

# Chapter 19

## Social Enterprises: The Challenge of Internationalization

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### ABSTRACT

*Based on the literature on social enterprises (SEs), this chapter aims to portray the internationalization of social enterprises by analyzing existing knowledge on the subject. To do so, a literature review addressed the steps and procedures required in the process: the drivers, main models and theories, scaling strategies, market selection decisions, among others. It was possible to conclude that SEs' internationalization is multifaceted, still at a growing stage, and needs to be addressed from several social perspectives.*

### INTRODUCTION

The study of internationalization is not new. Many studies have approached the internationalization of industrial and service Small and Medium-Sized Enterprises (SMEs), seeking to explore several modes of entry into overseas market types (Ribau, Moreira, & Raposo, 2018a; Stanisauskaite & Kock, 2016). With growing globalization, several theories and frameworks have been put forward to explain global

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## **Social Enterprises**

international competition, different modes of entry and international strategies to leapfrog in international markets (Ietto-Gillies, 2012; Ribau et al., 2015; 2018a; 2018b).

In the last decades, globalization of the business world has expanded into different socio-economic areas, as has international competitiveness. The globalization process has been spreading and has witnessed the internationalization of, among others, non-governmental organizations, social enterprises and health firms.

The concept of Social Enterprises (SEs) is well-established. Social enterprises are normally related to the process of discovering and exploiting social opportunities in order to create and implement social change. Generally, SEs apply business-like expertise and market-orientation strategies to drive social goods and services to meet social needs. They can be profit or non-profit oriented, but with the pivotal objective of creating societal value rather than wealth. Some of those enterprises operate internationally, but they are not given much coverage in the literature (Yang & Wu, 2015).

Public economics analyzes how government policy improves social welfare providing a framework to address how governments participate and/or enhance economic markets. As such, SEs pose interesting challenges from the public economics perspective as they seek to provide a specific social purpose to serve the market place, which is not addressed by the market failure point of view. Another important topic is that SEs, by their dual mission, tend to serve similar business contexts that for-profit businesses do, which may create unfair competition as SEs tend to serve social needs differently than for-profit businesses do, which may increase the gap between them. Furthermore, as most SEs need government support, those who criticize SEs claim that governmental support creates even more differences between SEs and for-profit businesses and that SEs jeopardize the proper market competition and market dynamics, criticizing governments for not promoting efficient and equitable markets.

If SEs serve specific market segments creating social value and are not focused on creating wealth (Yay & Wu, 2005), their internationalization process is important in serving social needs abroad. However, if serving those markets abroad is important, those SEs that internationalize may benefit from positive externalities addressing market failures in foreign markets benefiting from imperfect competition. As such, this needs to be addressed in the literature.

Despite the interest of SEs, the internationalization of social, business-oriented enterprises is quite recent. Therefore, this chapter seeks to address this gap by analyzing the existing knowledge on SEs' internationalization, covering the many steps and procedures required in the process, namely the drivers, market selection decision, models and theories, entry modes, and scaling strategies, among others. To achieve this, we will carry out a systematic literature review (SLR), by establishing a set of search words on the subject and the research platforms to use in the research process.

This chapter is structured in six sections: after the introduction, Section 2 presents and contextualizes the concept of social enterprises; Section 3 describes the methodology used to carry out the SLR; Section 4 addresses the main results emerging from the internationalization of social enterprises; and lastly, Section 5 presents the main conclusions.

## **SOCIAL ENTERPRISES**

As previously mentioned, the internationalization of social enterprises “has gained limited attention in academia and empirical studies have been few” (Färdig & Håkansson, 2014, p.2). Hence, research specifically focusing on the internationalization of SEs is sparse (Alon et al., 2020).

Although research on the topic is still at an early stage (Saebi et al., 2018), recent studies demonstrate that social enterprise entrepreneurs are entering the competitive international environment. This has attracted the attention of researchers, as most companies are seeking opportunities in other countries (Sousa & Lizuka, 2020).

Before we present the findings and discussion of this study, it is crucial to consider the definitions of social enterprises and what distinguishes them from other types of organizations, the concept of internationalization, and to identify the relation between the internationalization process and social enterprises.

Put simply, “social enterprises are organizations seeking business solutions to social problems” (Doherty et al., 2006, p.562). However, Mersland et al. (2020, p.1) define “social enterprises as hybrid organizations that concurrently pursue social and economic goals and hence are mid-way between conventional capitalistic firms and non-profit organizations”. From this perspective, Alon et al. (2020, p.1) also claim that SEs “are hybrid organizations that simultaneously pursue financial and social goals, while addressing institutional voids.” Social enterprises normally have to deal with their dual mission, involving both financial sustainability and social purpose (Doherty et al., 2014).

Social and environmental problems have always afflicted humanity. Social enterprises “emerge as one of the innovative alternatives in the field of social entrepreneurship, to generate environmental and/or social solutions, while generating profitability” (Sousa & Lizuka, 2020, p.3) when faced with humanitarian problems such as extreme poverty, water and air pollution, various forms of discrimination, and the exclusion of minorities, among other challenges, present in both developing and developed countries (Sousa & Lizuka, 2020, p.3). Hence, SEs have the power to not only solve global challenges but also create transformational global movements impacting on, and improving people’s lives all around the world (Teperi, 2018).

It is also important to understand that the distinction between for-profit and non-profit international social enterprises influences SEs’ international path (Yang & Wu, 2014). The former normally internationalize following more conservative paths as they do not experiment with operational modes and the choice of products. The international expansion of for-profit and non-profit SEs follows different strands: for-profit SEs normally choose countries with a similar business context (or where customers can be met), whereas non-profit SEs normally seek to respond to similar problems as in the original setting (Ćwiklicki, 2019).

