



REGEPE Entrepreneurship and Small Business Journal

ISSN: 2965-1506

regepe.esbj@anegepe.org.br

Associação Nacional de Estudos em Empreendedorismo e
Gestão de Pequenas Empresas

Brasil

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REGEPE Entrepreneurship and Small Business
Journal, vol. 14, e2528, 2025, January-December

Associação Nacional de Estudos em Empreendedorismo e Gestão de Pequenas Empresas
São Paulo, Brasil

DOI: <https://doi.org/10.14211/regepe.esbj.e2528>

Available in: <https://www.redalyc.org/articulo.oa?id=561581799009>

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Research Article

When tensions and barriers destroy social impact businesses: Multiple case studies based on Brazilian experience

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Open Science



Editorial Details

Double-blind review System


Article History

Received : Jun. 11, 2024
Accepted : Jun. 03, 2025
Available online : Jul. 11, 2025


Article ID: 2528

JEL classification: A13, L31, G33, O35, Q56

Editor-in-Chief¹ or Adjunct²:

¹ Dr. Edmundo Inácio Júnior 
Univ. Estadual de Campinas, UNICAMP

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Executive¹ or Assistant² Editor:

¹ M. Eng. Patrícia Trindade de Araújo

Funding:

FAPESC, TO 2023TR000553
CNPq, 403185/2021-1

How to cite:

Souza Crestani, M. C. de, Salles, H. K. de, & Alperstedt, G. D. (2025). When tensions and barriers destroy social impact businesses: Multiple case studies. *REGEPE Entrepreneurship and Small Business Journal*, 14, e2528. <https://doi.org/10.14211/regepe.esbj.e2528>Article verify by:  Crossref
Similarity Check
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Abstract

Objective: This work aims to understand the failure of Social Impact Businesses (SIBs) in Florianópolis between 2017 and 2022 from the perspective of key stakeholders. Therefore, the enterprises SIB 1, SIB 2, and SIB 3 were studied. **Methodology/approach:** The research uses a qualitative, exploratory-descriptive approach, based on a multiple case study. The data were subjected to thematic, documentary, and interpretative analysis. **Main results:** Based on the tensions and barriers expressed in the field, four reasons related to the failure of SIBs were identified: (1) The shortage of financiers in the commercial and social-environmental fields; (2) The misalignment of support organizations with the local context; (3) Imbalance between social-environmental and commercial activities; and (4) Difficulty in defining a sustainable business model. **Theoretical/methodological contributions:** The reasons for the discontinuation of SIBs are related to the tensions and barriers identified in the literature. Interviews with key stakeholders provided a detailed analysis of the main challenges involving SIBs. **Relevance/originality:** The almost non-existent research on the failure of this type of enterprise justifies the present research and contributes to the literature and practice in the field of social enterprises. **Social/management contributions:** The study delves into the practical and contextual challenges that impact SIBs. The findings provide useful insights for managers, support organizations, and investors, helping them develop strategies to overcome these challenges faced by SIBs.

Keywords: Social Impact Business; Social Enterprises; Failure; Organizational Hybridity; Tensions; Barriers; Social Innovation.

Quando as tensões e barreiras levam à morte: Estudo de casos múltiplos sobre negócios de impacto social baseados na experiência brasileira

Resumo

Objetivo: Este trabalho teve como objetivo compreender a morte dos Negócios de Impacto Social (NIS) em Florianópolis no período entre 2017 e 2022, sob a perspectiva dos atores envolvidos. Sendo assim, foram estudados os empreendimentos SIB 1, SIB 2 e SIB 3. **Metodologia/abordagem:** A pesquisa parte de uma abordagem qualitativa, com viés exploratório-descritivo, a partir do desenvolvimento de um estudo de casos múltiplos. Os dados foram submetidos à análise temática, documental, descritiva e interpretativa. **Principais resultados:** A partir das tensões e barreiras manifestadas no campo, foram identificadas quatro razões relacionadas à morte dos NIS: (1) escassez de financiadores no campo socioambiental mercantil; (2) desalinhamento dos atores de suporte com o contexto local; (3) desequilíbrio entre as atividades socioambientais e mercantis; e (4) dificuldade em definir um modelo de negócio sustentável. **Contribuições teóricas/metodológicas:** As razões da morte dos NIS estão relacionadas às tensões e barreiras identificadas na literatura. Por meio de entrevistas com os principais atores-chave, foi fornecida uma análise detalhada dos principais desafios envolvendo os NIS. **Relevância/originalidade:** A quase inexistência de pesquisas sobre a morte desse tipo de empreendimento justificam a presente pesquisa e contribuem para a literatura e a prática do campo dos empreendimentos sociais. **Contribuições sociais / para a gestão:** O estudo aprofunda os desafios práticos e contextuais que impactam os NIS. As descobertas fornecem insights práticos para gestores, atores de suportes e investidores, auxiliando-os nas estratégias para evitar essas dificuldades enfrentadas pelos NIS.

Palavras-chave: Negócio de impacto social; Empreendimentos sociais; Morte; Híbridismo Organizacional; Tensões; Barreiras; Inovação Social.

INTRODUCTION

In the last decade, the concept of impact business, or social impact business (SIB), has driven the debate on social enterprises in Brazil (Alperstedt et al., 2023). For Pettrini et al. (2016), SIBs are “businesses developed to meet a social demand while operating profitably” or “organizations that aim to solve social-environmental problems, with efficiency and financial sustainability, using market mechanisms” (Barki et al., 2020, p. 481). Therefore, SIBs are social enterprises characterized by hybridism, operating concurrently with social and market logic (Besharov & Smith, 2014). This concurrent existence of different organizational logic can generate dilemmas, as the rationales often represent divergent norms, values, and identities.

