The internationalization of social enterprises

Mapping patterns in the internationalization process of social entrepreneurs

Kristina Färdig and Maria Håkansson
Supervisor: Christine Holmström Lind
Date of submission: 2014-05-28
Abstract

Social entrepreneurship, defined as entrepreneurial activities with a clear mission to create social value, is gaining increased influence and importance in the economy. Through combining a for-profit mindset with social objectives, social enterprises provide groundbreaking solutions to societal needs.

The global presence and impact of social enterprises raise the importance of internationalization of this specific kind of enterprise. This is an area of inquiry that has gained limited attention in academia and empirical studies have been few. The purpose of the study is to investigate motives for internationalization of social enterprises and how these enterprises establish in foreign markets. The study consists of an empirical investigation based on a survey sample of 65 respondents and one background interview.

The result shows that the main motive for internationalization of social enterprises is to alleviate social problems. Social enterprises have a distinct international character, show patterns of early and rapid internationalization and can be characterized as international new ventures with a distinct social mission. Networks affect motives as well as choice of entry mode of social enterprises. The most common mode of entry of social enterprises is to establish alliances or partnerships with foreign actors and the main target market is less developed economies.

Key words: social entrepreneurship; social enterprise; social value creation; INVs; internationalization process; network relationships
Acknowledgements

We would like to thank our supervisor Christine Holmström Lind for her critique and encouragement throughout the research process. We further express our gratitude to Nathalie Ahlstedt Mantel and Åsa Burman for sharing their valuable knowledge and providing us with important connections within the sector of social entrepreneurship. A special thanks is also directed to the respondents who took the time and effort to participate in our study.

Kristina Färdig & Maria Håkansson
Table of Contents

1. Introduction .................................................................................................................. 7
2. Theoretical framework ................................................................................................. 10
  2.1 Social entrepreneurship – deriving from corners of different research fields .......... 10
  2.2 Defining social entrepreneurship and the social enterprise ................................. 11
  2.3 Social entrepreneurship – a distinct branch of entrepreneurship ...................... 12
  2.4 Drivers behind globalization of social entrepreneurship ..................................... 13
  2.5 Internationalization strategy – the process of foreign market establishment ......... 14
  2.6 Motives behind market selection for foreign establishment ................................ 16
  2.7 The multidimensional decision of entry mode ..................................................... 17
  2.8 Barriers for internationalization – a combination of firm and locational factors .... 18
  2.9 Theoretical summary of the internationalization of social enterprises ................ 19
3. Methodology .................................................................................................................. 21
  3.1 A descriptive exploratory research with a deductive approach ............................. 21
  3.2 Research strategy – a survey research design ....................................................... 22
  3.3 Primary data collection ............................................................................................ 22
    3.3.1 Collection of background information of social entrepreneurship ................ 22
    3.3.1.1 Selection of interviewee for the background interview ............................ 23
    3.3.2 Collection of primary data using a questionnaire .......................................... 23
    3.3.2.1 Sample selection for respondents of the questionnaire ....................... 24
  3.4 Construction of the questionnaire – operationalization of variables ...................... 25
  3.5 Limitations of chosen research design and method .............................................. 28
4. Empirical findings ......................................................................................................... 30
  4.1 Overview of respondents and characteristics of companies ................................. 30
  4.2 Motives for internationalization ............................................................................. 32
  4.3 Time of entry and choice of location .................................................................... 33
  4.4 Choice of entry mode ............................................................................................. 34
  4.5 Barriers for internationalization ............................................................................ 35
  4.6 The role of networks in the internationalization process ........................................ 36
5. Analysis and discussion of the empirical findings ....................................................... 38
  5.1 Social enterprises – a distinct enterprise with a strong international character .... 38
  5.2 Motives for internationalization of the social enterprises .................................... 39
  5.3 Time of entry and choice of location of the social enterprises ............................. 41
5.4 The entry modes of the social enterprises .................................................. 42
5.5 Internationalization barriers for the social enterprises ............................ 43
6. Conclusion ......................................................................................................... 45
   6.1 Implications for managers ........................................................................ 46
   6.2 Limitations of the study and implications for future research .................. 46
References ........................................................................................................... 48

Appendix 1 – Interview guide
Appendix 2 – The questionnaire
Appendix 3 – Preceding letter
List of figures

Figure 1: Venn diagram of the sector of social entrepreneurship (SE) ..........................11
Figure 2: The internationalization process of social enterprises ..............................20
Figure 3: The presence of social enterprises across the world ..............................34
Table 1: Table of sections of the questionnaire ......................................................26
Diagram 1: The geographical spread of nationalities of the respondents ...........30
Diagram 2: The main objective of the company’s operations ..............................31
Diagram 3: The main motivation for the company’s activities ..............................31
Diagram 4: Knowledge and experience of the entrepreneur prior to internationalization .... 31
Diagram 5: Average value of rated importance of motives for internationalization ........32
Diagram 6: Time of foreign market entry ...............................................................33
Diagram 7: Where the social enterprises executed their first operations ...............34
Diagram 8: Number of continents the social enterprise operates in ......................34
Diagram 9: Choice of entry mode used when entering foreign markets ...............35
Diagram 10: Average value of rated importance of barriers for internationalization .... 36
Diagram 11: Average value of the role of networks in the internationalization process ...37
1. Introduction

Today’s global economic landscape offers great opportunities for international business as market opportunities, vital resources and customers no longer mainly derive from companies’ home market, but from all over the world (Gupta & Govindarajan, 2002). Present in the global economy today is also numerous economic and social challenges that need to be addressed by international actors (Matten & Moon, 2008; Van Liedekerke & Dubbink, 2008; Zahra et al., 2008). As a result, social entrepreneurship, a practice that integrates economic and social value creation, is gaining increased influence and importance in the economy (Luke & Chu, 2013; Mair & Martí, 2006). Social entrepreneurship is defined as entrepreneurial activity with a clear mission to create social value (Austin et al., 2006). Through combining a for-profit mindset with social objectives, social entrepreneurs seize market opportunities by providing innovative solutions to societal needs (Chell, 2007; Luke & Chu, 2013; Mair & Martí, 2006). The initiative to apply entrepreneurial thinking and capabilities to resolve economic and social problems is however not a new phenomenon (Alvord et al., 2004). Rather it is the theoretical concept of social entrepreneurship that is relatively new and it is argued that theory and understanding of the phenomenon lag far behind the practice (Alvord et al., 2004; Campbell, 2007; Murphy & Coombs, 2009).

Social entrepreneurs pursue business through social enterprises that have an explicit mission to benefit the society in which they operate (Perrini & Vurro, 2006; Short et al., 2000; Tan et al., 2005). Social enterprises are recognized as an engine of economic and social development on a global scale – a 21st century business model that balances financial, social and environmental needs (European Commission, 2014; Short et al. 2009; Zahra et al. 2008). Social entrepreneurs are active in countries and regions across the globe and through the implementation of solutions to societal challenges, social enterprises contribute to a more sustainable economy (Murphy & Coombs, 2009; Robinson et al., 2009; Short et al. 2009; Zietlow, 2002).

The challenges addressed by social entrepreneurs create opportunities for international business (Bruton et al., 2013). The global presence and international character of social enterprises raise the importance of the enterprises’ internationalization strategies and bring the process of foreign market establishment into new light (Zahra et al., 2008). The internationalization process involves geographical expansion of firms’ economic activities across country borders (Ruzzier et al., 2006). The process is comprised of several strategically
important decisions concerning why, when, where and how to establish in foreign markets (ibid). Internationalization can take many forms and inter alia be performed through gradually increasing international involvement (Johansson & Vahlne, 1977) or through proactive international strategies where global opportunities are seized from inception (Mathews & Zanders, 2007; Oviatt & McDougall, 2005). The strategy, resources and characteristics of the individual firm as well as its position and relationships to counterparts in foreign markets further affect the internationalization (Forsgren et al., 2005; Johanson & Vahlne, 2009).

The internationalization process of firms is an area that has been studied extensively in international business research for decades (Madsen & Servais, 1997; Ruzzier et al., 2006). The process of social enterprises’ establishment in foreign markets is however an area of inquiry that has gained limited attention in academia and is relatively unexplored (Dacin et al., 2010; Haugh, 2012; Short et al., 2009). Theoretical frameworks and rigorous empirical research that explain and predict the phenomenon of social entrepreneurship have to date been few and research within the area has mainly sought to describe the concept (Haugh, 2012; Mair & Noboa, 2003; Roper & Cheeny, 2005; Short et al., 2009). It can be argued that the social enterprise, with its specific characteristics and mission, distinguishes from the traditional enterprise reflected in classic international business theory. Theories of internationalization mainly involve traditional large multinational enterprises (McDougall & Oviatt, 2000) and these theories may be insufficient to fully explain internationalization of social enterprises (Zahra & Wright, 2011). Thereby it can be assumed that further aspects ought to be added to internationalization theory of this specific type of enterprise in order to fully grasp its internationalization process.

The purpose of our research is to empirically investigate the internationalization of social enterprises by studying motives behind internationalization and strategies used for establishment in foreign markets. In terms of internationalization strategies, factors such as time of entry, choice of location and entry mode are studied in order to obtain an overarching understanding of the process. Through this study we intend to explore if there are any patterns in the internationalization process of social enterprises. The empirical research will contribute to a more extensive understanding of the internationalization process of the social enterprise with its explicit features and characteristics. Through investigating the internationalization of social enterprises, new aspects of significance may be discovered and added to traditional theory of internationalization. This can thereby contribute to a more comprehensive framework for this specific type of enterprise. As the area of inquiry is fairly unexplored and
the research field novel, our study can be argued to lay the foundation of internationalization research of social enterprises and further yield more advanced studies within the area. Our research is thereby of practical as well as theoretical importance and will contribute to existing theory within the research fields of both social entrepreneurship and international business.

