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Article

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MANAGEMENT | RESEARCH ARTICLE

The South African social enterprises' strategies to guard against mission drift when faced with tensions from the funders

Sizakele Nkabinde¹ and Anastacia Mamabolo^{1*}

Abstract: Social enterprises utilize entrepreneurial activities to generate revenue and build sustainable business models for social impact. Because of their resource constraints, especially finance, social enterprises are forced to reach out to external funders. Although there are obvious benefits, the relationship with the funders also presents tensions that social enterprises must manage to guard against mission drift. Little is known about the strategies employed by social enterprises to protect their missions in pursuing a beneficial relationship with their funders. Drawing from the resource dependency theory, this paper analyzed the qualitative experiences of 13 South African social enterprises and presented the strategies to prevent mission drift. The findings show that social enterprises engage in multiple complementary strategies to manage the tensions between themselves and the funders. The most critical strategy is prioritizing the social impact-oriented projects that enrich their missions. Once in partnership with the funders, social enterprises employ social effectual logic to make decisions. At the same time, some manage the tensions by strengthening their hybrid social models, especially in commercial activities. Lastly, developing strong leadership and governance processes, supported by delivering on the contractual agreements, helped the social enterprises to maintain their missions. The study adds to the literature on collaborative relationships, tensions, and mission drift in the context of social enterprises.

Subjects: Entrepreneurship and Small Business Management; Entrepreneurship; Social Entrepreneurship

Keywords: Social enterprise; hybrid mission; resource dependency; funding tensions; mission drift

1. Introduction

Scholars have devoted attention to hybrid organizations such as social enterprises that utilize revenue-generating activities to deliver social services (Di Domenico et al., 2009). The social enterprises' primary objective is to provide value to their beneficiaries, using commercial activities to make them less reliant on donations or grants to sustain and scale their social activities

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(Battilana & Lee, 2014; Ebrahim et al., 2014). However, some of these organizations are resource constrained in that they lack market power, knowledge, and financial resources to operate viably in the economy (Baker & Nelson, 2005; Desa & Basu, 2013). To address this constraint, social enterprises collaborate with organizations from other sectors to gain access to resources such as funding to execute their missions (Clarke & Crane, 2018; Di Domenico et al., 2009; Huybrechts & Nicholls, 2013).

The literature on cross-sector collaborations explains how social enterprises engage with the funders. Despite the reported benefits derived from funding, scholars have found that tensions exist between hybrid organizations and collaborative partners (Nicholls & Huybrechts, 2016; Smith & Lewis, 2011). Smith and Lewis (2011) observed organizational tensions and categorized them as organizing, performing, belonging, and learning. Scholars have suggested various mechanisms whereby social enterprises can guard against power asymmetries (Nicholls & Huybrechts, 2016), internal and organizational challenges (Davies & Doherty, 2019; Dufays & Huybrechts, 2016), and stakeholders' interests (Granados & Rosli, 2020).

Despite the tensions between social enterprises and their collaborators (Battilana & Lee, 2014; Gillett et al., 2019), there has been scant empirical research showing how the resource-constrained emerging market social enterprises employ strategies to guard against the mission drift during their interactions with funders. Additionally, the existing literature on managing the potential mission drift focused mainly on the social enterprises' internal challenges of balancing economic and social tensions (Battilana et al., 2015; Jay, 2013; Pache & Santos, 2013; Siegner et al., 2018). The narrow focus limited exploration of how the SEs manage tensions that originate from stakeholders, especially funders.

In this study, Pfeffer and Salancik's (1978) Resource Dependence Theory (RDT) was used to explain how social enterprises employ strategies to guard against mission drift amid tensions with funders. The RDT suggests that if an organization depends on other external sources for vital resources, it readily complies with their demands (Pfeffer & Salancik, 1978). The RDT further argues that the behavior of an organization can be understood by interrogating its context (Pfeffer & Salancik, 1978). Given the social enterprises' resource constraints, the dependency on funders implies that they have to ensure that they meet the demands or conditions of the funders and thereby potentially risk neglecting their mission (Battilana et al., 2015). Therefore, it is crucial to identify and understand potential challenges in interacting with a single dominant logic organization and how social enterprises balance their dual mission (Savarese et al., 2021).

The argument is based on the idea that interaction carries the potential risk of social enterprises neglecting their mission, thereby causing mission drift (Grimes et al., 2019). However, there have been gaps in theoretical interest in the RDT, which limited its development, refinement, and application in various social and organizational contexts (Hillman et al., 2009). Thus, the contributions of the RDT in hybrid organizations such as social enterprises require more attention (Tracey et al., 2011).

The present study explored how social enterprises manage the funders' demands and how they guard against mission drift. In answering the research question, the study employed a qualitative approach by conducting semi-structured interviews with 13 South African social enterprises. Despite the lack of a recognized database that houses a list of South African social enterprises, the interviewed social enterprises complied with the requirements of being for-profit with a social mission as the primary goal, a not-for-profit organization transitioning into a hybrid, or purely hybrid organization (Myres et al., 2018).

The study makes several contributions. First, social enterprises utilize complementary strategies to guard against mission drift in a funding relationship. The strategies are social impact prioritization, social effectual behaviors, strengthening hybrid models, strong leadership and governance, and fulfilling the funder's expectations. The second contribution is that these strategies, especially

the need to enhance the hybrid business model, were valuable in assisting social enterprises in minimizing their resource dependency on external sources. Third, the study also contributes to the RDT by demonstrating that this theory can be applied to any resource-constrained organization (Pfeffer & Salancik, 1978, 2003), including hybrid social enterprises.

