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Editorial and research agenda: JBR special issue on business model innovation in social purpose organizations

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ABSTRACT

In this introduction to the special issue on business model innovation (BMI) among social purpose organizations (SPOs), we define business models, BMI, and SPOs, and introduce the insights that papers in this special issue contribute to scholarly knowledge at the intersection of SPOs and BMI. We aggregate insights from articles in the special issue to provide insights into the major antecedents of BMI (environmental turbulence, and internal drivers), the substance of BMI (collaboration, managing tensions, and developing dynamic and learning capabilities), and the outcomes of BMI (expansion of dual social-economic goals, and organizational survival). Reflecting on this collection of papers, and the broader social sector literature, we then suggest several avenues for future research.

1. Introduction

The rise of social purpose organizations (SPOs) and their drive to contribute both to the economy and societal wellbeing has been well documented. For the purpose of this special issue, SPOs include various types of organizations established to achieve a social mission, including non-profit organizations, for-profit social enterprises, and hybrid legal forms that are increasing in number worldwide. These organizations face several key issues, including an increasingly dynamic, competitive and constrained environment (Weerawardena, McDonald, & Sullivan Mort, 2010), the realization that the initial business model is not enabling the mission (Haigh, Kennedy, & Walker, 2015), and other issues that drive SPOs toward business model innovation (BMI) in an effort to balance or re-balance their dual social-economic goals.

Business models are seen as important to heterogeneity in firm performance (Foss & Saebi, 2017) and competitive advantage (Zott & Amit, 2007). Business model components include an organization’s: Value Proposition—products and services, and market positioning (Demil & Lecocq, 2010; Johnson, 2010; Kindström, 2010; Moingeon & Lehmann-Ortega, 2010; Osterwalder & Pigneur, 2010); Value Creation—processes, structures, competencies, resources, and governance (Socken, Short, Rana, & Evans, 2014; Richardson, 2008; Schneider & Spieth, 2014); Value Capture—revenue and costs (Osterwalder & Pigneur, 2010; Teece, 2010); and the Architecture linking all of these (Foss & Saebi, 2017).

BMI effects change to an organization’s business model or its components by going beyond product or process improvement (Bock, Opsahl, George, & Gann, 2012; DaSilva & Trkm, 2013), towards a fundamental reconsideration (Bock et al., 2012) of an organization’s “content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities” (Amit & Zott, 2001, p. 511). It can range from incrementally changing business model components, to extending the existing business model, introducing parallel business models, and to replacing the existing model with a fundamentally different one (Khanagha, Volberda, & Oshri, 2014).

Until recently, the focus of BMI literature had largely been on BMI to increase competitiveness (Massa, Tucci, & Afuah, 2017; Smith, Binns, & Tushman, 2010), which overlooked BMI among SPOs that strive to generate both social and economic value. In their pursuit of BMI, SPOs are placed in a unique and challenging situation in that they have to ‘bow before dual gods’ (Smith & Besharov, 2019), or manage two sets of stakeholders and their competing demands: Donors and government agencies that support the delivery of social value to the beneficiaries; and commercial agencies that support their commercial value creating efforts. This creates tension, which needs to be effectively managed for SPOs to build sustainable organizations that will continue to contribute to their social mission.

Further, there is growing evidence to suggest that new business model initiatives have enabled SPOs to generate a substantial portion of their revenue from the sales of goods and services (Ebrahim, Battilana, & Mair, 2014). However, it is feared that these initiatives may result in SPOs losing sight of their social mission and experiencing mission drift (Ebrahim et al., 2014; Ramus, Vaccaro, & Brusoni, 2017). This situation demands that SPOs identify appropriate business models and governance structures to handle any trade-offs between social and commercial goals.

Against this background of rising BMI among SPOs, coupled with the wide range of BMI initiatives possible, this special issue called for empirical and conceptual papers that investigate BMI among SPOs. Considering the multi-disciplinary and multi-stakeholder nature of SPOs and of BMI, we also encouraged scholars to adopt different disciplinary lenses, including multidisciplinary lenses, in their submissions. After many submissions, double-blind reviews and revisions, this special issue includes fourteen papers – eleven empirical and three conceptual - that contribute further insight into BMI among SPOs.
2. Papers in the special issue

Below, we review the major themes in the issue; introducing each paper as we proceed. Insights are broadly categorized as those relating to antecedents of BMI, the substance of BMI, and outcomes of BMI among SPOs. Most papers contribute to multiple of these areas.