The pursuit of a dual mission is not unique to SEs as they need to fund their activities seeking at the same time to provide the solution to the social needs they want to address (Alon et al., 2020; Pinheiro et al., 2021; Saebi et al., 2019). Doherty et al. (2006) affirm that SEs should be distinguished from other socially-oriented organizations providing solutions to social problems that bring significant benefits to communities, but do not want to be seen as regular (for-profit) businesses.

Doherty et al. (2006) conclude that social enterprises have a social purpose and use assets and wealth to create community advantages by trading in the marketplace. Their profits are not allocated to stakeholders and employees, who have important roles in decision-making, and the community is their own responsibility. These authors also claim that a very important characteristic of SEs is that the most effective social enterprises demonstrate healthy financial and social returns.

Färdig and Håkansson (2014) show that the main motivation for the internationalization of social enterprises is to alleviate social problems. They argue that SEs have special internationalization patterns that can be characterized as new, international ventures as they show the typical characteristics of early, rapid internationalizers. Moreover, for Färdig and Håkansson (2014), the most common mode of entry

## **Social Enterprises**

of SEs abroad is through establishing alliances or partnerships in foreign countries, especially in less developed economies.

Alon et al. (2020) limited their study to four major themes related to SEs' internationalization. They highlight the importance of governments for SEs' development. Their role includes providing funding and supporting structures to access needs. However, governments also have the power to regulate and limit SEs, which will have an enormous impact on the behavior and outcomes of international SEs. However, more and more, social enterprises are becoming international by delivering products and services across borders (Mersland et al., 2020).

One important aspect that emerges from the literature covered is the lack of analysis of the internationalization process from the public economics point of view. Themes such as economic efficiency, transaction cost economics, market failure, imperfect competition and government failure seem to be absent from the main topics discussed. This may justify a systematic search to sport the importance of public economics on SEs internationalization.

## **METHODOLOGY**

The present chapter follows the protocol of the SLR proposed by Tranfield et al. (2003). SLRs aim to identify all studies addressing a specific search question, providing a balanced, unbiased summary of the literature (Nightingale, 2009).

According to Tranfield et al. (2003), SLRs include 3 main phases:

Stage I – Planning the review

Stage II – Conducting the review

Stage III – Reporting and dissemination

As a first step, we defined the purpose of the review – social enterprises –, considered critical in a systematic review (Stage I). This section of the paper focuses on the methods used to select the most relevant articles. A method of inclusion and exclusion was used, based on assessment of the relevance and quality of each article (Stage II). The next section of the chapter analyzes the most important aspects of each article (Stage III).

Firstly, we established a set of keywords based on the topic under review. To begin searching for articles, we defined the Scopus database to carry out the research. In order to gather as much information as possible, it was decided not to restrict our search to specific academic journals. Additionally, the research did not take into consideration the articles' publication date or the authors' reputation.

We began our research on the Scopus Platform, using the search words “social enterprise\*” AND “internationalization” in the titles, keywords and abstracts of each article. From this search, we obtained 11 results. On analyzing the titles, abstracts and keywords of each article, we decided to include nine and excluded two of these studies since they did not address the topic of SEs' internationalization. In a second phase, we looked up the search string: “scaling” AND “growth” AND “social enterprise\*”, from which we gathered 22 documents. Once again, after examining the titles, keywords and abstracts of each document, we decided to include two, and exclude 20 of these 22 articles, since not all of them dealt with the main subject of this paper. In a third phase, we used the search words “social enterprises”

AND “internationalization” on the Researchgate platform. After examining the respective titles, abstracts and keywords we decided to include only one article.

After this, all the articles were analyzed and sorted into three categories: include, further reading, and exclude. Upon further reading, we ultimately gathered 12 documents. However, through the snowball sampling method, we realized that the papers “The internationalization of social enterprises: Mapping patterns in the internationalization process of social entrepreneurs” (Färdig & Håkansson, 2014) and “Conceptualizing the International For-Profit Social Entrepreneur” (Marshall, 2011) were mentioned multiple times in several articles. As such, we decided to include those articles in this SLR for further analysis.

In order to analyze the 14 documents collected, a matrix was prepared, in which we inductively derived and established the different key topics mentioned in each study.

## **FINDINGS**

Analysis of the results began by identifying the sample of selected articles. Careful analysis revealed that several articles did not fulfill the criteria defined. Consequently, those studies were eliminated and only 14 documents were included for further analysis. The following section presents the characteristics of the literature included in this systematic review.

The earliest study that met the established criteria was published in 2011. Most of the studies were published very recently, in 2019 and 2020, as shown in Table 1. This increase might be justified by the increasing relevance of social enterprises in general, and internationalization of social enterprises in particular, for the research community. This interest may be increased by the differences in the approaches and internationalization processes adopted by SEs and traditional for-profit firms.

The articles included in this systematic literature review were gathered from 10 different journals, as shown in Table 2, in which we did not include book chapters or master thesis documents. The scientific journals with the highest number of articles on the subject are the *Journal of World Business* – which is a premier journal in the field of international business publishing cutting-edge research that reflects important developments in the global business environment – and the *Journal of Social Entrepreneurship* – which publishes research on social entrepreneurship, defined as having four key components: sociality, innovation, market orientation and hybridity. One of the documents included was a book chapter, and a master thesis.

Future researchers studying the internationalization process of SEs can benefit from knowing the research methods employed so far. As shown in Table 3, the most prominent methodologies adopted by the sampled articles include, among others, 8 literature reviews, 6 case studies, and 8 interviews. Most studies employ more than one research method.

