long-term capacity to address social issues effectively (Battilana et al., 2015). We address this question relying on survey data from a sample of 139 Italian work integration social enterprises (WISEs). Our findings suggest that the background and experience of organizational leaders do not significantly influence the innovation strategy of a social enterprise vis-à-vis social and commercial performance. Instead, in situations of turbulence, both board members and external stakeholders seem to have a significant influence on the innovation strategy of a social enterprise. These stakeholders influence a social enterprise to adopt innovations that imbalance toward either social or commercial performance according to the nature and intensity of their pressures.

These findings contribute to research on social enterprises in several ways. Focusing on the impact of innovations adopted by a social enterprise on social and commercial performance, our work answers the recent call for a more comprehensive and generalizable understanding of the functioning of social enterprises (Lee, Battilana, & Wang, 2014; Smith et al., 2013). In particular, our findings help disentangle the influence of internal and external stakeholders on the innovation strategy of social enterprises. We suggest that the recombination of social and commercial performance through the adoption of product, process, and partnership innovations requires a delicate balance of the pressures exerted by different stakeholders. Moreover, our work contributes to the literature that explores dynamics associated with mission drift, that is, social enterprises losing commitment to their original social mission in their effort to generate revenues (Ebrahim, Battilana, & Mair, 2014). Mission drift might imply betraying the fiduciary obligations that a social enterprise has with donors, volunteers, and, in general, those stakeholders who support the venture for its social commitment and orientation (Zahra et al., 2009). We discuss the role of internal and external stakeholders in safeguarding a social enterprise's social commitment despite the emergence of divergent pressures—both within and outside the organization—that may drive the venture to lose focus on its original mission (Battilana et al., 2015).

LITERATURE REVIEW

In broad terms, innovation is the generation and adoption of novel ideas and behaviors that result in new products, processes, and structures (Damanpour & Aravind, 2012). The innovation process can be divided into two macro-phases. First is the generation phase, which concerns all the creative activities aimed at discovering, developing, and commercializing ideas that result in products (Edquist, Hommen, & McKelvey, 2001; Freeman, 1982; Li & Atuahene-Gima, 2001), processes (Edquist et al., 2001; Freeman, 1982), and structures (Damanpour & Schneider, 2006; Shier & Handy, 2015) that are new to a population of organizations (Damanpour & Schneider, 2006). Second is the adoption phase, which concerns all the activities performed by an organization to implement products, processes, and structures that are new to the organization (Damanpour & Schneider, 2006). An organization can adopt innovations it generates or those generated by other actors.

In this article, we focus on the specific phase of innovation adoption. Strategy scholars have extensively recognized that this phase is critical to assessing organizations' capacity to address situations of environmental turbulence (Damanpour & Gopalakrishnan, 1998; Li & Atuahene-Gima, 2001), which is, indeed, a key stimulus for organizations to change their innovation strategy, that is, the combination of innovations they adopt (Damanpour & Schneider, 2006).

The adoption of product and process innovations refers to activities performed, at least partially, within the boundaries of an organization. They are associated with the implementation of new products and services that an organization puts on the market (Li & Atuahene-Gima, 2001) and with the implementation of processes for managing production or service operations (Edquist et al., 2001). The adoption of structure innovation refers to the implementation of changes in the ways an organization works across its boundaries (Damanpour & Schneider, 2006). A key structure innovation involves the adoption of novel collaborations with external stakeholders: this is a form of structure innovation which can be more precisely defined as "partnerships innovation" (Walker, 2006).

Innovation Strategy, Performance, and Environmental Turbulence

Innovation is generally considered a key driver of organizational overall performance (Damanpour & Schneider, 2006). In particular, the innovation strategy of an organization, defined as the set of choices that lead to the combination of innovations it adopts (Li & Atuahene-Gima, 2001; Tidd & Bessant, 2014), is particularly important in periods of turbulence. A properly designed innovation strategy enables an organization to sustain its overall performance by responding faster and more effectively to the challenges and uncertainty posed by turbulence (Li & Atuahene-Gima, 2001).

Scholars have extensively studied the impact of different innovation strategies on organizational commercial performance, showing, for instance, the impact on turnover of incremental and radical innovations (Larsen & Salter, 2006), on sales of innovations developed within the organization versus those acquired from third parties (Cassiman & Veugelers, 2006), and on profitability of exploitive and explorative innovations (Jansen, Van Den Bosch, & Volberda, 2006). Extensive research

has also clarified the mechanisms at the core of the positive impact of innovations on commercial performance, showing how different innovation strategies enable development of new capabilities (Subramaniam & Youndt, 2005), knowledge (Larsen & Salter, 2006), and skills (Fosfuri & Tribó, 2008) that help sustain competitive advantage and enhance revenues and profitability.

Given its focus on traditional for-profit organizations, previous literature has mainly investigated the impact of different innovation strategies on commercial performance because this is the main objective that for-profit organizations aim to sustain. In this article, given our interest in social enterprises—business organizations that have both social and commercial objectives at the core of their functioning (Smith et al., 2013)—we focus on the relationship between different innovation strategies, here defined as the combination of product, process, and partnership innovations, and commercial and social performance. Commercial performance refers to an organization's capacity to capture value, that is, to maximize the value an organization appropriates after accounting for the costs of the resources it mobilizes (Santos, 2012). So, a social enterprise adopts innovations that impact commercial performance when it implements product, process, and partnership innovations that sustain the value it captures from its activities and transactions with customers (Santos, 2012). This happens when a social enterprise adopts novel products or services that increase its revenues (Di Domenico, Haugh, & Tracey, 2010) or implements new production or coordination processes that increase production efficiency (Battilana et al., 2015) or establishes new partnerships with other organizations to enter into more profitable market segments (Santos, 2012).

Social performance, on the other hand, depends on an organization's capacity to generate positive social impact (Smith et al., 2013), that is, to maximize the value the organization creates for society by tackling social and/or environmental problems (Battilana et al., 2015). So, a social enterprise adopts innovations that impact social performance when it implements new products, processes, and services that increase the value it creates for society and scale its social impact (Nicholls & Murdock, 2012; Phills, Deiglmeier, & Miller, 2008; Santos, 2012). A typical example of product innovation that impacts social performance is the adoption of a new vaccine to address neglected diseases that plague extremely poor people who are unable to pay for it (Santos, 2012). An example of a process innovation that impacts social performance is the implementation of new training programs for disabled people that help them (re)integrate into the job market (Pache & Santos, 2013). Finally, a social enterprise can also adopt novel partnerships that scale its social impact, thus positively affecting its social performance. For instance, Jay (2013) showed that collaborations with external partners to give visibility to environmentally friendly technology enabled a social enterprise to positively impact society by helping to reduce gas emissions in a certain area.