Following research question will be answered:

What are the motives for internationalization of social enterprises and how do these enterprises establish in foreign markets?
2. Theoretical framework

This chapter outlines the theoretical framework for our study and presents theories regarding social entrepreneurship and firm internationalization. The chapter begins with a background presentation of social entrepreneurship, followed by definitions and characteristics of social entrepreneurship and the social enterprise. Thereafter follows a presentation of key drivers behind international social entrepreneurship. A selection of internationalization theories is then presented; including choice of location, entry mode and barriers for internationalization.

2.1 Social entrepreneurship – deriving from corners of different research fields

Social entrepreneurship is a novel field of study that is in an early stage of development (Chell et al., 2010; Mair et al., 2006; Roper & Cheeny, 2005). Studies deriving from corners of different research fields provide the foundation for the concept of social entrepreneurship and have given rise to the emergence of the new research field (Mair et al., 2006). Social entrepreneurship research partly originates from studies of non-profit leadership and management as well as research conducted at the intersection of social issues and management (ibid). Studies within the non-profit sector have mainly examined how business-like practices can be used to achieve organizational objectives (Dart, 2004; Dees et al., 2002). Other studies within the area have focused on revenue generating strategies of non-profit organizations (Roper & Cheney, 2005). Studies categorized as social issues management have in turn focused on the efforts of large multinational corporations and corporate social responsibility programs (Peredo & McLean, 2006). None of these studies however discuss the social enterprise as a specific type of organization and the nature of social enterprises’ opportunities and operations have not been addressed (Mair & Martí, 2006; Murphy et al., 2006). Research within the field of entrepreneurship has only recently embraced the idea of entrepreneurial actors being driven by social value creation (Mair & Martí, 2006). The impact of social entrepreneurs on economic development, has however been increasingly recognized in entrepreneurship research during the last decades (Chell et al., 2010; Luke & Chu, 2013).

As the concept of social entrepreneurship is relatively new, so is most of the research addressing the concept. The term social entrepreneurship was coined in the late 1990s (Emerson & Twerksy, 1996; Johnson, 2000; Leadbeater, 1997) and Dees (1998) was one of the first to distinguish social entrepreneurship from traditional entrepreneurship. As with any emerging field, one of the major topics discussed in research has been the definition and conceptualization of social entrepreneurship (Christie & Honig, 2006; Mair & Martí, 2006).
The fine balance between not-for-profit and revenue-generating activities of social entrepreneurs and the difficulty in separating them have further been explored (Peredo & McLean, 2006). This resulted in a definitional partition of the concept into “social” and “entrepreneurship” in order to clarify the two building blocks of social entrepreneurship (ibid). Weerawardena and Sullivan Mort (2006) further highlight the subtle differences between for-profit and not-for-profit social enterprises. How to create and measure social value is a complex topic that has been reviewed in social entrepreneurship research (Auerswald, 2009). Moreover, the impact of personal attributes of the social entrepreneur has been examined (Jiao, 2011). Research addressing this topic has mainly focused on the key role of the entrepreneur, whose cognitive attitude and personal competence is argued to influence the process of social entrepreneurship (Mair & Noboa, 2003; Simms & Robinson, 2008; Thompson et al., 2000).

Alvord et al. (2004) conclude that social entrepreneurship is a large-scale global occurrence concerned with sustainable societal transformation. As the global presence and impact of social entrepreneurs have multiplied over the last decade, research within the area has further come to involve the multifaceted international aspects of the phenomenon (Murphy & Coombs, 2009; Robinson et al., 2000; Zahra et al. 2008; Zietlow, 2002).

### 2.2 Defining social entrepreneurship and the social enterprise

Social entrepreneurship is defined as innovative entrepreneurial activity with a clear purpose to create social value (Austin et al., 2006). Through combining market-based skills and a for-profit mindset with social objectives, social entrepreneurs seize market opportunities by providing solutions to societal issues (Luke & Chu, 2013). The entrepreneurs can thereby be argued to operate in the intersection of the public, private and non-profit sector (Leadbeater, 1997). Social entrepreneurs can be individuals, groups, networks or organizations and these actors commonly address challenges within the fields of health, human rights, education, environment or fair trade (Noruzi et al., 2010).

![Figure 1: Venn diagram of the sector of social entrepreneurship (SE) (Leadbeater, 1997)](image-url)
According to Martin and Osberg (2007), the process of social entrepreneurship consists of three major steps. First, social entrepreneurs recognize a constant, unjust equilibrium that creates or results in exclusion or marginalization of a segment of the market with insufficient monetary means or political power to achieve transformative changes on its own. Second, social entrepreneurs identify an opportunity in the unjust equilibrium and develop a solution to the societal challenge. Lastly, social entrepreneurs create a new, steady equilibrium that eases or eliminates distress of the targeted group and release trapped potential. Through this process, social entrepreneurship contributes to economic and social transformation.

The organization in which the social entrepreneur operates is called a social enterprise (Weerawardena & Sullivan Mort, 2006). A social enterprise is as a private, autonomous and entrepreneurial organization that provides goods or services that benefit the community (Mair & Martí, 2006; Michelini & Fiorentino, 2012). The enterprises are explicitly designed to serve a social purpose and operate either on a non-profit or for-profit basis (Dees and Anderson, 2003). Success is measured in terms of social value, wider non-financial benefits for the society that ease or eliminate societal challenges (Auerswald, 2009).

2.3 Social entrepreneurship – a distinct branch of entrepreneurship

Social entrepreneurship can be described as a special branch within the field of entrepreneurship (Martin & Osberg, 2007). The notion of social entrepreneurship holds many basic similarities with traditional entrepreneurship but there are specific distinctions (ibid).

Traditional entrepreneurship is characterized by opportunity seeking behavior and an exceptional ability to recognize and seize market opportunities (Abu-Saifan, 2012). Generation of innovative ideas and high-risk tolerance are further prominent elements of entrepreneurship (ibid). The value proposition of traditional entrepreneurship mainly is to pursue business with an intention to create financial profit (Martin & Osberg, 2007). In comparison, the main characteristic of social entrepreneurs is the relentless drive, beyond altruistic motivation, to change the society (Drayton, 2002). The clear social objective makes social entrepreneurship a distinct type of entrepreneurship (Dees, 1998; Perrini & Vurro 2006). Wealth creation is often regarded secondary and strategies and activities are crafted to directly create social value (Perrini & Vurro 2006).
Context and background are aspects that have been argued to affect and shape the social entrepreneur and his or her initiatives (Bird, 1998). Social, moral and educational background has shown to affect the emergence of a desire to pursue social entrepreneurial activities, as this affects knowledge of the society and can be argued to shape ones moral values and empathic abilities (Prabhu, 1999). Previous entrepreneurial activity also affects the rise of social entrepreneurs, as it has an impact on the entrepreneur’s capability to operate a social enterprise (Mair & Noboa, 2006; Prabhu, 1999). Ongoing involvement in the social sector further enables a wide recognition of social issues and opportunities (Prabhu, 1999).

2.4 Drivers behind globalization of social entrepreneurship

Zahra et al. (2008) presents key drivers that have contributed to the emergence of international social enterprises that address social issues on a global scale. The drivers are global wealth disparity, the corporate social responsibility movement, institutional failures, and technological advances.

The majority of the world’s poor, illiterate and sick live in less developed countries; this is also where income disparities are most evident and widespread (Zahra et al., 2008). In turn, the world’s resources are highly concentrated to developed economies (Zahra et al., 2000). The great social needs present in the less developed countries drive social entrepreneurs to establish in these markets and the awareness of global opportunities for social improvement has increased (Zahra et al., 2008).

A corporate social responsibility (CSR) movement has developed during the past decades in response to high transparency in the corporate world and a growing demand that corporations must act socially responsible (Matten & Moon, 2008; Van Liedekerke & Dubbink, 2008; Zahra et al., 2008). It can however be difficult for large corporations to keep pace with the growing expectations of social involvement and to meet the global explosion of social problems (Zahra et al., 2008). As the social enterprises are flexible and specialized to tackle these challenges they may therefore be better suited to exploit social opportunities (ibid).

Social problems left unaddressed by large corporations are further intensified by institutional failures (Jiao, 2011; Zahra et al., 2008). Governments may not have the will, power or means to induce efficient market-based remedies that reduce persistent social issues (Zahra et al., 2008). In addition, globalization has accelerated the movement towards market liberalization
in developing economies (ibid). While long term development of newly liberalized markets is the ultimate goal, people in many of these countries are experiencing short-term volatility during the time of transition (Zahra et al., 2000). These challenges give rise to societal issues that in turn create opportunities for social entrepreneurship where social entrepreneurs can step in and provide these markets with needed products and services (Zahra et al., 2008).

Communication technology advances have further enabled global access to information and facilitated interaction across the world (Zahra et al., 2008). This allows social entrepreneurs to gain knowledge of widespread social challenges and to recognize and exploit global social opportunities (Barendsen & Gardner, 2004; Zahra et al., 2008). Advanced technology has further provided new ways for social entrepreneurs to organize and manage their operations worldwide (Zahra et al., 2008).

2.5 Internationalization strategy – the process of foreign market establishment

The internationalization process involves geographical expansion of economic activities across country borders and can be an important strategy for a firm’s future growth and continued development (Ruzzier et al., 2006; Sommer, 2010). Expanding into foreign markets offer opportunities that can contribute to the firm’s sustainability (Lee et al., 2012), enable the firm to find new customers (Lu & Beamish, 2001), improve efficiency (Leonidou, 2004) and leverage on new resources (Lu & Beamish, 2001). The nature of the firm influence motives for internationalization as well as how, when and where foreign establishment takes place (Ruzzier et al., 2006).

The definition of the internationalization process differs among researchers and has developed over time (Welch & Welch, 1996; Ruzzier et al., 2006). Internationalization has been defined as “the process of mobilizing, accumulating and developing resource stocks for international activities” (Ahokangas, 1998, cited in Ruzzier et al., 2006). Dunning (1988) presents the eclectic paradigm that explains international business behavior in terms of foreign direct investment, in which internationalization is determined by the recognition of specific ownership, internalization and foreign location advantages. This kind of internationalization behavior has commonly been associated with large manufacturing companies (Ruzzier et al., 2006). Johanson and Vahlne (1977) originally described the internationalization of firms as a process in which firms gradually increase international involvement, through incremental
decisions and gradual acquisition of experiential market knowledge and commitment. As a result, firms do not internationalize through large foreign investments directly, but instead develop foreign operations in small steps (Johanson & Vahlne, 1977; Welch & Welch, 1996).