The study further identified that the RDT should incorporate strategies that minimize dependency (Hillman et al., 2009), specifically in the context of social enterprises. The study also showed that the RDT could be used with other frameworks to explain the strategies to guard against potential mission drift. Effectuation theories may help to expand knowledge on how collaborations work in resource-constrained environments. Fourth, the study's findings add to the research on hybrid organizations in inter-organizational collaboration (Barinaga, 2020), hybrid organizations (Weidner et al., 2019), and strategies devised and applied to guard against resource dependency (Pfeffer & Salancik, 1978, 2003). Lastly, the study provides practical considerations that can assist social enterprises when they consider forming relationships with funders.

2. Literature review

2.1. South African research context

South African policymakers are yet to develop social enterprise legal structures. This lack of a secure structure isolates social enterprises from economic activity and access to resources (Littlewood & Holt, 2018). Currently, South African social enterprises can adopt a for-profit, non-profit (NPO) or a hybrid model, or a combination of NPO and for-profit structure (Myres et al., 2018). Most South African social enterprises are non-profit organizations that aim to solve social problems while generating (limited) revenues to be sustainable (Littlewood & Holt, 2018). The resource constraints in the South African context limit the growth and sustainability of social enterprises in the long term (Baker & Nelson, 2005; Desa & Basu, 2013). Partially based on the current lack of such structure and is also caused by the current challenging economic circumstances in the country. For example, the social enterprises in South Africa fail to grow and lament the barriers they face in trying to access financial and physical resources (Myres et al., 2018). Therefore, the development of the legal structure for social enterprises is expected to enhance how they conduct their businesses and access institutional support for business growth.

Like social enterprises elsewhere, the South African resource-constrained enterprises seek funding by organizing themselves as hybrid organizations and collaborating with external stakeholders (Myres et al., 2018). Further, they explore, and exploit identified opportunities, promote innovation, strengthen legitimacy, and have economies of scale that result in competitive advantages (Huybrechts & Nicholls, 2013). As a result, South African social enterprises are increasingly seeking resources from the corporate sector, or the opportunities created by the Broad-Based Black Economic Empowerment (B-BBEE) legislation (Littlewood & Holt, 2018). The B-BBEE legislation was introduced to empower historically disadvantaged businesses because of apartheid's injustices.

The B-BBEE assessments score companies based on: 1) Ownership—the transfer of ownership to blacks; 2) Management control—the share of blacks in senior management; 3) Employment equity—alignment with equal access to employment of all designed groups; 4) Skills development—the share of payroll devoted to training; 5) Preferential procurement—procurement from “black-owned” firms; 6) Enterprise development—investment in “black-owned” firms; and 7) Socio-economic development—supporting community initiatives. The B-BBEE legislation “incentivizes engagement not only by the corporate sector with “black-owned” SMEs but also includes many social enterprises, which are often strong in black management and ownership representation and might significantly “focus on skills development as part of their embedded social mission” (Littlewood & Holt, 2018, p. 457). Most social enterprises strive to meet the B-BBEE regulations

to be given a better ranking on the assessment scale and, thereby, better access to commercial finance opportunities, public procurement services, and tax incentives.

2.2. Resource dependence theory

This study is anchored on Pfeffer and Salancik's (1978) RDT, which explains how social enterprises as hybrids engage with funding organizations to access vital resources. The theory is suitable to demonstrate that social enterprises' survival is based on their ability to procure both tangible and intangible critical resources, including resources such as finance, information, and knowhow, or physical resources from the external environment, resulting in a dependency on the external sources (Pfeffer & Salancik, 1978). Consequently, social enterprises are confronted by the challenges of balancing their sense of power and autonomy with their level of dependency and resource constraints, as explained by the RDT (Casciaro & Piskorski, 2005; Pfeffer & Salancik, 1978).

In the external environment, all organizations have their objectives and interests. But, embedded in the RDT is the potential reciprocal interdependency between the two parties, which could create organizational constraints (Pfeffer & Salancik, 1978). A resourced organization can exert power over another less resourced entity and may constrain its behavior by controlling resources vital to its operations (Wry et al., 2013). Such influence requires managers to act by reducing dependency and uncertainty for survival or success (Hillman et al., 2009).

To survive, social enterprise managers might employ multiple mechanisms to diffuse, absorb and co-opt external constraints (Wry et al., 2013). These mechanisms are structured around five strategies that organizations apply to minimize external dependencies, namely mergers and acquisitions (M&A), joint ventures (JVs), and other inter-organizational relationships, their boards of directors, political action, and executive succession (Pfeffer & Salancik, 1978). First, Pfeffer and Salancik (1978) posited that an organization could absorb constraints completely by abdicating its rights to control the resources that create dependency through an M&A. Second, JVs and other inter-organizational relationships can be achieved through long-term partial constraint absorption.

In contrast, sharing a board of directors is a co-opting tactic where the more powerful organization obtains the other company's critical resource, such as a seat on the board of directors in that organization (Casciaro & Piskorski, 2005). Political actions apply where an organization cannot reduce uncertainty and interdependence and utilize this mechanism to alter the external economic environment for their interest (Pfeffer & Salancik, 1978). They attempt to influence government regulations and policies to make the environment more conducive (Hillman et al., 2009). Lastly, executive succession is a mechanism where the organization is internally focused, attempting to reduce uncertainty and interdependence (Pfeffer & Salancik, 1978, 2003). Therefore, the RDT theory can explain the mechanisms adopted by social enterprises to manage the potential tensions with their funders (Barinaga, 2017).

2.3. Social enterprises' inter-organizational collaborations to access funding

Inter-organizational collaboration is an alliance between two or more organizations in the same or cross-sector, sharing a common goal, which could be a competitive advantage (Di Domenico et al., 2009; Klein & Pereira, 2016). It stretches over distinct sectors and includes partnerships involving government, private companies, not-for-profit organizations, and society, aimed at delivering value to a broader set of stakeholders (Clarke & Crane, 2018; Gutiérrez et al., 2016). Central to partnerships is the collective impact or problem-solving, where the social enterprise aims to co-create with its partners, deriving a mutual benefit and value creation (Austin & Seitanidi, 2012). In most cases, social enterprises establish cross-sector collaborations as a survival strategy to address resource constraints (Sakarya et al., 2012).