The innovation strategy is of paramount importance to assessing social enterprises' reaction to turbulence. Indeed, the capacity of a social enterprise to sustain its social and commercial performance in situations of turbulence depends mostly on its innovation strategy, or how it combines product, process, and partnership innovations that equally sustain both social and commercial performance and enable

the organization to create value for society while capturing what is needed to survive (Santos, 2012). Yet, this balancing of performance is extremely difficult because turbulence exacerbates the incompatibility between the social and the commercial pressures that a social enterprise is exposed to, both internally (Almandoz, 2012) and externally (Battilana et al., 2015). Hence, turbulence exposes social enterprises to the risk of adopting innovations that cause a social enterprise to prioritize either social or commercial performance according to the nature and intensity of the divergent pressures exercised by internal and external stakeholders.

In this article, we analyze how different internal and external stakeholders influence the innovation strategy of a social enterprise and its impact on social and commercial performance. In particular, we develop three hypotheses to explore the influence of key internal and external stakeholders—administrative leaders holding directive positions (Battilana et al., 2015; Selznick, 1957), board members (Almandoz, 2012), and external stakeholders (Pache & Santos, 2013)—on the consequences of the innovation strategy on social and commercial performance.

HYPOTHESES

The Role of Administrative Leader

Previous research has proved the influence of administrative leaders on a social enterprise's capacity to recombine social and commercial performance's objectives (Battilana et al., 2015; Besharov, 2014). In social enterprises, administrative leaders—those holding directive positions and finding themselves at the top of the organization (Selznick, 1957)—usually have the role of general director (Battilana et al., 2015) and lie at the crossroads of social and commercial activities, significantly influencing both.

Of particular relevance for our work, research on imprinting (Marquis & Tilcsik, 2013) and ambidexterity (Smith & Tushman, 2005) has emphasized that leaders' backgrounds due to their previous work experience shape how they understand a situation, frame priorities, and make decisions (Levinthal & March, 1993). Indeed, people carry with them skills, knowledge, schemas, and cognitive patterns acquired from previous experiences when they move to a new organization (Marquis & Tilcsik, 2013).

Applying this perspective to social enterprises, scholars have shown that administrative leaders' work background alternatively in the for-profit or the not-for-profit sector shapes their influence on social enterprises' positioning amidst social value creation and wealth generation (Almandoz, 2012; Lee & Battilana, 2014), in particular in the case of trade-offs between social and commercial performance (Battilana et al., 2015). Social enterprises' leaders who have a background in the not-for-profit sector usually prioritize social concerns when in conflict with commercial objectives (Almandoz, 2012). In such situations of conflict, these leaders usually rely on their previously developed prosocial competencies, skills, cognitive schemata, and values (Battilana et al., 2015) to define priorities. Given their experience and background, leaders coming from the nonprofit sector would see turbulence mainly as a challenge to their organization's capacity to achieve social impact (Battilana et al., 2015).

Therefore, we expect that these leaders will address a situation of turbulence by prioritizing social performance, thus pushing the enterprise to adapt its innovation strategy in favor of the adoption of innovations that impact social performance more than commercial performance.

Conversely, administrative leaders of social enterprises who have a for-profit background would rely on their previously developed commercially oriented knowledge, skills, cognitive schemas, and routines to define priorities amidst social value creation and wealth generation in situations of turbulence (Battilana et al., 2015). Given their imprinting, these leaders are likely to perceive and frame changes in the environmental conditions—and, in particular, situations of economic turbulence—as a potential threat to the financial sustainability of the venture and to its capacity to compete in the market (Golden & Zajac, 2001). Hence, we expect that in situations of turbulence they will push a social enterprise to change its innovation strategy to adopt product, process, and partnership innovations imbalanced toward commercial performance in the effort to sustain profitability. We therefore hypothesize:

Hypothesis 1: When facing economic turbulence, a social enterprise will adopt an innovation strategy that imbalances toward social (commercial) performance, if the administrative leader has a not-for-profit (for-profit) work background.

Role of Board Members

The board of directors usually sets the strategic objectives of an organization and monitors its operational activities (Golden & Zajac, 2001; Goodstein, Gautam, & Boeker, 1994). Research has suggested that organizations adapt more effectively to changes in environmental conditions (Golden & Zajac, 2001) and manage divergent objectives when they are governed by (moderately) heterogeneous boards in terms of occupational experience (Golden & Zajac, 2001; Johnson, Schnatterly, & Hill, 2013). Indeed, members having diverse occupational experience and working on different activities bring to the board a diversity of orientations and experience that results in a broader range of strategic solutions that might help address complex issues (Eisenhardt & Bourgeois, 1988).

Given the dual social and commercial objectives of a social enterprise, its board of directors is responsible for defining policies and strategies aimed at affecting both commercial performance—in terms of capacity to capture enough value to thrive (Santos et al., 2015)—and social performance—in terms of quality and effectiveness of the specific social interventions it designs (Mair, Battilana, & Cardenas, 2012). So, the board of directors of a social enterprise should include members who have commercial skills and members who bring social expertise (Mair et al., 2012). Commercial skills and expertise are usually brought to a social enterprise's board by *members from business occupations*, that is, by members who are engaged in occupational activities, either within the social enterprise or in other organizations, aimed at capturing value and maximizing profit (Golden & Zajac, 2001). These members from business occupations usually have a commercial background and competencies and sit on a social enterprise's board to safeguard its commercial orientation and market performance (Almandoz, 2012; Golden & Zajac, 2001).

Social skills and expertise, on the other hand, are brought to the board of a social enterprise by *board members from social occupations*, that is, by members who work on occupational activities, either within the social enterprise or in other organizations, aimed at creating a positive social impact (Almandoz, 2012). These board members from social occupations usually have a nonprofit background and prosocial motivations (Coombes, Morris, Allen, & Webb, 2011) and competencies (Ebrahim et al., 2014). Hence, they sit on the board of a social enterprise to guarantee its social commitment (Almandoz, 2012; Brown & Iverson, 2004).

The role of the board of directors is especially critical when an organization faces situations of environmental turbulence (Almandoz, 2012; Coombes et al., 2011; Goodstein et al., 1994; Stevens, Moray, Bruneel, & Clarysse, 2015), because board members are responsible for making strategic decisions that influence how the venture navigates external changing conditions (Goodstein et al., 1994). Given their role, skills, and competencies, in situations of turbulence board members from business occupations usually see environmental turbulence as a threat to a social enterprise's profitability. Hence, we expect that they will push a social enterprise to adapt its innovation strategy to adopt product, process, and partnership innovations that impact mainly commercial performance rather than social performance. Conversely, and because of their role and competencies, board members from social occupations operate as *watchdogs* of the consistency of the social enterprise with its original mission (Almandoz, 2012; Brown & Iverson, 2004). Hence, we expect that they will push a social enterprise to adapt its innovation strategy to adopt product, process, and partnership innovations imbalanced toward social performance. We therefore hypothesize:

Hypothesis 2: When facing economic turbulence, a social enterprise will adopt an innovation strategy that imbalances toward social performance, if its board of directors has a higher proportion of members from social occupations than of members from business occupations. Conversely, a social enterprise will adopt an innovation strategy that imbalances toward commercial performance if its board of directors has a higher proportion of members from commercial occupations than of members from social occupations.

