

# Social enterprises in Palestine: a critical analysis

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## Abstract

**Purpose** – This paper aims to critically examine the concept of social enterprises in Palestine. It uses the lens of institutional theory to understand how the political and economic context of the society can influence certain types of entrepreneurial behaviors and be responsible for the emergence of social enterprises. The paper uses a critical perspective to deconstruct social enterprises in Palestine to shed light on reasons for their emergence, motives and agendas.

**Design/methodology/approach** – A case study design was used to examine the phenomenon of social enterprises. The case study method is valuable in describing the how and why issues of a phenomenon in the present time frame. Two leading social enterprises operating within the Palestinian region were identified. The two enterprises were contacted for a series of interviews (over a period of few months) with their owners and other active members.

**Findings** – The empirical findings suggest that social enterprise model is still in its embryonic stages in Palestine. Their social mission of community development and sustainability is not completely sincere. The social entrepreneurs were willing to compromise social mission for economic surplus. The national structure, political framework, legal environment, social, cultural and the economic conditions of Palestine have served as suitable launching pads for social enterprises with not so authentic mission of serving the society. It has encouraged entrepreneurial philosophy and behavior, which has masked hidden economic and political agendas with exterior goals of social welfare and community development.

**Research limitations/implications** – This paper adopts a critical perspective and a qualitative methodology, and this raises the concern if the arguments pertaining to social enterprise raised in this paper can sustain in a developed nation with a stabilized political scenario or whether this alternative ideology is only relevant to underdeveloped countries with unstable, political conditions, such as Palestine.

**Practical implications** – This paper provides relevant information for students, critical academics and policymakers.

**Social implications** – The paper argues for a more concise definition for the model of social enterprises. It argues for clear legal guidelines which could monitor the formation of social enterprises in Palestine.

**Originality/value** – This paper provides an alternative perspective on social enterprises within a constrained and political unstable economy of Palestine.

**Keywords** Institutional theory, Palestine, Social enterprises, Critical perspective

**Paper type** Research paper

## 1. Introduction

In the past, few years, corporate ethics and social responsibility have become important both for management education and for organizational success and survival (Ritchie and Lam, 2006; Westall, 2007). Management practitioners, academics and educators have given



considerable attention to the role of businesses with regard to social welfare and social responsibility (Ritchie and Lam, 2006; Westall, 2007). With gradual change in the political, societal and community expectations with regard to social welfare and contemporary organizations, an organizational form known as social enterprise has evolved (Leadbeater, 1997; Nicholls, 2006). Social enterprises differ from traditional non-profit organizations in terms of strategy, structure and norms and can be described as a “radical innovation in the nonprofit sector” (Dart, 2004, p. 411; Zainon *et al.*, 2014; Iyengar, 2014). These organizations have been described as “innovative approaches for dealing with complex social needs” (Johnson, 2000, p. 1; Gurvitis *et al.*, 2015). Some (Evers, 2001; Nicholls, 2006; Westall and Chalkey 2007 as cited in Bull, 2008, p. 268) “have heralded [social enterprises] as the savior of public and private business failure” and the “answer to worklessness, social isolation and inequality” (Organization for Economic Co-operation and Development, 2006 as cited in Bull, 2008, p. 268), while others have described social enterprises as a “faddish response to changes in the sociopolitical environment as a rational adaptation that produces valued results” (Abrahamson, 1996 as cited in Dart, 2004, p. 412).

A significant feature of social enterprises is its integration of profit generation with social mission (Reiss, 1999; Zainon *et al.*, 2014; Iyengar, 2014). Social enterprises thus apply business practices to the operation of non-profit organizations (Reiss, 1999; Zainon *et al.*, 2014; Iyengar, 2014). But these contrasting ideologies of “social” and “enterprise” are rarely reconcilable in practice (Bull, 2008). This raises the question as to whether social enterprises always “produce outcomes that make it pragmatically legitimate?” or can it have motives other than social mission? (Dart, 2004, p. 422). In fact, “social enterprises [with] their growing emphasis on commercial, revenue focused role of its definition” (Dart, 2004, p. 417) could generate problematic concerns for the society. As Pearce (2003 cited in Bull 2008, p. 269) comments, social enterprises are behaving as “businesses closer to the private system than the public [...]”. Social enterprises could “focus on market-based solutions” while operating in the name of social mission and agendas (Dart, 2004, p. 412). In other words, these organizational forms possess all the ingredients of a “dangerous ideology”, which can promote “unhelpful forms of social change” (Peredo, 2011, p. 415). There is thus a “basic need for more studies on social enterprise” (Dart, 2004, p. 422) which are able to demonstrate the “competing and contrasting predictions” surrounding social enterprises (Dart, 2004, p. 412). A need for critical studies which “highlight alternative views which are often in conflict with the wave of euphoria and optimism that is driving current theoretical development in the field of social enterprise and entrepreneurship” (Bull, 2008, p. 272). However, research on “[...] social entrepreneurship [continues to] remain in an embryonic state” (Gurvitis *et al.*, 2015, p. 498). There is a lack of empirical knowledge and empirical reality which can successfully “myth-bust” the existing presumptions surrounding social nature of social enterprises – “a critique [which] would demystify social entrepreneurship by subjecting its unchallenged, unconsidered assumptions to empirical scrutiny” (Dey and Steyaert, 2012, p. 93).

This paper seeks to contribute toward this limited empirical literature on social enterprises by critically examining this organizational model in Palestine. This paper will deconstruct social enterprises to shed light on their reasons for emergence, motives and agendas. Institutional theory will be used as a theoretical perspective to broaden the lens and enable discussion of social enterprises from a sociological base, acknowledging its political and cultural origins and strategic dimensions. Critical perspective will be adopted to allow the researchers to dig deep and expose contradictions and reality hidden beneath the surface appearances.

This paper consists of six sections. Section 2 covers the literature on social enterprises and possible reasons for their emergence, motives and agendas. Section 3 discusses the theoretical implications of institutional theory and its appropriateness for this research

study. Section 4 provides reasons for deciding to examine social enterprises in the geographical region of Palestine. Section 5 discusses methodological considerations and its appropriateness to this research study. Sections 6 and 7 deal with empirical data and analysis and concluding thoughts with suggestions for future research directions.

## 2. Social enterprises: a literature review

Social enterprises undertake business ventures involving a “social cause using normal entrepreneurial strategies” (Gray, Healy and Crofts, 2003, p. 142; Iyengar, 2014; Gurvitis *et al.*, 2015). These enterprises apply commercial and business strategies to community causes (De Leonardia and Mauri, 1992; Crofts and Gray, 2001; Zainon *et al.*, 2014). “Social enterprises are a means for non-profit agencies to maximize their mission-related performance through the development of new ventures or by reorganizing activities to improve operational efficiency” (Zappala, 2001, p. 43). It consists of all economic and profit-generating activities and ventures undertaken by non-profit agencies to support community service initiatives and social responsibility programs (Catford, 1998; Dees and Haus, 1998; Reiss, 1999). Examples are business ventures such as microfinance banks, community cafes, city farms and dairy cooperatives, which offer employment opportunities and better standards of living to poor and disadvantaged sections of the society (Gray *et al.*, 2003). The two main features of social enterprises constitute social mission and profit generation. Social enterprises “involve taking a business-like, innovative approach to the mission of delivering community services. Developing new social enterprise business ventures is only one facet of social entrepreneurship. Another facet is maximizing revenue generation from programs by applying principles from for-profit business without neglecting the core mission” (Pomerantz, 2003, p. 26). The profit generation feature provides autonomy to these business enterprises and gives them independence from specific funding programs and projects. These enterprises are able to gain commercial advantages with their partnerships with private sector, communities, nonprofit enterprises and government (Gray, Healy and Crofts, 2003; Iyengar, 2014; Zainon *et al.*, 2014).

These forms of enterprises have become very popular in the last few years. The reasons for their evolution are:

- the gradual decline of the state in the provision of welfare services in society (Mulgan, 2006);
- the rise of a culture focused on self-reliance and personal responsibility (Scase and Goffee, 1980; Kuratko, 2005); and
- Decline in the funding opportunities within the non-profit sector and devolution, deregulation and privatization of welfare services across the world (Pearce, 2003; Goerke, 2003).