Collaborations between NPOs and the private sector have become popular in literature as a mode of promoting corporate social responsibility (CSR) and achieving social and economic missions (London & Hart, 2011; Savarese et al., 2021). NPOs collaborate with governments to

access funding and policy-making opportunities to make the societal change (Vickers et al., 2017). Organization benefits like legitimacy, resource acquisition, core competencies, finance, knowledge exchange, and shared value creation can be derived from cross-sector collaboration (Austin, 2000; De Bruin et al., 2017; Pfeffer & Salancik, 1978, 2003; Sakarya et al., 2012). Austin et al. (2006) argued that “just as commercial enterprises compete with each other for such resources as funding from investors, market share for customers, and the most talented employees, social enterprises compete with each other for philanthropic dollars, government grants, and contracts . . .” (p. 09). The argument demonstrates that accessing funding for social enterprises is a challenge.

The extant literature on social enterprise funding shows that impact investors, such as donors, equity investors, and debt investors, have various strategies that they employ to determine whether they will fund an enterprise or not (Block et al., 2021). Donors were found to be attracted to enterprises that solved a societal problem of importance and less to the economic activities that were more important to equity and debt investors. The equity investors were more attracted to social projects that required a large-scale implementation compared to the consideration of debt investors (Block et al., 2021). Some scholars found that large donors were interested in commercial activities, and their donations increased based on the social enterprise’s economic activities (Smith et al., 2012). Finally, some donors supported organizations involved in economic activities, but only if the profits were not distributed to the owners and equity investors (Faulk et al., 2020). These findings suggest that the complexity of how social enterprises utilize the funds, and the power of the funder, could result in mission tensions.

2.4. Strategies employed to guard against mission drift as a result of the funder’s tensions

Despite the benefits of cross-sector collaborations, social enterprises face tensions arising from the differences in practices, value creation, rules, and mission orientation, which can lead to compromise or mission drift in attempts to satisfy the dominant organization (Choi, 2015; Quelin et al., 2017). Di Domenico et al. (2009) identified sources of tension in collaboration as conflicting goals, ownership, governance, and accountability. This work was complemented by Smith and Lewis’s (2011) observation that organizational tensions can be categorized into a number of factors. “Organizing: Activities that are structuring and leading or fostering collaboration, competition, empowerment, direction, control, and flexibility. Performing: Plurality fostering multiple and competing goals as stakeholders seek divergent organizational success. Belonging: Identity fostering tensions between individuals, the collectives between competing values, roles, and membership. Learning: Efforts to adjust, renew, change, or innovate, foster tensions between building upon and destroying the past to create the future” (p. 283).

The extant research into social entrepreneurship focused primarily on tensions within the social enterprise, with limited focus on tensions in multi-stakeholder relations (Barinaga, 2020). Mission drift could result from the conflicting institutional logic guiding social enterprises and their external stakeholders’ or partners’ objectives (Barinaga, 2020). Few studies focused on partnerships or collaborations (De Bruin et al., 2017; Weber et al., 2017) and tensions between non-profit organizations, social enterprises, and multiple stakeholders (Barinaga, 2020; Savarese et al., 2021). In addition, is a narrow focus on funders, especially in contexts where social entrepreneurship is an emerging phenomenon faced with resource scarcity and institutional inadequacies (Littlewood & Holt, 2018; Weber et al., 2017).

Ramus and Vaccaro (2017) show that organizations re-positioning their missions after a drift tend to commit to stakeholder engagement. The focus of these organizations is to re-introduce the previous missions they abandoned through proactive engagement with external funders or stakeholders. Another study found that if there is goal incongruence after the negotiation stage, the social enterprise might opt not to continue with such relationships (Kwong et al., 2017). Although not focused on mission drift, Huybrechts et al. (2017) state that some social enterprises that operate in cross-sector collaborations manage the relationship with their partners by engaging in sector solidarity with similar enterprises or selective engagement by partnering

with like-minded social enterprises. However, in some cases, if the social enterprise has a dominant partner, it must accept its power loss to the partner with the valuable resources (Kwong et al., 2017).

Social enterprises can manage the tensions and balance their hybridity depending on the type of collaborative relationship (Savarese et al., 2021). In a collaborative relationship, social enterprises consider the different elements such as the organizations involved and their fit (Berger et al., 2004); the type of resources, and the direction of the flow in the exchange (Austin & Seitanidi, 2012; Weidner et al., 2019); the kind of value creation required (Austin & Seitanidi, 2012); risk appetite (Wymer & Samu, 2003); and the agreement's level of formality (Van Hille et al., 2019). These elements, coupled with the RDT perspective, can illuminate the various strategies social enterprises employ to manage the tensions while balancing their hybridity (Hillman et al., 2009; Savarese et al., 2021).

3. Research design and method

Researchers concur on the crucial role social enterprises play in society, but little research has been conducted into social entrepreneurship in the South African context (Littlewood & Holt, 2018). This study employed a qualitative and interpretive research approach to understand better the dynamics involved in cross-sector collaborations between social enterprises and their funders in a resource-constrained context by acquiring more in-depth insights and explanations (Morrow & Smith, 2000). Using the interpretive paradigm and inductive approach, the researchers explored the world from an individual and subjective perspective to identify novel insights and a deeper understanding of the relationship between social enterprises and their funders (Bansal et al., 2018; Creswell, 2003; Morrow & Smith, 2000).