Role of External Stakeholders

Along with internal stakeholders—particularly board members and administrative leaders—external stakeholders can influence social enterprises' strategic positioning amidst social value creation and wealth generation (Cooney, 2012; Pache & Santos, 2013).

Like any organization, a social enterprise depends on a broad set of external stakeholders for its survival. They provide legitimacy and the resources necessary to thrive (Pache & Santos, 2013; Ramus & Vaccaro, 2017). Stakeholders' demands and pressures, therefore, permeate social enterprises' boundaries and influence their strategies and choices (Smith et al., 2013; Stevens et al., 2015).

By virtue of its social mission, a social enterprise depends on *social stakeholders*: for example, public bodies, social services, nonprofit partners, and volunteers

(Pache & Santos, 2013; Smith et al., 2013). Being motivated by socially oriented objectives and values, these stakeholders support a social enterprise for its contribution to society's well-being (Pache & Santos, 2013), thus pressing the organization to be primarily focused on social value creation through innovative projects and initiatives (Ramus & Vaccaro, 2017).

By virtue of their commercial bottom line, however, social enterprises depend also on *commercial stakeholders* such as customers, commercial partners, and investors. These stakeholders are mainly motivated by self-interested and profit-oriented objectives (Pache & Santos, 2013). They support a social enterprise because of its productive efficiency, quality of service, and operational capacity (Smith et al., 2013); thus they press the social enterprise to adopt innovations to improve its commercial performance.

When confronted with multiple and incompatible stakeholders' pressures and expectations, an organization tends to adapt its strategies to give priority to those exerted by more-pressing stakeholders (Stevens, Steensma, & Harrison, 2005) while defying those posed by less-pressing ones. Thus, we expect that in a situation of economic turbulence that intensifies the incompatibility between social and commercial stakeholders' claims, a social enterprise will adapt its innovation strategy and adopt innovations that impact mainly social or commercial performance according to the intensity of the pressure exerted by commercial and social external stakeholders. Thus, we hypothesize:

Hypothesis 3: When facing economic turbulence, a social enterprise will adopt an innovation strategy that imbalances toward social performance if pressures from social external stakeholders are perceived to be more intense than pressures from commercial external stakeholders. Conversely, a social enterprise will adopt an innovation strategy that imbalances toward commercial performance if pressures from commercial external stakeholders are perceived to be more intense than pressures from social external stakeholders.

METHODS

To study how the adoption of an innovation strategy may imbalance a social enterprise toward either social or commercial performance, we analysed a sample of 139 Italian WISEs.

Setting

WISEs represent a particular type of social enterprise (Battilana et al., 2015; Santos et al., 2015), as they compete in the market to help marginalized, long-term unemployed people readjust to the world of work (Pache & Santos, 2013). A WISE hires marginalized people (e.g., people formerly addicted to drugs or alcohol, immigrants with little education, people with disabilities) to produce products and services that it then sells on the market. As such, WISEs pursue both social and commercial performance (Battilana et al., 2015). On one side, they aim to enhance their social performance and scale their social impact, providing training, mentoring, and counseling services to marginalized workers in order to facilitate their transition back into the

labor market. On the other side, they also aim to achieve commercial performance and sustained profitability through production efficiency and customer service.

WISEs usually adopt a structurally differentiated organizational design (Battilana et al., 2015; Santos et al., 2015) to achieve their dual social and commercial performance: they are divided into a “social area” and a “production area” that are coordinated by a general director (Battilana et al., 2015), who is the venture’s administrative leader. The social area is managed by social counselors who provide psychological, social, and job-readiness training to marginalized workers and interact with nonprofit organizations, volunteers, and other commercial stakeholders (Pache & Santos, 2013). The production area is run by production supervisors who manage production activities and deal with customers, suppliers, and other commercial stakeholders (Ramus et al., 2017).

As in other European countries, WISEs emerged in Italy in the late 1970s to address the country’s rising unemployment (Borzaga & Fazzi, 2011). WISEs became recognized through various laws between the 1990s and 2000s (Law 381/1991; Law 52/1996; Law 118/2005 and Law 155/2006) that allowed them to operate as economic entities and that granted them subsidies and tax exemptions on the condition that marginalized workers (as defined by Italian Law 381/1991) make up at least 30% of their workforce.

Until 2008, WISEs were subsidized by public bodies and could collaborate with actors of the nonprofit sector (i.e., employment agencies, social services, nonprofit organizations) to provide marginalized workers the skills and confidence they needed to reintegrate themselves into the workforce (Borzaga & Fazzi, 2011). Moreover, WISEs could also rely on stable resources of commercial partners and customers.

The financial turmoil affecting Italy from 2008 onward exposed WISEs to new situations of economic turbulence (Istat, 2009) that exacerbated the difficulty for WISEs to strike a balance between divergent social and commercial objectives. As an effect of the financial crisis that created new and deeper societal problems, WISEs had to improve their social performance to address increased poverty, unemployment, and marginalization (Venturi & Zandonai, 2011). WISEs also had to improve their commercial performance: Customers and commercial partners began to ask social enterprises to cut costs and to scale efficiency and customer service (Venturi & Zandonai, 2011). In this situation of turbulence, social enterprises had to adopt innovative solutions in the effort to adapt to the new challenges posed by increased societal needs and stricter market requirements and to combine positive social impact and profitability.

Data Collection

To address our research question and test our hypotheses, we relied on survey data from a sample of 139 WISEs that we selected from a database of 1,001 Italian WISEs developed by the European Research Institute on Cooperative and Social Enterprises’ (EURICSE). WISEs were classified by EURICSE—by size—based on their net income in 2011. From the initial sample of 1,001 organizations, we eliminated 7 WISEs that were founded after 2009, and for which we could not investigate innovations adopted as reactions to financial turmoil. We then dropped 288 WISEs

that had become inactive (85) or impossible to contact by phone or by e-mail (203) at the time of the survey. Finally, we eliminated 2 WISEs that helped us to develop the questionnaire. Overall, we eliminated 297 WISEs and administrated the survey to the remaining 704 WISEs; 159 WISEs completed the survey. From these WISEs, we eliminated 11 WISEs that were too small to study the organizational dynamics we were interested in, i.e. those with a net income for 2011 below 0.5 million Euros. Finally, we eliminated 9 WISEs for which we could not measure the dependent variable as they did not answer the questionnaire properly.

We gathered data between mid-March and mid-September 2013, inviting presidents and general directors of each WISE to participate by answering two different questionnaires. Consistent with previous literature, we refer to general directors as administrative leading figures (Besharov, 2014) whose role is to manage the activities of both the social and the production area (Battilana et al., 2015).