Social welfare was now no longer considered a responsibility of the government and public sector, or completely positioned within the non-profit sector or an outcome of corporate social responsibility feature of private organizations (Sabella and Eid, 2016). Instead, governments across the world are repositioning themselves as partners in the provision of welfare services (Sabella and Eid, 2016). Entrepreneurs are encouraged to make social investments in partnerships with not-for-profit welfare organizations by using business strategies and profit-generation objectives (Sabella and Eid, 2016). The role of individual entrepreneurs and the adoption of a dual model has played a significant role toward the growth of “social enterprises” model (Sabella and Eid, 2016). For example, a study on social enterprises undertaken in Palestine demonstrated that social enterprises’ sustainability in

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these environments was a function of a continuous entrepreneurial activity and the effective use of social and business models (Sabella and Eid, 2016).

Social entrepreneurs launch business ventures responding to the service opportunities in the society, utilizing their own networks, business acumen and finances and taking advantage of any government exemptions and assistance of private sector available under the bracket of corporate social responsibility (Gray *et al.*, 2003; Iyengar, 2014). It cannot be denied that these enterprises are able to provide solutions to the existing local and community problems (Gray *et al.*, 2003; Iyengar, 2014). They are able to genuinely improve citizens' lives by creating opportunities that develop their skills and knowledge and allow them to actively participate in the social and economic development of the society (Gray *et al.*, 2003; Iyengar, 2014).

However, these enterprises despite their philanthropic characteristic also integrate the profit maximization element (Peredo, 2011). These organizations are synonymous to commercial enterprises in terms of being market-driven, client-driven, profit-oriented, self-sufficient and business-like (Peredo, 2011). They are revenue focused, fee-for-service enterprises in partnerships with private sectors. Social enterprises have also been conceptualized entirely as "income generating operations" (Peredo, 2011, p. 414). Social enterprises function within blurred and hazy boundaries (Dart, 2004). They are neither commercial nor non-profit organizations. They are allowed profit maximization, private partnerships, government and private networks and allowances granted to non-profit organizations, such as tax exemptions, legal protections and subsidies (Peredo, 2011). A social enterprise is able to combine the advantages of both profit and non-profit sectors. In other words, unless clear guidelines are formulated, the social cause could just be an excuse to the legitimate means to the end outcome (i.e. profits). The entrepreneurs could conceptualize social cause existing in the society as a business venture. The focus for them would shift to profits instead of social welfare. To be able to justify this conceptualization of social enterprises, it is essential to examine them within the theoretical framework of institutional theory.

The next section covers the theoretical elements of institutional theory.

### 3. Institutional theory and social enterprises

Institutional theory originated in Germany in the late nineteenth century. Its basic philosophy was that all "economic processes operated within a social framework that was in turn shaped by a set of cultural and historical forces" (Scott, 1995, p. 2). Institutions and social norms formulate the behavior of the individuals residing in that society, and sanctions and rewards result in certain types of economic activities (Veblen, 1914). All forms of economic behavior are products of the cultural context of the respective societies. Institutions and social norms also affect the pace and direction of learning and creation of new types of knowledge (Veblen, 1914).

Institutions are "humanly devised constraints that structure political, economic and social interaction" (Veciana and Urbano, 2008, p. 367). Institutions consist of informal elements such as values, norms, sanctions, taboos, customs, traditions and codes of conduct and formal elements such as rules, laws, property rights and contracts. Human beings devise institutions to create order, define economics and determine transaction and production costs and the outcomes of engaging in economic activity. They are the products of historical evolution of the economies – "largely a story of institutional evolution in which the historical performance of economies can only be understood as a part of sequential story" (Veciana and Urbano, 2008, p. 367). They determine the scope and direction of economic change and the types of businesses being started as well.

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Institutions are based on three philosophical foundations. First all institutions are based on values. Second, institutions keep evolving or changing. Also, as human behavior is interdependent on the laws, rules and regulations, it automatically results in new individual behavior and actions. Finally, man/woman is a social product. His/her beliefs, attitudes and wants reflect the cultural values of the institutions and the social forces existing within the environment. All human values and behavior are products of social, cultural and economic forces existing in the institutions. People frequently accept the traditional beliefs and values passed to him/her by the institutional framework of the social system (Veciana and Urbano, 2008).

Scott (1994) comments that all institutions are made of three components: meanings and behavior patterns, symbolic elements (representational, constitutive and normative) and regulatory processes. Further, institutions “consist of cognitive, normative and regulative structures and activities that provide stability and meaning in social behavior” (Scott, 1994, p. 56), and that “institutions are transported by various carriers—cultures, structures and routines and they operate at multiple levels of jurisdiction” (Scott, 1994, p. 56). The regulatory dimensions consist of laws, regulations, rules and government policies within the environment, and they encourage specific behaviors and restrict others. Rules, monitoring of behavior and sanctioning certain activities, rewards and punishments which influence behavior of individuals are covered under this dimension. The normative dimension consists of social norms, values, beliefs and assumptions which are socially shared among the individuals. This constitutes the culture of that society. This dimension defines the goals and objectives of the various businesses existing within the society – social responsibility, profits and innovation. Culture also denotes acceptable business practices and code of conduct. The last dimension, cognitive, refers to the cognitive models shared by individuals within a specific territory (Markus and Zajonc, 1985). All these three dimensions define the environment within which organizations function and provide a structure for human interaction. Organizations include political bodies (government, political parties, municipal agencies, etc.), economic bodies (firms, trade unions, cooperatives, etc.), social bodies (church, clubs, professional associations, etc.) and education bodies (schools, universities, vocational training agencies, etc.). Institutions formulate the boundaries while organizations and entrepreneurs function within this pre-defined arena (North, 1993).

The types of organizations that come into existence reflect the opportunities provided by the institutional contexts prevalent in that country. If the institutional framework sanctions piracy, then piratical organizations will come into existence. Similarly, if the organization rewards financial firms, then these types of businesses will be started. Again, if institutional environment rewards technology and software firms, then such type of firms will be created (Veciana and Urbano, 2008).

Institutional theory is effective in understanding the evolution and direction of entrepreneurship behavior within a society. External environment keeps changing, thereby producing opportunities for its citizens. “Opportunities are situations in which a potentially profitable ends-means framework can be formed. They are therefore the potential subject of discovery by entrepreneurs having the necessary idiosyncratic knowledge” (Shane, 2000, p. 450). Entrepreneurs are alert to the business opportunities not identified by others and turn it into a profitable venture (Kirzner, 1973). The entrepreneur is not an autonomous individual, instead he/she is a subject existing in a context. S/he is “conditioned by the formal and informal institutions” (Veciana and Urbano, 2008, p. 373), “[. . .] responding to the incentives embodied in the institutional framework” (North, 1990, p. 83). Institutional contexts promote or inhibit the rate of new firms’ formation, growth and development and the emergence of entrepreneurs. Laws, regulations and government policies can encourage

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or inhibit the starting of new firms and acquisition of resources. For instance, Brautigam (1997) examined how in a town Nnewi in Nigeria industrialists successfully filled up the gap left by the state government. Stephen *et al.* (2005) analyzed how legal rules protected creditors and investors, leading to an increase in economic development in that society. Public policy and support programs in place often lead to an increase in entrepreneurship. Aponte (2002) comments that 40 per cent of entrepreneurship can be attributed to this factor. Numerous research projects are currently examining how formal constraints support agencies and programs of the general population with regard to feasibility of new firm formation.

It is possible to explain the emergence of social enterprises under the lens of institutional theory as an organizational form which responds to institutional challenges. To conceptualize these enterprises as organizational entities, which “instrumentally manipulate and deploy evocative symbols in order to garner societal support” (Suchman, 1995, p. 572). In case of social enterprises, one can state that all entrepreneurial activities, profit motives and selfish revenue generating agendas have been masked under the legitimate veil of social service and development. Formation of social enterprises has been defined so far in terms such as correct and appropriate, rational and functional. However, their true purpose could be completely masked and hidden from the visible eye.

This paper will investigate the true purpose and agenda of social enterprises and reasons for their rise within the theoretical framework of institutional theory.

#### 4. Social enterprises in Palestine

To understand the social phenomena of “social enterprises” within the theoretical perspective of institutional theory which emphasizes the general context as its key determinant, presenting relevant background information of the Palestinian economic and social climate is essential. In other words, social enterprises have their roots within the political conditions of that society (Spear *et al.*, 2009), and therefore, there is a need to understand the political and economic scenario of the West Bank/Palestinian region.