3.1. Sampling procedure and sample

Purposive sampling was used to select participants based on specified criteria (Ritchie et al., 2013). Social enterprises in South Africa do not have an official legal structure form (Littlewood & Holt, 2018; Myres et al., 2018); therefore, the sample includes companies such as non-governmental organizations (NGOs), NPOs, for-profit organizations, and hybrids that identified as social enterprises. The NGOs and NPOs selected to participate were transitioning to hybrid business models. The participants were selected based on their position, thus founder, Chief Executive Officers (CEO), or Chief Operations Officers (COO) involved in the social enterprise for over one year. The selected social enterprises had a record of cross-sector collaborations where an external funder organization had funded them for over a year, generating sales of more than R100,000 (6 700 USD) per annum. The sales revenue demonstrated their hybrid nature.

Semi-structured interviews were conducted with 13 leaders, as described in Table 1, who met the criteria above, using open-ended prepared questions. The sample size of 13 interviews was chosen, aligning with the guideline of 12 to 18 interviews to ensure sufficient, stable, and complete data for qualitative research (Creswell, 1998; Guest et al., 2006). In the absence of recognized, known, or up-to-date databases on social enterprises in South Africa, searches were conducted on professional networking platforms and websites to identify qualifying participants. In the case of social capital, the snowballing technique was employed, which yielded a significant number of participants who accepted calls for this study (Ritchie et al., 2013).

3.2. Data collection

Ethical clearance was obtained from the researchers' local university. Before starting the interview session, the participants were reminded that all interviews were confidential and anonymous. The participants were requested to record the sessions, making them feel respected and comfortable with the process. Due to the worldwide Covid-19 pandemic, the South African Government imposed a national lockdown, which restricted movement and social gatherings; therefore, the primary data collection was conducted through the online video conferencing platform, Zoom (12 participants) and telephonically (one participant). Most researchers agree that the quality of responses is similar to traditional face-to-face methods (Deakin & Wakefield, 2014). The one-

Table 1. List of participants

Part. #	Role	Sector	SE Legal form	Age of SE
1	CEO	Health specialising in education	NGO (transitioning to a hybrid model)	20
2	Founder	Fishery	Hybrid (NPO, For-profit)	2
3	Founder	Information Technology	Hybrid (NGO, For-profit)	7
4	Founder	Education specialising in leadership development	NGO (transitioning to a hybrid model)	17
5	CEO	Veterinary specialising in animal rescue and cruelty	NGO (transitioning to a hybrid model)	29
6	Founder	Agriculture specialising in African medicine	For-profit and Trust	17
7	Founder	Energy	Hybrid (NPO Fund, For-Profit)	4
8	CEO	Arts	Hybrid (NPO, Trust, For-Profit)	21
9	Founder	Education	For-profit	5
10	CEO	Education	Not-for-profit (transitioning to a hybrid model)	29
11	Founder	Health	For-profit	5
12	Founder	Recruitment, Training and skills development	For-profit	6
13	Founder	Recruitment, Training, skills development and Placement	Not-for-profit and For-profit	9

hour semi-structured interviews started with the researcher providing an overview of the study. The preliminary open-ended questions were aimed at making the participants comfortable with the process. Additionally, follow-up questions were sent per email to the participants to clarify specific questions, which broadened the understanding of their answers.

The data were collected using a semi-structured interview guide (Appendix A). The structure of the interview guide allowed the data to be collected flexibly by asking follow-up questions. Despite the flexibility advantages of the semi-structured interview guide, the questions were consistent across all the participants. The interview guide with four themes was developed using the existing literature anchoring the study. The first theme investigates the background information focusing on the social entrepreneur's motives, passion, and entrepreneurial environment. The theme was developed using Littlewood and Holt (2018), who researched the South African social entrepreneurial context. The second theme focuses on the identification of funders with adequate financial resources. The theme was inspired by authors who investigated the funding mechanisms in social enterprises (Block et al., 2021; De Bruin et al., 2017; Smith et al., 2012). The third theme explores the relationship between social enterprises and funders during the funding process by drawing insights from Choi (2015), Di Domenico et al. (2009), Quelin et al. (2017), Huybrechts et al. (2017), and Savarese et al. (2021) informed the last theme on strategies employed by social enterprises to guard against mission drift during the funding process.

3.3. Data analysis

The Gioia approach was used, which focuses on a systematic analysis of data by developing first-order terms, second-order themes, and aggregate dimensions (Gioia et al., 2013). The study took an inductive approach, where the first-order terms emerged based on the data (Morrow & Smith, 2000), resulting in new ideas (Bansal et al., 2018). The inductive coding approach was utilized, in which data was coded at first-cycle, clustered together due to similarity, patterns, and regularity to second-order themes or categories. The second-order themes were analyzed further to develop aggregate dimensions, which resulted in key theoretical insights. Also, a constant comparison for similar concepts across the transcripts was conducted, using the participants' words for the first order terms, and utilizing color-associate tags for emerging thematic patterns in the second and third cycles (Heracleous & Fernandes, 2019).

Data analysis was performed in parallel with the interviews, and saturation was reached when new information produced insignificant changes to the codebook (Guest et al., 2006). The researchers could modify and re-analyze the data to establish appropriate themes and the model that answers the research inquiry. During the analysis process, too many themes emerged for strategies that social enterprises employ, which made the first empirical model challenging to develop and required a review and revision. Despite these challenges, the study discovered and acknowledged that phenomena-driven research requires a non-linear iterative interaction of data analysis, with literature being integral in the process (Heracleous & Fernandes, 2019). The final data structure is displayed in Figure 1.

4. Findings

The findings of this study show that social enterprises employ multiple complementary strategies to manage the funders' tensions. The strategies are social impact prioritization, using the social effectual logic, adopting a socially driven hybrid business model, strong leadership and governance, and diligence on the contractual agreements (Refer to Figure 1 for details on the aggregate dimensions). Figure 1 demonstrates how the aggregate dimensions were developed from the first-order terms and second-order themes.