2.1. Antecedents

Above, we noted the dynamic, competitive and constrained environment in which SPOs operate. These exogenous influences and the financial pressures they create came through as strong antecedents to BMI among papers in this special issue.

2.1.1. Environmental turbulence, and related external drivers

In their study of successful BMI by an SPO, Reficco, Layrisse, and Barrios (2020) propose that a challenging environment, or events within it, are a primary antecedent of BMI among SPOs, while both Siebold (2020) and Weerawardena, Salunke, Haigh, and Sullivan Mort (2020) also argue that environmental turbulence plays a significant role. Further, in their study of U.S. non-profit arts organizations, McDonald, Masselli, and Chanda (2020) find that environmental turbulence poses existential threats to SPOs, and drives BMI. Environmental turbulence includes increasing competition, the state of the economy, politico-legal changes that affect funding, technological development, demographic changes, and changes in attitudes (McDonald et al., 2020). Competition, along with changing public procurement policies are also significant drivers, as Tykkyläinen and Ritała (2020) find in their study of Finnish SPOs. Financial pressure brought by environmental turbulence is noted by Kullak, Baker, and Woratschek (2020), who find that BMI undertaken by a German music festival was driven by financial bottlenecks caused by reduced corporate sponsorship coupled with reduced public funding, and Gasparin et al. (2020), who find that Vietnamese SPOs undertake BMI to sustain themselves in an environment where finance is inaccessible. Finally, Tykkyläinen and Ritała (2020) remind us that changes in an SPO’s environment are not always detrimental. In some of their cases, regulatory changes can make pursuing the social mission easier.

2.1.2. Striving toward the mission, and related internal drivers

In other instances, the drivers of BMI are endogenous. For example, in their ethnographic study of small SPOs in Bangladesh, Ahmed, D’Souza, Ahmed, Nanere, and Khahuru (2020) find that SPO BMI is driven by the desire to achieve both social and economic goals. Similarly, Tykkyläinen and Ritała (2020) find that SPOs may engage in BMI as the mission. Further, the study by Moroz and Gamble (2020) of pathways toward or away from B Corporation certification finds that SPOs choose to incorporate certification into their business model because it is believed to align with their identity, and is the right thing to do. Moroz and Gamble (2020) also find that SPOs certify to enhance their branding and opportunities, and decertify once certification is perceived to add no further value, increase costs, or detract from potential opportunities such as mergers or acquisitions. Further, Reficco et al. (2020) propose that entrepreneurial insights and ideas drive BMI. Finally, and traversing the exogenous—endogenous divide, Siebold (2020) proposes that BMI is also stimulated by recognizing the needs of key stakeholders, then generating solutions that match the SPO. All told, the articles in this special issue contribute to our understanding of the many and varied antecedents of BMI.

2.2. Substance of BMI

The BMI responses of SPOs to antecedents identified above are varied, and span all business model components. Articles in this special issue examine value proposition BMI that includes developing new products and services (De Silva, Al-Tabbaa, & Khan, 2020; Fehrer & Wieland, 2020; Gasparin et al., 2020), developing new marketing relationships (De Silva et al., 2020), and drawing on the resources of others to enhance value propositions (Kullak et al., 2020). Papers of this special issue investigate value creation BMI that includes new production processes (De Silva et al., 2020), and working with suppliers, partners, networks, and ecosystems (Best, Miller, McAdam, & Moffett, 2020; De Silva et al., 2020; Fehrer & Wieland, 2020; Gasparin et al., 2020; Klein, Schneider, & Spieth, 2020; McDonald et al., 2020; Siebold, 2020). Value capture BMI detailed in the special issue includes that seeking to boost existing or develop new revenue streams (Alshawaaf & Lee, 2020; Best et al., 2020; De Silva et al., 2020), while architecture BMI is captured by Alshawaaf and Lee (2020), who examine how digitizing their business models revitalized the Tate Modern in the UK and the Pompidou Centre in France. As is evident in the articles cited above, many cover multiple components, and Fehrer and Wieland (2020) underscore this with the all-encompassing argument, that rather than only describing value creation, delivery and capture, business models can also guide and capture dynamic and systemic co-creation of value among a wide range of actors.

Considerable insights were gained about the content and processes of BMI among SPOs. Below we review the major themes, recognizing that papers often spanned multiple themes.