## Social Enterprises

Table 1. Evolution of the main publications over time

Publication Date	N° of Articles
2011	1
2014	1
2015	1
2018	1
2019	4
2020	6

Table 2. Main outlets

Publication Source Journals	N° of Articles
Journal of World Business	2
Journal of Social Entrepreneurship	2
Electronic Markets	1
Cross Cultural and Strategic Management	1
Entrepreneurial Business and Economics Review	1
International Business Review	1
Journal of Business Ethics	1
Journal of Cleaner Production	1
South-Eastern Europe Journal of Economics	1
Sustainability	1

## For-Profit or Not-for-Profit

In the debate on what constitutes a social enterprise, profitability is a point of contention, since social and financial objectives often conflict (Wry & Zhao, 2018). Hence, it was considered pertinent to identify how many articles focus on for-profit or not-for-profit SEs. Accordingly, four studies focus on for-profit social enterprises, three studies on not-for-profit SEs, and six studies concentrate on both for-profit and not-for-profit SEs. In one of the studies, it was not possible to identify the question of profit-making.

## SEs' Mission

SEs can focus on several different social and environmental objectives, depending on their mission. Of the 14 articles examined, five study SEs with a social mission as their main objective. None of the articles studies SEs with an exclusively environmentally-driven mission, while four encompass both social and environmentally driven SEs. In five of the 14 studies, the SEs' mission was not explicitly stated.

## Main Theories

As previously mentioned, in order to organize the content of each article, two matrices were developed. Subsequently, we will synthesize what we consider the most noteworthy and relevant theoretical lenses and topics addressed in the sample. Nevertheless, it is important to note that several studies did not adopt an explicit theoretical viewpoint but were alternatively based on knowledge in several other research streams.

The most prominent theories are the Theory of Planned Behavior and internationalization theories such as the Uppsala Model and the Network Approach. Other relevant theories are Social Entrepreneurship Theory, the Theory of Entrepreneurial Event, Social Exchange Theory, specifically the Reciprocity Norm, Resource Mobilization Theory, and Agency Theory.

Two commonly adopted intention-based models in entrepreneurship research are the Theory of Planned Behavior, introduced by Ajzen (1991), and the Entrepreneurial Event Model, introduced by Shapero and Sokol (1982). These models are used as tools to examine the precursors of entrepreneurship (Krueger et al., 2000).

## Theory of Planned Behavior

The Theory of Planned Behavior establishes three determinants of intention: attitude toward the behavior, subjective norm, and perceived behavioral control (Ajzen, 1991). The first – attitude toward the behavior – pertains to the degree to which a person evaluates or appraises the behavior in question favorably or unfavorably. The second determinant is a social factor designated subjective norm, which refers to the perceived social pressure to perform or refrain from performing the behavior. The third predictor is the level of perceived behavioral control, concerning the facility or difficulty of carrying out the behavior, and is supposed to reflect past experience as well as anticipated barriers and obstacles. Generally, the more favorable the individual's attitude, subjective norms, and the perceived behavioral control toward a behavior, the higher the individual's intention to carry out the behavior in question. The relative importance of each predictor of intention will vary depending on the behaviors and situations (Ajzen, 1991).

*Table 3. Main methodologies used*

Methodology	Times used
Literature Review	8
Interviews	8
Case-Study	6
Qualitative	4
Quantitative	4
Survey	2
Others	3

## Social Enterprises

Table 4 (a). Main topics covered

	Drivers	Prerequisites	Entrepreneurs' Profiles	International Market Selection	Sourcing of Funding	Business Model	Internationalization Models
Alon et al. (2020)	x		x	x			x
Benmamoun et al. (2020)							
Bretos et al. (2020)	x						
Ćwiklicki (2019)							
Dobson et al. (2018)						x	
Evans et al. (2019)							x
Färdig & Håkansson (2014)	x			x			x
Kusa & Dębkowska (2020)			x				x
Magoulios et al. (2019)		x				x	x
Marshall (2011)			x				
Mersland et al. (2020)				x			
Ritvala & Riikinen (2019)	x						x
Veronica (2020)			x	x	x		
Yang & Wu (2014)			x	x			

Table 4 (b). Main topics covered

	Entry Modes	Operational Modes	Product Preferences	Expansion Strategies	Obstacles/ Challenges/ Solutions	Resource Mobilization	Marketing Strategies	Social and Economic Outcomes
Alon et al. (2020)	x							x
Benmamoun et al. (2020)	x							
Bretos et al. (2020)				x	x	x		x
Ćwiklicki (2019)				x				
Dobson et al. (2018)	x			x				
Evans et al. (2019)								
Färdig & Håkansson (2014)	x			x	x			
Kusa & Dębkowska (2020)	x							
Magoulios et al. (2019)				x	x			
Marshall (2011)								
Mersland et al. (2020)				x				
Ritvala & Riikinen (2019)				x		x	x	
Veronica (2020)								
Yang & Wu (2014)		x	x	x	x			

## Entrepreneurial Event Model

Developed by Shapero and Sokol, the Entrepreneurial Event model defines the interaction between cultural and social factors that can lead to the creation of a firm by influencing an individual's perceptions.

Accordingly, the model regards entrepreneurship as an option or alternative that arises as a result of an external change (Shapero & Sokol, 1982).

The model distinguishes between two types of perceptions: Perceived Desirability and Perceived Feasibility. Perceived Desirability is the result of an individual's perceptions of the desirability of entrepreneurship in relation to personal attitudes, values and feelings. Perceived Feasibility relates to an individual's perception of available resources (knowledge, human and financial), that is, it assesses the individual's perceived ability to perform a certain behavior. Propensity to Act is the individual's proclivity to act on their decisions, reflecting volitional aspects of intention (Shapero & Sokol, 1982).

