Mission or margin? Using dynamic capabilities to manage adaptive tensions in social purpose organisations' business model innovation

Best, B., Moffett, S., McAdam, R., & Miller, K. (2021). Mission or margin? Using dynamic capabilities to manage adaptive tensions in social purpose organisations' business model innovation. *Journal of Business Research*, *125*. https://doi.org/10.1016/j.jbusres.2020.01.068

Published in:
Journal of Business Research

Document Version:
Peer reviewed version

Queen's University Belfast - Research Portal:
Link to publication record in Queen's University Belfast Research Portal

Mission or margin? Using dynamic capabilities to manage tensions in social purpose organisations' business model innovation

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Declarations of interest: none

This research did not receive any specific grant from funding agencies in the public, commercial, or not-for-profit sectors.

Abstract

This study examines how tensions arising from business model innovation (BMI) are managed within a social purpose organisation (SPO) network. We utilise a case study to illustrate how tensions within a network with a dual (social and economic) mission focus, present themselves at three key stages of BMI (initiation, exploration, and exploitation). Moreover, we use illustrative examples to show how network tensions are managed through dynamic capabilities (sensing, seizing, and transformational). The findings show that while engaging in BMI can improve the competitiveness of SPOs, the tensions emerging from a dual mission focus in a multi-stakeholder network are complex, which need to be addressed by careful and nuanced planning in practice. Furthermore, different dynamic capabilities may mediate the effect of tensions and thus help SPO networks to be more effective at different stages of BMI and accomplish a dual mission.

Keywords

Social Purpose Organizations, Business Model Innovation, Tensions, Dynamic Capabilities, Networks, Value Creation

Mission or margin? Using dynamic capabilities to manage tensions in social purpose organisations' business model innovation.

1. Introduction

The interest in social purpose organisation (SPOs) business models has grown in recent years (Spieth et al., 2019; Bocken et al., 2014). Historically reliant on government funding, maintaining economic sustainability in an environment characterised by government austerity presents challenges for their sustainability (Green & Dalton, 2016). SPOs are therefore under increasing pressure to pursue a dual social and economic mission focus. However, inherent within their mission, SPOs focus primarily on the achievement of social outcomes rather than on profit maximisation (Kellner et al., 2017). Economic imperatives prevalent in competitive funding regimes have created tensions between social mission and financial margin, whereby the risk of *"mission drift"* is heightened as the SPO's purpose can get subsumed in income generation (Green & Dalton, 2016, p.299). As funding for SPOs is often contingent upon value demonstration, maximising social impact under conditions of resource scarcity is problematic (Alijania & Karyotis, 2019). Knowing how to manage social and economic tensions in an environment characterised by increased competition (Weerawardena et al., 2010), dynamic environmental change, and more complex and changing stakeholder priorities (Reypens et al., 2016) is critical to survival.

Evidence suggests that traditional business models may have shortcomings in achieving a dual mission focus (Spieth et al., 2019). Whilst business models reflect how a business creates and captures value (e.g. Baden-Fuller & Mangematin, 2013; Inigo et al., 2017; DaSilva & Trkman, 2014), most of these studies focus on a commercial value definition (Spieth et al., 2019). Contrastingly, SPOs constitute a paradox of conflicting institutional logics (Levine & Galasso, 2019) including social welfare, government, and family logics (Laasch, 2018) that

shape and inform SPO business models. Consequently, the design of new SPO business models, which can ensure long term sustainability, requires a differentiated perspective where their value propositions, value creation and value capture mechanisms need to combine both social and economic mission (Wilson & Post, 2013). To achieve this, many SPOs have pursued business model innovation (BMI), where an increased demand for public services and reduced resources has required SPOs to scale up their operations in order to compete for service contracts (Weerawardena et al., 2010). This has resulted in the formation of a network where linked partners collaborate to meet multiple and complex needs of service users and deliver superior value (Bolton & Hannon, 2016). Operating within a network can provide SPOs with a strategy for long-term sustainability however, this requires careful consideration in order to balance both the partner and the networks' value requirements (Breuer & Ludeke-Freund, 2017). There is currently a lack of understanding on the complexities facing SPOs value processes when developing SPO networks and how to manage this process (Best et al., 2019).