We collected data referring to the period between 2009 and 2012 mostly via online and telephone-aided questionnaires. *F*-tests ($F_{critic} = 0.00, p > 0.9973$) and *t*-tests show no statistically significant differences between different types of administration; *t*-tests also show no statistically significant differences between early (those who immediately agreed to participate in the survey) and late respondents (those who had to be solicited before agreeing to participate). Finally, results from a two-way ANOVA show no statistically significant difference ($F_{critic} = 0.30, p > 0.9747$) due to the type and period of administration of the survey.

After collecting the data, we decided to use only the information we gathered from the general directors, for several reasons. While almost all the directors we approached agreed to answer our questionnaire and answered almost all the questions, only 41% of the presidents completed the questionnaire personally; the remaining 59% delegated the completion of the questionnaire to an unknown respondent. Moreover, over 80% of the questionnaires completed by presidents presented consistent missing answers to critical questions of our study, suggesting that presidents lacked in-depth knowledge about their WISE's functioning. Hence, we dropped the presidents' responses from the analysis.

Measures

Dependent Variable

As introduced above, a social enterprise adopts an innovation strategy imbalanced toward social performance when it adopts product, process, or partnership innovations that impact more social performance (innovations that create value for society by addressing social/environmental issues) than commercial performance (innovations that enhance the value that the organization captures thanks to production efficiency and customer service). Conversely, a social enterprise adopts an innovation strategy that imbalances toward commercial performance when it adopts product, process, or partnership innovations that impact more commercial performance than social performance.

We followed three steps to construct our measure of *innovation performance imbalance (IPI)*, relying on the aforementioned definitions. First, we investigated the type (*i*) of innovations adopted by our sample WISEs; second, we asked general

directors to indicate the impact of each type (i) of innovation on social and commercial performance; finally, we measured the innovation imbalance.

First, we investigated the innovation types (i) adopted by the sample WISEs (see Appendix A for examples). Consistent with our distinction between product, process, and partnership innovation and with the recognition that in a WISE innovations can be adopted by both the social and the commercial areas, we identified the following six types of innovation (i): (1) product innovations adopted by the social area, (2) process innovations adopted by the social area, (3) partnership innovations adopted by the social area, (4) product innovations adopted by the commercial area, (5) process innovations adopted by the commercial area, and (6) partnership innovations adopted by the commercial area. We asked the general directors to indicate which of these six types were adopted by their WISEs between 2010 and 2012, that is, the years following the financial crisis affecting Italy in 2008 and reaching its peak in 2009 (Istat, 2009).

Second, we measured the impact of each of these six types of innovation (i) on WISEs' social and commercial performance. For each type of innovation adopted, we asked directors to assess the impact on organizational performance on four items. Two items addressed social performance, by assessing to what extent the innovation types (i) adopted by their WISEs (a) have impacted the quality of caring and counseling provided to marginalized workers (Pache & Santos, 2013), and (b) have extended the categories of marginalized people employed by the organization (Di Domenico et al., 2010). Two of the items addressed commercial performance, assessing to what extent the innovation types (i) adopted by their WISEs have impacted (c) the organization's capacity to address customer expectations (Pache & Santos, 2013), and (d) the organization's profitability (Battilana et al., 2015). Directors scored answers on a 7-point Likert scale (1 = "minimal impact"; 7 = "maximum impact"). Based on the directors' answers we calculated the impact of innovations adopted by WISEs on social and commercial performance as follows:

$$\text{Impact of innovations adopted on social performance} = \sum_{i=1}^N \frac{s_i}{N}; \quad (1)$$

$$\text{Impact of innovations adopted on commercial performance} = \sum_{i=1}^N \frac{c_i}{N}; \quad (2)$$

where:

i indicates the innovations types and ranges from 0 to 6;

N is the total number of innovation types and is equal to 6;

s_i indicates the impact on social performance of the innovation types (i), computed as the average of the aforementioned items (a) and (b); and

c_i indicates the overall impact on commercial performance of the innovation types (i), computed as the average of the aforementioned items (c) and (d).

Third, we measured the aggregate innovation performance imbalance (IPI) of the sample WISEs as follows:

$$\begin{aligned} IPI = & \text{Impact of innovations adopted on social performance (1)} \\ & - \text{impact of innovations adopted on commercial performance (2)} \end{aligned}$$

Values of *IPI* may range within the interval $[-6; +6]$. In our sample, values for innovation imbalance range from -2.00 to 3.25 , with an average of $-.13$ and a standard deviation of $.69$. A social enterprise unbalances its innovation strategy toward social performance—and the measure *IPI* assumes positive values—when it adopts new product, process, or partnership innovations that impact more social performance than commercial performance. It unbalances its innovation strategy toward commercial performance—and the measure *IPI* assumes negative values—when the opposite situation occurs.

Independent Variables

We test our hypotheses with three independent variables: leader's work background, board composition, and external stakeholders' pressures.

Leader's work background. We adapted Battilana and Lee's (2014) measure of past work experience to assess the work background of the administrative leaders in our sample organizations. We asked general directors (i.e., the administrative leaders) to indicate in which sector they had worked before joining the actual organization. A dummy variable assumes the value 0 in case of a work background in the for-profit sector and the value 1 for the not-for-profit sector.

Board composition. We developed a measure of board composition to indicate the extent to which the number of board members from social occupations was (un)balancing the number of board members from business occupations. To construct our measure, we built upon Golden and Zajac's (2001) measure of board's occupational heterogeneity. In their study on strategic change, Golden and Zajac (2001) (a) classify 14 board members' primary occupations; (b) consider the percentage of members per each mutually exclusive category of occupation, given the total composition of the board; and (c) then use percentages to calculate a measure of the board's occupational heterogeneity, similar to a Herfindahl index. We borrowed Golden and Zajac's (2001) intuition that board members' distribution per categories of primary occupations is important to understanding board heterogeneity. We adapted their measure to our study to measure to what extent governance in social enterprises is "heterogeneous" in terms of unbalancing in the distribution of board members per occupational categories. Namely, we created three occupational categories: a category for board members from social occupations (e.g., social worker, psychologist), a category for board members from business occupations (e.g., production director, chief financial officer), and a category for board members coming from occupations that combined both business and social aspects (e.g., marketing managers for NGOs). Unlike Golden and Zajac's (2001), our categories are not mutually exclusive. We further asked general directors to indicate the percentage of the social enterprise's board members who are involved only in social occupations, within or outside the organization; only in business occupations, within or outside the organization; or in both social and business occupations. From the total composition of the board, we subtracted the percentage of board members involved in social and business occupations simultaneously. We obtained the final measure of board composition by subtracting the percentage of members from business occupations from the percentage of members from social occupations. The measure assumes positive values when

the board of directors has a higher proportion of members from social occupations than of members from business occupations, and negative values otherwise. Values may range within the interval $[-100\%; +100\%]$.