An internationalization strategy that in terms of speed and scope however distinguishes from the traditional theories is the rapid process of international new ventures (INVs) (Oviatt & McDougall, 2005). These small and entrepreneurial firms seize opportunities that arise from an increasingly interconnected global economy and exhibit a distinct internationalization behavior (Mathews & Zanders, 2007). INVs are international from inception and have a proactive international strategy where they derive significant competitive advantage through establishing operations in multiple countries (Oviatt & McDougall, 2005). INVs usually possess limited resources as a result of young age and size (Knight & Cavusgil, 2004), but are able to achieve competitive advantage through high innovativeness (Mathews & Zanders, 2007). Entrepreneurial mindset and international experience are of great importance for foreign opportunity recognition and the individual entrepreneurs have therefore been argued essential for successful internationalization (ibid). INVs commonly control instead of own resources and this enables INVs to leverage on competencies of foreign partners (ibid).

The internationalization process has further come to include the aspect of networks, as opportunities and threats can be argued network specific and have been proven to affect the internationalization process (Chen et al., 2004; Coviello, 2006; Forsgren, 2005; Freeman et al., 2006; Johanson & Vahlne, 2009; Sharma & Blomstermo, 2003). According to network theory, markets are defined as networks of relationships that consist of sets of interconnected business relationship where firms are linked to each other in complex patterns (Johanson & Vahlne, 2003). The internationalization is thereby described as a process where firms establish and develop position in relation to counterparts in a foreign market (Johanson & Mattsson, 1988; Johanson & Vahlne, 2009). To establish a position in relevant networks is therefore argued key for international operations (Forsgren 2008; Johanson & Vahlne, 2009). Social networks, a web of personal relationships, have further been recognized as an important factor in the internationalization process (Björkman & Kock, 1995; Granovetter, 1985; Hitt et al., 2002; Zhou et al., 2007). Personal connections in foreign markets can provide an extended network of connections with foreign partners and in turn enhance the possibility to identify market opportunities (Ellis, 2000). Social networks may further provide knowledge needed for successful cross-border operations (Ellis, 2000; Zhou et al., 2007).
2.6 Motives behind market selection for foreign establishment

The choice of location is a substantial part of the internationalization process (Coviello & Munro, 1997; Dunning, 2000; Forsgren, 2002). According to the Uppsala model, uncertainty and lack of knowledge of foreign markets affect how firms select foreign markets (Johanson & Vahlne, 1977). Firms that establish abroad suffer from liability of being foreign, compared to domestic companies (ibid). Psychic distance, factors in the foreign market that is difficult to understand for those not knowledgeable about the specific market, affect the choice of location (Johanson & Vahlne, 2009). Thus, Johanson and Vahlne (2009) argue that internationalization of operations commonly starts in foreign markets that are similar to the domestic and thereby close in terms of psychic distance.

Network seeking motives can affect choice of location as network relationships have been proved to impact foreign market selection (Chen et al., 2004; Johanson & Vahlne, 2009). Networks and local connections can help firms to establish abroad, provide knowledge, shared resources and enable firms to create competitive advantage (Chen et al., 2004; Harris & Wheeler, 2005; Lavie, 2006). A strong network orientation is a common feature of international entrepreneurial culture and is reflected in the extent companies are participating in various partnerships and cooperative activities (Dimitratos & Plakoyiannaki, 2003). The existence of networks in foreign markets, or the desire to establish in one, thereby affects in what geographical markets firms choose to establish (Chen et al., 2004; Coviello & Munro, 1997).

Market and resource seeking motives are further two traditionally recognized reasons for foreign market establishment (Dunning, 2000). Locating abroad in order to access a specific target market is common when direct market presence is essential to successfully serve the market (ibid). The attractiveness and size of the market, expected growth or desire to be close to customers and stakeholders are all reasons that can affect the choice of location (ibid). Firms may decide to enter foreign markets due to domestic market saturation or as a response to inquiries from foreign buyers (Karagozoglu & Lindell, 1998). The choice of location may further be a result of resource seeking motives, where firms establish in locations where important resources can be obtained (Dunning, 1993). Specific resources may for example only be available in certain markets or obtained at a lower cost than in the home-market (ibid).
Furthermore, choice of location can be based on efficiency seeking motives, where firms take advantage of differences in availability and cost, factor endowments, institutional arrangements and economic systems in different countries (Dunning, 1993). These strategic motives are economically rational and the attainment of economies of scale and scope is central (ibid).

2.7 The multidimensional decision of entry mode

There are a range of different modes for entering foreign markets, such as exporting, licensing, joint ventures, green field investments and wholly owned subsidiaries (Lu & Beamish, 2006). Firms can further enter foreign markets through different cooperative agreements or business networks (Forsgren et al., 2005). The choice of entry mode is a strategically important decision that highly influences firms’ success in the new market (Chang & Rosenzweig, 2001; Holmlund & Kock, 1998; Wright et al., 2007). Due to the specific structures, each entry mode involves different levels of ownership and control as well as resource commitment, benefits and risk (Axinn & Matthyssens, 2002; Nisar et al., 2012).

Depending on firms’ competitive structure and strategy, different entry modes are appropriate (Root, 1987; Hill et al., 1990). The level of control that firms require over foreign operations is one of the main determinants for entry mode (Anderson & Gatignon, 1986). Control is highest in a wholly owned subsidiary as full control remains within the firm, whilst partnerships or joint ventures involve shared control and in licensing agreements control is granted to the licensee (Hill et al., 1990). Each entry mode also requires different levels of resource commitment (Vernon, 1983). Firms’ own ability and willingness to commit resources therefore have an impact on the choice of entry mode (Hill et al., 1990). Naturally, resource commitment is lowest in the case of licensing and highest in the case of wholly owned subsidiaries and vice versa (ibid). The level of risk involved in the foreign environment and firms’ need for strategic flexibility also affect the entry mode decision, as resource commitments can inhibit the firm’s ability to rapidly respond to market change (Staw, 1982). Furthermore, firms’ core competence and characteristics of products or services, may dictate which entry mode that is suitable, as the level of dissemination risk differ between different control and entry modes (Erramilli & Rao, 1993; Hill & Kim, 1988; Hill et al., 1990). Dissemination risk is highest when export is used and lowest when firms establish wholly own subsidiaries in foreign markets (Hill & Kim, 1988).
Moreover, location-specific characteristics and firms’ knowledge of foreign markets affect the choice of entry mode (Kogut & Singh, 1998; Sharma & Blomstermo, 2003). As a result of lack of knowledge, firms typically start the internationalization process by exporting to agents that possess market knowledge, later establish a sales subsidiary in the market and finally their own production facilities (Johanson & Vahlne, 2009). Entry modes that involve collaboration with local actors enable firms to exploit their knowledge, to reduce costs and share risk (Anderson & Gatignon, 1986; Barkema et al., 1996; Chen & Hu, 2002). In foreign markets that are difficult to access or characterized by complex regulations, it is further regarded advantageous to establish agreement with foreign partners (Brouthers & Nakos, 2004). Networks thereby affect the choice of entry mode (Harris & Wheeler, 2005).

The size and previous experience of firms are another aspect that may influence choice of entry mode (Musteen et al., 2009). Large enterprises generally possess greater international experience and advantages in terms of managerial resources and capabilities, which increase the possibility to attain synergies of international operations (Nisar et al., 2012). Small- and medium sized enterprises (SMEs) are generally less internationally experienced, rely on limited managerial capabilities and may not have the ability to establish managerial control structures in foreign countries (Oviatt & McDougall, 1997; Zacharakis, 1997). Thereby SMEs initially tend to rely on exporting as mode of entry, as this does not require extensive resource commitment and enable SMEs to leverage on the capabilities of exporting agents (Brouthers & Nakos, 2004).

2.8 Barriers for internationalization – a combination of firm and locational factors

Internationalization offers new growth paths, but the process is also characterized by a number of barriers that firms may come in contact with during the process (Lu & Beamish, 2001). Firms’ specific characteristics and knowledge affect what barriers they face when establishing in foreign markets as experience and resources impact the ability to tackle challenges (Eriksson et al., 1997; Leonidou, 1999; Oviatt & McDougall, 1997; Ruzzier et al., 2006; Sommer, 2010).

Liability of outsidership, lack of access to relevant networks, is argued one of the main obstacles for successful establishment in foreign markets, as knowledge and vital resources may be restricted to insiders in business and social networks (Forsgren, 2005; Johansson &

Another barrier for internationalization is psychic distance, as differences in language, business practices, cultural values and level of industrial development may constrain foreign establishment (Ellis, 2008; Johanson & Vahlne, 1977). The larger the psychic distance the more challenging it becomes for firms to gain knowledge about the foreign market and this consequently hinders the internationalization process (Ellis, 2008). Cultural distance, the degree to which cultural values in one country is different from those in another country, can be a great challenge for foreign operations (Evans & Mavondo, 2002; Sousa & Bradley, 2006). Cultural entry barriers can be regarded as informal institutions and involve cultural norms such as attitudes, beliefs and expectations about proper behavior (Robinson, 2006). This can create difficulties in understanding foreign markets and act as a barrier to interaction and communication (Robinson, 2006; Sousa & Bradley, 2006). In developing markets cultural barriers can be particularly evident, as there is a large informal economic sector where social agreements rather than legal contracts are used as binding arrangements (Bruton et al., 2013; De Soto, 2000; London & Hart, 2004).

Further, there are formal institutional barriers in foreign markets related to governmental systems and regulations that may affect foreign establishment (Robinson, 2006). If the formal institutional environment differs from the home market, this may complicate or restrict foreign operations (ibid). Knowledge of government structures and institutional frameworks is therefore important in order to bridge these obstacles (Blomstermo et al., 2004). Also these formal institutional barriers can be particularly evident in developing markets, as law enforcement often is weak and legal systems poorly developed (Bruton et al., 2013; Hoskisson et al., 2000; Sakarya et al., 2007).