Business model research has predominantly viewed the business model from a focal firm perspective with only a few recent exceptions, which explore networked-based business models (e.g. see, Bouncken & Fredrich, 2016; Palo & Tahtinen, 2013; Wirtz et al., 2016; Foss & Saebi, 2017). Within an SPO network context where social and economic missions need to be achieved at both an individual and group level, a staged approach to BMI may need to be pursued. However, there is a lack of understanding on the actual stages of BMI (Frankenberger et al. 2013; Verstraete et al., 2017), particularly within a SPO context, and how social and economic tensions are managed at each stage (Wirtz & Daiser, 2018; Jensen and Sund, 2017). Further knowledge is needed in this area to help SPOs cope with the changes needed to their business models as a result of needing to scale up their operations and collaborate with other SPOs to compete for service contracts. However, forming a network presents new challenges

for developing shared processes and outcomes (Reypens et al., 2016) and addressing on-going dual social and economic tensions (Smith &Besharov, 2019).

The development of collaborative networks is increasing (Lurksiene and Pundziene, 2016; Yeow et al., 2018). However, within a SPO context, the potential for conflict of interest between economic and social goals is perhaps one of the least understood and less researched topics in the SPO business model literature (Florin & Schmidtz, 2011; Dellyana et al., 2018; Spieth et al., 2019). When striving to achieve a dual mission focus, the composition of network stakeholders and controls established to regulate complex governance structures create additional complexities that require further exploration (Florin & Schmidtz, 2011). To date, there is a lack of knowledge on how shared processes and outcomes can be achieved (Smith & Besharov, 2019, Reypens et al., 2016) through a network-based business model whilst addressing on-going dual social and economic tensions (Smith & Besharov, 2019), particularly in a SPO context (Spieth et al., 2019; Bocken et al. 2014; Wilson & Post, 2013). Furthermore, a fine-grained understanding on how SPOs manage social and economic tensions through collaboration is needed. This will help SPO network members achieve value co-creation (Bocken et al., 2014) through gaining access to complementary resources (Morris et al., 2005) whilst achieving both their own and collaborative social and economic missions. Accordingly, this study aims to explore how tensions arising from BMI are managed within a SPO network.

To achieve this, a network comprised of seven UK SPO disability-focused organisations who undertook BMI to secure government funding for the delivery of two public sector contracts valued at £1.5m annually was explored. The network's mission was to help people with disabilities access and/or retain employment. A BMI lens was used to examine types of tensions emerging from balancing a dual social and economic mission in an under explored multi-stakeholder network context (Spieth et al., 2019). We begin by first reviewing the changes in the operating environment that have influenced SPOs use of BMI. We then

discuss types of tensions that may arise at the network level from pursing a dual mission focus at the varying stages of SPO BMI, which leads to our first research question. We then use a dynamic capabilities lens in a mediating manner to examine how social and economic tensions can be managed in a SPO network and present our second research question. Next, we outline the research design and present and discuss the findings. Finally, we outline key conclusions, limitations and areas for future research.

2. Literature Review

2.1 BMI as a response to changes in the SPO operating environment

Balancing social and economic tensions in a dynamic and continuously evolving funding environment has become an increasingly important and challenging goal for SPOs. To remain viable in a competitive yet resource constrained marketplace, SPOs have begun to recognise the need to re-evaluate their business model and pursue BMI (Barraket et al., 2016) in the interests of achieving mission, demonstrating greater value (Santos et al., 2015), and balancing cognitively and socially constructed tensions (Lewis & Smith, 2014). Drawing on Amit & Zott (2001, p.511) a business model "*depicts the content, structure, and governance of transactions designed so as to create value through the exploitation of business opportunities*". Clauss (2017) reviewed components of the business model literature between 2002 and 2014 and aggregated three core interrelated components, of a business model, namely value creation, value proposition, and value capture (Morris et al., 2005; Johnson et al., 2008; Baden-Fuller & Haefliger, 2013; Zott & Amit, 2013; Massa & Tucci, 2014; Spieth et al., 2014; Dopfer et al., 2017). These elements are synergistically configured and interrelated (Aversa et al., 2015; Casadesus-Masanell & Ricart, 2010; Spieth et al., 2019). Value creation determines how value is created and considers resources and processes needed to do so (Dopfer et al., 2017). Value

propositions reflect the products and/or services that an organisation offers to deliver value to its customer (Teece, 2010). Value capture relates to the absolute value that is appropriated (Dyer et al., 2018).