External stakeholders' pressure. To assess the pressure exerted on the social enterprises by external social and commercial stakeholders, we adapted the measure developed by Stevens and colleagues (2005). Namely, we asked general directors to identify the five main social and five main commercial external stakeholders of their organization. We further asked about the average level of pressure exerted by these two categories of stakeholders respectively. Answers are scored on a 7-point Likert scale (1 = "no pressure," 7 = "highest pressure"). The final measure of (perceived) external stakeholders' pressure considers the difference between pressure exerted by external social stakeholders and pressure exerted by external commercial stakeholders. The variable assumes positive values when pressures from social stakeholders are perceived to be higher than those exerted by commercial stakeholders, and negative values otherwise. Values of external stakeholders' pressure may range within the interval $[-6; +6]$.

Control Variables

To exclude alternative explanations pushing social enterprises' innovation strategy to unbalance toward social or commercial performance, we included seven variables in the regressions, to control for (a) administrative leaders' tenure, (b) WISEs' organizational mechanisms, (c) types of innovations adopted, and (d) WISEs' human and financial resources.

Administrative leaders' tenure. First, we controlled for administrative leaders' tenure, assuming that the likelihood that social enterprises react to economic turbulence by adopting innovations that prioritize social performance is positively related to the tenure of their general directors (i.e., administrative leaders). Thanks to their experience, more-tenured leaders should be more focused than less-tenured ones on a social enterprise's consistency with its social mission even under conditions of exacerbated turbulence and economic constraints (Battilana et al., 2015). So we expect that more-tenured leaders will push a social enterprise to adopt innovations unbalanced toward social performance.

WISE's organizational characteristics. We used two variables to control for WISEs' organizational characteristics: *WISE's activity*, assessed considering the sector where they compete, and *WISE's size*. We assumed that social enterprises working in more competitive and more price-sensitive sectors (e.g., the assembly or the cleaning sectors) would be more likely to react to turbulence by adopting an innovation strategy imbalanced in favor of commercial performance than social enterprises working in less competitive and less price-sensitive sectors (e.g., the waste management sector). Moreover, as WISEs grow in size, they should be less exposed to financial constraints and external shocks, so they should be able to address economic turbulence through the adoption of innovations to remain consistent with their mission despite changed environmental conditions (Stevens et al., 2015).

Types of innovations adopted. Relying on answers from general directors, we created three dummies to control for the effect of innovation types: *product innovations*, *process innovations*, and *partnership innovations*. Our aim was to explore whether the adoption of certain innovation types might affect how the overall innovation strategy of a social enterprise impacts social and commercial performance.

Marginalized workforce in 2009. We also controlled for the impact of human resources. The presence of a high percentage of marginalized workers in the workforce composition suggests that a social enterprise focuses on its mission and social performance (Ramus et al., 2017). So, we asked directors to indicate the percentage of the marginalized workforce (Italian Law 381/1991) in their WISE out of the total workforce employed by their WISE in 2009, the first year of our observation. Appendix B presents the variables, items, and references used for the dependent, independent, and control variables.

RESULTS

Table 1 presents descriptive statistics and correlations.

We tested our hypotheses by performing five OLS regression models. We performed a baseline model (model 1) with only the control variables, three separate models (models 2, 3, and 4) with the control variables and each of the three independent variables, and a model (model 5) that includes all control and all independent variables. Table 2 presents the results of the OLS regression analyses.

In the full model (model 5), which includes all control and independent variables, we found statistically significant evidence to support Hypotheses 2 and 3. We did not find support for Hypothesis 1. We found that having a higher proportion of members from social occupations on the board (as opposed to the proportion of members from business occupations) has a positive and statistically significant effect on the innovation performance imbalance ($\beta = .00, p < .03$). Similarly, higher pressures from social external stakeholders (as opposed to pressures from commercial external stakeholders) have a positive and statistically significant effect on the innovation performance imbalance ($\beta = .11, p < .01$).

Since four of five regression models (models 1, 2, 3, and 4) presented problems with heteroscedasticity (see White tests, Table 2), we also ran GLS regression models (Wooldridge, 2003) that confirmed the OLS results (Table 3).

Our results are not without limitations, mainly due to the characteristics of our research design. The main limitation is that we collected data through a survey which involved the WISEs' general directors as the main source of information. Hence, we captured the perceptions of the general directors about external stakeholder pressures on social enterprises and about the impact of adopted innovations on social and commercial performance. This might explain, for instance, why our dependent variable shows such high variance. Another limitation of our research design is that we collected cross-sectional and not panel data covering the period (2010–2012) following the financial shock affecting Italy in 2009. Hence, we could not control for time-period effects. Finally, our sample is just big enough to trust the interpretations of our results, as the sample size is almost ten times the number of predictors included in the regression models.

Table 1: Descriptive Statistics and Correlations

	Variables	Mean	SD	1	2	3	4	5	6	7	8	9	10	11
1	Innovation performance imbalance	-.13	.69											
2	Leader's work background	.58	.49	-.08										
3	Board composition	-35.06	41.97	.14	-.06									
4	External stakeholders' pressure	-.65	1.89	.30*	.05	-.09								
5	Administrative leader's tenure	11.42	6.84	-.11	-.04	.08	-.11							
6	WISE's activity	37.57	13.31	.03	.06	-.09	.12	-.05						
7	WISE's size	1.63	.81	.10	.01	.17*	.00	-.06	.06					
8	Product innovations	.91	.28	.02	-.00	-.12	-.04	.09	.04	.05				
9	Process innovations	.78	.42	-.01	-.10	.00	-.03	-.05	.02	.09	-.10			
10	Partnership innovations	.76	.43	-.05	.06	-.15	-.08	.15	.04	-.16	.00	.14		
11	Marginalized workforce in 2009	40.92	13.26	-.14	-.16	.12	-.12	.07	-.08	.01	.07	.11	.18*	

Note. $N = 139$. SD = standard deviation. $*p < 0.05$.

Table 2: Determinants of Innovation Performance Imbalance (OLS Regression Analysis)

Variables	Model 1		Model 2		Model 3		Model 4		Model 5	
	β	SE	β	SE	β	SE	β	SE	β	SE
Leader's work background			-0.14	0.12					-0.14	0.12
Board composition					0.00 [†]	0.00			0.00*	0.00
External stakeholders' pressure							0.11**	0.03	0.11**	0.03
Administrative leader's tenure	-0.01	0.01	-0.01	0.01	-0.01	0.01	-0.01	0.01	-0.01	0.01
WISE's activity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
WISE's size	0.07	0.08	0.07	0.08	0.05	0.08	0.08	0.07	0.06	0.07
Product innovations	0.09	0.21	0.09	0.21	0.16	0.21	0.12	0.20	0.20	0.20
Process innovations	-0.02	0.15	-0.03	0.15	0.01	0.15	0.00	0.14	0.01	0.14
Partnership innovations	0.00	0.14	0.02	0.15	0.05	0.15	0.04	0.14	0.11	0.14
Marginalized workforce in 2009	-0.01	0.00	-0.01	0.00	-0.01	0.00	-0.01	0.00	-0.01 [†]	0.00
Intercept	0.08	0.36	0.19	0.37	0.18	0.37	0.06	0.35	0.28	0.36
Observations	137		137		136		137		136	
<i>F</i> critic	.78		.85		1.13		2.16*		2.49**	
<i>R</i> -squared	.04		.05		.07		.12		.17	
Mean VIF (max VIF)	1.06 (1.12)		1.06 (1.13)		1.08 (1.15)		1.06 (1.12)		1.08 (1.17)	
White test (χ^2 critic)	52.15*		57.06*		54.66 [†]		59.44*		67.88	

Note. β s are standardized regression coefficients; SE = standard error. [†] $p < 0.10$, * $p < 0.05$, ** $p < 0.01$.

