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Trade-off or trade-up: the analysis of financial and social performance in the context of social enterprises' business models

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Abstract

Maintaining balance between financial and social performance in social enterprises is one of the most frequently discussed tensions that those hybrids experience. The prevailing understanding is that there is a trade-off between the two performances, and that attention to financial performance might lead to a social mission drift. We focus on social enterprises' business models, as the source of both financial and social performance, and the moderating role they have on this relationship. We investigate the financial-social performance relationship on the sample of 912 social enterprises in nine different countries. The results show no trade-off between financial and social performance, but rather a general complementary relationship. However, we find that some business models amplify the positive relationship between the two performances, while others make it weaker. With these findings we contribute to the discussion of the relationship between financial and social performance in social enterprises. We draw attention to social enterprises' business models as an aspect that can shape this relationship.

Keywords: Social enterprises, trade-off, mission drift, performance, business models