The Entrepreneurial Event Model has often been used to analyze entrepreneurial activities, and the results have validated this model as a consistent instrument for measuring entrepreneurial intention (Miralles et al., 2012).

## **Social Entrepreneurship Theory**

Social Entrepreneurship Theory proposes new organizational typologies for social entrepreneurial ventures while studying the conditions, contexts and motivations that lead to the creation of those typologies. Social Entrepreneurship Theory also studies how these typologies measure social impact, resource mobilization, and generate sustainable social change. Therefore, social entrepreneurship is inherently rooted in the social sector, which is focused on creating sustainable social change (Ebrashi, 2013).

## **Social Exchange Theory – Reciprocity Norm**

Social Exchange Theory (SET) has been employed in the fields of social psychology, sociology and management. SET conceptualizes social life as a sequence of continuous transactions between two or more parties. The “transactional” relationships between these parties evolve over time, forming lasting and loyal commitments. In order to achieve mutual commitment, the parties involved must adhere to certain exchange guidelines that provide a normative definition of the situation developing among or endorsed by the parties in the relation. One of the prevailing exchange guidelines is the Reciprocity rule, which refers to mutually beneficial exchanges between the parties. Reciprocity derives from the concept of repaying – when one party benefits another, a commitment is formed, and an obligation brought about. The beneficiary is now indebted to the benefactor and remains so until repaying. The kind and intensity of the indebtedness will differ from relationship to relationship. Reciprocity has two fundamental characteristics: equivalence, which refers to what should be exchanged and concerns the degree to which two parties' exchanges are ultimately equally beneficial; and immediacy, which pertains to the amount of time between the reciprocal exchanges (Evans et al., 2019).

## **Agency Theory**

Agency theory is an economic principle suggesting the existence of a contract between two parties – principals and agents. Principals are owners or shareholders who are no longer able to supervise the work and supporting activities required for the organization's success. Consequently, principals are forced to identify and allocate work to agents, who are company executives or managers hired to act in the principal's best interests. As such, principals entrust tasks and decisions to agents, expecting them to carry out those responsibilities according to the principal's instructions (Davis et al., 2021). Agency theory

## **Social Enterprises**

stems from the assumptions that the agent will behave opportunistically, particularly if their interests conflict with those of the principal (Bendickson et al., 2016). According to agency theory, principals are worried about the self-interest behaviors of agents, and so governance mechanisms are required to ensure the agent acts in the principal's interest. However, as roles shift from agent to principal and back, establishing effective governance mechanisms may become more difficult (Davis et al., 2021).

## **Resource Mobilization**

Originally employed in the study of social movements, resource mobilization theory contends that the success of social movements is dependent on resources (time, money, talents, etc.) and the capacity to employ them (Jenkins, 1983). Several ideas from the literature on social movements have been applied to the study of social entrepreneurship. Social transformation is a concern of both social movements and social enterprises. Thus, knowledge of the many different tactics used by social movements, such as resource mobilization, is valuable for social entrepreneurship research and practice (Mair & Martí, 2006).

Resource mobilization is considered especially critical for SEs, since they typically operate in resource-scarce environments, frequently in locations viewed as unprofitable by the private sector and ignored by the state. Furthermore, the primary social purpose of SEs, as well as the restriction on surplus distribution of non-profit types of SEs in particular, prevents social entrepreneurs from accessing the same capital markets as commercial entrepreneurs. As a result, resource mobilization can be particularly challenging for SEs (Austin et al., 2006, p. 3).

SEs' resource mobilization has been studied through the lens of bricolage, which is described as "making do" with the available resources and adapting them to new contexts (Teperi, 2018). Ritvala and Riikkinen (2019) propose two separate methods of resource mobilization, optimization and bricolage, which entail quite distinct approaches to resource structure and bundling. Optimization entails acquiring resources with a specific purpose in mind (e.g., standard components that fit together, paid employees). When SEs engage in optimization, they define explicit quality standards for the resources they utilize, find the best providers, and are willing to pay market prices for them. Bricolage, on the other hand, focuses on the use of undervalued resources, such as discarded or worn materials and pre-existing contacts, which are available at little or no cost. It is either driven by necessity, when SEs cannot afford to procure standard resources (necessity-based bricolage), or by an intentional design principle to further strategic renewal (ideational bricolage). This ongoing need for bricolage differentiates SEs from more traditional internationalizing enterprises (Ritvala & Riikkinen, 2019).

## **Internationalization Theories**

The Uppsala model and the Network approach, two fundamental theories of firm internationalization, were the most prominent internationalization theories mentioned in the articles analyzed. Hence, these theories will be discussed next.

The Uppsala model is considered a classic theory in the field of international business (Johanson & Vahlne, 1977; 2009; Ribau et al., 2015; Teperi, 2018). The model defines the internationalization process as a gradual incremental process with several stages, which cannot be viewed separately from a company's current situation, market, and market knowledge.

The model suggests that a company's internationalization process often begins in a psychically and culturally close market, where the firm has a better understanding of the market and more control over the

resources. From then on, as the company acquires experience and better resources, it gradually expands to more distant markets, that is, distant in terms of culture, language, political systems, geographical location, and difficulty in obtaining information from the market (Johanson & Vahlne, 1977; 2009).

The Uppsala model is based on the relationship between knowledge about the market the organization wishes to enter, managerial decisions concerning commitment and the results of initial activities as a predictor of future commitment (Johanson & Vahlne, 2009). The main premise of the model is that greater market knowledge leads to greater market commitment, and vice versa (Andersen, 1993).