2.2.1. Collaborations with networks, ecosystems, and partners

The first of the strong substance-related themes in this special issue is a focus on how BMI promotes SPOs’ work with other actors to facilitate their dual social-economic goals. While working with others can present challenges and complexities, as Best et al. (this issue) find in their study of UK-based SPOs providing services to people with disabilities, many articles find that SPOs seek to work, or are working, within broader systems to advance themselves by building networks (Kullak et al., 2020; McDonald et al., 2020), co-creating business models with stakeholders (Gasparin et al., 2020), and working with like-minded partners (De Silva et al., 2020; Klein et al., 2020) and mutually-supportive stakeholders (Siebold, 2020). Collaboration is also a popular focus of BMI aiming to balance tensions (Fehrer & Wieland, 2020; Klein et al., 2020) and serve the mission (Kullak et al., 2020). For example, Kullak et al. (2020) find that a German music festival enhanced its shared-value creation by shifting away from an organization-centric business model toward becoming a platform for engagement with numerous other groups, and the ability to integrate resources from multiple actors was key to creating shared value. Further, in their study of Vietnamese SPOs, Gasparin et al. (2020) find that SPOs work with supplier communities to co-create business models for social innovation that preserve community traditions.

In their conceptual paper on circular business models that draws on examples from the fashion industry, Fehrer and Wieland (2020) also place SPO business models and practices within the context of broader societal and ecological systems. Fehrer and Wieland (2020) argue that BMI needs to be understood within the context of the broader systems in which it exists, and should be undertaken to foster a systemic perspective that balances tensions between social, environmental and economic goals. In her conceptual paper that considers stakeholders as reference points for BMI, including beneficiaries, donors, customers, employees, partners, competitors, and governmental agencies, Siebold (2020) proposes that stakeholders play key roles across all types of BMI, and sets out a comprehensive list of initiatives drawn from extant literature. Finally, Weerawardena et al. (2020) underscore the importance of working in and with networks when highlighting ‘network learning capability’ as a key capability that is important for generating ideas and learning how to undertake BMI successfully.

2.2.2. Tension management

Another strong theme, like much literature on SPOs, surrounds the management of tension between social and economic goals. Fehrer and
Wieland (2020) propose that tensions catalyze institutional work that influences BMI, and Best et al. (this issue) find that tensions are managed by dynamic capabilities that co-design, co-create and co-deliver solutions with stakeholders. In their study of art museums, Alshawaaf and Lee (2020) find that digitization can help to harmonize and even create synergies between social and economic goals by delivering social value for lower cost (in this case, by providing digital interactive art experiences), while pathways to B Corporation certification identified by Moroz and Gamble (2020) suggest that BMI associated with third party certification audits may help manage tensions by facilitating the consideration of organizational design and identity.

Further, Klein et al. (2020) examine choices that SPOs make to avoid mission drift cite the importance of grounding decisions in social values, and the importance of stakeholders, transparency, and collaborating with partners that share those values. The article by Kullak et al. (2020) also supports the idea that stakeholders like support organizations can play a significant role in managing conflict and risk arising from tensions.

2.2.3. The role of dynamic and learning capabilities

Third of the strongest themes concerns the importance of capabilities. In their study of UK SPOs, Best et al. (this issue) find that dynamic capabilities help to undertake BMI more effectively. Dynamic capabilities can include developing new skills (Ahmed et al., 2020), and continually adapting capabilities to work with stakeholders to design, create and deliver solutions (Best et al., this issue). Along these lines, De Silva et al. (2020) studies how founders of international SPOs working with poor and disadvantaged communities build dynamic capabilities to ensure improvements will continue into the future, including sensing and seizing opportunities to transform relationships with key players, processes, routines, networks and structures. A further article addressing the role of capabilities is that by Weerawardena et al. (2020), in which the authors develop a model whereby SPOs undertaking BMI are theorized to develop market-focused learning capabilities, network learning capabilities, and internally-focused learning capabilities, that will generate new knowledge to pursue BMI and create both social and economic value.

2.3. Outcomes of BMI

Key outcomes are also identified by papers in this special issue, particularly the relationship of SPO BMI to the ability to expand dual social—economic goals, and to survive.

2.3.1. Expanded dual social—economic goals

The outcome garnering most attention in this special issue is, perhaps unsurprisingly, the ability of SPOs to expand their ability to achieve dual social—economic goals. For example, in their study examining how Mexican SPO Unidos Somos Iguales transformed its business model from charitable non-profit to revenue-earning social enterprise, Refico et al. (2020) find that Unidos Somos Iguales scaled-up its operations and thus impact, and became more financially autonomous (though noted that a recent BMI had been less effective). Other articles make similar arguments or find similar results. For instance, Siebold (2020) argues that collaborating with key stakeholders can improve performance, and Weerawardena et al. (2020) propose that BMI facilitates dual value creation. Alshawaaf and Lee (2020) find that digitization BMI can improve organizational performance, De Silva et al. (2020) and Kullak et al. (2020) find that SPOs can scale up their creation of both social and economic value, while Klein et al. (2020) find that grounding decisions in social values reinforces the ability of SPOs to create social value and prevent mission drift. In their study of SPOs in the arts, McDonald et al. (2020) find successful BMI, while others observed it still in the making, or could not yet determine success. Ahmed et al. (2020) argue that SPOs focused on creating social value for beneficiaries and customer goals are more likely to be more profitable and sustain it over time, while low focus on beneficiaries and customers do not sustain SPOs.