DISCUSSION

In this study, we investigate the influence of administrative leaders, board members, and external stakeholders on the adoption of an innovation strategy that imbalances toward either social or commercial performance.

Our results do not provide support for our first hypothesis about the influence of administrative leaders' background on innovation performance imbalance. Instead, they suggest a significant, albeit small, impact of board members and external stakeholder pressure. Namely, they indicate that in situations of turbulence a social enterprise will adopt an innovation strategy that imbalances toward social performance when the proportion of board members from social occupations is higher than that of members from business occupations (Hypothesis 2). Our findings also suggest that a social enterprise will adopt an innovation strategy that impacts more social than commercial performance when pressures from social external stakeholders are perceived to be higher than pressures from commercial stakeholders (Hypothesis 3).

Table 3: Determinants of Performance Innovation Imbalance (GLS Regression Analysis)

Variables	Model 1		Model 2		Model 3		Model 4		Model 5	
	β	SE	β	SE	β	SE	β	SE	β	SE
Leader's work background			-0.14	0.12					-0.14	0.11
Board composition					0.00 [†]	0.00			0.00*	0.00
External stakeholders' pressure							0.11**	0.03	0.11**	0.03
Administrative leader's tenure	-0.01	0.01	-0.01	0.01	-0.01	0.01	-0.01	0.01	-0.01	0.01
WISE's activity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
WISE's size	0.07	0.08	0.07	0.07	0.05	0.07	0.08	0.07	0.06	0.07
Product innovations	0.09	0.21	0.09	0.21	0.16	0.21	0.12	0.20	0.20	0.20
Process innovations	-0.02	0.14	-0.03	0.14	0.01	0.14	0.00	0.14	0.01	0.14
Partnership innovations	0.00	0.14	0.02	0.14	0.05	0.14	0.04	0.14	0.11	0.13
Marginalized workforce in 2009	-0.01	0.00	-0.01	0.00	-0.01	0.00	-0.01	0.00	-0.01*	0.00
Intercept	0.08	0.35	0.19	0.36	0.18	0.35	0.06	0.34	0.28	0.34
Observations	137		137		136		137		136	
χ^2 critic	5.80		7.27		9.64		18.54*		27.12**	
Log likelihood	-140.07		-139.36		-137.70		-134.21		-130.00	

Note. β s are standardized regression coefficients; SE = standard error. [†] $p < 0.10$, * $p < 0.05$, ** $p < 0.01$.

Taken together, our findings suggest that the recombination of social and commercial performance in situations of turbulence through innovation adoption requires a delicate balance between internal and external stakeholders, therefore highlighting the importance of exposing social enterprises to the right combination of internal and external pressures. In so doing, our study has the potential, we believe, to contribute to advancing a deeper understanding of social enterprises' functioning (Smith et al., 2013), for two reasons. First, it advances understanding of the social-versus-commercial dichotomy that typically characterizes social enterprise from an innovation's perspective. Although previous scholars have acknowledged the innovative potential of these organizations (Jay, 2013), research has analyzed the social-versus-commercial dichotomy by focusing mainly on determinants leading to the prioritization of different practices (Pache & Santos, 2013), processes (Besharov, 2014), and arrangements (Battilana et al., 2015) and their impact on social enterprises' performance. Our work complements these studies by suggesting factors that influence social enterprises to adopt an innovation strategy that imbalances toward either social or commercial performance.

Second, our findings provide some suggestions about the influence of internal and external stakeholders on social enterprises' capacity to remain focused on their original social mission in situations of economic turbulence. On this basis, we advance research on mission drift in social enterprises (Ramus & Vaccaro, 2017), an issue with strong strategic and ethical implications (Ebrahim et al., 2014; Zahra et al., 2009). Previous research has highlighted the influence of internal stakeholders, particularly administrative leaders (Battilana et al., 2015), employees (Ashforth & Reingen, 2014) and board members (Almandoz, 2012). Our findings help provide

a more comprehensive picture that includes also external stakeholders. We suggest that, in situations of turbulence, external stakeholders' influence on the ability of a social enterprise to remain consistent with its social mission might be even stronger than the influence exercised by some internal stakeholders, in particular administrative leaders.

Below, we elaborate on our findings and discuss our contributions to the growing body of research on social enterprises (Smith et al., 2013).

Social Enterprises' Reaction to Situations of Turbulence: The Influence of Internal Stakeholders

Previous research has investigated the role of internal stakeholders to define the strategic positioning of social enterprises between social value creation and wealth generation (Battilana & Dorado, 2010; Besharov, 2014). In particular, a growing research stream has highlighted the role of administrative leaders, advancing that their background (Lee & Battilana, 2014) and experience (Battilana et al., 2015; Besharov, 2014) influence how they frame external pressures, identify organizational priorities, and consequently define social enterprises' strategies (Battilana et al., 2015). Yet, with few exceptions (Battilana et al., 2015), previous research remains largely silent about the role of administrative leaders in situations of turbulence; our empirical evidence helps fill this gap, de-emphasizing their role. We suggest that in situations of turbulence neither the background nor the tenure of administrative leaders—in our case represented by WISEs' general directors—significantly affects social enterprises' position amidst social and commercial performance through the adoption of innovations.

Instead, our empirical evidence highlights the role of board members, in this way advancing understanding of social enterprises' functioning (Smith et al., 2013). Despite the critical role of the board of directors to define the long-term strategies of any venture (Brown & Iverson, 2004; Wright & Millesten, 2008), only a few scholars have acknowledged its impact on social enterprises (e.g., Almandoz, 2012; Crucke & Knockaert, 2016). We address this gap, suggesting that board composition is critical to determining a social enterprise's innovation strategy and its impact on social and commercial performance.

Highlighting the role of board members from social and from commercial occupations as internal stakeholders who can affect social enterprises' innovation strategy, we also advance business ethics research on "stakeholder democracy" (Matten & Crane, 2005). This stream suggests that stakeholders should be involved in governance processes both for strategic and for ethical reasons: stakeholders can help organizations gain legitimacy and resources (Harrison & Freeman, 2004) and therefore have the right to actively influence these organizations' strategic decision-making processes (Van Buren, 2010). We confirm that the participation of different stakeholders in board decisions can benefit social enterprises and help them tackle complex social problems sustainably through the adoption of an innovation strategy that balances social and commercial performance. Yet, similar to Crucke and Knockaert (2016), we also suggest that stakeholder representation and participation at the board level can also be detrimental: indeed, it can push the adoption

of an innovation strategy that causes a social enterprise to imbalance toward either social or commercial performance, thus undermining its capacity to recombine social value creation and wealth generation.