According to the Network model (Johanson & Mattsson, 1987; 1988), an organization's internationalization process is defined as the establishment, maintenance and development of relationships with network members in foreign markets. The model emphasizes the importance of building long-term relationships with entities from the foreign market with the internationalization process being defined by the entity-diverse foreign environment and the formation of formal and informal contacts with the entities in it. The extent to which a company occupies particular positions in national (foreign) networks, as well as the level of importance and integration of these positions, reflects its level of internationalization. Furthermore, the status in the network influences the relationships with other network participants and is mostly determined by prior interactions. A highly internationalized organization has numerous strong links with entities from several countries (Ratajczak-Mrozek, 2012).

One important conclusion regarding the main theories covered is that most of the analyses carried out do not address the internationalization of SEs from the public economics point of view.

The role of government in reporting efficient markets (Abeson, 2012) is totally absent. If we take into account that SEs emerge as the result of market failure serving social and societal needs, we can claim that SEs not only address market failures not addressed by local governments but also take advantage of imperfect markets when internationalizing their activities.

The role of imperfect competition, as part of public economics, is also absent in the analysis. If SEs take advantage of their assets and capabilities during their internationalization process, they also profit from the lack of barriers to entry into international markets. As such, it is possible to claim that SEs take advantage of imperfect competition when serving international markets.

Another topic not addressed by public economics is externalities that arise when SEs internationalize. It is possible to claim that internationalized SEs can generate positive externalities when providing social needs. These positive externalities need further research to address how SEs enhance the wellbeing of communities abroad when they provide their social services/goods.

## **Topics Covered**

15 different topics emerged from analysis of the papers, as shown in Table 4. After identifying each topic, we determined which studies addressed each one. Most of the articles were found to discuss more than one of these key topics, the only exception being "Conceptualizing the International For-Profit Social Entrepreneur" by Marshall (2011).

The topic of "expansion strategies" was the most frequently addressed, with a total of eight studies. The topics of "internationalization models" were discussed in six studies and "entrepreneurs' profiles" in five studies. Both "international market selection" and "entry modes" were explored in five studies each. In four of the studies, the topics of "obstacles/challenges/solutions" and "drivers" were analyzed. "Resource Mobilization", "Business model", and "Social and Economic Outcomes" were covered in

## **Social Enterprises**

two studies each. Lastly, “Prerequisites”, “Sourcing of Funding”, “Operational Modes”, “Product Preferences” and “Marketing Strategies” were considered in one study each.

## **SUMMARY OF MAIN FINDINGS**

In the previous section, we introduced the main findings drawn from the literature gathered, highlighting the more relevant topics that emerged from the articles analyzed. In the following section, these findings are discussed in depth for better understanding of the internationalization processes and methods followed by SEs.

Before diving deep into the results found, we will briefly run through our main findings, so as to build a logical thought process regarding the discussion. As previously described, most of the articles selected for analysis are recent, with the main core covering 2019 and 2020. Regarding publication sources, the articles derive from reputed journals. As for methodologies, researchers have worked on literature reviews, case studies and interviews as the most convenient approaches to this topic. With respect to the analysis itself, we organized the chapter based on the topics found and shown in Table 4. We then decided to start considering the nature of the SEs mentioned, to find details such as their missions, and whether they are for-profit or not-for-profit. Finally, some of the main theories approached in the studies are defined for additional contextualization. In this section, we will interpret the remaining ideas in detail.

## **Internationalization Models**

Throughout our research, we found that the Uppsala model is mentioned abundantly. As already mentioned, it views internationalization as the product of learning (Evans et al., 2019; Johanson & Vahlne, 2009; Ribau et al., 2015). As such, most research explicitly or implicitly regards this internationalization strategy as being very effective and the ideal path to follow. However, interestingly, one article claims otherwise. Evans et al. (2019) defend that the assumptions of the Uppsala model may not be as adaptable to the specific context of a social enterprise. This is because SEs can bypass the internationalization process by developing reciprocal relationships quickly, which also allows them to take advantage of the shared knowledge. Ritvala and Riikkinen (2019) identified two internationalization paths for SEs, the multi-local and the born-glocal. The multi-local path accentuates the role of local integration and embeddedness in community networks, as opposed to the born-glocal, which focuses on global standardization and resource optimization with local integration.

## **Drivers**

Regarding the drivers, the analyses indicate that SEs internationalize following different paths, depending on their mission, which ultimately is their main driver (Ritvala & Riikkinen, 2019). Missions related to problems such as global wealth disparity, corporate social responsibility, institutional failures and technological advances are presented as major contributors to the emergence of ISEs that address social issues globally (Färdig & Håkansson, 2014). An external factor to consider is the market in which SEs operate. When local markets become highly globalized and competitive, these organizations tend to feel the need to identify and exploit social entrepreneurship opportunities in a context where social problems are not being effectively addressed; or simply to internationalize as a strategy for survival (Bretos et al.,

2020). In our research, Alon et al. (2020) conclude that in order to succeed, and because SEs operate towards financial and social goals, it is necessary for them to understand and differentiate between the drive to recover investments and the desire to expand the ability to address social problems.

## **Market Selection Decision**

The market selection decision is based on three traditional internationalization theories, all of which are covered in this SLR: the Uppsala model, the eclectic paradigm, and the network perspective (Veronica et al., 2020). Essentially, they explain the organizational decision-making process (Veronica et al., 2020). A few very important perspectives must be considered when selecting a target market (Färdig & Håkansson, 2014; Mersland et al., 2020): the process of location choice is crucial, involving aspects such as political and social factors; the attractiveness and size of the market; competition; and proximity to customers and/or stakeholders. Predominantly, when investing abroad, organizations seek to balance the trade-off between their social and financial goals (Mersland et al., 2020). It is important to note that countries with weaker institutions are often prone to suffering the consequences of corruption, inequality, poverty, poor healthcare and others (Mersland et al., 2020). Social enterprises regard these challenges as opportunities to enter the market in these countries. However, we also found that these challenges could potentially prevent social enterprises from becoming financially operable and become a threat to their self-sustainability (Mersland et al., 2020). Yang and Wu (2014) further propose that for-profit and not-for-profit organizations tend to have different strategies when it comes to their choice of cross-country markets. For-profit international SEs tend to expand into countries with similar cultural and product preferences, and not-for-profit international SEs into countries with similar social problems and needs (Yang & Wu, 2014). Therefore, international SEs are less motivated to look for profitable markets, and more likely to make efforts to match supply and demand across countries, building a sustainable operational model to benefit themselves, local social groups, and consumers (Yang & Wu, 2014).