4.1. Social impact prioritization

From a mission-oriented perspective, the findings show that social enterprises rely on being driven by their mission in whatever they do, irrespective of who they engage. Some entrepreneurs explain that before they engage with their potential funders, they strategically look for projects that are aligned with their mission to allow them to minimize the possible tensions that may result in mission drift or may have a negative impact on the social enterprises' ability to deliver value to their beneficiaries:

So, involvement is more of us; we have to look at what we chase because if we chase something that will challenge our mission, then well ... then there will be drift. So, we have to do it quite strategically. Participant 1

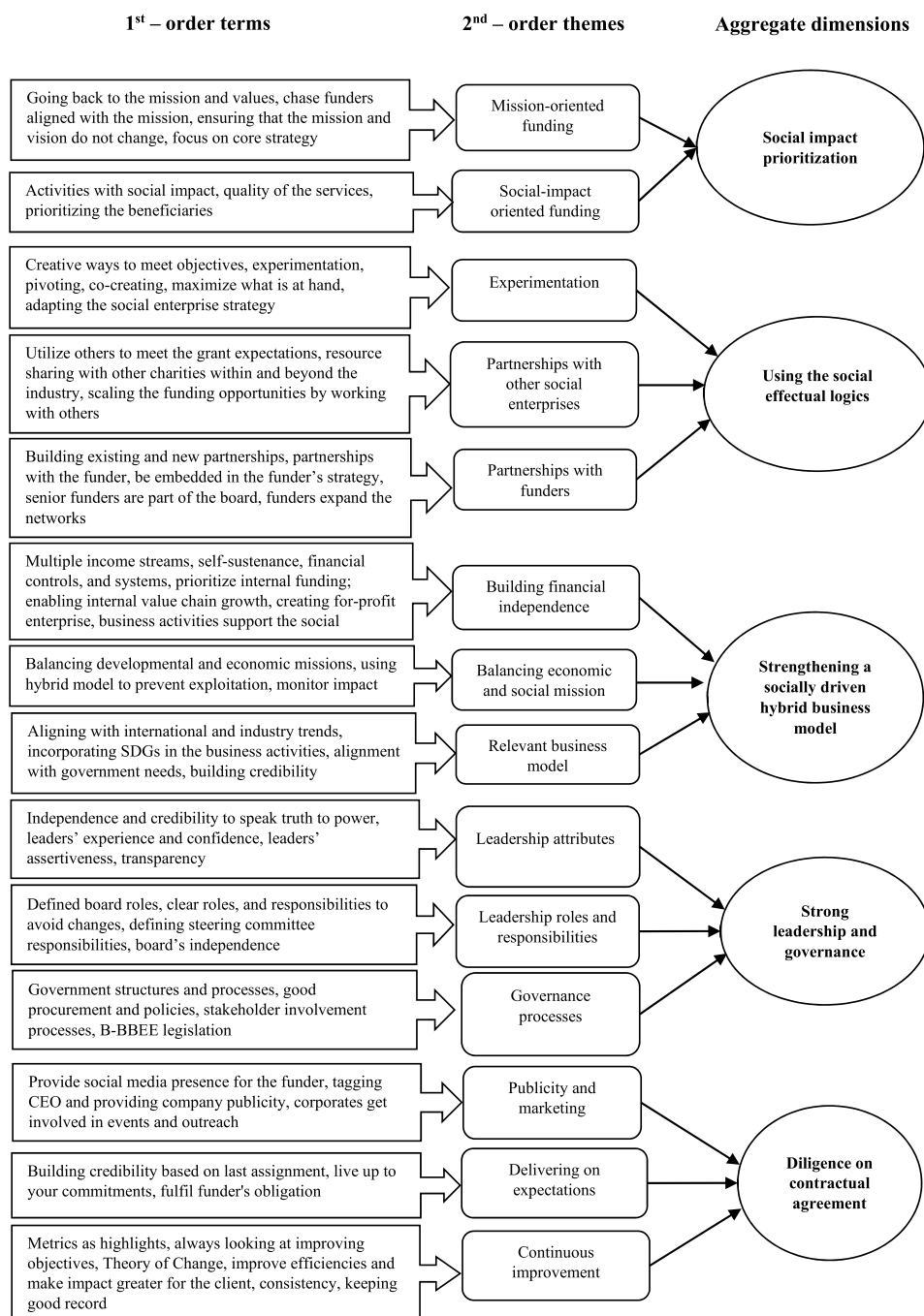
In all cases, participants report that if something does not resonate with their mission or is believed to have a negative impact on the beneficiaries, they do not participate because they aim to provide quality services and products to their beneficiaries.

An organization wanted us to solve a problem for them, and they were willing to pay us. But that problem was not core to our strategy, and so last year, I had to push back on them and say, I know you will give us many millions of dollars over the next decade to do this work, but that's not the work that we should be doing. Participant 4

Lastly, the participants emphasize that they opt for projects that will have a social impact to minimize the funders' tensions. Some of these projects could be classified under a sector of potential impact, but the activity that the social enterprise is targeted to execute does not directly impact the beneficiaries. For example:

Figure 1. Data Structure

Source: Authors' data analysis



Some of my funders would be like the CSI Department of a corporation; they've got funding ... they want to do something in education, and then they're like, hey, you know the community is in this area, so please paint some schools. It's not a metric, it's not a social impact, and it's not a transformative metric, you know. So yes, it says education all over it, but it's not a measure of social impact that aligns for me, so those would be the ones I'd be able to say thank you, but no thank you. Participant 9

4.2. Using the social effectual logic

From a collaboration perspective, the findings illustrate that social enterprises tend to guard against funders' demands if they do not align with their mission through outsourcing and

collaborating with others. Social enterprises outsource to meet the funder's needs by utilizing the expertise of others. Furthermore, social enterprises understand the resource constraints in their environment, and to guard against the pressure from funders, they collaborate with synergistic partners beyond their specific industry. Findings also show that they collaborate with their funders to get involved within the organization, enabling them to expand their networks and discover more opportunities to exploit.