2.9 Theoretical summary of the internationalization of social enterprises

The internationalization of social enterprises includes motives behind foreign establishment (Motives) as well as decisions considering when to enter foreign markets (Time of Entry), in what market to establish (Location) and what entry mode to use (Entry Mode). Based on the theoretical claims presented in section 2.1 to 2.8, these factors are in turn affected by business
and social networks (Networks), barriers for internationalization (Barriers) as well as the knowledge and experience of enterprises (Knowledge/Experience). In addition, networks may affect knowledge of enterprises and barriers for internationalization. Together, these factors form the process of internationalization that has been used as analytical framework for the investigation of the internationalization of social enterprises.

Figure 2: The internationalization process of social enterprises
3. Methodology

This chapter outlines the methodological strategies used when conducting the research, including continuous discussion of how the method relate to the purpose of the study. The process and method of data collection is presented, starting with a presentation of research approach and strategy. Thereafter follows a description of how a survey was constructed for collection of empirical data. The chapter concludes with a discussion of the limitations of chosen research method.

3.1 A descriptive exploratory research with a deductive approach

As the objective of our study was to investigate the internationalization process of social enterprises, a descriptive research with an exploratory design was found appropriate. This method allowed us to gain a holistic and clear picture of the phenomena, to explore motives and strategies for the internationalization (Saunders et al., 2009).

The nature of the data that reflect motives and strategies of internationalization can be described as qualitative (Hurmerinta-Peltonäki & Nummela, 2006). We have collected qualitative data through a quantitative method, where the results can be quantified and collected from a larger sample (Zikmund et al., 2012). This method was regarded suitable for our study as we intended to gain a comprehensive understanding of the internationalization of social enterprises and map potential patterns in this process. Further, this method allowed us to draw implications from the result of our sample (Saunders et al., 2009) and can thereby enable a greater contribution of our research of the relatively unexplored area of inquiry.

A deductive approach has been used as we have originated from theory, generalized theoretical claims and then compared these claims against our empirical study (Saunders et al., 2009). This approach was argued appropriate for the purpose of our study, as it permitted us to compare internationalization theory with the empirical results of internationalization of social enterprises and thereby to explore if current theory is sufficient to explain the process for this specific type of enterprise.
3.2 Research strategy – a survey research design

As a descriptive exploratory method has been used in our study, where data mainly sought to be collected quantitatively, a survey research design was argued appropriate for our research (Bryman & Bell, 2011). The survey strategy allowed us to quantitatively obtain data using a standardized instrument and to present and analyze collected data through descriptive statistics (Saunders et al., 2009). This level of statistical analysis was applied as the study is an initial investigation of a new phenomenon and descriptive statistics matched our purpose to map overarching patterns in the internationalization process of social enterprises. As a descriptive survey is concerned with identifying the phenomena whose variance one wishes to describe (Ghauri & Grønhaug, 2010), this strategy was further considered suitable as we intended to describe and explore variance in the internationalization process (Saunders et al., 2009).

3.3 Primary data collection

The primary data source in our study consists of data collected through a survey. In order to conduct our research, primary data was necessary to collect, as previous research within the area was limited and argued insufficient. The main advantage of using primary data is that the data specifically is collected for the purpose of our study (Ghauri & Grønhaug, 2010). A personal in-depth interview (see section 3.3.1) was initially performed in order to gain nuanced background information of social entrepreneurship that complement the data collected through the survey (see section 3.3.2). The use of different sources when collecting primary data is regarded advantageous as the convergence of the data supports the research in achieving a greater understanding of the phenomenon (Baxter & Jack, 2008). This can further be argued to enable a triangulation of the results (ibid).

3.3.1 Collection of background information of social entrepreneurship

In order to gain a deeper understanding of the concept of social entrepreneurship and to collect background information for our study, a personal in-depth interview was conducted with the communication manager at Ashoka Scandinavia. Ashoka is one of the world’s largest
organizations for social entrepreneurship and is present in 70 countries across the world (Ashoka Impact Report, 2013).

The interview was semi-structured (Saunders et al., 2009) and an interview guide (see appendix 1) containing a list of questions based on theory was used. This method was regarded suitable for collection of the background data, as it facilitated the interviewee to elaborate and speak unreservedly about the rather complex subject of inquiry (Bryman & Bell, 2011). Through the use of this method, we were able to gather nuanced, in-depth information (Yin, 2009) of the concept of social entrepreneurship and current trends of the internationalization of social enterprises. Following guidelines of Saunders et al. (2009), the interview was recorded in order to ensure reliability and that no information would get lost. As a complement to the recording, notes were also taken during the interview. As recommended by Ghauri and Grønhaug (2005), the interview was later transcribed in order to gain a thorough understanding of the data.

3.3.1.1 Selection of interviewee for the background interview

The interviewee, Nathalie Ahlstedt Mantel, has been professionally involved in the industry of social entrepreneurship for years and is highly knowledgeable about the area of inquiry. As communication manager at Ashoka, she has deep knowledge of social entrepreneurship, access to the latest insights within the field and practical experience of interacting with social entrepreneurs on a global scale. The interviewee was thereby regarded highly suitable for the purpose of gaining background information about social entrepreneurship and the data collected through the interview can be argued reliable.

3.3.2 Collection of primary data using a questionnaire

An internet-mediated questionnaire has been used for our survey. This is one of the most common methods for collecting data when applying a survey strategy (Saunders et al., 2009) and has enabled us to identify and describe variability in the internationalization of social enterprises. The questionnaire (see appendix 2) was self-administered and distributed via email that contained a link that directed the respondents to a web-based questionnaire. As questionnaires facilitate a great reach and only require a limited amount of resources (Eriksson & Wiedersheim-Paul, 1999), the use of internet-mediated questionnaires enabled us to reach a large and geographically spread sample. This was highly important for the
The execution of our study, as our sample consists of internationally spread actors. The web-based survey software Survey Monkey was used to collect the data. Through this software, we were able to design, and collect as well analyze the data. The survey-tool thereby enables a thorough and time efficient collection and analysis of the data (Saunders et al., 2009).

A high level of anonymity can be achieved through the use of questionnaires (Robson, 2002). All data collected in our questionnaires was anonymous and reported in aggregated form, in order to ensure anonymity and reduce the risk of socially desirable answers. As respondents of a self-administered questionnaire are not able to ask questions (Saunders et al., 2009), our questionnaires mainly consisted of standardized closed questions in order to make sure that the respondents interpreted them in the same way. To ensure that the questionnaire generated the most straightforward data capture and input (ibid), the respondents mainly had to respond to the questions by selecting an answer from a given list of alternatives. Following the recommendation of Eriksson and Wiedersheim-Paul (1999), a preceding letter that informed the respondents of the purpose of our study, was further included as a cover page in our questionnaire (see appendix 3).

To assess validity and reliability of our questionnaire, precautions have been taken in order to ensure that the questionnaire was consistent and measured what it intended to (Saunders et al., 2009). Internal validity was strengthened as the background interview complement the data collected through the questionnaires. The relevance of the data was thereby reinforced by information from the background interview (see section 3.3.1). Content validity was further attained; as we made sure that the questionnaire covered all aspects of the internationalization that we intended to measure. The reliability of the questionnaire was further strengthened as a majority of the questions used have been retrieved from prior peer reviewed research (Saunders et al., 2009).

### 3.3.2.1 Sample selection for respondents of the questionnaire

The respondents included in our sample had to fulfill two formal criteria. First they had to match the definition of a social enterprise (see section 2.1.1). Second, the social enterprises participating in our study had to be active in foreign markets, either currently establishing internationally or already have established operations in foreign markets.

The questionnaires have partly been distributed through the networks of Ashoka and SE Forum, leading organizations within the sector that collaborate with social entrepreneurs.
Remaining questionnaires have been sent to social entrepreneurs across the world, found mainly through well-known and prominent social entrepreneurship networks online (e.g. The Schwab Foundation, Reach for Change, Social Innovation Network, Skoll World Forum) but also through smaller regional organizations, or actors within the field (e.g. UnLtd South Africa, UnLtd India, Centre for Social Innovation). This can be argued to further ensure that the respondents were classified as social entrepreneurs. The networks were in turn found through internet-mediated research and in academic research papers within the area of social entrepreneurship. Within these forums, featured social enterprises were investigated in order to ensure that they were internationally active and thereby proper for our research. For all of those who fulfilled the criterion, the investigation continued in a search for email addresses to the founder/founders of the social enterprises. The questionnaires were then sent directly to the social entrepreneurs behind the social enterprise, as these individuals are assumed to be most knowledgeable about the internationalization process and motives of the firm. The questionnaire was distributed to a total of 240 companies and 65 of these responded to the survey. The response rate thereby amounts to 27 percent.

The selections of samples for our study were conducted through non-probability sampling (Saunders et al., 2009) as the selection was based on our subjective judgment and not made randomly. This sample selection was regarded necessary as only a limited group of respondents were qualified to respond to the survey. We therefore selected survey respondents through purposive sampling (Saunders et al., 2009), as we chose respondents that matched the purpose of our research.

3.4 Construction of the questionnaire – operationalization of variables

The questionnaire nearly exclusively consists of questions that have been adopted or adapted from existing questions or claims presented in academic research. It is merely question number 7, 8 and 15 that have been constructed specifically for the purpose of this study (see appendix 2). The questionnaire includes both open-ended and closed questions; the majority of the questionnaire however consists of closed questions. Open questions were used to enable respondents to provide personalized answers (Fink, 2003) while closed questions were used for questions where fixed alternatives were regarded suitable for answering the questions (Saunders et al., 2009).
Construction of the questionnaire

<table>
<thead>
<tr>
<th>Section 1</th>
<th>Control variables</th>
</tr>
</thead>
<tbody>
<tr>
<td>Section 2</td>
<td>Characteristics of companies</td>
</tr>
<tr>
<td>Section 3</td>
<td>Motives for internationalization</td>
</tr>
<tr>
<td>Section 4</td>
<td>Time of entry and choice of location</td>
</tr>
<tr>
<td>Section 5</td>
<td>Choice of entry mode</td>
</tr>
<tr>
<td>Section 6</td>
<td>Barriers for internationalization</td>
</tr>
<tr>
<td>Section 7</td>
<td>The role of personal experience and knowledge</td>
</tr>
<tr>
<td>Section 8</td>
<td>The role of networks in the internationalization process</td>
</tr>
</tbody>
</table>

Table 1: Table of sections of the questionnaire

Section 1: Question number 1 to 6 consists of a set of control variables regarding age, gender, nationality of the respondent and if he/she is the founder of the company. Age and size of the company was also controlled in this section. Questions number 1, 4 and 6 were closed questions where the respondents were asked to choose one fixed answer. Question number 2, 3 and 5 were open-ended where the respondents were asked to fill in the personalized information.