Palestine is a country of a total of 4.68 million civilians (Palestinian Central Bureau of Statistics, 2016). Like other countries in the Middle East and African (MENA) region it has struggled; over past few centuries, it has been ruled by several empires including the Greek, Roman, Ottoman empires and the British mandate, and now since the past 70 years, it has been under Israeli occupation. In such a situation, Palestinians face daily struggle, oppression and violence. The land has been segregated into two districts, the West Bank and Gaza Strip. This has led to negative social and cultural ramifications. The country has been envisioned by the Palestinians youth as a place that does not support living, security or peace and a country with limited if any future horizons. This has led to a brain drain with educated citizens leaving Palestine to settle in safer countries with more opportunities (Palestinian Central Bureau of Statistics, 2016).

Further, as compared to other MENA countries, Palestine is neither politically nor economically independent. The establishment of settlements and the takeover of land and other natural resources, as well as the practice of some unfair economic agreements and policies, are among a few forces which has made the Palestinian economy extremely dependent on the Israel's economy. Palestine is a place of flux and has witnessed two Intifada's and wars on Gaza, where thousands of civilians were killed, and this turbulence has negatively affected the economic and social climate of the country (Palestinian Central Bureau of Statistics, 2016).

In 1996, the Palestine National Authority came into power, and during this transitional period, some economic initiatives were introduced. Several donors and international formal parties offered help in the form of philanthropy or kind contributions of services and

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consultations. The Palestinian economy at that time and until this current period is based on four economic sectors: agricultural, industrial, construction and services sectors. The country's economy can be described as underdeveloped as compared to other international countries. The most vital sector which comprises 70 per cent of the jobs and is the largest contributor to an increase in the GDP in 2015 was the services sector, followed by the construction sector ([Palestinian Central Bureau of Statistics, 2016](#)). The agricultural and industrial sectors are weak, and most investments are directed to revitalize the services sector. Also, the private sector which is operated by a group of capitalists invested heavily in the services sector in the form of large-scale corporations and holding companies ([Palestinian Central Bureau of Statistics, 2016](#)).

The public sector hired more people to eliminate unemployment, but this led to unexpected results such as overstaffing and masked unemployment. During 1996-2005, several Palestinians came to invest in Palestine; they bearded huge costs, risks and struggled to sustain their businesses. A lack of a supportive business environment doomed their efforts. Such an unfavorable experience made several other investors reluctant to start their investments in the country. In 2008, new economic and anti-corruption plans were introduced to the Palestinians as magical solutions to address the current problems. However, the resulting consequences were a real tragedy because the new economic policies instead of helping them by creating jobs and stimulating opportunistic entrepreneurship, appeared to increase the nation's indebtedness. People borrowed funds from the banks, and once the political situation deteriorated, they found themselves further sinking in debt. Also, most of the non-governmental organizations at that time concentrated their efforts to sell the idea of "creating jobs/entrepreneurship" instead of "finding jobs"/seeking employment. Young Palestinians were targeted by those organizations to receive extensive training and mentorship in business incubators to start their own businesses, but unfortunately, such a model of necessity entrepreneurship doomed their dreams again ([Palestinian Central Bureau of Statistics, 2016](#)).

Several problems are currently facing the Palestinian society, including the lack of a well-established infrastructure, skilled know-how, lack of a supportive legal framework, lack of a supportive business environment and finally the lack of credibility. These challenges along with the demonstrated instability have resulted in critical and severe social problems. Poverty, unemployment, deteriorating health conditions and immigration are among the social gaps which can be used to describe the current Palestinian context. For instance, in 2015, the unemployment rate in the West Bank was 16 per cent and was 42 per cent in Gaza Strip, while the poverty ratio reached to 18 per cent of the total population in the West Bank and 38.8 per cent in Gaza in 2015 ([Palestinian Central Bureau of Statistics, 2016](#)).

During this period, lots of not-for-profit organizations in the form of non-governmental and community-based organizations came into existence. These organizations were not able to tackle most of the social problems existing within the economy. There were not able to replace the governmental aid and support. These enterprises suffered from reasons ranging from lack of a clear mission to competition between the social-oriented organizations to seek funds or to attract beneficiary groups, which led to conflicts and inefficiencies. Moreover, these organizations functioned on a predefined mandate; they replicated similar projects and demonstrated weak deliverables ([Palestinian Central Bureau of Statistics, 2016](#)).

As an answer to this problem, groups of people and individuals developed a new form of organizational form, a more socially driven and beneficial type of institution, one which was termed as a "social enterprise". This novel practice took place to start organizations carrying a social mission on one hand but operating in a business-like fashion on the other hand. In developed countries, it is usually the private businesses which initiated this latter model as a

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spinoff entity based on an ethical driver of philanthropy (Palestinian Central Bureau of Statistics, 2016).

However, due to lack of proper legal restrictions and governmental guidelines, these social enterprises may show a tendency to tilt toward the profit-oriented objective vs their mission-oriented objective (Bull, 2008). This paper will deconstruct social enterprises functioning within the Palestinian economy to reveal their possible true purpose and objective. Deconstruction demands a critical perspective from both the authors. The next section discusses the methodological considerations leading to the choice of an appropriate research method.

## 5. Methodology

The roots of critical theory can be traced back to the enlightenment tradition which emphasizes that researchers need to combine a “philosophical understanding of human basis of seemingly divine or superhuman (e.g. scientific) authority with an empirical investigation of contemporary ideas, dogmas and prejudices” (Alvesson and Willmott, 1992, p. 434). The focus of critical theory is on the “role of power in institutionalizing and sustaining needless forms of oppression, confusion and suffering. When this concern to expose forms of domination goes beyond a purely abstract, academic orientation it takes the form of a critique” (Alvesson and Willmott, 1996, p. 51). Critical theory combines philosophy with empirical study. Critical theorists believe that by ignoring philosophy, empirical research just ends up legitimizing existing dogmas and prejudices, and research fails to go beyond the existing reality.

Critical theory tries to uncover how the social world is produced and the factors responsible for construction of individual selves. Critical theory with its focal point on critical thinking is “motivated by the effort really to transcend the tension and to abolish the opposition between the individual’s purposefulness, spontaneity and rationality and those work process relationships on which society is built. Critical thought has a concept of man [sic] as in conflict with himself (sic) until this opposition is removed” (Horkheimer, 1976, p. 220). Critical theory thus is interested in liberating people from unnecessary traditions, ideologies, assumptions and power relations, all situations which may distort opportunities for autonomy and satisfaction of needs and wants (Fay, 1987; Fromm, 1976; Habermas, 1971, 1984; Horkheimer and Adorno, 1947; Marcuse, 1964). The main objective of critical theory is to expose the various forms of exploitation, domination and emancipate people from all forms of domination and suffering. “Critical theory combines philosophy with social science to facilitate” change “in an emancipatory direction” (Alvesson and Willmott, 1992, p. 435).

The entire ideology of critical theory is based on the belief that an individual is not separate from the historical and cultural orientations of the society. No subject is free and autonomous. It is essential to expose all forms of instrumental rationality. Facts can never be separated from values. Knowledge must discard the illusion of objectivity which “prevents consciousness of the interlocking of knowledge with interests from the life world” (Habermas, 1971, p. 305). Critical theory requires the researcher to deconstruct social conditions. Critical research projects need to expose various power structures. It is necessary to examine all research issues in critical research within the historical and cultural orientations of the society. Finally, critical theory is interested in achievement of praxis. “Without sustained commitment to praxis, critical theory restricts itself to becoming a self-indulgent academic theory and thus risks losing its emancipatory potential” (Prasad and Caproni, 1997, p. 3 as cited in Johnson and Duberley, 2000). The essence of critical thinking is emancipation of the oppressed.



But what if the objective of the research project is to primarily deconstruct and create new knowledge and perspectives about an existing practice without being directly emancipatory. The obvious choice would be a broadly critical perspective where the researcher can “attempt to stand back from their work and interrogate their findings with a critical eye” (Johnson and Duberley, 2000, p. 21). The approach would still be “an epistemology perspective in which knowledge and critique are intertwined” (Harvey, 1990, p. 3). Scientific knowledge would still in this study mean a critique (Harvey, 1990). Research would now no longer mean a “mere accumulation of facts gathered through a mechanical process but an analysis of the social process”, its actuality, digging deep beneath the existing underlying practices, their historical and structural manifestations (Akella, 2003, p. 119). This research study will “dig beneath the surface of appearances. It [will] ask how social systems really work, how ideology or history conceal the processes which oppress and control people. Critical social research is intrinsically critical” (Harvey, 1990, p. 3).