In building on these core components there has been much debate and ambiguity within the literature over what BMI entails (Foss & Saebi, 2017). Foss & Saebi (2017) identify that the type of BMI depends upon its novelty (new to industry, new to firm) and scope (modular versus architectural), where they have developed a typology of four types of business models (new to firm and modular); evolutionary BMI (new to firm and modular), adaptive BMI (new to firm and architectural), focused BMI and complex BMI (new to industry, architectural). Other research views BMI as being a process (e.g. Berglund & Sandstrom, 2013; Frankerberger et al. 2013; Demil & Locoq, 2010) or even as an outcome (Abdelkafi et al. 2013; Wirtz et al. 2010; Sanchez &Ricart, 2010). One key thing that is clear is that BMI involves changes to some or all components of a business model (i.e., value propositions, value creation and value capture) (Clauss, 2017). For SPOs seeking to change their business model to operate within a network, BMI can facilitate "*symbiotic business collaboration and value sharing*" (Chester et al., 2019, p. 794). However, embedding a network-based business model involves the need to manage multiple stakeholders' value processes at varying levels (Best et al. 2019), where tensions are inevitable.

Khanagha et al. (2014) identify that tensions arise when organisations attempt to replace an existing business model with a fundamentally different one, which alters the dominant logics of the firm. Developing a fine grained understanding of the tensions arising from SPOs engaging in BMI to embed networked based business models and how these tensions can be managed (Wirtz & Daiser, 2018; Jensen & Sund, 2017) is important to comprehend how SPO network members can collectively enhance their future competitiveness (Pache & Santos, 2010) and improve their capability to create and capture value (Casadesus-Masanell & Ricart,

2010). To manage the process of BMI, a staged approach can be taken (Frankenberger et al. 2013). However, existing research fails to clearly delineate the stages of BMI (Frankenberger et al., 2013) where Verstraete et al. (2017) identify that context specific factors such as the industry, sector or organisation size may influence both the stages of BMI and challenges encountered at each stage. Through a synthesis of BMI literature we suggest that the SPO BMI process, with the aim of developing more networked based business models, may comprise of three stages: initiation stage (Frankenberger et al., 2013), exploration, and exploitation stage (Sosna et al., 2010; Bogers et al., 2015; Jensen & Sund, 2017).

At the BMI initiation stage, a SPO would be required to re-evaluate their value proposition (Sosna at el., 2010; Bocken et al., 2014) in response to drivers for change or to take advantage of an opportunity that requires updates to various aspects of their business model (Casadesus-Masanell & Zhu, 2012). This change for example, could represent amendments to SPO funding regimes, which requires the need for a change in the current thinking patterns or dominant logic of the industry (Foss & Saebi, 2017**).** Therefore, engaging in BMI may emerge as an attractive option for a SPO to help them more effectively achieve a dual social and economic mission focus through developing a network-based business model. For example, engaging in BMI could contribute to the economic imperative, through alleviating an unstable and increasingly competitive financial landscape by acquiring collaborative resources as part of a network (Jensen & Sund, 2017; Florin & Schmidt, 2011). For SPOs, the vitally important task of demonstrating value transcends an economic transaction. While government funding continues to be crucial to the delivery of mission, efficiency drivers require changes to value creation and capture processes leading to the need for collective networks of SPOs. However, an over emphasis on the goal of efficiency may limit the kind of impact a SPO network can demonstrate. For example, supportive elements of a service may be compromised in order to

demonstrate more quantitative outcomes (Jensen, 2018), employees may be disempowered by bureaucratic accountabilities (Baines, 2008), and larger numbers of service users may need to be served within defined timescales. These factors create tensions which can lead to goal distortion or divergence (Green & Dalton, 2016) therefore careful management of SPO BMI is needed to enable dual purpose when operating within a network. Through initiating BMI, SPO network members can obtain knowledge of new demands and new needs to help beneficiaries overcome institutional voids (Florin & Schmidtz, 2011). Accordingly, the BMI process would require the design of new value configurations that embed and align the value propositions of diverse stakeholders in a cohesive manner (Nenonen & Storbacka, 2010; Bocken et al., 2014) through the formation of flexible network ties that enable complementary sources of new value to be developed in a synergistic manner (Chester et al., 2019).

At the BMI exploration stage, a SPO will constantly revise, adapt and fine-tune the business model through trial-and-error learning (Sosna et al., 2010) with network members. At this stage, SPO network members would explore new ways of delivering services collectively with other SPOs in a value co-creation manner. However, balancing the expectations of multi-stakeholders creates challenges and tensions as thinking patterns and dominant logics change and transform (Jensen & Sund, 2017).

At the exploitation stage of BMI, SPO network members would be required to optimise and implement BMI (Frankenberger et al., 2013). This involves developing capabilities to manage change and innovation through interactions with the network's internal and external stakeholders (Demil & Lecocq, 2010). During BMI exploitation, performance expectations, in terms of value capture will be complex (Sosna et al., 2010) to ensure value is captured at both the individual and network level. This will require core methods of operating to be transformed (Inigo et al., 2017), which can create tensions across the network (Bogers et al., 2015).