“So, they (funders) are quite involved in the company's growth. They are out there, you know, in the networks ... talking about their company and seeing what opportunities the company can access. So, they are quite involved”. Participant 11

The data suggest that sustainability tensions cause social enterprises to apply strategies such as pivoting in a different direction and entrepreneurial skills for survival. They do this by utilizing creative and innovative ways to meet or negotiate alternatives to address the funders' requests. Social enterprises sometimes use the funder's money to pilot an idea, clarify their thinking, and build structures, processes, and systems. Once funding stops, they have a model that unearths other commercial opportunities, addressing their sustainability issue.

“This grant funding has unearthed some great opportunities for us. So, it allowed us to take in a pilot program that we did at the beginning of the year and transform it into the next level program, the first of its kind globally, and all that is only for ten graduates. However, it is still quite significant ... to use that, and the market is waiting for it locally and globally. So, I believe that we can take this grant funding now to unearth a series of commercial clients”. Participant 12

Social enterprises also apply business-minded thinking to communicate their value proposition to their funders and to utilize their resources more effectively by adding them when required and affordable. They leverage the B-BBEE legislation by registering for-profit organizations that are attractive to companies.

“It should be a business that it does ... that does the work because you can get better B-BBEE benefits. For the enterprise and supplier development, all that 3% is now complete, you know, unlocked. So that space is better to go to a private company for BEE purposes than a non-profit”. Participant 13

They also develop capabilities and strategies to embed themselves within the funder's organization through being resourceful and offering pro-bono work, thereby building stronger relationships. They keep up with changes in the context and make sure they are flexible and adaptive by knowing the funding, social and environmental trends.

“The whole objective of a for-profit organization is that you eventually become self-sustaining so that you make enough profit to be able to pay for the activities necessary to do the impact work that you need to do.” Participant 7

The findings also show that they generate income streams to be in a better position to control and build systems and become self-sufficient. For example, one participant reports that they undercharge and over-deliver to become attractive to funders. Another founder said he funds his operation from his pocket to avoid pressures and dependency on funders. Lastly, the findings also show that social enterprises utilize other models, such as the service provider model, to be adaptive and more flexible to changing demands. This enables them to manage pressures from funders because they believe in the knock-on benefits that this will have for their social mission.

“But it's also about making sure that we can get an income in ... without relying on donations the whole time. So, things like ... going to an online store”. Participant 5

4.3. Strengthening a socially relevant hybrid business model

Social enterprises identify opportunities to exploit and make strategic choices based on the environmental conditions and tensions that might arise with their funders. The findings show that social enterprises aim to be or become self-sufficient, moving away from their reliance on funding, which they believe is possible by having hybrid and for-profit models to build long-term sustainability strategies.

The whole objective of introducing economic activities is that you eventually become self-sustaining so that you make enough profit to pay for the actions necessary to do the social impact work that you need to do. Participant 7

Strengthening the economic mission is believed to be a way of proving the social enterprise's legitimacy and having the power to resolve the funder's tensions.

Our objectives as a company are broad. The shift is going from a specific vision of a non-profit to a more generic vision of accelerating or catalyzing social impact. So that gives us a lot of flexibility to be very adaptable. Participant 13

One of the enterprises registered as a not-for-profit organization, but with social impact; they support the notion that having an economic mission improves their legitimacy with the funders:

We think that we would not do it any other way than running a for-profit, but we understand that we are a social enterprise, so we have implemented the hybrid model. Because it also ... to an extent, protects investors that want to make sure that the money ... if they say we want to empower micro-franchisees, and we don't want you to use that money for your expenses. Participant 7

4.4. Strong leadership and governance

The findings show that strong leadership plays a critical role in guarding social enterprises against funders' demands and being able to pursue their dual mission still. Strong leadership silently plays a role in addressing all tensions; however, it is evident in mission misalignments and sustainability tensions. In the findings, social enterprises tend to push back when the funder's mission is not aligned with theirs. One participant attributes this ability to leadership, stating that he has gained courage and experience. These leaders believe and have confidence in their organization's work to such an extent that it is easier for them to push back when the funders' demands conflict with their mission. This has also translated to the social enterprises communicating non-negotiables to their funders.

"Similarly, like ... if I think about the question ... about like partnerships and collaboration, I have gained experience in that too, right, and ultimately I've become overconfident that the work we did was great". Participant 4

In one case, the participant observes that when you speak truth to power, the organization is seen as being independent and credible, resulting in them building trust with their funders and funders wanting to work more with the SE.

It is essential to have the independence of mind and the independence of an organization to speak truth to power. So, whether it is a funder or a government, we'll tell them if we disagree. But in and, of course, in a constructive way. I will not say anything wrong because they will withdraw my funding. Actually, the opposite happens if you are independent in your credibility and speak the truth funders would say, wow, OK, you're going to tell me when there's something wrong. Participant 10

Social enterprises also guard against funders' demands and uphold their mission by implementing improved governance systems within their organizations. Improved governance includes enhanced control systems, firm policies, processes, and structures. Internally, they build structures

in which board members and staff have clear roles and responsibilities. When they engage in initiatives with funders, separate independent project governance is formed to guard against their overt influence. They also have a theory of change, which drives the impact they make and with which funders must conform. The social enterprises also leverage the B-BBEE legislation by registering for-profit organizations which are attractive to commercial companies. This registration will enhance the reputation of the social enterprises when interacting with the funders and help to guard against mission drift.