Section 2: Question number 7 to 10 consists of questions that aimed to describe the characteristics of the responding companies. Question number 7 and 8 were specifically constructed for our study but based on theoretical definitions of social entrepreneurs and social enterprises (Luke & Chu, 2013; Michelini & Fiorentino, 2012). These questions had a purpose to examine if the companies were characterized as a social enterprise and thereby valid for the survey. Question number 7 and 8 were closed but the respondents were allowed to choose more than one alternative. Question 9, industry type classification of respondents, was measured through categorization adopted from Brouthers and Nakos (2004). Question number 10 concerning classification of business sector was adapted from International Standard Industrial Classification of all Economic Activities (ISIC). Question number 9 and 10 were closed and the respondents were only able to choose one of the alternatives presented. In question number 9 it was however possible to choose “other” and then specify an alternative answer.

Section 3: The intention of question number 11 was to map motives behind internationalization of social enterprises. The respondents were asked to rate how important certain motives were for foreign market entry. A five-point Likert scale was used where 1 equaled not important and 5 equaled very important. Motives of internationalization used in research by Karagozoglu and Lindell (1998) were adopted in this question. In addition, a few motives relevant for social entrepreneurship were added from Zahra et al. (2008).
Section 4: The aim of question number 12 and 13 was to comprehend when social enterprises enter foreign markets and what kind of markets they target. These questions were adopted from Zhou et al. (2012) and concern timing of international market entry and if developed and/or less developed markets are the main target markets. Question number 12 and 13 were closed and only one alternative could be chosen as an answer. Question number 14, 15 and 16 intended to investigate which country that is the social enterprise’s home market, in which country the enterprise first established and in what parts of the world it operates. In question number 14, the respondents were asked to fill out a personalized answer of where the home market is located. Question number 15 was adopted from Blomstermo et al. (2004) and was open-ended, as it required the respondent to fill out a personalized answer. Question number 16 consists of a list of the world’s continents where the respondents were asked to declare where they operate. The question was closed but allowed the respondent to choose more than one alternative.

Section 5: Question number 17 had an aim to reveal the choice of entry mode when the companies established in foreign market/markets. This question was adapted from a list of entry modes presented and analyzed in Ellis (2008). The question was closed but allowed the respondent to choose more than one alternative.

Section 6: The purpose of question number 18 was to investigate how important different barriers are for the internationalization of social enterprises. The respondents were asked to rate different barriers, according to how important the respondents found them. Question 17 was adapted from a list of barriers presented by Blomstermo et al. (2004), Eriksson et al. (1997) and Shaw and Darroch (2004). A five-point Likert scale was used were 1 equaled not important and 5 equaled very important.

Section 7: Question number 19 was intended to investigate what kind of experience the respondents had before entering a foreign market. This question was adapted from McDougall et al. (2003) that examine the impact of personal knowledge and experience on internationalization. The respondents could choose either one or several alternatives.

Section 8: Question number 20 aimed to examine the role of business and social networks when establishing in foreign markets. The list of statements used in the question was based on theoretical claims of Bloom and Smith (2010), Coviello (2006), Ellis (2000) and Johanson and Vahlne (2009. The respondents were asked to rate different statements according to how
strongly they disagreed or agreed with them using a five-point Likert scale, where 1 equaled strongly disagree and 5 equaled strongly agree.

3.5 Limitations of chosen research design and method

One of the greatest challenges when collecting primary data is to gain access to data, as it can be difficult to reach desired target groups and to find sources of primary data that are willing to disclose the needed information (Ghauri & Grønhaug, 2010). This has been an obstacle during collection of primary data through our questionnaires and like Ghauri and Grønhaug (2010) claim; the chosen method made us dependent on the willingness and ability of respondents.

The main drawback of using questionnaires is the generally low response rate and that it can be hard to control that the appropriate and intended person actually fills out the questionnaire (Saunders et al., 2009). A limited amount of responses may in turn limit the generalizability of the findings (ibid). Reluctance to cooperate or participate in a survey mainly derives from lack of time and lack of incentive (Ghauri & Grønhaug, 2010). In order to minimize these problems, our questionnaire has been kept simple and short. Further, as our questionnaire was administered by email, this offered greater control of who received and responded to the questionnaire (Saunders et al., 2009). A reminder of the questionnaire was further sent to the respondents in order not to forfeit any responses. The process of finding suitable respondents that fulfilled the criteria used in our study was however considerably time consuming, as the desired respondents consisted of a very explicit group of entrepreneurs that in turn had to be internationally active. To find contact information to the entrepreneurs behind specific social enterprises was in many cases difficult to get access to. Apart from the time consuming aspect this further resulted in that we could not distribute the questionnaire to all of the entrepreneurs chosen for our study. However, based on our knowledge and resources, we believe that this effort has resulted in a maximized amount of distributed questionnaires.

In the execution of our study, we have made an effort to make sure that our research is both methodically sound and morally defensible to all of those who are involved in our research. Consideration has been taken to ethical issues presented by Saunders et al. (2009) that concern privacy of participants, voluntary participation and maintenance of confidentiality of data gathered in our study. As we collected data using questionnaires, we were not interested
in analyzing individual observations per se and all our respondents have therefore been kept anonymous. The findings of our study are only presented and used in our research paper.

The research method used for collecting background information further has its limitations. Data collected through a semi-structured interview is subjective and biases of both the interviewer and the interviewee may harm the reliability (Bryman & Bell, 2011; Hultén et al., 2007). We were therefore careful not to affect the interviewee's responses during the interview and tried to make sure that the respondent revealed all relevant information. In order to further bridge these data quality issues, the questions used in the interview were neural and critical follow-up questions (Hultén et al., 2007) were asked. Moreover, we ensured that the questions in the interview guide covered the data we intended to collect. These actions can be argued to have improved the reliability and validity of the data collected.
4. Empirical findings

In this chapter the result of the study is presented. The empirical findings of the in-depth interview and the survey sample of 65 respondents are presented interconnected throughout the chapter. The chapter begins with an overview of the respondents and characteristics of the enterprises. Thereafter follows a presentation of motives for internationalization, time of entry and choice of location of social enterprises. Empirical findings of entry mode and barriers for internationalization are then presented and the chapter concludes with the role of networks in the internationalization process.

4.1 Overview of respondents and characteristics of companies

The gender distribution of the respondents consists of 66 percent males and 34 percent females. The age distribution extends between age 21 to age 70 and the average age is 33 years. The nationalities of the respondents are varied and the social entrepreneurs originate from all over the world (see Diagram 1). A large proportion of the social enterprises are relatively new, as 51 out of 65 of the companies were established during the 21th century. Ahlstedt Mantel (2014) described social entrepreneurship as a young but growing industry that has multiplied over the years and that the amount of social entrepreneurs is continuously increasing. 45 percent of the social enterprises participating in the study are micro sized enterprises, 29 percent are small, 17 percent are medium and 9 percent are large enterprises.

A large majority of the respondents, 72 percent, declared creation of social and economic value as main objective of the company’s operations; followed by 32 percent that stated creation of social value as main objective (see Diagram 2). A resounding majority of 85

Diagram 1: The geographical spread of nationalities of the respondents
percent stated economic and/or social transformation as the main motivation of the company’s activities (see Diagram 3). Ahlstedt Mantel (2014) stated that social entrepreneurs are committed to systemic social change in their fields and are determined to transform systems and patterns of society.

The result of our study shows that a large part of the respondents, 35 percent, are providers of services and 32 percent are providing both goods and services. The most common industries where the social enterprises operate are human health and social work activities (20 percent), education (17 percent) and water supply, sewerage, waste management and remediation activities (15 percent). Ahlstedt Mantel (2014) declared that the majority of the social entrepreneurs connected to Ashoka’s network are active within the service sector. Ahlstedt Mantel (2014) stated that it is hard to change the world with a product – service based ideas are far more often the ones that do.

Nearly 60 percent of the entrepreneurs behind the social enterprises had international experience before the company entered foreign markets (see Diagram 4). Industry and prior start up experience was further common among the respondents.
4.2 Motives for internationalization

The highest rated motive for internationalization is to alleviate social problems in foreign markets. This motive was rated as very or extremely important by 75 percent of the respondents (see Diagram 5). Closeness to customers and stakeholders as well as the motive to initiate new partnerships were further rated as very or extremely important by slightly over 70 percent respectively. The motive to secure/develop existing markets/market shares, exploit or enter new markets and to internationalize as global market opportunities are more promising than domestic, were rated as only moderately important motives for foreign establishment. Domestic market saturation was the least important motive as 65 percent rated this motive as slightly or not important and merely 25 percent rated this motive as very or extremely important. The motive to establish in foreign markets as critical resources are domestically unavailable was further rated slightly or not important by a majority of the respondents. 43 percent rated the motive to establish abroad due to inquiries from potential foreign buyers as slightly or not important.

The results of how important institutional failures are as a motive for internationalization were scattered as the respondents rated the five levels of importance quite equally. 25 percent rated the motive as not important, 22 percent as very important and 17 percent rated it as extremely important. Ahlstedt Mantel (2014) declared that state failure, when governments alone cannot solve all societal challenges in present time, is an important motive for the emergence of social entrepreneurship. Ahlstedt Mantel (2014) stated that social enterprises have the possibility to step in where states fail and solve societal challenges through system changing solutions that more immobile, bureaucratic governments may not be able to.