## **Business Models**

When starting the internationalization process, it is important to be aware of the efficacy, or lack thereof, of the existing business model. The basis for this is, according to Dobson et al. (2018), organizational learning, which consists of the knowledge acquired through successive experimenting. This procedure allows organizations to probe new operations in new environments, and consequently change and adapt their business model along the way. With this idea in mind, the study finds that given uncertainty, an organization's business model does not need to be proven before beginning the internationalization process, as the ideal one will be built as experimenting progresses (Dobson et al., 2018). However, Magoulios et al. (2019) argue that there are necessary criteria to be followed, namely in relation to the business model, which must be strong and financially viable in order to carry out the organization's mission in the long term. The reason behind this, they argue, is because in this way it is possible to rely on previous (national level) experience (Dobson et al., 2018).

## **Entry Modes**

Behind every internationalization process there is deliberation on what the most feasible entry mode is. One of the main determinants for choosing the entry mode is the level of control that firms require over

## **Social Enterprises**

foreign operations, which is highest in wholly owned subsidiaries, and lower in partnerships and/or joint ventures (Färdig & Håkansson, 2014). More examples of determinants are location, knowledge of the market, level of risk in the target market, the need for strategic flexibility, firm size, previous experience, the firm's core competence, and the characteristics of the firm's products and/or services (Färdig & Håkansson, 2014). Regarding the pondering process, Kusa and Dębkowska (2020) and Dobson et al. (2018) mention some specific entry modes, namely importing, exporting, franchising, outsourcing, joint ventures, and gentleman's agreements. On this matter, some theoretical approaches to studying these entry mode choices have been pointed out, mainly Transaction-cost economics (TCE), which is related to the cost of searching, negotiating and monitoring potential partnerships (Alon et al., 2020). Others include the eclectic (OLI) paradigm and foreign direct investment (FDI), which together with TCE make for a very viable analysis of the ideal entry modes to choose (Alon et al., 2020).

## **Obstacles and Challenges**

It is implicit in the concept of internationalization that there will always be obstacles and challenges, which require solutions. These are evidently related to every other topic we mention throughout this SLR, including internal and external issues. Starting with external factors, a baseline issue is the incomplete understanding and recognition of the concept of a social enterprise (Magoulios et al., 2019). Additionally, there are issues such as a lack of regulatory and support policies, difficulties in accessing markets, absence of support services, etc. (Magoulios et al., 2019). Internal issues include a lack of sustainable business models, professional qualifications, and management skills. There are also cultural and legal barriers, and a lack of financial resources (Magoulios et al., 2019), and language differences (Färdig & Håkansson, 2014). Other obstacles include the liability of outsidership, lack of access to relevant networks, and differences in business practices and level of industrial development (Färdig & Håkansson, 2014). Ultimately, having limited financial resources was found to be one of the main barriers for internationalization, as well as a lack of knowledge of foreign laws, norms, and standards. All these barriers are common to social enterprises, due to their standard operation mode that puts them in distant markets and developing economies. Building on this, preserving embeddedness within communities, and especially expanding it into the international networks is presented as a huge challenge by Bretos et al. (2020), as well as resource scarcity, given that SEs require major resources whilst simultaneously operating in resource-scarce settings.

## **Resource Mobilization**

Resource mobilization is required in order to build social impact, and because of the nature of SEs, it differs depending on the resources being mobilized, whether they are financial, human or tangible (Ritvala & Riikkinen, 2019). Our research reveals three mobilization sources: financial resources, predominantly focused on crowdfunding (raising small contributions from individuals without involving financial intermediaries); human resources, formed by employees and volunteers (through personal networks and social capital); and tangible resources, which may involve either acquiring resources such as technology, equipment and office space, or using what is at hand, also known as 'bricolage' (Ritvala & Riikkinen, 2019). However, there are two different means of resource mobilization: optimization (goal-directed resource acquisition, for instance, paying employees) and bricolage (using undervalued resources and

pre-existing contacts). This second concept is found to be dominant in early resource acquisition (Ritvala & Riikkinen, 2019).

## **Social and Economic Outcomes**

Studies on social and economic outcomes related to SEs' internationalization are very sparse (Alon et al., 2020). Nevertheless, we work on the assumption that the presence of international SEs should be expected to generate social and economic benefits for the host country. This is possible due to them having access to technology and firm-specific knowledge, which can have positive spill-over effects in the host country (Alon et al., 2020). By preserving the values, practices and orientations that make them genuine alternatives to corporate managerialism in the international business sphere, SEs can generate financial, social and environmental outcomes simultaneously (Bretos et al., 2020). Economically, these organizations may impact local economies by employing members of the community. As for social impact, the literature differentiates this along a spectrum ranging from depth-scaling, which aims to expand the type, number and quality of services in order to enhance the impact; to breadth-scaling, which focuses on affecting more people and covering larger geographical areas (Bretos et al., 2020).