The need to respond simultaneously to different logics tends to generate tensions and ethical dilemmas (Smith et al., 2013), causing vulnerability in social enterprises and risking deviation from their missions (Ometto et al., 2019; Sarhangi et al., 2021; Vázquez-Maguirre & Portales, 2018).

The emphasis on economic gain at the expense of their social mission can lead to social enterprises' accomplishment of their operations being compromised (Vázquez-Maguirre & Portales, 2018), which may result in the failure of social enterprises. Also, this economic focus may mean moving away from the social-environmental purposes that characterize these organizations. In many cases, the failure can be caused by transforming a social impact business into business as usual (Doherty et al., 2014).

The growing expansion of the field of social enterprises around the world since the 1990s is notable (Shaw & Bruin, 2013). However, empirical evidence shows that many of these organizations have ceased to exist. A survey carried out by the Observatório de Inovação Social de Florianópolis (OBISF) revealed, for example, that 25% of the SIBs established in Florianópolis and neighboring cities went bankrupt between 2017 and 2022 (OBISF, 2022). These numbers suggest that, despite growing interest and investment in the field, a significant portion of SIBs struggle to survive — a reality that calls for deeper investigation.

A search conducted in April 2025 in the Scopus database, with the terms “failure” OR “collapse” OR “death” OR “demise” AND “social impact” OR “social enterprise” OR “social business” limited to Social Sciences and Business, Management, and Accounting identified 18 studies, of which only six were full-length articles. Among these, four were outside the scope of this research, as they focused on non-profit social enterprises. The remaining two articles conducted case studies on hybrid ventures. The work of Martin et al. (2024) focused on the analysis through the lenses of effectual and causal logic, while Hackett’s (2016) work employed combined statistical analysis, interviews, and observations of Grameen Shakti (Village Energy) to explore approaches to addressing energy market failures in rural Bangladesh. This gap in the literature served as the motivation for the present study, which aims to understand the failure of Social Impact Businesses (SIBs) in Florianópolis between 2017 and 2022 from the perspective of the actors involved.

According to the literature, the reasons for the end of SIBs are related to the tensions and barriers identified in the management process of these organizations beyond the aspects already covered in the literature on the death of SMEs (Garcia et al., 2022). For this reason, in this paper, we provide a detailed analysis of the main challenges involving SIBs based on triangulation between secondary data and stakeholder interviews.

The almost non-existent research on the closure of this type of enterprise justifies the present study and contributes to the literature and practice in social enterprises. In addition, this research addresses the death of social impact businesses in a specific Brazilian context, with its own socio-territorial context, seeking to relate the phenomenon of death to aspects of the same environment associated with the supporting actors, expanding the analysis to the level of the supporting ecosystem.

The following section discusses the theoretical framework, helping to understand the different terminologies found on the topic. The methodological aspects outline the approach used and the data collection and analysis. Then, the results are presented, followed by final considerations of the leading research findings and possible future studies.

SOCIAL IMPACT BUSINESSES

While the combination of commercial and social activities is not new, as they have existed for some time in sectors such as health care and education and played an essential role in American welfare capitalism in the 1800s and the trajectories of social welfare regimes (He et al., 2022), hybrid ventures expand traditional organizational categories, distinguishing themselves from business, non-profit, and government organizations.

Based on the potential to expand organizational studies, Alperstedt et al. (2023) discuss the ambiguities in understanding hybrid ventures, both internationally and nationally. Specifically, the authors advance the analysis of the differences and similarities between “social enterprises” in Europe and social impact businesses in Brazil (NIS), considering the variations in nomenclature: social business, inclusive business, social impact businesses, among other definitions (Barki et al., 2020).

As presented in the introduction, the term social impact business has been adopted in Brazil to designate this specific type of social enterprise whose objective is to meet social needs through market mechanisms (Ebrahim et al., 2014), in alignment with the new contours of “conscious capitalism” (Mackey & Sisodia, 2013; Barki et al., 2020). However, this type of enterprise has been discussed in Europe since the 19th century (Alperstedt et al., 2023).

The specialized literature is rich with studies examining social enterprises across various geographic contexts worldwide. Examples include studies by Defourny and Nyssens (2017) focusing on cases in Europe and those by Alter (2007) and Young and Lecy (2014) in North America.

Alter (2007), like Dees (1998), proposed a linear model in which all organizations called “hybrid” are placed on a continuum. Defourny and Nyssens (2017) highlight the diverse organizational types that social enterprises may adopt in a more complex way. In this sense, the balance between social and commercial goals can vary, be influenced by different factors, and manifest in different ways (Young & Lecy, 2014).

While social impact businesses aim to address social-environmental issues, they inherently operate with a commercial bias. Consequently, they do not rely solely on their legal structure and must navigate economic survival in a competitive market, subjecting them to constant transformations (He et al., 2022). Therefore, a central debate in research on such enterprises involves reconciling social and economic aspects. In this regard, many authors don’t believe in the possibility of hybridism between these two rationalities; some arguments see such practices as discordant (França Filho et al., 2020).

This “organizational hybridity” is described as “a locus of disorder, and potentially, of creativity” (Battilana & Lee, 2014). As Santos et al. (2015) assert, hybrids intrinsically embody contradictions. Such hybridity involves combining organizational elements that would not conventionally coexist (Battilana et al., 2018).