Theoretical reviews in the business model literature (e.g. Upward & Jones, 2016; Boons & Ludeke-Freund, 2013; Spieth et al. 2014; Massa et al. 2017; Foss & Saebi, 2017) identify an explicit need to consider stakeholder perceptions when exploring BMI. Prior research highlights that traditional profit-orientated business models can impede progress of long term sustainability (Upward & Jones, 2016; Boons & Ludeke-Freund, 2013). This issue has seen the rise in hybrid business models, with social and economic missions (Santos et al., 2015) and calls for a need to advance knowledge on how to co-create superior value through network partners with dual mission. Florin & Schmidt (2011) and Dellyana et al. (2018) identify the need for further insights to examine how BMI is used in multi-stakeholder settings to manage tensions arising from dual mission focus. This will now be explored.

2.3 Identifying tensions arising from dual mission focus

While, all organisations have competing tensions (Yeow et al., 2018) as a result of either strategic choice (Leih et al., 2015) or environmental constraints (Smith a& Besharov, 2019), tensions in networks of organisations are "*inherently paradoxical*" (Austen, 2018, p.7). A paradox refers to *"contradictory, yet interrelated elements – elements that seem logical in isolation, but absurd and irrational when appearing simultaneously"* (Lewis, 2000, p.760). Tensions associated with SPOs engaging in BMI may arise because actions that SPOs need to take to change organisational components or strategy and resources to operate within a network are likely to exacerbate tensions at individual SPO network member levels due to conflicting goals (Yeow et al., 2018). However, if a SPO is able to manage contradictory but integrated social and economic tensions operating within a network, the potential for greater sustainability of the network and its outcomes is enabled (Florin & Schmidt, 2011). Austen (2018) identifies that there is limited literature on paradoxes emergent in inter-organisational networks. Therefore furthering understanding of SPO network paradoxes and their management is

important to the long-term sustainability of a network. SPO network sustainability requires continuous effort to manage the dual challenge of succeeding financially in a competitive environment and simultaneously serving mission (Frumkin, 2002). Achieving a dual mission focus involves networks and constituent organisations meeting multiple, divergent stakeholder expectations (Smith and Lewis, 2011) and attention to contradictory yet inter-related demands simultaneously (Yin and Chen, 2019). Paradox theory enables an understanding of the nature, dynamics and management of juxtaposed tensions that impact an organisation's survival and growth (Smith et al., 2013). The paradox literature also underlines the importance of recognising opposing interests and not over-privileging one set of interests over another.

Paradoxical tensions have been studied at the micro-foundations level of an organisation (e.g. Miron-Spektor et al., 2018; Schad et al., 2016; Keller et al., 2019) and extensively at the organisational level (e.g. Smith & Lewis, 2011; Smith & Besharov, 2019; Green &Dalton, 2016; Florin & Schmidt, 2011; Pache & Santos, 2013). For example, Green & Dalton's (2016) qualitative study of fourteen not-for-profit community service organisations examined the relationship between mission and margin using a values pluralism lens and identified tensions between social justice and economic values, tensions inherent in income generating strategies, and the potential for mission drift given contractual government requirements. Florin & Schmidt (2011) identify that tensions arising from enabling shared value is a strategic paradox arising from a SPOs dual motives, and the governance structures put together to regulate and control behaviour. Furthermore, Pache & Santos (2010) identify that the coexistence of multiple stakeholders and their respective logics about effective and legitimate behaviour increases the potential for competing institutional expectations. Considering types of tensions, Smith & Lewis (2011) conducted a systematic review of 360 articles, and usefully categorised tensions into four types: belonging, learning, organizing, and performing, which may help understand the tensions arising from SPOs dual mission focus.

Belonging tensions surface when stakeholder interests simultaneously seek both individuality and homogeneity (Kreiner et al., 2006) thereby creating complexities when managing and balancing competing interests and divergent dominant logics (Smith et al., 2013). *Learning tensions* arise when an SPO network members need to change, renew, and innovate (Smith & Lewis, 2011). Dynamics in the wider SPOs operating environment often requires a simultaneous focus on efficiency and agility therefore collectively, the SPO network will need to be responsive and manage episodic or continuous change (Smith & Lewis, 2011). *Organisational tensions* are exacerbated for SPOs operating within a network due to different human resource practices, processes, and organisational structures, which may create tensions. Finally, *performing tensions* create challenges in terms of how to define and measure success, where perceptions and measurement tools may differ between network members. With a network base business model, complexities arise in being able to map and measure if the outcomes important to the achievement of social mission for each of the network members simultaneously enable the achievement of financial outcomes (Jay, 2013). Consequently, tensions at the micro foundations level and organisational levels of a network are classified differently in the literature.