This research study aims to deconstruct social enterprises, exposing their real motive behind the façade of philanthropy and social welfare. Critical perspective would assist the researchers in this endeavor by allowing them to understand the “local actors’ meanings, symbols and values to place these within a wider political, economic and historic framework and to prevent such a framework from pressing the material into a particular theory and language” (a dominating voice) (Alvesson and Willmott, 1992, p. 454). In this study, the researchers will go beyond what is visibly seen to expose the true motives of entrepreneurs of the social enterprises.

A set of pre-tested parameters based upon the literature shall be envisaged to facilitate the elaboration and study of the real essence of social enterprises as compared to business enterprises. Table I highlights comparisons between the two forms by using six parameters to be considered as focal: managerial philosophy, focus, entrepreneurial emphasis, the enterprise goal, model of operations and tools.

[Adapted from: De Leonardia and Mauri, 1992; Leadbeater, 1997; Reiss, 1999; Johnson, 2000; Evers, 2001; Crofts and Gray, 2001; Dart, 2004; Nicholls, 2006; Bull, 2008; Peredo, 2011; Zaimon et al., 2014; Gurvitis et al., 2015; Sabella and Eid, 2016].

All empirical work took place in the West Bank, located in Palestine. The “social enterprise” model is novel in Palestine; therefore, organizations operating based on this model are registered as either community-based organizations or non-governmental organizations; however, their activities are reported as social activities and operations in the Chambers of

**Table I.**  
Pre-tested parameters separating social enterprises from business enterprises

Parameters	Business enterprises	Social enterprises
Managerial philosophy/drivers of organizational formation	Utility ethics	Rights view of ethics
Mission and focus	Economic drivers	Ethical drivers
	Profitability	Humanitarian and social/community development
Entrepreneurial emphasis	Economic value creation	Social value creation
Goal	Financial growth and sustainability	Community development and alienation of social gaps
Model of operations	Business/economic	Entrepreneurial and Hybrid model
Means/tools	Business practices and tools such as marketing, commercialization, strategic management and planning, commercial ventures	Social engagement, social capital, and several other forms of business-like practices plus financial sustainability and commercial activities

Commerce. Thus, it was difficult to document the exact number of these enterprises as the legal formation of such an organizing mode prevails under study. The very few social enterprises which operated in the Palestinian community were mainly initiated by business enterprises as part of their social responsibility efforts in the form of spinoffs. However, the researchers decided to choose the two social enterprises which had been initiated and were being operated by individual entrepreneurs. These two cases can be considered as a pilot sample of this form of enterprises and thus would require further analysis and investigation in the future. The two cases were triggered and identified among a group of four cases through a snowball technique. Both enterprises were located in the West Bank, mainly in Taybeh and Birzeit villages, which are both located in Ramallah District.

The sample selection criteria included the following:

- First, these social enterprises should be established by individual initiatives as they are perceived to have a virtue perspective for solving social issues underpinning the Palestinian society; of course, this is as long as they are not created for economic drivers as it would be the case for social enterprises operated by businesses.
- Second, these social enterprises were chosen based on the criterion of durability, represented by the years of operations in the region of Palestine. It would be more objective to evaluate their social endeavors if they had a prolonged presence; in fact, the two enterprises have been operating for more than seven years and are still functioning effectively.
- Third, the selected social enterprises had to be involved in numerous social welfare projects in Palestine to test and analyze the preset parameters.
- Fourth, the two were perceived as leading social actors and had done tangible work on the ground.

Case study design was used to examine the studied phenomenon of social enterprises' emergence and also to deconstruct the drivers behind such an evolution in the Palestinian context. The case study method is valuable in describing the "how and why" issues of a phenomenon in the present timeframe. It helps researchers grasp details and perceptions from the founders and practitioners themselves who happen to be the key active players and the best persons to testify about the reasons behind the emergence of this social phenomena (Yin, 2003). The case study method uses multiple sources of evidence such as interviews, physical artifacts and archival records (Yin, 1989). Six in-depth, semi-structured interviews were used to enrich the findings of the study. The interview questions (Appendix 1) covered ideas describing the social entrepreneur, the social enterprise, its focus, its distinctive model, its social impact and nature of operations and the role of the general context. Annual administrative, social and financial reports, newsletters and other documentation published by the two enterprises and by the general public were also reviewed as supplementary sources of secondary data. The authors decided upon case study method and in-depth interviews to allow going deep into the mental models of these businessmen, provide insights about their perceptions and then unpack their preconceived notions of the society.

The two enterprises were contacted for a series of in-person interviews (over a period of few months) with their owners and other active members. All interviews were tape-recorded and lasted for at least from 60 to 90 min. For further clarification, interviewees were contacted several times and on different occasions either personally or on phone. All interviews were in Arabic language and later translated during the time of transcription. The long narratives were analyzed using thematic analysis. One limitation of thematic analysis as a data analysis strategy is that by fracturing text into categories, important

contextual relationships among data might be overlooked (Miles and Huberman, 1994). Such a limitation was solved through purposeful emphasis on connecting the informants' statements to the context where the cases took place. Also, the "social enterprises" were studied from an "institutional theory" perspective. Trustworthiness of qualitative analysis was also enhanced using "constant comparison" (Fram, 2013). It enabled the researchers to identify emerging themes by comparing and connecting one piece of data retrieved from each interview with previous data of the other interviews. The data analysis process began by grouping the transcribed chunks of data into categories after a detailed coding process had been conducted to analyze the narrative transcripts sentence-by-sentence. Most of the codes were generated based on two sources: the data itself and the literature. Examples of the codes which were highly triggered throughout data analysis included "social/community engagement", "opportunity", "opportunity exploitation", "opportunity exploration", "commercialize", "value", "sell", "networking", "society", "stakeholders", "social capital", "exchange", "entrepreneurship", "leader" "entrepreneur", "social gaps/problems", "resources", "strategize" and "action plan" (see Appendix 2 for the coding sheet along with a table of the emerging six sub-themes which were extracted from the coding process and then deduced into five). The result of the thematic analysis covered three main themes of business opportunity, profitability and utility ethics. The themes and patterns which emerged have been tabulated in Table II to provide further detailed insights about the process of empirical data analysis.

The next section will present a different perspective of social enterprises based on findings of analyzed data from the two case studies in Palestine.

## 6. Empirical data and empirical analysis

Palestine is a conflicted region rigged with lack of economic development, unemployment, poverty and racial discrimination. These factors have made this region popular for foreign donations and funds marked out for economic development, educational opportunities and creation of jobs for local Palestinians. Volunteers from different parts of the world travel annually to work with various non-profit organizations in this region. Numerous opportunities are available for entrepreneurs in the areas of social welfare and development. Local and international corporations are willing to collaborate on these projects. Government incentives and exemptions are accessible, and community support is widely available for these projects (Palestinian Central Bureau of Statistics, 2016).

As mentioned before, two leading social enterprises were identified as case studies and interviews were carried out over a couple of months. These organizations will be referred to as SE1 and SE2. SE1 is an organization concerned with revitalizing an entire town, rebuilding its infrastructure, commercial, cultural and economic sectors and increasing tourism in that area. SE2 is another social enterprise focused on the philosophy of non-violence and disseminating peace and creating opportunities for youth within the region.

Empirical data gathered from the in-depth interviews were read a couple of times by the researchers separately. Then, the transcribed data were coded. Three main themes emerged: "business opportunity", "profitability" and "utilitarian ethics". These themes have been discussed next.