Social Enterprises' Reaction to Situations of Turbulence: The Influence of External Stakeholders

Past research has acknowledged different mechanisms through which external stakeholders can influence the strategies of social enterprises and foster their social commitment (Cooney, 2012). For instance, some scholars have shown that legitimacy vis-à-vis social versus commercial stakeholders influences social enterprises' strategic choices (Tracey et al., 2011). In this stream, Pache and Santos (2013) show that social enterprises tend to incorporate demands exerted by dominant stakeholders in their strategies in order to gain legitimacy and acceptance with them. Other scholars have suggested that active involvement in dialogue and collaboration with social stakeholders can help social enterprises scale their impact more meaningfully despite divergent pressures exerted by commercial stakeholders (Laplume, Sonpar, & Litz, 2008; Ramus & Vaccaro, 2017).

Our findings complement and extend these studies. We suggest that stakeholders may exercise a significant influence on a social enterprise's innovation strategy by virtue of the pressures they exert on the venture, as they are perceived by organizational key members. In this sense, external stakeholders can be a source of threats but also of opportunities. They can be a threat because unbalanced pressure can lead social enterprises to adopt an innovation strategy that imbalances a social enterprise's performance. Excessive pressure from social stakeholders might lead social enterprises to adopt innovations that impact social performance but at the expense of financial viability. Excessive pressures from commercial stakeholders, on the other hand, might lead a social enterprise to adapt its innovation strategy and adopt product, process, and partnership innovations that scale profitability, but at the expense of social impact. However, external stakeholders can also be a source of opportunities: our findings suggest that when a social enterprise properly manages external stakeholder pressures, these pressures might push it to combine product, process, and partnership innovation to balance social and commercial performance in turbulent times.

Mission Drift and Social Enterprises: Normative Recommendations

Our results point to some suggestions for preventing and managing ethical issues that can affect social enterprises as they struggle to balance commercial and social performance (Ebrahim et al., 2014).

Scholars have suggested that one of the main risks for social enterprises, particularly in turbulent times (Battilana et al., 2015), is the prioritization of commercial performance at the expense of social impact. This prioritization might lead a social enterprise to drift away from its social mission (Battilana et al., 2015; Zahra et al., 2009), thus betraying its ethical obligations toward those stakeholders—donors, beneficiaries of services, and volunteers—who support it because of its social

commitment (Zahra et al., 2009). Previous research has provided some indications of the processes (Jay, 2013) and mechanisms (Canales, 2013) that social enterprises should implement to prevent mission drift and keep the focus on their social performance, while preserving their capacity to sustain their commercial performance, thereby honoring their fiduciary obligations to commercial stakeholders such as customers, investors, and suppliers (Zahra et al., 2009).

We extend this research by providing some indications of the role of different internal and external stakeholders in influencing the adoption of innovations that can help social enterprises avoid mission drift and balance commercial and social performance. Our findings suggest that, ideally, social enterprises should expose themselves to balanced external stakeholders' pressures and compose their board of directors as a point of equilibrium between members from social and from commercial occupations. However, whereas a social enterprise usually has flexibility in composing its board of directors (Almandoz, 2012), it has little influence on the pressures exerted by external stakeholders because they depend greatly on the structure (Battilana & Dorado, 2010) and evolution (Pache & Santos, 2013) of a particular field. For instance, a social enterprise might face more pressure from social stakeholders than from commercial stakeholders because of the historical characteristics of its field (Pache & Santos, 2013), or it might experience stronger commercial pressures due to a change in regulations that transforms the field structure and exacerbates market competition (Ramus & Vaccaro, 2017).

Our findings seem to suggest that social enterprises can address imbalanced external stakeholder pressures by increasing the presence and influence of board members who have an opposite orientation, thereby moderating the pressures of external stakeholders with an antithetical push exercised by internal stakeholders at the board level. However, this moderating strategy might be difficult to pursue because the artificial exposure to divergent pressures can lead to tensions and eventually cause breakdowns and organizational failure (Crucke & Knockaert, 2016; Smith et al., 2013). Combining our empirical evidence with previous research (Battilana & Lee, 2014), it seems that this moderating strategy can be performed when social enterprises can implement some coordinating mechanisms to (1) facilitate the interaction between internal and external stakeholders (Crucke & Knockaert, 2016), and (2) filter external stakeholder pressures (Pache & Santos, 2013). First, social enterprises might facilitate the interaction between stakeholders, creating an internal regulation that supervises the activities and the decisions of the board of directors and defines its interaction with external stakeholders. Second, social enterprises might develop internal mechanisms to filter stakeholder pressures in order to minimize unexpected and problematic influences, thus avoiding the "slavery of stakeholder expectations" (Vaccaro, Horta, & Madsen, 2008). These mechanisms should enable social enterprises to (1) periodically evaluate the pressure exerted by external stakeholders and its consequences on the adoption of innovations, and (2) analyze whether critical requests made by external stakeholders are appropriate and consistent with the needs and objectives of the organization.

When the aforementioned mechanisms are absent or difficult to implement, an alternative strategy is to couple external and internal pressures, composing the board of directors to mirror external stakeholder demands. This strategy should

enable social enterprises to avoid tensions (Ashforth & Reingen, 2014) but would also lead to adopting innovations that unbalance a social enterprise's performance. Therefore, when pursued, this coupling strategy should be combined with strategies to progressively introduce the aforementioned mechanisms to filter external stakeholder pressures and counterbalance the strategic positioning of the social enterprise's board of directors.

LIMITATIONS AND FURTHER RESEARCH

Although this article contributes to developing a deeper and more generalizable understanding of the functioning of social enterprises, some limitations open several avenues for further research.

We have provided some preliminary empirical evidence of factors leading social enterprises to adopt an innovation strategy that balances (or imbalances) commercial and social performance in situations of economic turbulence. In particular, we have pointed out the effect that administrative leaders, board members, and external stakeholders may have on the adoption of innovations that impact either social or commercial performance. Yet, we have not accounted for the role of employees in influencing social enterprises' reactions to turbulence (Besharov, 2014). Since previous scholars have suggested that motivations (Battilana & Dorado, 2010), values (Besharov, 2014), and identities (Golden-Biddle & Rao, 1997) of employees may influence social enterprises' strategies, more quantitative research is needed to disentangle the effects of different workforce characteristics and compositions on social enterprises' innovation strategy.

Moreover, given our focus on stakeholders, and our research design, we have not studied how other internal variables—such as organizational competencies and innovative orientation (Larsen & Salter, 2006)—and external variables—such as the political and institutional support that social enterprises can leverage (Li & Atuahene-Gima, 2001)—influence the impact of innovations adopted by social enterprises on their performance. More research should investigate this issue.