Given their hybrid nature, the sustainability of SIBs depends on advancing their social mission while ensuring economic performance (Battilana & Lee, 2014). This dual focus can generate tensions, often leading to conflicting interests (Kraatz et al., 2008). Therefore, the need to prioritize objectives is inherent in managing their multiple missions, an aspect highlighted by Castellas et al. (2019) to understand SIBs.

Within this perspective, Stevens et al. (2015) conducted a study to understand the ability of social enterprises to fulfill their dual mission. Their findings highlight the dilemmas of these organizations in balancing competing demands, which can lead to changes in strategic orientation, mission imbalances, and, potentially, the closure of these companies. In this sense, the literature suggests that the tensions arising from the nature of these organizations can lead to their disappearance as an organizational type (He et al., 2022).

FAILURE IN HYBRID ORGANIZATIONS: CONSEQUENCES OF TENSIONS, BARRIERS, AND PARADOXES

Garcia et al. (2022) analyzed the factors determining mortality risk in small and medium-sized enterprises (SMEs). A systematic review of the literature identified the main risk aspects for the death of SMEs, including the categories of entrepreneur, management, innovation, customers, and external factors. However, the dimensions that stood out the most were management, entrepreneurship, and innovation.

Regarding the 'entrepreneur' category, they highlight the importance of improving skills and competencies; in management, they highlight knowledge of the necessary and available tools for exemplary business performance, reducing failures, and improving management; regarding innovation, they highlight the importance of products and services that meet consumer needs, in addition to agile organizational processes to improve business productivity. Regarding external factors, the study highlighted the pandemic, which represents an unexpected situation of unknown duration for businesses. They also highlight the importance of new studies in specific segments, such as social impact businesses, with their characteristics and underlying tensions (Garcia et al., 2022).

He et al. (2022) highlight that the joint pursuit of social mission and financial sustainability causes hybrid organizations to face more restrictions in their search for survival than traditional commercial enterprises, as studied by Garcia et al. (2022). This increases the vulnerability of these enterprises to changes in environmental conditions, which can lead to their death.

The conflicting demands or paradoxes (Smith et al., 2013) may seem logical when analyzed individually, but they become incoherent when they occur simultaneously (Child, 2020). From this paradox, Smith et al. (2013) admit the existence of four central tensions: learning, performance, belonging, and organization.

Learning tensions stem from differing chronological perspectives. The social mission often requires a long-term stance, as measuring social impact is challenging, and its effects are typically observed over time. Conversely, economic aspects are easier to measure quantitatively, with results often visible in the short term. Learning tensions may also arise from scalability efforts, as expanding the social mission's impact can incur costs that threaten sustainability (Smith et al., 2013).

Performance tensions revolve around the competing demands of fulfilling the social mission and achieving financial performance. Overemphasis on the social purpose may lead to neglect of managerial aspects and vice versa, potentially jeopardizing the organization's viability. Sroka and Meyer (2021) note social enterprises' common financial challenges. Therefore, while focusing on economic performance may not directly lead to the organization's closure, it may signify a departure from its mission priorities (Smith et al., 2013).

Belonging tensions arise from the attempt to reconcile a social mission with a commercial endeavor. Leaders define the organization's identity and resolve conflicts between profit objectives and social missions. These tensions can breed internal conflicts and the formation of subgroups as team members align with different organizational values.

Lastly, organizing tensions manifest through contradictions in culture, structure, and legal frameworks (Smith et al., 2013). For instance, employee recruitment presents these tensions, as individuals require specific skills and knowledge to work in social enterprises yet may not receive market-average salaries due to limited financial resources (Agarwal et al., 2020; Doherty et al., 2014).

In addition to the internal tensions within social enterprises described by Smith et al. (2013), which pertain to the organizational environment, Robinson (2006) sheds light on four external barriers related to social enterprises' entry into the market. The first type refers to economic barriers, which arise when markets prove challenging to compete in due to advanced technology, resource constraints, and competitors' advantages. Social barriers represent a second type when social enterprises struggle to leverage relationship networks to their advantage. Formal institutional (or public) entry barriers are associated with the inability to access the market due to the lack or scarcity of appropriate → institutions → fostering → entrepreneurial → activity. These barriers encompass government systems, laws, financial markets, and credit institutions. Lastly, cultural entry barriers are tied to the attitudes, beliefs, and expectations prevailing within a given market, exerting significant influence on the success or failure of social enterprises due to audience behavior.

De Mon et al. (2022) also identify three tensions faced by social enterprises. The first tension revolves around balancing the social mission with economic growth. The authors underscore these enterprises' challenges in securing financial support while striving for significant social impact. Despite the limited financial surplus in social enterprises, entrepreneurs and their collaborators often derive satisfaction from the so-called "emotional salary" derived from contributing to social causes. Regarding the second tension, family vs professional life, the authors acknowledge its prevalence beyond social enterprises, stemming from difficulties reconciling life in these two dimensions. Lastly, the tension between venture culture and innovation arises from the conflict between the need for continuous adaptation and preserving the venture's founding principles, potentially hindering social innovation.

Ometto et al. (2019) emphasize that the risk of mission imbalance increases as the organization expands. Hudson (2009) highlights competition with conventional companies due to the commercial logic of these enterprises. Consequently, mission drift can compromise the pursuit of social innovation and lead to organizational closure (Ometto et al., 2019).

Despite the challenges faced by social enterprises, evidence suggests they develop creative and innovative management strategies to balance conflicting logic (Doherty et al., 2014). However, Besharov and Smith (2014) raise questions about why the multiplicity of logic can result in stagnation or failure for some social enterprises while fostering scalability and survival in others. It is precisely this question that this study aims to address.