### 6.1 Business opportunities

The essence of all commercial businesses is an opportunity, both at the individual and firm-level (Venkataram *et al.*, 2012). So is the case with these social enterprises. Technological, political, social and other types of environmental changes offer different ways of using

(continued)

Themes	Recurring patterns	Interview quotes	Relevance
1) Business opportunity	Opportunities and Exploration	<p>“... everything usually starts with an idea . . .” (SE2)                      “If I have an idea for starting a business or to start any kind of project, I start executing the project . . .” (SE2)                      “. . . ideas are even created and polished from the external context where we live, it is the community that helps us “entrepreneurs” to catch ideas, find resources and alter our strategies and actions. A plenty of opportunities exist in the context of this small community, you just need to explore these opportunities. You need to be alert and pick up feasible opportunities. Sometimes for an organization to be sustainable it has to listen to the community and its diverse parties. Solving social problems is a crucial priority under the poor and unstable political, economic and social context . . .” (SE1)                      “. . . We discover social problems from this continuous analysis of the community’s anatomy and try to turn these problems into valuable opportunities and further into value generation projects” (SE1)</p>	<p>Social enterprises are similar to commercial enterprises where the entrepreneurs need to be alert and invest in feasible opportunities</p>
2) Profitability	Hybrid business model (social mission with business-like practices)	<p>“... I do believe that people should work to earn living. I could have distributed the funds collected to each family as a gift, but I decided not to let them feel dependent or to think as needy people. I wanted them to conquer their situation and help themselves by encouraging them through buying a cow for each family and asking them to produce dairy products that can be sold later in farm and organic food markets” (SE2)                      “[...] create a strategic plan by assessing the external and the internal environment. Then it should create an action plan by engaging all the society [...]. Then in a second stage should collide with networks and create ones of those stakeholders who are relevant or could add value to the nature of the projects’ work. In a third stage, it should market and promote its efforts and should use all of the media and social media platforms to disseminate value, knowledge and accomplishments [...].” (SE1)                      “[...] I visited Hebron as I know that Hebron is a Palestinian district where businesses were flourishing. I luckily networked</p>	<p>Social entrepreneurs exploit opportunities to earn a profit just like other business entrepreneurs</p> <p>These business models integrate all elements of a commercial enterprise like strategic plan, marketing initiatives, networks and social media etc. The focus seems to be more on generation of profits instead of social mission</p>

Table II. Themes and patterns

Themes	Recurring patterns	Interview quotes	Relevance
3) Utilitarian ethics	Reciprocity	<p>with a Hebron manufacturer of Ceramic and he was intending to sell his business, so I made my calculations and found that buying his businesses will cost us less than the prices of buying or starting our own business ...” (SE2)</p> <p>“Give and take relationship.” (SE2)</p> <p>“a marketplace and a society where they can exchange values, services, products, cultural and heritage values and above all experiences.” (SE1)</p> <p>“... if the change was incongruent with their expectations they will claim they are not interested and will not offer support and may doom these efforts ...” (SE1)</p> <p>“... I think organizations are sustainable if they were able to balance their needs with those of the stakeholders and the external environment” (SE1)</p> <p>“We also engage the private sector to offer philanthropy” and to sponsor our marketing material, they are also engaged as strategic partners to help us tackle social issues. We also engage the municipality and governmental ministries and other community-based organizations and NGOs as strategic partners. We created strong ties with leading organizations in Palestine and also with community organizations and charities. This helped us build social capital that enriched our presence and allowed us to explore and extend our organizational projects and programs. In fact, without social capital we couldn't have existed ...” (SE1)</p> <p>“We take legitimacy from our community supporters and ...” (SE1)</p> <p>“It is also not easy to create and sustain partnerships in a country where old well-established competitive organizations have created strong network and social ties of strategic partners, in this case, and as a starting organization we are not recognized in their eyes, so we succeeded to create other larger networks outside those networks which did not support us ...” (SE1)</p> <p>“they give us power and legitimacy ... they work with us and for us ... they lead our work and appreciate our effort” (SE2)</p>	<p>Social enterprises imbibe the values of commercial ventures to provide welfare to the poor and marginalized</p>
	Acquiring legitimacy		<p>The social element integrated within these organizations helps the social entrepreneurs in seeking partnerships, strong networks and channels and other benefits thereby increasing their capacity to generate more profits</p>

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resources and creating wealth. Institutional gaps, political or regulatory shifts and new public management schemes make these opportunities worthwhile. Identifying new business opportunities and turning these opportunities into new goods and services and then selling them at more than their production costs are usually the characteristics of an entrepreneur (Casson, 1982). Entrepreneurs avail these opportunities, apply their financial resources and networks to create wealth.

Both organizations, SE1 and SE2, had social mission and social welfare mentioned in their mission statements. The interviews revealed:

I created the enterprise because I believed that I have a philosophy of life that should be communicated to my chapel and the youth citizens, this philosophy is the philosophy of non-violence and disseminating peace. We have a population of 5,000,000 Palestinians and therefore creating peace in the holy land is a good thing [ . . . ]. (SE2)

Similarly, SE1 had a social mission consisting of:

SE1 has been initiated to revitalize the old town, revitalize the tourism, commercial, cultural and economic sectors of the Town. The role of SE1 is that it should work as the facilitator of all of these operational and transactional projects and activities that will benefit commercial and business, housing, and other not-for-profit projects [ . . . ]. (SE1).

But for these social entrepreneurs, these social issues are visualized as business opportunities. As commented in one of the interview's:

[ . . . ] everything usually starts with an idea [ . . . ]. (SE2)

Again:

If I have an idea for starting a business or to start any kind of project, I start executing the project [ . . . ]. (SE2)

The social entrepreneur in the above interview account was alert to various opportunities existing in the economy. His entrepreneurial ideas originated from social problems existing within the community and region:

Unemployment, political instability and poverty were serious social problems threatening the existence of such a small village [ . . . ]. (SE2)

To continue in another interview account:

[ . . . ] ideas are even created and polished from the external context where we live, it is the community that helps us "entrepreneurs" to catch ideas, find resources and alter our strategies and actions. A plenty of opportunities exist in the context of this small community, you just need to explore these opportunities. You need to be alert and pick up feasible opportunities. Sometimes for an organization to be sustainable it has to listen to the community and its diverse parties. Solving social problems is a crucial priority under the poor and unstable political, economic and social context [ . . . ]. (SE1)

Again continuing:

Our organization tries to solve bits and pieces of those social gaps that are underemphasized by the formal parties such as the governments and the other NGOs [ . . . ]. (SE1)

Further clarification was provided during the interview:

We think on a political, economic, legal, ethical, social, ecological and cultural, and demographic levels. We discover social problems from this continuous analysis of the community's anatomy and try to turn these problems into valuable opportunities and further into value generation projects. (SE1)

All opportunities were observed and turned into profitable revenue-generating ventures. Using his/her leadership abilities, visionary capabilities, contacts and networks within the community the entrepreneur started the business. The stages of business development are similar to those of a commercial enterprise – opportunity, vision, resources and leadership (Iyengar, 2014). The interview account below traces the various stages of business development:

- (1) I created a vision, a dream to revitalize a place that was dead in the past and to make it a cluster of social projects, commercial, cultural and tourism and farm businesses.
- (2) I was also the driver of change who helped all community members to engage in this effort.
- (3) I also created large-scale networks through my long-term experience in the tourism industry as I am running other two large tourism organizations and am a board member for at least nine community-based and tourism associations. I know a lot of people and I have created a strong team that managed the organization's administrative work and collided the efforts of the community through effective leadership. (SE1)

S/he used his/her own personal networks and contacts to further expand his/her business operations. For instance, SE2 entrepreneur used his contacts with publishers to publish textbooks:

I suddenly noticed that some young citizens were good at writing and I had some networks with publishers, so I created a fourth project but this project this time aimed at helping authors. Five textbooks were published and sold in foreign markets. (SE2)

However, the sole objective of the social entrepreneur is to generate projects to raise capital for his future projects and businesses. Another interview account reveals:

I dream that every year I should start at least one project so that I can employ people, generate profits in order to source income and capital for more future projects and businesses [ . . . ]. (SE2)

To summarize, social enterprises came into existence, like other commercial enterprises, to pursue an opportunity existing in the society. It is just these opportunities happen to be social problems which are pursued as commercial ventures. With lack of clear guidelines and regulations, these social opportunities could be misused for surplus generation.

### *6.2 Profitability*

Social enterprises in Palestine are combining aspects of social welfare with profit generation. As the owner of SE1 remarked in his interview:

- We create awareness about social and community development.
- We empower people including every interested person or group or organization to take part in meeting our mission and helping them achieve better stakes.
- We preserve values and experiences that Palestinian people missed due to the globalization distractions.
- We initiate change even when no resources are available, we don't depend on large and powerful parties for help we initiate work and seek help from poor and marginalized people and engage them in the first place not to serve us but to let us serve them.

- We head towards social development and to achieve this we have to be financially solid and strategically focused, therefore, we deeply engage in making our organization sustainable on four levels including the social, strategic, entrepreneurial and financial levels. (SE1)

The owner of SE1 creates awareness of social and community development in his community. His social enterprise creates opportunities for the Palestine youth so that they are no longer poor and marginalized. He converts these social opportunities into viable and profitable business ventures with a financially solid and strategically focused organization. The owner of SE2 concurred with the above view in his interview:

I do believe that people should work to earn living. I could have distributed the funds collected to each family as a gift, but I decided not to let them feel dependent or to think as needy people. I wanted them to conquer their situation and help themselves by encouraging them through buying a cow for each family and asking them to produce dairy products that can be sold later in farm and organic food markets. (SE2)

It cannot be denied that these organizations have social and community development objectives; they do empower local people and create opportunities for the poor and marginalized people of the community. The SE2 owner could have just given each family a monetary gift. Instead, he initiates a dairy and organic food business. He gifts each poor family a cow and then buys the milk to manufacture dairy products to be sold in the farm and organic market. In other words, these organizations despite their social objectives integrate all elements of a normal business as well.