Diagram 5: Average value of rated importance of motives for internationalization; scale 1-5 ranging from not important to extremely important (see 3.4 for details)
4.3 Time of entry and choice of location

In terms of time of entry, the empirical findings show that more than 50 percent of the respondents were global from inception and 25 percent entered a foreign market less than two years after start-up (see Diagram 6). Ahlstedt Mantel (2014) further stated that social entrepreneurs in Ashoka’s network commonly internationalize early. Nearly all of the social enterprises establish or has a goal to establish in a foreign market within two years after their foundation (ibid).

![Diagram 6: Time of foreign market entry](image)

In terms of in which markets the respondents first executed their operations, the empirical findings show a scattered result where the social enterprises are spread across the globe. Ahlstedt Mantel (2014) declared that social entrepreneurs build their business and enterprise around a social problem that can be present anywhere in the world. Many societal challenges are universal and globally present (Ahlstedt Mantel, 2014). A large part of the social enterprises, 65 percent, established their first operations in a foreign market and 85 percent of these established operations in a continent other than the continent of the home market (see Diagram 7). However, the results further showed that 35 percent of the respondents first established in the home market. Ahlstedt Mantel (2014) implied that many social enterprises first establish in the home market. Their business idea often is built on a challenge present in the local context of the social entrepreneur (ibid).
More than 50 percent of the respondents stated that less developed markets is the main target market whilst 35 percent declared that they target both less developed and developed markets. Only 14 percent mainly targeted developed foreign markets. A great majority of the social enterprises presently operate in Africa; a total of 72 percent stated that they pursue activities in the continent (see Figure 3). The result shows that 40 percent of the social enterprises have operations in one continent and 60 percent operate in two to six continents (see Diagram 8).

### 4.4 Choice of entry mode

A large percentage of the social enterprises, 43 percent, used contractual entry modes in form of partnerships or alliances when entering foreign markets (see Diagram 9). 12 percent of the respondents used a contractual joint venture when establishing in foreign markets and direct export to a foreign firm was further used by 25 percent. Ahlstedt Mantel (2014) stated that
social enterprises often set up their own subsidiaries in foreign markets, but close collaboration with local partners is generally common regardless choice of entry mode. A relatively large amount of the respondents, 28 percent, further chose the alternative “Other” and provided a personalized answer of what entry mode they used. A majority of these stated that they established through setting up a headquarters in the foreign market while others managed operations in foreign markets through online sales.

![MODE OF ENTRY USED WHEN ENTERING FOREIGN MARKETS](image)

Diagram 9: Choice of entry mode used when entering foreign markets

### 4.5 Barriers for internationalization

The average rated importance of barriers for internationalization was fairly similar for all the presented barriers (see Diagram 10). However, the barrier that was rated most important for foreign operations was limited financial resources; 66 percent rated this as a very or extremely important barrier. Ahlstedt Mantel (2014) also declared that finding a financing model that holds for internationalization is a great obstacle for international establishment. Lack of institutional knowledge was rated as very or extremely important by 51 percent of the respondents, restrictions imposed by foreign regulations by 41 percent and political instability by 38 percent. Ahlstedt Mantel (2014) also argued that one of the main barriers for internationalization of social enterprises is institutional challenges.

Further, lack of foreign market knowledge and lack of understanding of how to access foreign markets were rated very or extremely important by 39 percent respectively 42 percent. Lack of cooperative agreements with foreign firms was rated as a very or extremely important barrier by 42 percent of the respondents. Finding a suitable agent in foreign markets was in turn rated as a very or extremely important by 45 percent. Ahlstedt Mantel (2014) stated that
to find suitable partners abroad is a great challenge that is vital for successful foreign establishment. The barrier of firms being too small to operate overseas was however rated as slightly or not important by a total amount of 48 percent of the respondents. Lack of unique competence was further rated as slightly or not important by 48 percent. Ahlstedt Mantel (2014) implied that cultural differences can obstruct the establishment in foreign markets. Language barriers and cultural differences were however rated as not or slightly important by 51 and 49 percent respectively.

4.6 The role of networks in the internationalization process

In regard to the role of networks in the internationalization process, a majority agreed or strongly agreed that they have accomplished more through joint action with other partners than they would have by themselves (see Diagram 11). 89 percent of the respondents agreed or strongly agreed with the statement that personal connections (social networks) have been important for the company’s international operations. Formal business connections (business networks) were further rated as important for the social enterprises’ international operations; 66 percent agreed or strongly agreed with the statement. Ahlstedt Mantel (2014) also stated that networks are vital for internationalization and that strong personal and business connections are a success factor among international social entrepreneurs. The majority of the respondents stated that relationships and networks have helped the company to overcome

---

Diagram 10: Average value of rated importance of barriers for internationalization; scale 1-5 ranging from not important to extremely important (see 3.4 for details)
barriers in foreign markets; 80 percent agreed or strongly agreed with the statement. Ahlstedt Mantel (2014) implied that primarily business networks are important for foreign operations.

Furthermore, 33 percent agreed or strongly agreed that social networks have affected the choice of location in the internationalization process. A total of 38 percent had a neutral attitude towards the statement while 29 percent disagreed or strongly disagreed. In terms of business networks, 34 percent of the respondents agreed or strongly agreed that business networks have affected the choice of location in the internationalization process. A total amount of 45 percent was neutral and 22 percent disagreed or strongly disagreed with the statement. Further, 65 percent of the respondents agreed or strongly agreed with the statement that to establish a position in relevant networks in foreign markets is crucial for successful operations.

![Diagram 11: Average value of the role of networks in the internationalization process; scale 1-5 ranging from strongly disagree to strongly agree (see 3.4 for details)](image-url)
5. Analysis and discussion of the empirical findings

In this chapter the empirical findings are analyzed through the theoretical framework presented in chapter 2. The empirical results are analyzed and discussed with an emphasis on motives behind internationalization and the strategies used for foreign establishment. How the specific characteristics of the social enterprises affect the internationalization process is further highlighted. The applicability of existing internationalization theories and new aspects of significance for the internationalization of social enterprises are further discussed.

5.1 Social enterprises – a distinct enterprise with a strong international character

In line with previous academic claims (Murphy & Coombs, 2009; Robinson et al., 2009; Short et al. 2009; Zietlow, 2002), the results of the study show that social entrepreneurship is a global phenomenon with social entrepreneurs originating from and operating in counties all over the world. With a majority of the enterprises operating in two up to six continents, the social enterprise as a business form can be argued to have a distinct international character.

As social enterprises build their business around social and economic problems (Ahlstedt Mantel, 2014), it is reasonable to believe that the geographical spread of operations partly is a result of that these challenges to a certain degree are present in all markets. One can argue that the global existence of societal problems thereby affects the need and presence of social enterprises as well as the opportunities for social entrepreneurship. The desire to maximize creation of social value can in turn be argued to contribute to a large dispersion of social enterprises, as this can be a strong incentive to scale up operations into several markets. As two thirds of the social entrepreneurs had previous international experience when entering foreign markets, this could imply that part of the international character is affected by the personal experience of the entrepreneur. This, as international experience and urbanity can be argued to enable greater global opportunity recognition as this may influence understanding of the society and world economy. Further, as a majority of the social enterprises are young and small in size, this can be argued to enable fast and efficient procurement of global opportunities due to high flexibility.

The empirical findings clearly show that the social enterprise is a highly specific type of enterprise and differs from the traditional notion of what the main objective and motive of a firm’s activities generally is. This as more than 70 percent of the entrepreneurs stated creation of economic and social value as main objective for the company’s operations and additionally
32 percent declared social value creation as main objective. In accordance with Martin and Osberg’s (2007) claim that social entrepreneurs aim to contribute to economic and social transformation, 85 percent of the social enterprises further stated this as main motivation for the company’s activities. Another pronounced feature of the social enterprises was a great proportion of service oriented firms. The strong service orientation could be a result of the social mission of these enterprises, as the problems addressed often can be argued to require intangible solutions due to the character of societal challenges.

The social enterprise can be argued to differ from the traditional enterprise in terms of characteristics, as well as objectives and motives. This can thereby affect the applicability of traditional internationalization theories, as a majority of these theories generally involve and are based on profit maximizing, large and manufacturing enterprises (McDougal & Oviatt, 2000; Ruzzier, 2006). The social enterprises further have shown to exhibit somewhat different internationalization behavior and patterns compared to the ones reflected in classic internationalization theories.

5.2 Motives for internationalization of the social enterprises

Based on our research, the main motive for social enterprises to establish in foreign markets is to alleviate social problems. This “social value creation motive” is not addressed in traditional internationalization theory, but evidently is highly important for this specific kind of enterprise. Thereby, the distinct motive and objective behind the social enterprises’ operations could affect the very motive to establish abroad. Thus, it can be argued that this motivational aspect ought to be added to internationalization theory of the social enterprise in order to fully describe the process. This, as social enterprises could be argued to scale up operations and establish abroad due to the possibility to maximize social value.

The traditionally recognized market seeking motive for foreign establishment, closeness to customers and stakeholders (Dunning, 2000), were further declared as one of the main motives. The importance of this motive can be assumed to derive from the nature of the operations of the enterprises; that social entrepreneurs often address context specific issues connected to a particular segment of the market (Ahlstedt Mantel, 2014; Martin & Osberg, 2007). To locate abroad in order to access a specific target market is common when direct market presence is essential to successfully serve the market (Dunning, 2000). This can
thereby be argued to hold true for service providing social enterprises and one could argue that closeness to stakeholders enables social enterprises to attain the objective of social problem alleviation.