We're level 1 [B-BBEE score] for both for-profit and non-profit. No company doesn't want that basically (giggle), so actually, we are well positioned. Participant 3

4.5. Diligence in contractual agreements

The findings suggest that social enterprises guard against tensions between funders and themselves by implementing various operational strategies such as delivering commitments, publicity, and continuous improvement. The participants explain that it is essential for them to meet the contractual obligations they have to their funders. In addition, adherence to contractual agreements is one of the ways of building a positive relationship with their funders. The entrepreneurs emphasize that building a good track record is essential to minimize potential tensions and access future funding opportunities. One of the participants states:

I think that [delivering on promises] is very, very crucial. Do not promise, and then you cannot meet their expectations. I think that is very, very wrong for an organization. And do not take money because you will fulfill their needs; it is just so not on, ethically it so bad. Participant 5

The short answer to that would be you're only as credible as the last ... the quality of your previous assignment. So, that, for me, is key. Participant 10

The participants explain that it is important to show commitment to the funders by ensuring a continuous improvement of the services rendered to the beneficiaries. Some participants use the theory of change as a monitoring and evaluation tool to determine their social impact.

"Theory change is important because if you have your theory change, you fit it into that, and donors respond to that ... they do ... Uhm ... they'll still push you to meet their agenda, you just have to be able to push back". Participant 2

Lastly, the findings show that to guard against sustainability tensions when funding ends, social enterprises give funders publicity to embed themselves with the organization.

5. Discussion

This study contributes to understanding some of the strategies employed by social enterprises to manage funder tensions (Battilana & Lee, 2014; Pfeffer & Salancik, 1978, 2003; Smith et al., 2013; Smith & Besharov, 2019). The study also contributes to the strategies applied in inter-organizational collaboration (Austin & Seitanidi, 2012; Pfeffer & Salancik, 1978, 2003) and cross-sector-collaboration (Clarke & Crane, 2018; Selsky & Parker, 2010) to explain the relationship between hybrid organizations and other types of firms such as for-profit organizations. Figure 1 shows that the central finding of this study is that social enterprises apply multiple strategies to guard their mission.

First, the participants revealed that when they seek funding, they select funders aligned with their missions and prioritize their social impact. The findings are aligned with Ramus and Vaccaro (2017), who argue that identifying the correct or even optimal stakeholders is an important step that minimizes mission drift. As seen in this study, going after the organizations that support the mission helped the social entrepreneurs and their teams to justify and clearly articulate their objectives, thereby minimizing potential drift (Ramus & Vaccaro, 2017). The findings further showed that even in cases where the social enterprises had well-integrated and similar goals to those of the funder, some tensions were

experienced in the relationship. This challenged both organizations to learn to accept and leverage each other's differences (Battilana et al., 2015; Jay, 2013). However, when both organizations achieved their strategic goals and a positive impact, these tensions or conflicts became less relevant (Tracey et al., 2011). The study revealed that some social enterprises had no tensions during the partner selection process but emerged later, resulting in a damaged relationship (Kwong et al., 2017).

Second, the study responds to authors who suggested exploring how the context may influence how social enterprises engaged with multiple stakeholders (Huybrechts et al., 2017; Ramus & Vaccaro, 2017). Although social enterprises in South Africa face resource scarcity, which may result in funder dependency, these enterprises are introducing strategies that render them less dependent on external funding. They tend to take steps to protect their mission and display effectual behaviors such as experimentation, partnering with the funders, and collaborating with other social enterprises. This suggests that the resource constraints in their environment are antecedents to the positive strategies adopted by social enterprises to guard against mission drift. Entrepreneurs can utilize effectual logic strategies to minimize mission drift even in contextual and social enterprise-specific resource scarcity.

Building on Huybrechts et al. (2017), the findings of this study demonstrate that social enterprises also form integrative relationships with similar ventures to fulfill the funders' expectations. This was confirmed by the effectuation literature, which reported that a social enterprise team demonstrates effectual social behaviors by partnering with other similar types of organizations rather than competing with them. This finding is aligned with Werhahn et al. (2015). They expanded effectuation from an individual to the organizational level by introducing effectuation orientation that can be "measured at the firm level as an organizational posture and accordingly encourages effectual actions of organizational members along particular dimensions" (p. 306). In addition to opting for collaborations rather than competition, these social enterprises experimented with their available resources by adapting their strategies and co-creating with other stakeholders without changing the essence of their missions. This study contributes to the existing literature that because of the uncertain resource environments surrounding social enterprises, they tend to display social effectual behaviors at the organizational level to deliver on their missions. However, we suggest that many social enterprises combine causation and effectual decision logic when interacting with their funders.

Some participating social enterprises had decided to engage in a selective partnership with their funders. Utilizing insights from the RDT perspective, some social enterprises applied a co-opting strategy to manage hybridity, possible tensions, and mission drift (Casciaro & Piskorski, 2005; Wry et al., 2013). For example, in one case, a funder who invested in the social enterprise became a board member and contributed skills and expertise to grow the social impact. Consistent with Austin (2000) and Austin and Seitani's (2012) assertion that collaborative relationships are dynamic and not static, the findings showed that some of the relations changed from funder-recipient to becoming integrated within the funder's supply chain as a way to enhance the social enterprise's mission. From an RDT perspective, it can be said that the social enterprises used absorption as a strategy to integrate within the funder's supplier strategy vertically (Klein & Pereira, 2016). The co-opting and absorption strategies were aligned with the social enterprise's effectual behaviors of maximizing collaborations and obtaining pre-commitments from the stakeholders (Saravathy, 2001).

Third, the findings of this study demonstrated that a hybrid nature of some of the social enterprises helped them to minimize the mission drift that could have been a result of dependency. Some social enterprises emphasize strengthening the commercial mission or economic activities to support social activities. Social enterprises that also ran economic activities explained that they obtained legitimacy and respect from the funders (Huybrechts & Nicholls, 2013; Kwong et al., 2017; Pache & Santos, 2013; Weidner et al., 2019). The current literature argues that different investors are interested in various social enterprise activities (Block et al., 2021). For example, donors are interested in social impact activities, while equity investors are attracted to

economic activities (Block et al., 2021). The participants emphasized that if they have strong economic missions, they have a powerful voice when negotiating with the funders.