These enterprises have a clear-cut vision which is objective, a concrete strategic plan; all managerial decisions are calculated and rational, with well-formulated marketing and promotion strategies. They have a lot in common with commercial corporations in their mode of functioning and operations. As the entrepreneur of SE1 explained:

Every organization should start with a vision, be balanced, and be objective. Afterwards should make its decisions based on studies and rigor [ . . . ]. (SE1)

In his words, again:

[ . . . ] create a strategic plan by assessing the external and the internal environment. Then it should create an action plan by engaging all the society [ . . . ]. Then in a second stage should collide with networks and create ones of those stakeholders who are relevant or could add value to the nature of the projects' work. In a third stage, it should market and promote its efforts and should use all of the media and social media platforms to disseminate value, knowledge and accomplishments [ . . . ]. (SE1)

These social enterprises are formed to respond to opportunities present in the economy and are managed to generate a profit. Philanthropy is certainly not the foremost objective. The owner of SE2 revealed in his interview:

I visited Hebron as I know that Hebron is a Palestinian district where businesses were flourishing. I luckily networked with a Hebron manufacturer of Ceramic and he was intending to sell his business, so I made my calculations and found that buying his businesses will cost us less than the prices of buying or starting our own business [ . . . ]. (SE2)

As evident from the above interview account, all business decisions were made on sound financial calculations. Terms such as "business", "cost", "prices" and "calculations" have been used by the interviewer. This is certainly the language of a



businessman concerned with profits and revenue generation. In another account, Entrepreneur SE2 talks about his fifth project where he markets “spiritual life” experience to foreign tourists. His words:

A fifth project rather than being created by sudden, it was initiated from my side after deep planning and thinking, it was about media development and tourism and hospitality. [...] we were able to redecorate a house as a place that serves foreign tourists as a motel where they can [...] enrich their spiritual life and network with the chapel. This was an extension to the website project because after publishing over 200 newsletters about the village, it has been tracked as a historical place and a place that is worth to be visited by foreign tourists. (SE2)

Palestine and the holy land aura were marketed to the entrepreneur’s advantage. The above interview account does not mention social welfare and philanthropy in any terms. It is all about “deep planning and thinking”, “media development” and “website marketing and publicity”, which benefit the entrepreneur. This shrewd business sense is revealed again in another project involving manufacture of olive oil and lamps. As said during the interview:

[...] had 30,000 olive trees and people use olive oil in Palestine for multiple purposes. I thought this would be an opportunity where I utilized contractual agreements of fair trade and that was done by chance and I think I was lucky because once read a story about a French man who was rated as a social entrepreneur because he applied the fair trade model to help the poor, so I contacted him and invited him [...]. He admired the idea of selling [...] olive oil in France under the conditions of fair trade [...]. (SE2).

In the above interview account, the phrase “applied fair trade model to help poor” is a clear indication of the emphasis on profitability and helping poor as a business opportunity. These social enterprises were efficient with high levels of sales, customer satisfaction and profits. The focus was on numbers, be it number of sales, quantity of products sold and amount of profits generated. The emphasis was on profitability vs philanthropy. The following interview account supports this assertion:

- Over the last 10 years, we have exported 62 containers of different products.
- We have sold over 1,000 tons of olive oil.
- Generated NIS 25,000,000 of profits.
- Sold over 10,000 parcels through the traditional post.
- Used e-commerce to sell brands and products for online shoppers.
- We have registered the company in France as a social enterprise and an association that deals with fair trade agreements. (SE2)

Thus, these social enterprises in Palestine can be bracketed as profitable ventures managed by rational and objective business men rather than as humanitarian projects.

### *6.3 Utilitarian ethics*

It can be argued that social enterprises imbibe the values of utilitarian ethics. The idea of utilitarianism means that certain actions and behavior are considered morally correct if the positive elements outweigh the negative elements (Hellriegel and Slocum, 2011). “You act on the basis of whether the harm from the decision is outweighed by the good in it” (Hellriegel and Slocum, 2011, p. 41). To allow resolution of the social gaps in the

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society, these innovative organizational models were conceptualized, possessing ability to function on their own, like commercial ventures, while simultaneously providing welfare to the poor and marginalized. The ideology was that the commercial aspect integrated within these organizations was outweighed by their social outputs (Zainon *et al.*, 2014; Gurvitis *et al.*, 2015; Iyengar, 2014; Peredo, 2011; Dart, 2004).

These organizations and their entrepreneurs can be described as:

“[...] a community development tool. It is a change actor [...]. (SE1)

As stated by one of the interviewees:

“[...] I noticed that what poor farmers need was a basic network of infrastructure that allows them to plant their lands and reach the distant areas [...]. I helped those farmers by installing water networks and training farmers in planting and farming. I promised them that once their fruits, vegetables and other organic products are harvested, I will come and buy all of their products and I can sell these products to local small-businesses that use these fruits and vegetables to produce final products. My role was to liaison and connect buyers with sellers. . . I wanted to help local manufacturers to sell quality products and also wanted to encourage them to buy local supplies instead of bringing supplies from foreign suppliers [...]. (SE2)

Similar is the case at SE1 as well:

We develop people, their talents and help them commercialize their efforts, we serve as coaches and offer them a type of an infrastructure [...]. For example, we created the cultural event and allowed them to open kiosks and sell their products, we also engaged them to choose the theme of the week, the activities and the nature of entertainment and cultural products and stories that the cultural event entailed. (SE1)

Social enterprises thus added to the “double bottom line” in the company’s balance sheet (Zainon *et al.*, 2014, p. 152). As explained below:

We have created a triple bottom line with our community, we have started our work and initiated the organization from the bottom levels of the community’s hierarchy and we engaged everyone. We are different in that we are adopting a strategy of developing the capacities of the local community instead of doing this work. We don’t do the work and offer them money or philanthropy, we instead help them create their opportunities, exploit these opportunities, and let them share their experiences and problems with us when they seek help. (SE1)

Because of their social outputs and their ability to create a triple bottom line, these organizations received tax exemptions and various other concessions from the government. As stated:

However, we faced a real problem in that we have to pay taxes of that tariff imposed on the exported oil gallons. We asked the governments to offer us tax exemptions and succeeded and created a formal agreement that highlight that this sold oil by the [...] is subject for tax exemption. (SE2)

Another instance:

“The XXX organization helped us receive such an exemption especially that in total oil coming from Palestine did not exceed the 24000 ton, a small amount as compared to other countries, so to encourage us they offered this tax exemption. (SE2)

Further gains from partnerships with companies operating in the private sector interested in corporate social responsibility created benefits in the form of strategic partners, strong networks and channels and marketing opportunities. See the interview account below:

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We also engage the private sector to offer philanthropy and to sponsor our marketing material, they are also engaged as strategic partners to help us tackle social issues. We also engage the municipality and governmental ministries and other community-based organizations and NGOs as strategic partners. We created strong ties with leading organizations in Palestine and also with community organizations and charities. This helped us build social capital that enriched our presence and allowed us to explore and extend our organizational projects and programs. In fact, without social capital we couldn't have existed [...]. (SE1)

However, despite the positive impacts of these social enterprises, these models provide business opportunities for shrewd businessmen who are alert to the social gaps existing within the economy, avail them and use different incentives and exemptions offered by the government to generate profits. Social cause could just be an excuse for them to the legitimate means to the end outcome (i.e. profits). After all, it is an undeniable fact that these are commercial enterprises. As the interview account below reveals:

[...] we are running a business [...]. We do respect the values and principles of fair trade and of hiring people to source living [...]. We really pursue continuity, every year we should achieve continuous production standards, we should network with the civil society and other organizations to expand our work and survive. (SE2)

The empirical analysis supports the assertions made by the researchers that the objectives and goals of social enterprises are open to interpretation. Because of the lack of proper guidelines and regulations, these enterprises and their agendas can be misused.