We have highlighted the importance of exposing social enterprises to the right combination of pressures exerted, both internally and externally, by social and commercial stakeholders to adopt an innovation strategy that balances social and commercial performance. Social and commercial stakeholders hold divergent values (Besharov, 2014) and understandings of organizational priorities and strategies (Battilana et al., 2015) that may generate tensions (Smith et al., 2013) that the quantitative nature of our work prevented us from investigating. Future qualitative research could therefore study this issue. In particular, research is needed to explore the coordinating mechanisms that can help manage tensions that may emerge at the board level and with external stakeholders holding different priorities and help prevent these tensions from developing into intractable conflicts (Golden-Biddle & Rao, 1997).

Relying on business ethics and strategic literature, we have studied here the impact of (perceived) stakeholders' pressure on a social enterprise's innovation strategy, but without differentiating for stakeholder's salience, usually defined in terms of

legitimacy, urgency, and power (Mitchell, Agle, & Wood, 1997). Future research may test how the perceived legitimacy, urgency, and power of alternatively social and commercial stakeholders affect organizational innovative choices.

Finally, consistent with previous literature on social enterprises (Almandoz, 2012), in this study we have presented turbulence due to the economic turmoil that affected Italy as a source of threat for social enterprises. Yet, turbulence at the environmental level can also be perceived as an opportunity for change and transformation (George, Chattopadhyay, Sitkin, & Barden, 2006). Further research may disentangle whether and under which conditions economic turbulence can be perceived by social enterprises as a source of opportunity, and how their reactions change.

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APPENDIX A
EXAMPLES OF INNOVATIONS TYPES ADOPTED BY WISES

Innovation Type	Examples
Product innovations adopted by the social area	<ul style="list-style-type: none"> - Adoption of a new cleaning service in schools to reintegrate new categories of marginalized workforce (e.g., ex-inmates women previously not hired in the organization) - Adoption of a new data entry service to enable the reintegration of paraplegic workforce - Adoption of a new product design (digging wood instead of sawing) for the creation of wooden casings to make production of solar lamps easier to unskilled workforce
Process innovations adopted by the social area	<ul style="list-style-type: none"> - Adoption of new roles (e.g., team-leader) for training teams that work with marginalized workforce - Adoption of a new IT tool (e.g., electronic diary) to keep track of marginalized workers' development of reintegration process - Adoption of new caring/training activities and services to foster the integration of marginalized workforce
Partnership innovations adopted by the social area	<ul style="list-style-type: none"> - Adoption of an online platform to share best practices of work integration with other WISEs - Participation in joint projects with other nonprofit organizations (e.g., municipalities, local NGOs) to diversify care giving offer
Product innovations adopted by the commercial area	<ul style="list-style-type: none"> - Adoption of a new service of gardening for elite private households to satisfy new customers - Adoption of a new product (e.g., tailor-made suits) to reach out a new market share - Adoption of a new product design (e.g., removable solar panels instead of fixed solar panels) to adapt to customers' need for flexibility in the use of solar technology
Process innovations adopted by the commercial area	<ul style="list-style-type: none"> - Adoption of more efficient production machines to shorten lead-time - Adoption of quality management in production to increase production efficiency - Adoption of standardized production activities to boost quality of production
Partnerships innovations adopted by the commercial area	<ul style="list-style-type: none"> - Participation in workshops for crowdsourcing to engage clients in new product development - Participation in joint projects with for profit organizations (e.g., suppliers) to enter new markets

APPENDIX B

DETAIL ON DEPENDENT, INDEPENDENT, AND CONTROL VARIABLES

	Definition	Source	Measure
<i>Dependent Variable</i>			
Innovation performance imbalance (IPI)	Assessment of the impact of innovations adopted on social and commercial performance between 2010 and 2012 (Adapted from Damanpour, 1987, and Pache & Santos, 2013)	General Director	7-point Likert scale: Impact of innovations on social performance – Impact of innovations of commercial performance
<i>Independent Variables</i>			
Leader’s work background	Indication of the administrative leader’s work background (Adapted from Lee & Battilana, 2014)	General Director	Dummy variable: 0: “For-profit” background 1: “Not-for-profit” background
Board composition	Given the total composition of the board, indication of the percentage of board members from social occupations and members from business occupations (Adapted from Golden & Zajac, 2001)	General Director	Percentage of board members from social occupations – Percentage of board members from business occupations
External stakeholders’ pressure	Indication of the average level of pressure exerted on the organization alternatively by social or commercial external stakeholders (Adapted from Stevens et al., 2005)	General Director	7-point Likert scale: Social external stakeholders’ pressure – Commercial external stakeholders’ pressure
<i>Control Variables</i>			
Administrative leader’s tenure	Indication of year of entrance in the organization of the administrative leader (i.e., the general director) (Adapted from Battilana et al., 2015)	General Director	Difference between the year of the survey (2013) and the year of entrance in the organization of the administrative leader (i.e., the general director)
WISE’s size	Organizational income yield in 2011 (Adapted from Venturi & Zandonai, 2011, and Battilana et al., 2015)	European Research Institute on Cooperative and Social Enterprises (EURICSE)	Ordinal variable: 1 if large size ($x \geq 1.5$ mio €) 2 if medium-large size ($1 \text{ mio } \text{€} \leq x < 1.5 \text{ mio } \text{€}$) 3 if medium size ($0.5 \text{ mio } \text{€} \leq x < 1 \text{ mio } \text{€}$); 4 if small size ($x < 0.5 \text{ mio } \text{€}$)

APPENDIX B continued

	Definition	Source	Measure
WISE's activity	Organizational sector of activity (NACE classification of firm's sector of activity)	European Research Institute on Cooperative and Social Enterprises (EURICSE)	Categorical variable ranging from 1 to 54 according to NACE classification
Product innovations	Indication of the new social and commercial product innovations adopted between 2010 and 2012 (Adapted from Li & Atuahene-Gima, 2001, and Shier & Handy, 2015)	General Director	Dummy variable: 0 if the organization does not adopt any product innovations 1 if the organization adopts at least a product innovation
Process innovations	Indication of the new social and commercial processes innovations adopted between 2010 and 2012 (Adapted from Edquist, Hommen, & McKelvey, 2001, and Shier & Handy, 2015)	General Director	Dummy variable: 0 if the organization does not adopt any process innovations 1 if the organization adopts at least a process innovation
Partnership innovations	Indication of the new social and commercial partnerships adopted between 2010 and 2012 (Adapted from Walker, 2006, and Shier & Handy, 2015)	General Director	Dummy variable: 0 if the organization does not adopt any partnership innovations 1 if the organization adopts at least a partnership innovation
Marginalized workforce in 2009	Indication of the percentage of marginalized workers in the organization (Italian Law 381/1991)	General Director	Percentage of marginalized workers in the organization (over the total of workforce employed) in 2009