METHODOLOGICAL ASPECTS

To comprehend the phenomenon surrounding the failure of social impact businesses (SIBs), we adopted a qualitative approach, delving into the perspectives of the actors involved in the social innovation ecosystem. The social innovation ecosystem in this work is considered the constellation of actors in networks that perform social innovation, including organizations that support social impact businesses (Pel et al., 2018).

Several key characteristics define this research's qualitative approach: it begins with an inductive exploration of the interplay between theory and research; it emanates from an interpretivist epistemological stance aimed at understanding the social world through participants' interpretations; and it holds an ontological position described as constructionist, positing that social properties emerge from interactions among individuals (Bryman, 2012).

The research used a multiple-case study methodology (Godoy, 1995). Given that these SIBs no longer exist, the cases demanded thorough analysis to unearth evidence elucidating the reasons behind their closures. Consequently, three distinct cases identified at the Observatório de Inovação Social de Florianópolis (OBISF) were scrutinized: SIB 1, SIB 2, and SIB 3. These cases share two notable similarities: they were registered companies and operated within the environmental sector, allowing for meaningful parallels to be drawn among them. OBISF specializes in mapping social innovation initiatives and organizations that support social impact businesses in Florianópolis and neighboring cities.

The data were collected through triangulation, combining secondary sources (publications, websites, and social networks) from the OBISF, and primary data from interviews with the entrepreneurs and actors who supported these organizations. Support organizations are considered financiers, accelerators, technical support, among others. The support organizations studied were referred to as SO1, SO2, SO3, SO4, SO5, and SO6.

Definition of cases and data collection

As delineated in the introduction of this article, a survey conducted by the OBISF revealed that 17 SIBs, constituting 25% of those established in Florianópolis, ceased operations between 2017 and 2022.

The three cases were selected based on criteria defining social enterprises as SIBs. These criteria included a mission focused on addressing social-environmental issues through their products, services, or processes; ventures with at least one year of commercialization history; active presence on social media platforms; availability of secondary data; active forms of contact with entrepreneurs; and willingness to participate in interviews. The cumulative application of these criteria led to the identification of three SIBs.

The dimensions elucidated in the subsequent section of this article emerged from the triangulation of data from interviews with key stakeholders, which are instrumental in contextual analysis and documentary research. The interview script involved information identifying the enterprise, including type, leading promoters of the initiative, target social-environmental problem, target audience, main problems faced, actors who provided support (partners, financiers, among others), as well as reasons for the death of the enterprise. Documentary research involved mining content from social media platforms and news sites. Interviews were conducted with managers, investors, and representatives from supporting organizations. Table 1 provides a comprehensive overview of the organizations involved in the research.

Table 1

Organizations participating in the research and their representatives

Organizations	Type of organization	Interviewee
SIB 1	Social Impact Business	Responsible for decision-making in the enterprise.
SIB 2	Social Impact Business	Responsible for decision-making in the enterprise.
SIB 3	Social Impact Business	Responsible for decision-making in the enterprise.
SO 1	Support organization	Representative responsible for the organization's department specialized in supporting impact businesses.
SO 2	Support organization	Representative responsible for the SO 2 Program.
SO 3	Support organization	Representative responsible for the SO 3 Program.
SO 4	Support organization	Representative responsible for the SO 4 Program.
SO 5	Support organization	Representative of SO 5.
SO 6	Support organization	Representative responsible for the organization SO 6.

Note: Elaborated by the authors.

A total of 9 interviews were carried out, with an average duration of 50 minutes each.

Data analysis

Thematic analysis was employed to scrutinize the data, facilitating a nuanced and comprehensive description of specific themes or groups of themes (Braun & Clarke, 2006). These themes can be discerned at two levels. One is the semantic level, where "themes are identified within the explicit or surface meanings of the data, and the analyst is not looking for anything beyond what a participant has said or what has been written", The other is the latent level, where the analyst "starts to identify or examine the underlying ideas, assumptions, and conceptualizations – and ideologies – that are theorized as shaping or informing the semantic content of the data" (Braun & Clarke, 2006, p. 84).

The data were analyzed using the following phases: Familiarization with the data, generation of codes, searching for themes, review of themes, definition and naming of themes, and report writing.

This study identified six latent themes based on primary data and supplemented by secondary sources: performance of support systems, the commercial social-environmental landscape, scalability, metrics, business model, and the influence of managers. These themes emerged from the joint analysis of the three cases, revealing recurring patterns among the social enterprises studied.

To delineate the reasons behind the discontinuation of the social impact businesses under scrutiny, these themes were reconceptualized into causes of closure based on the interpretation of both primary and secondary data. In interpreting the data, terms such as "social-environmental dimensions" and "commercial dimensions" were utilized, inspired by the article "Managing Social-Business Tensions: A Review and Research Agenda for Social Enterprise" by Smith et al. (2013). These dimensions emerged from the collected data and reflect the social, environmental, and commercial perspectives that shape the conflicts of these organizations. By deepening the interpretation of these dimensions, it was possible to identify the tensions and barriers that contributed to the reasons for the closure of social enterprises, demonstrating the direct relationship between these tensions and their failure.