Based on the empirical findings, network seeking motives (Chen et al., 2004; Johanson & Vahlne, 2009) are central for internationalization of social enterprises, as one of the main motives for foreign establishment was to initiate new partnerships. This is in accordance with Dimitratos and Plakoyiannaki (2003), who argue that a strong network orientation is an especially apparent dimension of the international entrepreneurial culture. With nearly 90 percent of the social entrepreneurs that either agreed or strongly agreed that personal relationships are important for international operations, this indicate that social networks are essential for successful establishment in foreign markets. This finding is in line with Ellis (2000) who argues that personal connections in foreign markets enhance the possibility to identify global market opportunities and provide knowledge and contacts needed for successful cross-border operations. However, only a few agreed or strongly agreed that social and business networks have affected the choice of location in the internationalization process. The distinct social mission and objective of social enterprises may explain this finding, as the enterprises can be assumed to first and foremost establish were societal problems are recognized, rather than to locate where they already have an existing network or wish to establish one (Chen et al., 2004: Coviello & Munro 1997). In the long run networks still seem to have an impact on establishment in a certain location, as a majority of the social entrepreneurs found the motive to initiate partnerships in foreign markets as extremely important.

Furthermore, Ahlstedt Mantel (2014) stated that one important motive for international social entrepreneurship is state failure. This is in accordance with Zahra et al. (2008) who claim that institutional challenges create opportunities for social enterprises. Social entrepreneurs can thereby be motivated to establish in markets where they have an opportunity to fill a gap in the market that has occurred as a result of insufficient institutional systems. The social entrepreneurs however rated this motive inconsistently and it is therefore difficult to determine how important this motive is for foreign establishment. Nearly 40 percent of the social entrepreneurs stated institutional failure as motive to establish abroad very or extremely important. A similar proportion further rated this motive as slightly or not important. This may be a result of the fact that institutional aspects are context specific (Robinson, 2009) and that the presence of institutional failure may vary dependent on where the enterprises operate.
5.3 Time of entry and choice of location of the social enterprises

As more than half of the social enterprises were global from inception and one fourth enter foreign markets in less than two after start-up, the social enterprises show patterns of early and rapid internationalization behavior. It can be viewed as unique that this large proportion of the enterprises shows such homogenous behavior. In terms of timing of foreign market entry the social enterprises exhibit similarities with INVs (Mathews & Zander, 2007). The innovative ideas of social enterprises, in combination with the generally small size and mobility, could enable early internationalization and establishment in multiple markets. As 65 percent of the social enterprises established first operations abroad and 85 percent of these in markets located in a distant continent, this further indicate that social enterprises display similarities to INVs in terms of scope of internationalization (Mathews & Zander, 2007). Based on the empirical findings, one could argue that the social enterprises can be characterized as INVs as they show strong similarities with the internationalization behavior of INVs. The motive for international operations is however different due to the distinct social mission of social enterprises. The scope of internationalization of the social enterprises, thereby conflicts with the Uppsala model (Johanson & Vahlne, 1977), in which firms gradually internationalize through small incremental steps. Of the social enterprises that established first operations abroad, it was only 15 percent who located in neighboring countries similar to the domestic market and thereby close in terms of physic and cultural distance (Evans & Mavondo, 2002; Johanson & Vahlne, 2009; Sousa & Bradley, 2006).

Furthermore, the empirical findings indicate that less developed markets is the main target market of the social enterprises. Only a small fraction declared developed markets as their only target market. As a large amount of the social entrepreneurs further declared both developed and less developed markets as main target market, this is in line with the notion that societal challenges can be present in all markets (Ahlstedt Mantel, 2014). That a majority of the social entrepreneurs still target less developed markets may originate from the assumption that societal challenges are particularly apparent in these markets, (Zahra et al., 2008). This as quantity and severity of societal challenges could be argued to affect the need of social entrepreneurship and thereby affect opportunities for social enterprises.
5.4 The entry modes of the social enterprises

The most frequently used mode of entry among the social enterprises was a contractual entry mode in form of an alliance or partnership. A contractual joint venture was further one of the most commonly used entry modes. As partnerships and joint ventures involve shared control and a high level of dissemination risk (Erramilli & Rao, 1993; Hill & Kim, 1988; Hill et al., 1990), it could be argued that these aspects seem to be of less importance. This may be a result of the specific objective of social enterprises and that shared control or potential spread of ideas, simply could be viewed as positive spillovers from operations.

Further, as small companies generally possess limited resources (Knight & Cavusgil, 2004; Mathews & Zanders, 2007; Oviatt & McDougall, 1997), this can invigorate the incentive to establish cooperative agreements with foreign partners. This, as local partners can provide social enterprises with supplementing knowledge of the market and thereby lower risk and reduce costly mistakes. With a large proportion of the social enterprises operating in developing economies, where institutional systems can be particularly complicated (Bruton et al., 2013; Hoskisson et al., 2000; Sakarya et al., 2007), cooperative agreements with local actors may be especially advantageous (Brouthers & Nakos, 2004). This aspect may have affected the choice of entry mode of the social enterprises and may be an underlying cause of the relatively homogenous use of entry modes.

Direct export is furthermore one of the most frequently used entry modes among the social enterprises. As the majority of the social enterprises are categorized as micro, small or medium sized, this choice is in line with classic internationalization theories, stating that small and medium enterprises tend to rely on export as entry mode (Brouthers & Nakos, 2004). This, as export only requires limited resource commitment and enables firms to leverage on capabilities of the exporting partner (ibid). According to the Uppsala model (Johanson & Vahlne, 1977), this is the entry mode that commonly is used in early stages of foreign market establishment. The frequent use of export could thereby also be linked back to the generally young age of the social enterprises.

Knowledge of foreign markets can further affect the choice of entry mode (Kogut & Singh, 1998; Sharma & Blomstermo, 2003). Nearly half of the respondents rated lack of foreign market experience as a slightly or not important barrier for international operations, yet this is
knowledge they declare to lack. One could therefore discuss if this is an effect of the common use of partnerships, joint ventures and direct export, as the use of these entry modes could be argued to bridge the knowledge gap of the social enterprises. This as only around one quarter of the social entrepreneurs processed specific foreign market knowledge or had previous internationalization experience.

### 5.5 Internationalization barriers for the social enterprises

The empirical findings indicate that limited financial resources are the most important barrier for internationalization. This could be explained by the fact that a majority of the social enterprises are young and small and therefore may possess limited financial resources. This is in accordance with Leonidou (1999) who implies that firm characteristics, such as size and age, affect what barriers a firm faces when establishing in foreign markets.

As many of the social entrepreneurs rated lack of knowledge of foreign laws, norms and standards as very important barriers, it can be considered that lack of institutional knowledge is a great challenge for foreign establishment. This observation is further strengthened as formal institutional barriers in terms of restrictions imposed by foreign regulations, as well as political instability, also were rated as very important barriers. Institutional challenges are common when the formal institutional environment is complicated or differs from the one in the home market (Robinson, 2006). Thereby, the rating of these barriers could have been affected by that most of the social enterprises operate in distant markets and that a large majority further operates in developing economies.

In addition, Ahlstedt Mantel (2014) stated that culture and language barriers are important obstacles for international operations of social enterprises. These barriers were however regarded as only moderately important by the social entrepreneurs in our sample. It can however be discussed that the social enterprises to some extent still experience psychic and cultural distance. This, as around 40 percent of the social entrepreneurs rated lack of foreign market knowledge and understanding of how to access foreign markets as very important barriers. This is strengthened by Ellis (2008), who argues that the larger the psychic distance the more challenging it is for firms to gain knowledge about the foreign market and this consequently hinder the internationalization process. The presumed psychic and cultural distance could thereby be affected by the large geographical spread of the social enterprises.
Furthermore, as lack of cooperative agreements as well as finding a suitable agent was rated as very important barriers, business networks can be assumed to be of great importance for foreign establishment. This could be a result of that insidership enhances the ability to discover opportunities and enable firms to gain access to needed market specific knowledge (Coviello, 2006; Johanson & Vahlne, 2003, 2009; Lu & Beamih, 2001). In turn, this may bridge other obstacles in the internationalization process. As a majority of the social entrepreneurs agreed or strongly agreed that to establish a position in foreign networks is crucial for successful operations; this is in accordance with Johanson and Vahlne (2009) who argues that insidership is key for international operations. As 80 percent of the social entrepreneurs either agreed or strongly agreed that networks have helped to overcome barriers in foreign markets, this can further testify of the great impact of networks.

Contradictory to classic internationalization theory, the statement of the firm being too small to operate abroad was declared as an unimportant barrier. In similarity to INVs (Mathews & Zander, 2007), the social enterprises can be argued to leverage on the benefits of being small and to attain competitive advantage through innovative solutions (Ahlstedt Mantel, 2014). In extension, lack of unique competence was further rated as an unimportant barrier and this could in turn be traced back to the system changing ideas of these enterprises. This could further be a result of that social enterprises have a mutual objective to maximize social and economic value and are therefore not competing in the same way as traditional firms.
6. Conclusion

The social enterprises have a distinct objective to contribute to economic and social transformation and the main motivation for the enterprises’ activities is creation of economic and social value. This specific character of the social enterprise highly affects the patterns and processes of internationalization. The empirical findings showed that the main motive for social enterprises to establish in foreign markets is to alleviate social problems. Thereby, a “social value creation motive” is necessary to add to theory of the internationalization of this specific kind of enterprise in order to fully explain the motives behind internationalization. Market seeking motives in terms of closeness to customer and stakeholders is further one of the main motives for foreign establishment. In addition, network seeking motives, to initiate new partnerships and establish a position in foreign networks, are central for internationalization of social enterprises.

The social enterprise as a business form has a distinct international character with social entrepreneurs originating from and operating in counties all over the world. The social enterprises show patterns of early and rapid internationalization behavior where a large majority is global from inception or international within the first years of operations. The enterprises further show patterns of large spread and scope of operations; a majority of the social enterprises have operations in two or more continents. Thus they are not restricted by geographical distance. The social enterprises are characterized as INVs but with a distinct mission to create solutions to societal challenges across the globe. A new type of INV has emerged – the international social venture.

Social enterprises build their business around societal challenges and the global existence of societal problems thereby affects where these enterprises establish. The social enterprises target both developed and less developed markets but there is a strong pattern among the enterprises to mainly target less developed markets.