## **Embeddedness**

An element frequently mentioned in the analyzed articles is embeddedness, which is perceived as the essence, depth and extent of an individual's ties with the environment (Ćwiklicki, 2019). Adding to this, Yang and Wu (2014) highlight 'double-embeddedness'. This refers to the degree of connection and interaction with the community (local actors or stakeholders) manifest through well-synchronized relationships that help SEs to attain the necessary resources to sustain their operations. Evans et al. (2019) gave the concept of embeddedness a different perspective and studied its influence on the internationalization process. First of all, the article claims that international SEs have the capacity to internationalize rapidly due to their accelerated rate of embeddedness, achieved through building positive reciprocal relationships with their stakeholders. It then takes on the Hofstede theory to analyze societies' effect on organizations' internationalization process. Starting with collectivism, the article concludes that collectivist societies value long-term group ties, social bonding and dependence, which means that SEs are capable of internationalizing at a more rapid rate of embeddedness. The same applies in countries with a high level of femininity. Additionally, people might be very suspicious of the unknown aspect of SEs in countries with strong uncertainty avoidance, meaning that organizations should choose cultures with less uncertainty avoidance to create reciprocal relationships and accelerate the rate of embeddedness. Ultimately, embeddedness and the correspondent development of reciprocal relationships is what makes SEs able to bypass the incremental internationalization process (Evans et al., 2019).

## **Network Approach**

It is important to mention that the network model, as well as the importance of networks in general, had a great number of mentions. As for the network model of internationalization, this highlights interactions between organizations aimed at mutual compensation for their limited resources (Veronica et al., 2020). These networks extend organizations' action beyond national borders, acting as a vehicle for internationalization (Magoulios et al., 2019). Ćwiklicki (2019) states that partnerships are key when it comes

## **Social Enterprises**

to building connections, receiving donations and financing actions and projects. Along with these ideas comes the concept of reciprocity, which is one of the dominant pillars of social exchange and consists of a beneficial exchange between two parties, as well as adaptation and knowledge transfer (Evans et al., 2019). Although they recognize that levels of reciprocity vary across national cultures, Ritvala and Riikkinen (2019) add that reciprocity increases under conditions of resource scarcity with the purpose of overcoming lateral rigidity.

## **Expansion and Scaling Process**

The question of expansion and scaling is recurrent in many of the topics mentioned so far. Ritvala and Riikkinen (2019) state that the relationship between scaling and internationalization is very significant, adding that it is still under-theorized. The articles agree that the main purpose of SEs' expansion is to maximize social impact rather than financial return (Ritvala and Riikkinen, 2019). This process involves developing an innovative solution that responds to a societal challenge, and then scaling it across borders (Bretos et al., 2020). In order to explain success at scaling social impact, Ćwiklicki (2019) introduces the SCALERS model, which evaluates the results of seven capacities: staffing, communicating, alliance building, lobbying, earnings generation, replicating, and stimulating market forces in certain situational contingencies. In addition, Ritvala and Riikkinen (2019) point out two different scaling phases: scaling deep, acknowledging the local structures while replicating their processes and empowering local communities; and scaling wide, by delivering standard replicable products across the globe through collective social entrepreneurship. All in all, the general results of the research comply with prior conceptions that transnational social scaling requires a viable business model and should therefore take place at a later stage when entrepreneurs have sufficient experience and confidence in the operational model (Ćwiklicki, 2019; Magoulios et al., 2019). As already mentioned, and based on existing literature, the articles analyzed hypothesize that SEs are likely to expand their affairs into countries where they have the opportunity to balance their social and financial demands (Mersland et al., 2020). Therefore, they will target countries that are somewhat less developed, but not at the lowest level (Mersland et al., 2020). They will also expand operations into countries with similar cultural and social needs (Yang & Wu, 2014).

## **Standardization and/or Localization Strategies**

Regarding localization strategies, it has been observed that entrepreneurs often struggle when it comes to choosing between seeing the world as a single market (standardization) or considering the specific needs of each market (localization) (Benmamoun et al., 2020). Since an international SE's mission is usually specifically related to a local society, it would be best to opt for tailor-made solutions (Yang & Wu, 2014). However, local approaches tend to have a higher cost attached, making them less optimal for not-for-profit SEs. Consequently, it can be concluded that for-profit SEs with more sources of income are more likely to choose to adapt to local environments (Yang & Wu, 2014). This strategy is not only related to the choice of products, services or general missions of an SE, but also to how it chooses to establish its brand and online presence. The main purpose of having an online presence is to engage in societal marketing and portray a favorable image (Benmamoun et al., 2020). In this way, SEs can target potential donors, advocates, influencers and volunteers to champion their international causes. Beneficiaries are not included in the main target list, as they do not often have access to online resources (Benmamoun et al., 2020). Web globalization is the key that opens the door to new global markets, and many crucial

aspects need consideration for online adaptation to be effective. It is essential to consider country selection, marketing, service delivery, customer service, etc., as well as to meet the cultural, linguistic and legal requirements of the target market (Benmamoun et al., 2020). Here, we found that SEs usually adopt a standardization strategy, which allows them to create a ‘singular voice’, thereby building legitimacy and reliability, and reinforcing their global brand (Benmamoun et al., 2020). Some SEs were also found to adopt a *glocalization* strategy, which consists of a standardized approach paired with some localized details. Essentially, this means that while these companies maintain international branding consistency, the web content directed at local donors and other possible targets is adapted (Benmamoun et al., 2020).