THE FAILURE OF SOCIAL IMPACT BUSINESSES

This section delves into the factors that precipitated the closure of social impact businesses (SIBs), drawing from the research findings and their interpretation informed by bibliographic inquiry. Analysis of both primary and secondary data identified four primary causes: the shortage of financiers in the commercial social-environmental fields, misalignment of support organizations, imbalance between social, environmental, and commercial activities, and difficulty defining a sustainable business model. These factors emerged as central contributors to the closure of operations in the following cases: (1) SIB 1, which was founded in 2015 and aimed to promote rainwater usage in both organizational and household settings. Although it initially gained recognition through participation in a startup acceleration program and validation of its business model, it ultimately went out of business; (2) SIB 2 operated as an e-commerce platform specializing in sustainably. Its original model involved repurposing clothes, footwear, and accessories sourced from charity organizations and thrift stores. Despite engaging in numerous events and seeking partnerships, financial constraints forced SIB 2 to cease operations; (3) SIB 3, established in 2015, offered homemade worm farms for recycling food scraps and provided training and lectures on organic waste management and composting. In 2020, amidst changes to its business model and the onset of the pandemic, SIB 3 formalized its closure.



The shortage of financiers in the commercial social-environmental field

The reason for the discontinuation, “the shortage of financiers in the commercial social-environmental field”, was identified through observations indicating that support organizations classified as “financiers” and associated with social-environmental causes were not directly engaged with SIBs. Despite programs targeting such enterprises in other regions of Brazil, data revealed a scarcity of this form of support in Santa Catarina.

This lack of support was acknowledged by a representative of the SO 5, who noted that “[...] we do not have any support, any specific program for social impact business companies [...]”. Similarly, a representative of SO 3 stated that the program is “more generic” and does not specifically cater to impact businesses. The interviewee further explained that the program’s focus varies with each edition, depending on the financiers. For instance, the 2023 edition, funded by Fundo Vale, Bradesco, Itaú, and Santander, aimed at creating innovative businesses and startups focused on the bioeconomy throughout the region known as Amazônia Legal (Legal Amazon) (Jornada Amazônia, 2023).

These shifts in program focus align with the interests of the primary client, i.e., the financier. For instance, programs launched by the Fundação de Amparo à Pesquisa e Inovação do Estado de Santa Catarina (FAPESC) prioritize the development of the state’s economy. This economic orientation is evident in publications like the book “Sinapse da Inovação: Estratégia Catarinense na Geração de Empreendimentos Inovadores” (Strategy of Santa Catarina in the Generation of Innovative Ventures) (Fundação CERTI, 2014), which emphasizes estimated returns on investment based on the tax profile of the created companies, highlighting economic interests over social impacts. While these programs aim to foster an “entrepreneurial culture,” they focus on economic outcomes rather than social impacts.

SO 2, in one of its social media posts, reported a “lack of support” for enterprises with a social-environmental mission. This lack of support remains an issue today:

There is a lack of support for businesses with social-environmental missions. [...] There was a significant gap in support for entrepreneurs in the stage between an idea and its proof of concept before putting it into practice. There were idea competitions and startup accelerators, but no program truly addressed the challenges faced by those taking their first steps in the entrepreneurial journey (Andrade, 2017).

The interviews revealed a “belonging tension” (Smith et al., 2013), with stakeholders like SO 5 and SO 3 predominantly aligned with market activities rather than social innovation. Consequently, they do not directly support social enterprises, contributing to the vulnerability of SIBs as they compete for resources with traditional companies. The SO 3 representative noted that SIBs “usually have greater difficulty finding a steady, scalable revenue model that guarantees their sustainability.” This sentiment was echoed by the SIB 2 representative:

[...] I remember that I sought the SO 5 acceleration program. My business went to the second stage, where I presented the pitch. [...] At this stage, they told me about SO 2. There, I managed to effectively reach the impact business niche.

As reported by the SO 3 representative, while participating in support programs at the outset of a company’s life cycle can help address initial challenges, even technology-based ideas like SIB 2 faced hurdles in finding suitable support avenues, underscoring the tension of belonging (Smith et al., 2013). Consequently, identifying support organizations primarily engaged in commercial activities is a formal (or public) institutional barrier (Robinson, 2006), hindering access to support for SIBs. Hence, the belonging tension and institutional barriers appear directly related to the identified

cause of “the shortage of financiers in the social-environmental and commercial field”, as support activities are closely tied to investment funds.

Despite these challenges, some support organizations have programs for SIBs in other regions of Brazil. These regional distinctions arise because these actors receive financial resources from public or private institutions to conduct programs in specific areas based on the financiers’ criteria. Consequently, formal (or public) institutional barriers emerge (Robinson, 2006), stemming from the absence of financing institutions focused on social enterprise activities.

Table 2 shows how the identified dimensions associated with tensions and barriers lead to the interpretation that the cause of SIBs’ discontinuation was “the shortage of financiers in the commercial social-environmental field.” In this case, support activities are generally shaped according to the financier’s purposes or interests.

Table 2

Summary of Tensions and Barriers Related to the Cause “The Shortage of Financiers in the Commercial and Social-environmental Field”

Tensions and Barriers	Social-environmental Dimensions	Commercial Dimensions
Belonging tensions (Smith et al., 2013)	Search for support organizations that work directly with SIBs.	Generalist support organizations focused on commercial activities.
Formal (or public) institutional barriers (Robinson, 2006)	Search for local investment in programs aimed at SIBs.	Local investment in programs aimed at SIBs depends on political issues in the territories.

Cause of the failure of SIBs #1: The shortage of financiers in the commercial and social-environmental field.

Note: Elaborated by the authors.

The study developed by Da Silva et al. (2023) and Alvarenga (2016) shows that the lack of working capital to develop traditional ventures in the early stages and the entire process that this decision requires, combined with the lack of access to financing, is one of the reasons for the failure of SMEs. Therefore, this is a known reason for the failure of many traditional ventures in Brazil. If there is a lack of financial support for traditional ventures, the context of impact businesses is even more challenging because, in addition to demonstrating economic performance, impact businesses must fulfill their social-environmental mission.