In sum, the ability to meet dual social—economic goals is used in some capacity by Ahmed et al. (2020), Alshawaaf and Lee (2020), Best et al. (2020), Gasparin et al. (2020), Klein et al. (2020), McDonald et al. (2020), Moroz and Gamble (2020), Siebold (2020), Tykkyläinen and Ritala (2020), and Weerawardena et al. (2020), which suggests that one contribution of this special issue is to cement the ability to meet dual social—economic goals as an indicator of SPO performance.

2.3.2. Organizational survival

From a more defensive standpoint, organizational survival is also a strong theme among the papers. McDonald et al. (2020) find that organizational survival is a strong driver of BMI - describing it as pervasive - and argue that innovation is key. Siebold (2020) concur by arguing that BMI could be the most significant factor in sustaining SPOs, Best et al. (this issue) also argue that BMI can increase an SPO’s sustainability, and Kullak et al. (2020) conclude that SPOs facing environmental uncertainty can increase their chances of survival if they develop access to resources available in their network instead of focusing on increasing resources they hold.

3. Gaps, directions for future research and concluding thoughts

In aggregate, the articles in this special issue make substantial contributions to the SPO literature, including: underscoring a wide range of BMI drivers, especially environmental turbulence, and striving towards creating dual social-economic value; revealing more of the substance of BMI, such as the growing focus on collaborative work, new ways to manage tensions, and the need to develop dynamic and learning capabilities; and the outcomes of BMI, including expanding dual social-economic value, and survival. Moreover, the articles make a substantial contribution to grappling with and offering insight into feasible solutions to the ‘mission or money’ question that has underscored much SPO research to date.

In retrospect, articles in this special issue are a mixture of qualitative empirical studies, and conceptual articles. We believe this is common to fields in the early stages of development, where many foci and conceptualizations are accommodated, and that this collection of papers addresses important research questions, and facilitates a more focused body of knowledge. At the same time, gaps in knowledge still remain, which provide exciting paths for further investigation, which we detail below.

3.1. Conceptual and methodological gaps and opportunities

Our broad synthesis of BMI antecedents, substance and outcomes is somewhat limiting in that it does not consider contextual differences, while recent research by Kumar and Srivastava (2019) suggests that institutional factors greatly impact the nature of the BMI. Papers in this special issue carry potential insights into BMI relating to SPOs spanning different institutional settings; namely, from less affluent countries like Bangladesh (Ahmed et al., 2020) to developed countries like the UK and France (Alshawaaf & Lee, 2020); and from a broader international focus (De Silva et al., 2020) to a localized domestic focus (Ahmed et al., 2020). These and other papers offer opportunities for cross-examination and further development. For instance, Ahmed et al. (2020) focus on Type II SPOs in Bangladesh, and proposal of four business model types merits application in a developed market context. Similarly, the strategic framework proposed by Gasparin et al. (2020) based on social, cultural, ecological and economic values developed in the Vietnamese context could be applicable more widely. Future research could deepen insights about institutional and other contextual influences by replicating the studies their validity and generalizability, in line with the emphasis by several contributing authors (e.g. Ahmed et al., 2020; Best et al., 2020; De Silva et al., 2020).
3.2. Further model development and testing

The mix of qualitative empirical and conceptual articles has provided many insights and theoretical contributions, and suggests there are opportunities to pursue more quantitative work in future, by testing theoretical models, or pursuing multi-method studies. For instance, the conceptual framework presented by Weerawardena et al. (2020) attempts to comprehensively capture the antecedents, mediators and outcomes of BMI process in SPOs, while the framework by Gasparin et al. (2020) theorizes about the strategies and mechanisms of small-to-medium enterprises attempting to create social innovation. These frameworks and others like them can facilitate future research to test them, or parts of them. With qualitative work becoming increasingly sophisticated, theoretical models are becoming more elegant, and testing them could advance the field. Further qualitative work could also help refine already developed conceptual models by, for instance, undertaking fieldwork prior to testing to develop measures for constructs and fine-tune proposed theoretical relationships.