## 7. Conclusion and suggestions for further research

This paper critically reviews the model of social enterprises in Palestine. It offers the much-needed empirical data to examine the model of social enterprises (Dart, 2004; Gurvitis *et al.*, 2015). Social enterprises in this paper are conceptualized as market-driven and profit-oriented commercial ventures. This paper supports the assertions of other researchers (Dart, 2004; Peredo, 2011), that social enterprises could be profit generating ventures which enter into private and government partnerships and avail various tax concessions and exemptions offered to churn out surpluses for their owners (Bull 2008; Dart, 2004; Peredo, 2011; Dey and Steyaert, 2012). The empirical findings suggest that the "social enterprise model" is a novel phenomenon in its embryonic stages in Palestine. There are traces of possibility in the empirical findings that social enterprises in Palestine may not be completely sincere and cannot be linked to their social and ethical value-based drivers in totality. The case studies indicate the entrepreneurs' willingness to compromise social mission for economic surplus. S/he seeks to achieve economic values using a set of political drivers while using societal engagement and social capital and networks. This may be due to the current economic conditions existing in Palestine, for instance, unemployment, poverty, economic impoverishment and legal loopholes, which may have provided unlimited opportunities in the form of untapped social gaps for the social entrepreneurs. The national structure, political framework, legal environment and social, cultural and the economic conditions of Palestine may be serving as suitable launching pads for social enterprises with not so authentic mission of serving the society. This may have encouraged an entrepreneurial philosophy and behavior, which has masked hidden economic and political agendas with exterior goals of social welfare and community development. It may have provided ample business opportunities in the form of social issues which could have been exploited as commercial projects and programs to earn profits and seek personal visibility as a leader and change agent.

However, these assertions need to be further strengthened with other empirical studies within the Palestinian region. Further, these assertions need to be replicated in different economic and political contexts. Research also needs to be undertaken to find out whether the critical perspective and its arguments pertaining to social enterprise can sustain in a developed nation with a stabilized political scenario or whether this alternative ideology is only relevant for underdeveloped countries with unstable, political conditions, such as Palestine.

Social enterprises could be investigated from a micro viewpoint as well. The personalities of social entrepreneurs could be compared with the personalities of entrepreneurs of commercial and non-profit organizations. This would further clarify the objectives behind social enterprises.

There is also a necessity for studies on social enterprises to clearly define the scope and boundaries of these innovative models and what legal systems need to be in place to discourage its misuse and their deviation from its social mission.

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## Appendix 1. Interview questions

### *Part (1)*

#### *General questions*

- Why did you establish this organization?
- Do you have any intentions in the near future to modify/advance/change the work of your organization? Why?
- What is your role in the organization?
- How does your organization function?
- Why are you running the organization using this model of operations?
- What makes your organization different from other business organizations?
- What makes your organization different from other community-based and not-for-profit organizations?
- How do you generate revenues to operate your organization?
- Why do you cooperate and bond with various partners? and
- Can you identify some of the internal and external dimensions that led to the success of your organization?

### *Part (2)*

#### *SE-relevant questions*

- Who are your main beneficiaries?
- How do you work toward serving them?
- What is your role toward serving the various stakeholders in the local community?
- Do you consider your organization a socially responsible one? Why?
- Explain what is SR is all about from your own perspective?
- How would you know if any organization is socially responsible or not?
- What are some of the tangible and intangible results of having a socially responsible organization?
- What can help an organization like yours become socially responsible?
- Do you think other social and business organizations are motivated to follow your path?

**Appendix 2. Coding sheet, table of subthemes and a conceptual model of emerging themes and subthemes**

*A. Coding sheet*

	SOCIAL ENTERPRISE (1)			SOCIAL ENTERPRISE (2)		
	Interviewee 1	Interviewee 2	Interviewee 3	Interviewee 1	Interviewee 2	Interviewee 3
Revitalization of economic and cultural sectors	Exploring underemphasized sectors	Partnering for economic drivers	Social solution based on a personal philosophy	Marketing and first stages to create a market	Opportunity exploitation	Serial strategic projects/planned entrepreneurial thought
Economic value creation	Compatibility	Exchange of economic values	Project-based organization (SE)	Business-like tools in the form of public relations	Opportunity exploitation	Business-like tools
Community engagement	Complementarities	Economic and social values	Opportunity exploitation and	Market creation	Business-like tools	Financial management
Creating opportunities and seeking resources for more social projects	Community engagement	Mimic successful projects	Instilling values of value creation	Business-like tools in the form of quality control	Opportunity exploitation	Business-like tool in the form of backward integration strategy
Opportunity exploitation	Strategize	Set implementation plans	Opportunity exploitation and commercialization. Networks for distribution and sale	Commercialization	Economic and social value creation	
Commercialization and marketing	Economic and social value creation	Charismatic entrepreneur	Production tools	Opportunity exploitation	Financial sustainability	
Have action plans	Reciprocal exchange of benefits and economic drivers	Networking and partnership building	Opportunity exploitation	Demand-driven projects and compatible projects/ businesses/ opportunity exploration and exploitation		
Innovation and social change	Change catalyst	Visibility of the social enterprise as a change catalyst				

*(continued)*

**Table A1.** Coding sheet (codes are extracted from the respondents' transcripts)



	SOCIAL ENTERPRISE (1)			SOCIAL ENTERPRISE (2)		
	Interviewee 1	Interviewee 2	Interviewee 3	Interviewee 1	Interviewee 2	Interviewee 3
Market creation		Leadership	Building strong ties only with partners who add a real and a tangible value to the organization.	Commercialization and market creation	Opportunity exploitation	Opportunity exploitation
Vision articulation		Stakeholder and community engagement	Opportunity exploitation through community empowerment	Opportunity exploitation and exploitation	Courage and self-efficacy	Relationship management, building and inspirational leadership
Social change		Opportunity creation	Strategizing	Invention and innovative ideas/projects	Motivation and intention to do social good	Sell and export
Effective management and leadership		Demand-driven and community engagement	Support and commercialization	Charismatic entrepreneur	Social contributions	Official registration of the social enterprise
Products		Utilizing the community for value creation and exploitation	Marketing and commercializing	Institutionalization of social enterprises	Building credibility and trust	Sold over 10,000 parcels
Competitive strategy and advantage		Idea generation		My vision was to establish and build a social enterprise	Generated 25,000,000 or profits	Increase the poor's wealth
Networking, clustering		Opportunity exploitation	Social value creation	Community resistance	Accountability of producers	Opportunity exploitation and exploitation
Internal revenue generation stream		Social value creation	Community empowerment	A place to produce and commercialize products	Turning ideas into businesses	Networking with funding agencies

(continued)

Interviewee 1	SOCIAL ENTERPRISE (1)			SOCIAL ENTERPRISE (2)		
	Interviewee 2	Interviewee 3	Interviewee 1	Interviewee 2	Interviewee 3	
Financial sustainability	Opportunity identification and exploration	Defining SR by vision articulation	Conditions of production	Creating networks with near villages and towns	We don't feed the poor with money we help them concur their situation and think like entrepreneurs	
Triple bottom line	Business-like tools in the form of networking	Social focus and mission	Exported 62 container	Businesses should help reduce unemployment and immigration	Concur our problems rather than leaving the country	
Social responsibility is defined by innovation and entrepreneurship in creating social capital and social networks	Entrepreneurial leadership	Business-like tools marketing and promotion and advertising	Sold over 100 tons of olive oil	Selling hope	Create a job not find a job	
Social value creation		Business-like thought (distinctiveness and building a competitive advantage)	Used e-commerce	Sell quality products	Social enterprises allow people to create jobs	
Utilization of business tools of strategic planning and strategic management		Image building	Utilized free trade agreements	Enrich the value of supporting local industries	Social enterprises help solve social gaps	
Action plan			The community finds the idea but the social entrepreneur commercializes it	Coaching and mentoring	Entrepreneurs are preferred than business men	

(continued)

Table AI.

Table AI.