The misalignment of support organizations with the local context

The failure of social impact businesses is also attributed to the lack of alignment of support organizations with the local context, characterized by a limited understanding of market activities and local challenges. According to Smith et al. (2013), local ties and trust-building with the community facilitate commitment to the social-environmental mission. The same applies to support organizations: the more targeted the support, the greater its understanding of the field. Thus, more focused support organizations can provide better strategies for engaging businesses with social-environmental missions in the field. Collaboration between a social-environmental mission-driven company and its local operational field, involving other local organizations, is essential for developing responses to specific social-environmental issues.

Robinson (2006) associates this lack of local understanding with social entry barriers. Traditional support aimed at scaling tends to assist social impact businesses in seeking strategic connections that may not always align with local demands and sustainable territorial development. Their focus is often on

scalability, growth potential, and financial return, rather than local realities. Support mechanisms tailored to SIB’s nature of operation help these businesses align with real needs and promote regional sustainable development.

Data from two support organizations studied in this research revealed the discontinuation of programs directly supporting SIBs. Among the reasons cited for this decision is the perception that there were an excessive number of similar programs. According to the representative from SO 2, “[...] what we observed during that time was that countless other organizations started to do the same thing that we offered [...]” a perception that led to the cessation of activities, as disclosed by the interviewed representative from SO 1: “[] there were other actors here in Santa Catarina who had been working with this, SO 2 and SO 6, and then, there was perhaps a lot of overlap zone between these, and then, SO 1 ended up not continuing and acted there in 2016, 2017, and 2018.”

This discontinuity can be analyzed in light of discussions by Barki (2015) in the article entitled “*Negócios de Impacto: Tendência ou Modismo?*” (Impact Business: Trend or Fad?). At the time of publication, the term gained popularity in Brazil, and there was a significant movement toward both research and action within the realm of “impact business.”

The question posed in this article was whether the heightened interest and expansion of the social impact business field would be a transient trend or a lasting practice. Our research found that support programs developed by SO 1 and SO 2 were established between 2012 and 2016, during which the concept of social impact businesses garnered attention. However, as highlighted by Pires (2021), a proliferation of the impact industry failed to consolidate, suggesting that a robust movement eventually dissipated. Consequently, the notion of cultivating an “ecosystem” seems to have given way to a competitive system.

The discontinuation of programs can generate confusion within the field: which support organizations are currently explicitly dedicated to SIBs? The discontinuity of programs specializing in the social-environmental mission of social enterprises creates instability within this ecosystem. It may impede access to social networks in the social-environmental sphere, thereby fostering social entry barriers (Robinson, 2006) and exacerbating misalignment concerning the impact field.

Table 3 shows the different dimensions of tensions and barriers identified in the field, which contributed to the understanding that the “misalignment of support organizations” is one reason for the failure of SIBs.

Imbalance between social-environmental and commercial activities

According to the representative of SO 3, fostering an “entrepreneurial culture,” even within the realm of social impact businesses, entails alignment with the concept of business models, delineating the trajectory entrepreneurs must navigate to gain expertise. For SO 3, this journey is synonymous with the startup model, wherein entrepreneurs aspire to establish a profitable venture. However, in SIBs, motivation often transcends mere profit, stemming from a desire to establish an enterprise with a meaningful societal impact.

Interviewees frequently cited financial challenges as a significant hurdle, grappling with the complexities of financial sustainability. How can these entrepreneurs be encouraged to persist in facing such obstacles? How can the notion of resilience be fostered under such circumstances?

In the case of SIB 1, the partners acknowledged their shortcomings as salespeople, which manifested in their marketing capabilities. To address this, they sought assistance from individuals with market experience, reevaluating the business model to ensure the enterprise’s commercial viability. However, this approach proved inadequate. The partners lacked affinity for commercial activities and lacked trained personnel to handle them. Consequently, a sense of disconnect emerged (Smith et al., 2013), with the lack of alignment with commercial activities seemingly contributing to the failure of these enterprises. Caffrey (2020) elucidates this point, underscoring how an entrepreneur’s disposition can become a barrier when they fail to resonate with commercial activities. Conversely, a stronger identification with commercial pursuits can potentially divert attention from the social mission (Vázquez-Maguirre & Portales, 2018; Ometto et al., 2019; Sarhangi et al., 2021).

Table 4 outlines the themes “commercial social-environmental field,” “business model,” and “influence of managers,” along with the associated tension, dimensions, and reasons for the failure of the SIBs.

Table 4

Summary of tensions and barriers related to the cause of “imbalance in social-environmental and commercial activities”

Tensions and Barriers	Social-environmental Dimensions	Commercial Dimensions
Belonging tensions (Smith et al., 2013).	Managers identify more with the social-environmental mission than with the commercial purpose.	Managers identify more with commercial activities than with the social-environmental purpose.

Cause of the failure of SIBs #2: Imbalance in social-environmental and commercial activities.

Note: Elaborated by the authors.

Managers of social impact businesses often hail from the social-environmental sector, consequently lacking commercial experience. During the interviews, representatives of

support organizations suggested numerous times, directly and indirectly, that SIB managers often start businesses driven by a dream, whether to contribute within the social-environmental domain or translate their experiences into products and/or services. This managerial profile also correlates with the fourth reason for the discontinuation of the SIBs studied: the challenge of defining a sustainable business model.