The entry modes resoundingly used by the social enterprises when establishing in foreign markets are alliances or partnerships. Networks in terms of both social and business relationships are highly important as social enterprises internationalize. Contractual joint ventures and direct export are further common entry modes used by social enterprises. By establishing cooperative agreements with local partners, social enterprises are able overcome barriers in foreign markets such as institutional challenges and lack of vital market knowledge.
6.1 Implications for managers

The investigation of the internationalization process of social enterprises can provide practitioners with a better understanding of the internationalization strategies of these enterprises. From a managerial perspective, it can be argued beneficial and valuable to attain a more comprehensive picture of the foreign market establishment, as this could lead to more well-informed and strategic decisions connected to the internationalization process. As the result of the study highlight global opportunities for social enterprises, this may enlighten existing social entrepreneurs and encourage new ones to seize global opportunities of social entrepreneurship. Increased academic recognition of the specific business form of social enterprises may further have a positive impact on the operations of social enterprises in terms of for example financial support from actors in the market.

6.2 Limitations of the study and implications for future research

Social entrepreneurship has evolved into an important and recognized phenomenon in the world economy with social enterprises contributing to social and economic transformation on a global scale. The empirical investigation of the internationalization process of social enterprises contributes to a more extensive understanding of the motives behind and strategies uses for foreign establishment and thereby fills a gap in previous research. As the research field and area of inquiry is novel, the results can be argued to lay a foundation for a theoretical framework for the internationalization process of the social enterprise.

Due to the small size of the sample of respondents and the use of merely descriptive statistics for presentation and analysis of the empirical findings, the generalizability of the results is limited. The small sample further restricted statistically significant testing of the results as the validity would have been weak. An increased number of respondents in our sample would have increased the validity of our study. If we would have gained access and been able to collect a larger sample, it would have been desirable to use advanced statistical tests. Despite the small size, implications of the internationalization process of the social enterprises can be drawn, as the sample of respondents consists of independent actors spread across the world that show strong similarities and patterns of internationalization. As empirical investigations previously have been highly limited, the result of our study strongly contributes to a first step of mapping and understanding foreign establishment of social enterprises. The study should
be viewed as an initial and overarching investigation of the internationalization of social enterprises.

The empirical research and result of our study is a springboard for future research within the field of social entrepreneurship. Due to the impact of social enterprises today in combination with pressing societal challenges across world, further research is important to conduct. In order to establish a more generalizable picture of the internationalization process of social enterprises, we encourage more statistically advanced studies using hypothesis testing based on a large sample. Considering the unique characteristics of this business form and the similar internationalization with INVs, it would be interesting to further examine and develop the notion of an international social venture. As our empirical study focused on examining the internationalization process on an overarching basis, further research that only examine a certain aspect of internationalization, e.g. entry mode, could contribute with deeper understanding of the area of inquiry.

The empirical findings of our study showed that networks were highly important for the internationalization process and foreign operations of social enterprises. Based on this, it would be interesting to further study the difference between social and business networks in terms of importance for foreign operations and choice of location. To investigate potential correlations between barriers for internationalization and choice of entry mode is another area of interest that is encouraged for future research. This, as our study indicated that the choice of entry modes could help the enterprise to bridge barriers in the foreign market.
References

Literature


52


Interview

Appendix 1 – Interview guide

- **Ashoka**
  Tell us about Ashoka? How does the organization look like? How is Ashoka’s work organized?
  What is Ashokas main objective and function?

- **Social entrepreneurship (from Ashoka’s perspective)**
  What is social entrepreneurship?
  What characterize a social entrepreneur?
  What is the driving force of a social entrepreneur?
  What differentiate a social entrepreneur from a traditional entrepreneur?
  Are here any specific personal characteristics that are common among social entrepreneurs?
  Do you believe that the context and background of the social entrepreneur affect his or her initiative? Can you see any patterns among the entrepreneurs in Ashoka’s network (Background, experience, knowledge)
  What do you believe have contributed to the great emergence of social entrepreneurs today?

- **Social entrepreneurs in Ashoka’s network**
  In what industries do social entrepreneurs commonly operate (e.g. education, health, environment)?
  Do social entrepreneurs mainly provide products or services?

- **Networks**
  How do networks affect the social entrepreneur? Business and social networks/connections
International social entrepreneurship among Ashoka’s members

Is it common that social entrepreneurs in Ashoka’s network establish in foreign markets?

Why do you believe that the social entrepreneurs establish abroad?

Does foreign establishment commonly occur in an early stage or when companies are older and well established?

Can you see any patterns in the choice of which markets the social entrepreneurs enter and when they decide to engage in international operations?

How do social enterprises commonly establish in new foreign markets (e.g. export, subsidiaries, joint ventures)? Why?

Do you believe that the societal problem addressed by the social entrepreneur per say affect choice of location/market and what strategy that is used for establishment abroad?
Appendix 2 – The questionnaire

Control variables

1. Gender:
   Male       Female

2. Age:

3. Nationality:

4. Are you the founder/co-founder of the company?
   Yes       No

5. What year was the company founded?

6. Number of people employed in the company (including the founder):
   1 – 9 (Micro sized firm)   10 – 50 (Small sized firm)   51 – 250 (Medium sized firm)
   251 – (Large sized firm)

Characteristics of company

7. What is the main objective of the company’s operations? Choose the alternative/alternatives that best describe the main objectives of the company.
   Profit maximization       Create social value
   Maximize shareholder value Create economic and social value

8. What is the main motivation for the company’s activities? Choose the alternative/alternatives that best describe the main motivation of the company.
   Profit maximization       Economic and/or social transformation
To act socially responsible  Personal satisfaction from realizing entrepreneurial ideas

9. Industry type of the company:
Manufacturer  Provider of goods  Provider of services
Provider of goods and services  Other (please specify)

10. Sector for main operations (according to International Standard Industrial Classification of all Economic Activities (ISIC)). Choose the alternative that suits the company the best:
Agriculture, forestry and fishing
Manufacturing
Electricity, gas, steam and air conditioning supply
Water supply, sewerage, waste management and remediation activities
Construction
Wholesale and retail trade
Accommodation and food service activities
Financial and insurance activities
Administrative and support service activities
Education
Human health and social work activities
Arts, entertainment and recreation
Other service activities
Other (please specify)

Motives for internationalization

11. How important are following motives for the company’s foreign market entry? (5-point Likert scale, 1 not important 5 highly important)
Secure/develop existing markets/market shares
Exploit or enter new markets
Global market opportunities more promising than domestic market
Inquiries from potential foreign buyers
Alleviate social problems in foreign market
Initiate new partnerships
Closeness to customers/stakeholders
Domestic market saturation
Critical knowledge and resources are not domestically available
Market, institutional, and state failures in foreign market

**Time of entry and choice of location**

12. When did the company first enter a foreign market?
   - Global from inception
   - Less than 2 years after start-up
   - 2-3 years after start-up
   - 4-5 years after start-up
   - More than 5 years after start-up

13. What is the company’s main foreign target market?
   - Developed foreign markets
   - Less developed foreign market
   - Both

14. Which country is the company’s home market?

15. In which country did the company execute its first operations?

16. In which of the following areas does the company operate?
Europe
Africa
Asia
Oceania
North America
South America

Choice of entry mode

17. What mode of entry did the company use when entering foreign market/markets?

Export:

a) Direct export to a foreign firm
b) Direct export to a subsidiary
c) Indirect exporting via an intermediary

Contractual entry mode:

a) Licensing agreement
b) Alliance/partnership
c) Contractual joint venture

Equity joint venture:

a) Minority joint venture
b) 50/50
c) Majority joint venture

Subsidiary:

a) Acquisition
b) Merger
c) Greenfield

Other: (please specify)
Barriers for internationalization

18. How important are the following factors as obstacles for international operations of the company? (5-point Likert scale, 1 not important 5 very important)

Lack of foreign experience
Lack of foreign market knowledge
Lack of knowledge of international market opportunities
Lack of understanding of how to access foreign markets
Lack of knowledge of foreign laws/norms/standards
Lack of access to potential foreign partners
Lack of unique knowledge/competence
Lack of access to overseas distribution channels
Lack of cooperative agreements with foreign firms
Finding a suitable agent
Firm too small to operate overseas
Cultural differences
Language barriers
Political instability
Restrictions imposed by foreign rules/regulations
Cost of compliance with overseas regulations
Limited financial resources

The role of personal experience and knowledge

19. What kind of experience did you have before the company entered foreign market/markets? Choose the alternative/alternatives that best describe your personal knowledge and experience.

Internationalization experience
International experience
Specific foreign market experience (specific knowledge of the foreign country/market)
The role of networks in the internationalization process

20. With regard to the last three years of international operations of your company, please indicate how strongly you agree or disagree with each of the following statements: (5-point Likert scale, 1 strongly disagree 5 agree)

We have accomplished more through joint action with other organizations/partners than we could have by ourselves

Personal connections and relationships (social networks) have been important for the company’s international operations

Formal connections and business relationships with other companies have been important for the company’s international operations

Relationships/networks have helped the company to overcome barriers in foreign markets

Social networks have affected the choice of location in the internationalization process

Business networks have affected the choice of location in the internationalization process

To establish a position in relevant networks in foreign markets is crucial for successful operations
Appendix 3 – Preceding letter

Social entrepreneurship, a practice that integrates economic and social value creation, is gaining increased importance and influence in today’s economy (Mair & Marti, 2006; Luke & Chu, 2013) and social enterprises are argued to be an engine of economic and social development on a global scale (Short et al. 2009). The motives and strategies for international expansion of this specific kind of enterprise have however gained limited attention in academic research. Through our study we intend to investigate these motives and strategies and explore if there are any patterns in the internationalization process of social enterprises.

We would be very grateful if you take the time to complete this questionnaire. The estimated time to fill out the questionnaire is about 5 minutes. Thank you in advance for your help!

Note that all respondents are anonymous and all information will be held in strict confidence. All results from this questionnaire will be reported in aggregate form.

Before starting, please note:
1. Social value is defined as wider non-financial benefits for the community or society that ease or eliminate societal challenges.
2. Please, follow the instructions for each single question.

Kind regards

Kristina Färdig & Maria Håkansson
Uppsala University Master in Management of International Business
Fardig.kristina@gmail.com
maria.hakansson1@gmail.com