Interviewee 1	SOCIAL ENTERPRISE (1) Interviewee 2	Interviewee 3	Interviewee 1	SOCIAL ENTERPRISE (2) Interviewee 2	Interviewee 3
			<p>My goal is to start at least one business in every coming year</p> <p>Successful businesses are those that are able to offset their expenses</p> <p>Spiritual culture of businesses</p> <p>I challenge the capitalists who take advantage of the poor</p> <p>Bought the farmers' fruits to resell them for gain</p> <p>Liaison and connect buyers with sellers</p> <p>Fundamental principles guide our work</p> <p>Serial and endless projects</p> <p>Address the needs of underprivileged groups</p> <p>Time, ideas and projects if put together they create social impact</p>	<p>Helped sell locally produced products</p> <p>Sponsored funds for local startups</p> <p>Connected the factory with a supplier of bottles from Egypt</p> <p>Out distinctiveness is based on spirit</p> <p>Maintain the poor dignity</p> <p>NGOs make the poor needy and dependent</p> <p>Giving, sharing, loving</p>	

Subtheme (1) Alertness	Subtheme (2) Opportunity exploration	Subtheme (3) Opportunity exploitation	Subtheme (4) Hybrid business model/business-like practices and tools	Subtheme (5) Reciprocity	Subtheme (6) Legitimacy
Exploring underemphasized sectors SE1	Opportunity creation SE1	Revitalization of economic and cultural sectors. SE1	Economic value creation. SE1	Compatibility. SE1	Social responsibility is defined by innovation and entrepreneurship in creating social capital and social networks. SE1 Community engagement. SE1
Market creation. SE1	Opportunity exploration and exploitation SE2	Opportunity exploitation. SE1	Creating opportunities and seeking resources for more social projects. SE1 Commercialization and marketing	Complementarities. SE1	Community engagement. SE1
Demand-driven projects and compatible projects and businesses/opportunity exploration and exploitation. SE2	Invention and innovative ideas/projects. SE2	Utilizing the community for value creation and exploitation. SE1	Commercialization and marketing	Building strong ties only with partners who add a real and a tangible value to the organization. SE1	Community engagement. SE1
Creating networks with near villages and towns. SE2	Opportunity exploration SE2	Opportunity exploitation. SE1	Have action plans	Instilling values of value creation. SE2	Stakeholder and community engagement. SE1
Address the needs of underprivileged groups. SE2	Opportunity exploration and exploitation. SE2	Opportunity exploitation through community empowerment. SE1	Innovation and social change	Social contributions. SE2	Demand-driven and community engagement. SE1
Social value creation. SE1	Opportunity exploration and exploitation. SE2	Opportunity exploitation and commercialization. SE2	Vision articulation. SE1.	Community resistance. SE2	Visibility of the social enterprise as a change catalyst. SE1
Entrepreneurial leadership. SE1	Opportunity exploration and exploitation. SE2	Opportunity exploitation. SE2	Effective management and leadership. SE1	We don't feed the poor with money we help them concur their situation and think like entrepreneurs. SE2	Image building. SE1

(continued)

**Table AII.**  
Subthemes extracted from the codes

Table AII.

Subtheme (1) Alertness	Subtheme (2) Opportunity exploration	Subtheme (3) Opportunity exploitation	Subtheme (4) Hybrid business model/business-like practices and tools	Subtheme (5) Reciprocity	Subtheme (6) Legitimacy
Social value creation. SE1	Opportunity exploration and exploitation. SE2	Commercialization and market creation. SE2	Products. SE1		Building credibility and trust. SE2
Change catalyst. SE1	Commercialization. SE2	Commercialization. SE2	Commercialization and marketing. SE1		Accountability of producers. SE2
Social enterprises allow people to create jobs. SE2	Opportunity exploitation. SE2	Opportunity exploitation. SE2	Have action plans. SE1		Networking with funding agencies. SE2
Social enterprises help solve social gaps. SE2	Turning ideas into businesses. SE2	Turning ideas into businesses. SE2	Innovation and social change. SE1		Social focus and mission. SE1
Entrepreneurs are preferred than business men. SE2	Opportunity exploitation. SE2	Opportunity exploitation. SE2	Market creation. SE1		Community empowerment. SE1
NGOs make the poor needy and dependent. SE2			Competitive strategy and advantage. SE1		
I challenge the capitalists who take advantage of the poor. SE2			Networking. SE1		
Time, ideas and projects if put together they create social impact. SE2			clustering. SE1		
Create a job not find a job. SE2			Internal revenue generation stream. SE1		
			Financial sustainability. SE1		
			Triple bottom line. SE1		
			Utilization of business tools of strategic planning and strategic management. SE1		
			Action plan. SE1		

(continued)

Subtheme (1) Alertness	Subtheme (2) Opportunity exploration	Subtheme (3) Opportunity exploitation	Subtheme (4) Hybrid business model/business-like practices and tools	Subtheme (5) Reciprocity	Subtheme (6) Legitimacy
			Partnering for economic drivers. SE1 Exchange of economic values. SE1 Economic and social values. SE1 Mimic successful projects. SE1 Set implementation plans. SE1 Networking and partnership building. SE1 Strategizing. SE1 Support and commercialization. SE1 Marketing and commercializing. SE1 Defining SR by vision articulation. SE1 Business-like tools marketing and promotion and advertising. SE1		

*(continued)*

Table AII.

Table AII.

Subtheme (1) Alertness	Subtheme (2) Opportunity exploration	Subtheme (3) Opportunity exploitation	Subtheme (4) Hybrid business model/business-like practices and tools	Subtheme (5) Reciprocity	Subtheme (6) Legitimacy
			Business-like thought (distinctiveness and building a competitive advantage). SE1 Project-based organization. SE2 Business-like tools in the form of Public Relations. SE2 Serial strategic projects/planned entrepreneurial thought. SE2 Marketing and first stages to create a market. SE2 Market creation. SE2 Business-like tools Financial management. SE2 Business-like tools in the form of quality control. SE2 Networks for distribution and sale. SE2		

*(continued)*

Subtheme (1) Alertness	Subtheme (2) Opportunity exploration	Subtheme (3) Opportunity exploitation	Subtheme (4) Hybrid business model/business-like practices and tools	Subtheme (5) Reciprocity	Subtheme (6) Legitimacy
			Business-like tool in the form of backward integration strategy. SE2 Production tools. SE2 Economic and social value creation. SE2 Financial sustainability. SE2 Relationship management, building and inspirational leadership. SE2 Sell and export. SE2 Official registration of the social enterprise. SE2 Sold over 10,000 parcels Generated 25,000,000 or profits. SE2 Increase the poor's' wealth. SE2 Institutionalization of social enterprises. SE2		

*(continued)*

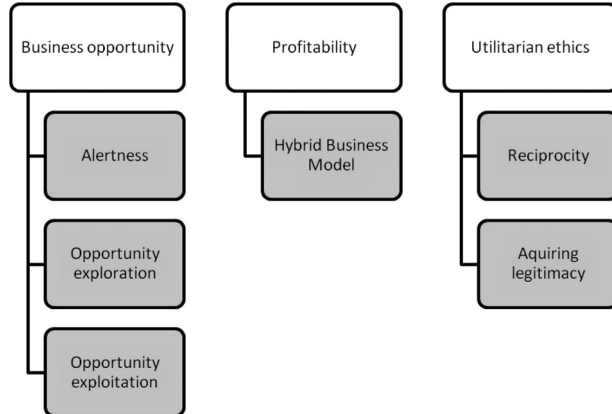


Subtheme (1) Alertness	Subtheme (2) Opportunity exploration	Subtheme (3) Opportunity exploitation	Subtheme (4) Hybrid business model//business-like practices and tools	Subtheme (5) Reciprocity	Subtheme (6) Legitimacy
			<p>A place to produce and commercialize products. SE2                      Conditions of production. SE2                      Exported 62 container. SE2                      Sold over 100 tons of olive oil. SE2                      Used e-commerce. SE2                      Utilized free trade agreements. SE2                      Sell quality products. SE2                      Coaching and mentoring. SE2                      Helped sell locally produced products. SE2                      Sponsored funds for local startups. SE2                      My goal is to start at least one business in every coming year. SE2                      Successful businesses are those that are able to offset their expenses. SE2</p>		

*(continued)*

Subtheme (1) Alertness	Subtheme (2) Opportunity exploration	Subtheme (3) Opportunity exploitation	Subtheme (4) Hybrid business model/business-like practices and tools	Subtheme (5) Reciprocity	Subtheme (6) Legitimacy
			<p>Bought the farmers' fruits to resell them for gain. SE2</p> <p>Liaison and connect buyers with sellers. SE2</p> <p>Fundamental principles guide our work. SE2</p> <p>Serial and endless projects. SE2</p> <p>Leadership. SE1</p> <p>Charismatic entrepreneur. SE2</p> <p>My vision was to establish and build a social enterprise. SE2</p>		

Table AII.



**Figure A1.** Conceptual model of the emerging themes and subthemes of the thematic analysis before subtraction

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