Table 3

Summary of Tensions and Barriers Related to the Cause “Misalignment of Support Organizations with the Local Context”

Tensions and Barriers	Social-environmental Dimensions	Commercial Dimensions
Social entry barriers (Robinson, 2006)	Broad support with little understanding of local issues.	Broad support with little understanding of local market activities.
	Discontinuation of programs with expertise in local social-environmental purposes aimed at SIBs.	Discontinuation of programs with expertise in the financial sustainability of SIBs applied to the local context.

Cause of the failure of SIBs #2: Misalignment of support organizations

Note: Elaborated by the authors.

Difficulty in defining a sustainable business model

Many entrepreneurs embarked on ventures driven by a dream: to work in the social-environmental domain. This aspect sheds light on the fourth reason behind the failure of the studied enterprises: the challenge of formulating a sustainable business model.

One significant tension contributing to the difficulty in defining a sustainable business model is the personal motivation of the manager when launching an SIB. This tension, often termed in the literature as the clash between family and professional life (De Mon et al., 2022), emerges prominently. The managers' lack of commercial expertise exacerbates this tension, as highlighted by the representative of SO 1, who pointed out bureaucratic hurdles faced by all types of companies. However, these challenges manifest differently in social enterprises (De Mon et al., 2022), especially concerning the endeavor to translate a purpose-driven initiative into a financially viable entity.

SIB 2, for instance, pursued both environmental objectives and a social mission by creating employment opportunities in the local community. Employees were aligned with the business purpose and believed in its success, and their remuneration was linked to the company's revenue generation. However, this arrangement posed challenges since employees were compensated only when the enterprise made profits, leading to financial insecurity. Consequently, sustaining the team became untenable, and employees sought alternative sources of income. A similar predicament was faced by SIB 1, where partners reinvested profits into the business and could not derive personal income. As one partner expressed, "We did not manage to make a living out of the business. This is one of the reasons we decided to end the operation." Therefore, the history of SIB 1 reveals that the partners' profiles influenced the fate of the SIB. The representative of the SIB declared numerous times during the interview that the entrepreneurs were young and at the beginning of their careers, which was another determinant of the decision to cease operations.

Pricing is also a dimension associated with the reasons leading to the discontinuation of SIBs. Some reports show that the business models adopted in these enterprises are unique, where production methods, workforce, and/or operations are more focused on social-environmental issues. This characteristic makes it difficult to assign prices that balance costs, expenses, and income, reaching the average value, obtaining sufficient revenue, and having an attractive price for customers (Sebrae, 2014). Economic entry barriers arise when practices, resources, and competitive advantage in a given field prevent the social enterprise from accessing the market (Robinson, 2006). In the three social impact businesses studied, social-environmental education was a strategy used to demonstrate the value of the products and/or services offered.

For instance, SIB 1 and SIB 2 maintained blogs that discussed the social-environmental issues central to their missions, showcasing the relevance of their offerings. Similarly, SIB 3 engaged in awareness-raising activities in schools and maintained a professional presence on social media platforms, sharing content on environmental issues related to organic waste mismanagement. However, despite these efforts, representatives of these enterprises reported difficulties in effectively conveying the relevance of their products and services to their target audience. This challenge in raising public awareness can be interpreted as cultural entry barriers (Robinson, 2006), which consist of cultural traits that are essential for a social enterprise's success in gaining stakeholders' trust. Cultural traits consist of attitudes, beliefs, and expectations about behavior in the market (Robinson, 2006).

In the social-environmental field, legislation on SIBs also plays a significant role in their discontinuation. Currently, no legal framework is specifically tailored to enterprises with social-environmental missions. Even if these businesses prioritize such goals, they must fit into existing legal structures, typically under purely mercantile or associative formats. This highlights a systemic issue related to the institutional environment. For instance, in the case of SIB 3, which focused on organic waste management,

its classification under the National Classification of Economic Activities (CNAE) was "collection of non-hazardous waste." To operate formally under this CNAE category, the business must obtain various licenses and environmental authorizations, varying across Brazil's different regions (Receita Federal, 2023). Navigating these bureaucratic requirements poses a significant challenge for any enterprise. However, the compliance burden can be particularly costly for small businesses, given their limited resources. Larger enterprises often benefit from their larger structures and financial capabilities, facilitating compliance with regulations. While regulatory compliance is essential for all companies, it represents an even more significant challenge for SIBs. In this context, formal (or public) institutional barriers emerge (Robinson, 2006), linked to difficulties in accessing the market due to legal reasons.

Table 5

Summary of Tensions and Barriers Related to the Cause "Misalignment of Support Organizations with the Local Context"

Tensions and Barriers	Social-environmental Dimensions	Commercial Dimensions
Tensions related to family vs. professional life (De Mon et al., 2022)	Individuals open SIBs for a personal dream.	Difficulty in transforming this dream into a financially sustainable company.
	Employees become aware of and engaged with the company's social-environmental mission.	Financial difficulties in the company prevent employees from being paid.
Economic entry barriers (Robinson, 2006)	Production method, workforce and/or operation focused on social-environmental issues.	Assign pricing that balances the company's costs, expenses, and revenue. Achieve the average market value. Make enough profit. Present an attractive price (Sebrae, 2014).
Cultural entry barriers (Robinson, 2006)	Products and/or services that promote sustainable development.	The target audience is uninterested in the products and/or services of the SIB.
Formal (or public) institutional barriers (Robinson, 2006)	Enterprises that have social-environmental missions.	Formalization of the enterprise in a legal format similar to that of purely commercial companies.

Cause of the failure of SIBs #2: Difficulty in defining a sustainable business model.

Note: Elaborated by the authors.