## **Social Entrepreneurs**

The articles analyzed provide various definitions of what the social entrepreneur’s profile is or should be, whether in for-profit or not-for-profit SEs. We have not found any inconsistencies amongst the definitions, which means that they not only agree, but also build on and complete each other. Yang and Wu (2014) define social entrepreneurs simply as individuals who attempt to make changes in society by ticking five boxes: taking on a mission to create and sustain social value; recognizing and pursuing new opportunities to serve that mission; engaging in continuous innovation, adaptation and learning; acting boldly without being limited by resources currently in hand; and exhibiting heightened accountability to the mission serviced and the outcomes created. Veronica et al. (2020) mention that ideally a social entrepreneur should be devoted to the social community and aim to help disadvantaged people introduce advanced solutions to improve a community’s quality of life. Marshall (2011) directs attention to social entrepreneurs of for-profit organizations, specifically describing them as individuals or groups who discover, enact, evaluate and exploit opportunities to create social value through the commercial exchange of future goods and services internationally. Marshall (2011) highlights their ability and/or willingness to take risks, identify gaps in the market, acquire resources and gain legitimacy, perceiving the growth of the enterprise as a positive outcome only if it is successful in improving social problems. In this way, while making a significant contribution to creating social wealth, they also face ethical challenges (Veronica et al., 2020).

## **CONCLUSION**

The internationalization of social enterprises still needs further study and development for better understanding and explanation of this recent phenomenon. When it comes to organizational attributes, missions and outcomes, SEs can be rather diverse. A social enterprise is born to combat institutional voids (at a local or global level) and has the power to survive and achieve the objective of financial sustainability. It is clear that SEs can be for-profit and non-for-profit organizations, and it is also relevant to distinguish SEs from other socially-oriented organizations.

Following the search strategy defined, we started by defining social enterprises and internationalization, as well as giving a general idea of SEs’ internationalization process. Generally, these three concepts are present – for the purpose of contextualization – in every article we analyzed, always from the same standpoint. When addressing the main motivations for social enterprises’ internationalization, we referred to the process of scaling up and establishing alliances and partnerships (also known as networking),

## **Social Enterprises**

two key concepts frequently mentioned in the studies. Furthermore, we found the drivers, obstacles and consequences for social and economic outcomes were emphasized in the studies analyzed.

The biggest limitation encountered was, as already mentioned, the considerable gap in scientific knowledge on the subject of SEs' internationalization. Consequently, there were many variables of the internationalization process that we considered relevant but chose not to analyze, as they were only mentioned occasionally in some articles. These were the prerequisites, sourcing of funding, business models, organizational learning, operational modes, product preferences, and marketing strategies.

Social enterprises cover distinct research topics, from different contextual perspectives and from different angles. One thing is clear: plurality is present. This is the result of the different social perspectives at stake. Social enterprises can be analyzed from two points of view, social innovation and social entrepreneurship, which have different aims. In addition, SEs can be oriented to: provide social goods and services to address societal needs; generate social change; identify opportunities to solve social needs; or solve social needs through the provision of social added value; among other things. However, from the entrepreneurial point of view, SEs may be oriented to exploit market opportunities that are not met by other commercial firms or may apply different business models to generate income to provide social services. If SEs seek growing opportunities abroad, it is clear that they need to follow plural approaches considering their different resources and capabilities but also the particularities of the social markets they address.

Although this is an emerging research topic in SEs, which is still in an embryonic stage, it can be argued that aspects such as types of products/services internationalized; standardization/adaptation strategies for the social products/services internationalized; export (social and financial) performance; public support for SEs' internationalization; business models adopted by international social enterprises; experience of SE managers/entrepreneurs and the consequences for the internationalization process; degree of success of international SEs in foreign markets, among many others, still need further research. Moreover, from the public economics point of view this review reveals that it is mandatory to address non-researched topics involving positive externalities generated by the provision of services/goods in markets abroad and the possible negative externalities suffered by indigenous SEs in those markets abroad. Imperfect competition needs also to be addressed to analyze how SEs benefit from the lack of entry barriers in markets abroad. The support of government in financially supporting the development of social enterprises is of crucial importance to analyze how SEs manage their social enterprises is of crucial importance to analyze how SEs manage their way up improving their competences and capabilities and consequently, converging the international/path.

It is clear that from the managerial point of view the literature of the internationalization process of SEs is much more advanced than that the public economics perspective. As such, if social welfare is expected to grow further research is in high demand.

Social enterprises are definitely crucial in the matter of solving global issues. As social needs all over the world are far from being met, SEs' global impact is expected to keep growing, to the point of influencing international trade in the future.

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## **KEY TERMS AND DEFINITIONS**

**Globalization:** A worldwide movement toward economic, financial, trade and communications integration. It is normally envisaged as a lack of trade barriers between nations, which are removed through free trade agreements throughout the world and between nation states. It implies the opening of local and nationalistic perspectives to a broader outlook of an interconnected and interdependent world with free transfer of capital, goods, and services across national frontiers, in which investment opportunities soar.

**Internationalization:** The process of companies' increasing involvement in international markets. It involves a strategy carried out by firms that decide to compete in foreign markets. It involves cross-border transactions of goods, services, or resources between two or more firms or organizations in two different countries.

**Internationalization Process:** A company's trajectory in its transition from a national market to a particular foreign market. It normally involves several entry modes (exports, FDI, franchising, etc.) that have a critical influence on the subsequent trajectory, as well as on costs related to the internationalization process. The two most important theories explaining the internationalization process are the Uppsala model and the network-based approach.

**Social Enterprises:** Defined as a business with specific social objectives aiming to serve a primary purpose. Social enterprises seek to maximize social and environmental benefits, rather than maximize profits. Their profits are principally used to fund social programs. They can be profit- and non-profit oriented.

**Uppsala Model:** One of the most discussed dynamic theories in the Nordic School and International Business Studies. It explains the process of companies' internationalization. It explains how organizations learn and the impact of learning on companies' international expansion. This theory defends that companies' internationalization process is carried out in stages, from non-regular exports to the establishment of companies abroad.