Although South African social enterprises are transitioning to hybrid models, Kwong et al. (2017) argue that changing the operating model merely for economic profitability might be detrimental to the organization's mission and desire to improve financial viability. This might result in abandoning the previous goals (Kwong et al., 2017). Also, suppose the hybrid model is implemented by either integrating or separating the social and financial missions (Smith et al., 2013). In that case, social enterprises must develop appropriate strategies to accommodate both objectives (Battilana et al., 2015). This suggests that the transitioning social entrepreneurs will be faced with multiple challenges that may exacerbate the mission drift.

Fourth, some of the social enterprises participating in this study established governance mechanisms that minimized mission drift. However, these governance mechanisms include opportunity costs that must be considered (Weber et al., 2017). For example, building trust requires time and commitment of resources for social value creation without exploiting other opportunities (Weber et al., 2017). The contextual setting of the social enterprise might also influence the governance mechanisms (Weber et al., 2017). In this case, the findings showed that in an emerging country subjected to institutional challenges such as corruption (Bowmaker-Falconer & Herrington, 2020), social enterprises require transparent leaders who can talk the truth to power and are assertive.

Social enterprises employ strong leadership attributes, clearly articulated leadership roles and responsibilities, and governance processes to guard the sustainability of their mission. Additionally, the leadership crafts clearly articulated governance processes that include policies and procedures for stakeholder involvement. These findings are aligned with literature that suggests that power asymmetries between the parties may lead the social enterprises to shift their mission, thereby causing tensions (Grimes et al., 2019; Nicholls & Huybrechts, 2016). Therefore, leadership is required to be decisive and firm.

Weber et al. (2017) further argue that social enterprises in institutionally challenged emerging market contexts tend to rely on informal institutions such as personal relationships. However, the findings showed that social enterprises in South Africa, an emerging market, deliberately put governance processes in place. This suggests that perhaps some of the formal institutions in South Africa are relatively strong (Littlewood & Holt, 2018), such that social entrepreneurs are adopting some business-like practices to govern their social activities. Specific to the South African context, social enterprises employ co-opting and absorbing strategies where they provide the funders with seats on their boards and leverage on government's B-BBEE incentives by vertically integrating into the funder's organization. B-BBEE is a "legislative and policy framework aimed at reversing the country's legacy of injustice and inequality through pursuing a range of socio-economic objectives that favor the majority black population" (Shai et al., 2019, p. 1).

Likewise, such robust governance mechanisms and having been selected as recipients by a reputable funding organization enhances the social enterprises' legitimacy, credibility, and reputation (Austin, 2000; Brass et al., 2004). Furthermore, if the social enterprises and funder relationship is strong, respectful, trusting, and acknowledges their unique missions, it might strengthen the social enterprises' hybridity. Therefore, the existing governance mechanisms and processes might help to avoid or, in a worst-case scenario, solve conflicts between the stakeholders and minimize the mission drift (Gillett et al., 2019).

Finally, the social enterprises explained the importance of diligence in the contractual agreement. To ensure that they will continue to meet the funders' expectations, the social enterprises apply the theory of change and continuous improvements. Using the theory of change helps the social enterprise to describe the problem or needs they are addressing, articulate the outcomes, and formulate plans or activities to run the projects (Harries et al., 2014). Ramus and Vaccaro

(2017) state that the social enterprises that had experienced a mission drift did not have effective social accounting mechanisms. The current study expanded on that finding by arguing that due to the complexities of measuring social impact, some of the participating social enterprises used the theory of change to determine their social impact and strengthen their ongoing improvements.

Another significant element that helped the social enterprises to protect their mission was meeting the funder's expectations through continuous improvements. According to Bull (2007), continuous improvements also demonstrate the social enterprise's ability to capitalize on existing knowledge and learning opportunities, thus creating opportunities for business model adaptation. Social enterprises also engaged in social media to broadcast collaborations with the funders. These publicity activities challenge the social enterprises to remain committed to their social impact activities and present a coherent story to society. While fulfilling the funder's expectations through continuous improvement and publicizing the social impact activities help to guard against the mission drift, Austin et al. (2006) argued that these strategies also help build the social enterprise's reputation. Therefore, a more substantial reputation social enterprise will negotiate with its funders and prioritize its social impact. In sum, this study provided insights on how emerging market social enterprises guard their social missions from a possible drift because of funder's tensions.

6. Conclusion

Tensions between funders and social enterprises exist and will impact the effort of balancing dual missions. This study showed that social enterprises could employ multiple mechanisms to guard against them despite the potential tensions and mission drift. The findings of the study demonstrated that these strategies are not mutually exclusive, but they are and can be interrelated. The study made several contributions to research on collaborations, mission drift, and tensions. It also presented that despite the RDT being a mature theory, co-opting and absorbing strategies can be applied in hybrid organizations such as social enterprises.

The study faced several limitations, with each proposing avenues for future research. First, the absence of official databases of qualifying social enterprises in South Africa was the main limitation imposed on this study, providing further research contributions. A quantitative research study could be utilized to evaluate the proposed conceptual framework for South African social enterprises and compare its findings across the different types of social enterprises in various contexts.

Second, although the empirical model can be applied in any collaborative relationship involving hybrid organizations (Battilana & Lee, 2014; Grimes et al., 2019), some aspects of the study were drawn from social enterprise-corporate and social enterprise-government collaborations within specific contexts. Thus, future research could consider conducting more research in the South African context and analyzing the influence of cross-sector collaboration on social enterprises over a longitudinal study period. Additionally, explore the change in the collaborative stage, the tensions created, and the strategies applied.

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