3.3. Managing adaptive tension and mission drift

Leading from the theme of tension management as part of the substance of BMI, various papers in the special issue suggest ways to resolve tension and avoid mission drift, such as by managing dynamic capabilities (Best et al., this issue), digitizing business models (Alshawaaf & Lee, 2020) adopting third-party certifications (Moroz & Gamble, 2020), grounding decision-making in social values (Klein et al., 2020), and collaborating transparently with like-minded stakeholders (Kullak et al., 2020). Research questions that emerge from this might include "To what degree does managing tension impact dual social-economic goal achievement?" Further, given recent research citing both destructive and constructive trade-offs between social versus commercial activities (Zhao, 2020), there is a question of what business models and governance structures will manage tensions and trade-offs over time. Methods such as critical incident method (Miles & Huberman, 1994) can be appropriate for these kinds of topics seeking to track BMI or its outcomes over sequential stages (e.g. Montealegre, 2002; Weerawardena, Sullivan Mort, Salunke, Knight, & Liesch, 2015).

3.4. Wholesale versus smaller-scale BMI

Papers in this issue concur with previous research (e.g. Weerawardena & Sullivan Mort, 2006) in demonstrating that SPOs continue to operate in competitive, dynamic, and resource-constrained environments. Compared to their commercial counterparts, it seems feasible that SPOs may not have the capacity to undertake wholesale BMI, or may not have access to the intelligence needed for such change. Supporting this, papers in this special issue have detailed changes to various business model components: Value proposition (De Silva et al., 2020; Fehrer & Wieland, 2020; Gasparin et al., 2020; Kullak et al., 2020); value creation (Best et al., 2020; De Silva et al., 2020; Fehrer & Wieland, 2020; Gasparin et al., 2020; Klein et al., 2020; McDonald et al., 2020; Siebold, 2020); value capture (Alshawaaf & Lee, 2020; Best et al., 2020; De Silva et al., 2020); and value architecture (Alshawaaf & Lee, 2020). It seems feasible, therefore, that SPOs may undertake single-component or otherwise smaller-scale BMI unless wholesale BMI is absolutely required. The BMI classification proposed by Mitchell and Coles (2003), which cites four types of BMI ranging from incremental to wholesale BMI could be useful to researchers pursuing questions, like "What drives the scale and nature of BMI among SPOs?", and "What are the outcomes of single-component versus multi-component BMI?" Single in-depth case study or multiple case studies (Eisenhardt, 1989; Yin, 1994) could be used for this purpose.

4. Research context

Our definition of SPOs covers a substantial number of organizational forms that represents the broader social sector, and studies in this special issue span a wide range of industries, including both for-profit and non-profit organizations. These observations lead us to suggest that future research might find value examining the relationships between them, for example, by examining any of the questions posed above in a specific sector, or among organizations with a specific governance, or type of legal structure.

4.1. COVID-19 as extreme environmental turbulence

A final consideration is the socio-economic impact of extreme environmental turbulence brought by events such as COVID-19 and other such crises. This special issue is being published at a time that COVID-19 has caused significant, and potentially catastrophic, turbulence to organizations, and although this threat wasn't explicitly considered by contributing authors, McDonald et al. (2020) did examine existential environmental threats. A recently published report by Sumner, Hoy, and Ortiz-Juarez (2020) estimates that a global poverty tsunami' of about half a billion people could occur in the wake of COVID-19. Extreme environmental turbulence brought by COVID-19 or other such events are potentially extreme BMI-triggering events, and have a significant effect on SPO survival; therefore warrant investigation.

5. Conclusion

In conclusion, BMI research in the social sector is timely. As we can see, SPOs are faced with intense competition and depleted government and philanthropic revenues, and have been experimenting with BMI to enhance their ability to meet dual social-economic goals, and to survive. With the new focus on collaboration identified among the papers, these efforts are also aimed at building a vibrant social sector that will continue to contribute to the economy and societal wellbeing. This special issue advances research on BMI among SPOs by building a more focused and consistent body of knowledge, and a forum for discussion, that includes identification of major antecedents to BMI (environmental turbulence, and internal drivers), the substance of BMI (collaboration, managing tensions, and developing dynamic and learning capabilities), and the outcomes of BMI (expansion of dual social-economic goals (such that it may be a main indicator of SPO performance), and organizational survival). Through this aggregation of the latest research, we have suggested four main avenues of potential future research that could contribute further to the field.

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