As depicted in Table 05, these factors contribute to the interpretation that one of the primary reasons for discontinuation is the difficulty in defining a sustainable business model. In the cases studied, SIB 1, SIB 2, and SIB 3 pursued various strategies to achieve financial sustainability. In addition to traditional business activities, they also focused on raising public awareness about the importance of their initiatives.

While these causes are discussed in isolation here for clarity, they are dynamically interconnected in practice. The micro (entrepreneur), meso (enterprise), and macro (specific and macro-environment) levels influence each other in complex and recursive ways, rendering the reality of these ventures extremely intricate.

FINAL CONSIDERATIONS

This article reported a multiple case study on the closure of social impact businesses (SIBs) in Florianópolis, Brazil, highlighting the influence of internal and external factors in this process. This research revealed that these influences manifest in tensions and barriers throughout the lifecycle of the SIBs, structured across social, environmental, and commercial dimensions.

Based on this analysis, this study identifies four key factors leading to the failure of SIBs in Florianópolis: the shortage of financiers in the social, environmental, and commercial fields; misalignment of support organizations; imbalance between social, environmental, and commercial activities; and difficulty in defining a sustainable business model.

We also reveal the existence of “overlaps” among support organizations and the predominant emphasis on technology startups. These aspects raise questions about the effectiveness of the support provided to social impact businesses. At the same time, the findings align with trends already identified in the literature, reinforcing the importance of balancing social-environmental impact with commercial viability for the sustainability of these SIBs.

The first reason for the failure is linked to belonging tensions (Smith et al., 2013), identified by the predominant role of supporters in commercial activities and formal (or public) institutional barriers (Robinson, 2006), particularly the lack of local investment.

Although Santa Catarina is a significant state for Brazilian technology (ACATE, 2023), reflected in the positioning of financiers and investors promoting programs and initiatives for developing technology companies in the state, the incentive for social impact businesses and social-environmental causes remains insufficient.

This lack of support discourages programs and actions related to social impact in Florianópolis, leading to the misalignment of support organizations, the second reason for the failure of these ventures in the city. In the institutional environment, power and political influences are directed toward technological startups, causing social-environmental support organizations to expand or divert their attention. This expansion produces a generalization that moves away from the specific knowledge of the field, creating social barriers to entry (Robinson, 2006).

The third reason identified in this study is the imbalance between social, environmental, and commercial activities. Our results show that conflicting logic in social impact businesses can lead to failure. The search for financial sustainability, evident in all three cases, reveals the challenge of making ventures motivated by social-environmental issues viable, leading to belonging tensions (Smith et al., 2013).

Related to this issue, the difficulty in defining a sustainable business model was identified as the fourth reason for the discontinuation of SIBs. Several tensions and barriers reinforce the idea that the business model is a significant cause of failure. Specifically, tensions regarding personal versus professional life (De Mon et al., 2022), economic and cultural entry barriers, and formal institutional barriers (Robinson, 2006) stand out.

These four reasons reveal considerable challenges in the social, environmental, and commercial fields, highlighting the need to strengthen social investment and specialized support. Addressing these challenges is especially important for developing the Florianópolis Social Innovation Ecosystem. However, this is a complex challenge, stemming from broader cultural, educational, and governmental dynamics that influence societal norms and behaviors.

The results of this study offer numerous possible developments and reflections. These reflections extend beyond the survival of social-environmental enterprises to encompass societal logic, the place of human beings, and the planet’s future.

In light of discussions about the economic system, the impact of businesses prompts us to be both optimistic and cautious (He et al., 2022). While they offer the promise of creating simultaneous economic and social value, a better understanding of the conditions under which such ventures can achieve sustainability or the conditions under which they are unlikely to survive is needed.

During the current socio-environmental crisis, understanding the reasons contributing to the failure of impacted businesses becomes essential to guide entrepreneurs in developing strategic actions and assist governments in developing policies that support the creation and development of these ventures.

Despite its theoretical and practical contribution, our research provides a starting point for future work on the failure of social impact businesses. As the first study on the subject in Brazil, the research was limited to the study of three cases. Further research could expand the study of the phenomenon, including new cases in different contexts, as well as studies of a quantitative nature.

Further research should explore how successful social impact businesses manage tensions and barriers over time. Such research is crucial for consolidating and valuing these organizations, which, along with other legal formats, can potentially address current social-environmental problems.

Funding

The authors thank the Fundação de Amparo à Pesquisa e Inovação do Estado de Santa Catarina (FAPESC, TO 2023TR000553) and the Conselho Nacional de Desenvolvimento Científico e Tecnológico (CNPq, 403185/2021-1) for their support through scholarship and funding.

Conflict of interest statement

The authors declare that there is no conflict of interest.

Authors’ statement of individual contributions






Roles	Contributions		
	Souza Crestani M. C.	Alperstedt G. D.	Salles H. K.
Conceptualization	■	■	■
Methodology	■	■	■
Software	■		
Validation	■		
Formal analysis	■		
Investigation	■	■	■
Resources	■	■	■
Data Curation		■	
Writing - Original Draft	■	■	■
Writing - Review & Editing	■	■	■
Visualization	■	■	■
Supervision		■	
Project administration	■		
Funding acquisition	■	■	■

Note: Acc. CRediT (Contributor Roles Taxonomy): <https://credit.niso.org/>



Open Science: Data availability

The entire dataset that supports the results of this study has been made available on SciELO Data from the REGEPE Entrepreneurship and Small Business Journal and can be accessed at the following DOIs:

Badge	Description
	The entire data set supporting the results of this study was published in the article itself.
	Not applicable
	https://doi.org/10.48331/scielodata.X8TJIN
	https://doi.org/10.14211/regepe.esbj.e2528pr
	Not applicable

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