Overall it can be suggested that while tensions have been examined conceptually (e.g. Smith et al., 2013; Smith & Lewis, 2011), and/or empirically (e.g. Kreiner et al., 2006), there is a paucity of studies exploring types of tensions arising from understanding BMI in multi-organisational and multi-stakeholder contexts (Spieth, 2019). We therefore pose the following research question:

RQ1. What types of tensions arise in BMI for SPOs embedding a networked based business model?

2.4 Using dynamic capabilities to manage tensions arising from dual mission focus

When SPOs use BMI to develop a network and duality of purpose, tensions may be exacerbated and therefore require careful management. Dynamic capabilities (DCs) have emerged within the literature as being a key way in which organisations such as SPOs can moderate such effects in managing change (Konlechner et al. 2018; Teece, 2007). They refer to the organisational processes, routines and managerial competencies (Smith and Lewis, 2011) that enable organisations to develop and reconfigure internal competencies to respond to environmental shifts (Teece et al., 2007). Prior research identifies that the ability of organisations to undertake BMI is reliant upon the strength of their DCs (Teece, 2018). Indeed, Teece (2018) suggests that organisations need to possess an ability to adjust and recombine their existing capabilities to develop high-order DCs to design business models that can respond to new opportunities. Managing relationships within a network would require certain higher-order DCs (Forkmann et al., 2018) therefore it is useful to explore how DCs can aid SPOs to operate effectively within a network.

Teece et al., (1997, p.516) defined DCs as *"the firm's ability to integrate, build, and configure internal and external competencies to address rapidly changing environments"*. DCs influence the development of operational capabilities (Cepeda & Vera, 2007; Erikkson, 2014). Operational capabilities are geared towards the operational functioning of an organisation (Easterby-Smith & Prieto, 2008) and are important in helping organisations to maintain the status quo (Helfat & Winter,2011). We propose that SPOs need DCs and business relationships *to "create, extend, or modify its resource base"* (Helfat et al., 2007, p.121) to address changed or complex service user requirements that require a changed or more extended resource base (Forkmann et al., 2018) i.e. driving the need to form networks. Evidence suggests that DCs enable firms to moderate the effects of emerging threats within changing environments by improving alignment and environmental fit in an ongoing manner (Mitrega & Pfajfar, 2015; McAdam et al., 2017). Consequently, we suggest that one approach to managing tensions to

help SPOs to engage more effectively in BMI and operate within a network is to understand and utilise DCs as a mediating influence. Building upon Yeow et al.'s (2018) adoption of a DC approach to manage paradoxical tensions arising from a B2B company's network-based journey to enact its B2C digital strategy, we suggest that a dynamics capabilities lens could be a useful approach to help further understanding on how paradoxical tensions at the network level can be managed during SPO BMI. A DC lens may help interpret the actions taken by SPO network members to change their resources in order to adapt to, and align with, changing environments (Eisenhardt & Martin, 2000; Peteraf et al., 2013; Teece, et al., 1997; Yeow et al., 2018).

While a DC approach traditionally focused on the internal boundaries of firms (Alinaghian & Razmdoost, 2018), current business models extend beyond the boundaries of the firm to include networks, which is particularly evident in a SPO context. Evidence suggests that the role of networks is becoming an increasing modality of choice (Eriksson, 2014; Laya et al., 2018), essential for the development of network level capabilities (Erikksson, 2014) that are important for SPO survival and value demonstration (Best et al, 2019). Correspondingly, the DC literature has extended beyond the firm's boundaries to benefit from inter-organisational relationships and networks (Eriksson, 2014) where network-based relationships have been formed and developed in leading to network level DCs (Blyler and Coff, 2003; Kale and Singh, 2007; Moller and Svahn, 2006; Alinaghian and Razmdoost, 2018).

Evidence suggests that DCs are supported and sustained through organisational processes and capabilities (Teece, 2018; Forkmann et al., 2018). Indeed, the orchestration of the value co-creation process involves dynamic capabilities (Pitelis & Teece, 2010; Preikschas et al., 2017). In a network-based business model context, processes may include knowledge processes (e.g. Eriksson, 2014), resource accretion processes (e.g. Macpherson et al., 2015), Customer relationship management processes (e.g. Reinartz et al., 2004), and learning

processes (e.g. Kale and Singh, 2007). Forkmann et al.'s (2014) extensive review of capabilities in networks (drawing upon dynamic capability theory) reflects networking capabilities (e.g. Mitrega et al., 2017), relational capability (e.g. Lorenzoni & Lipparini, 1999), and CRM capability (e.g. Morgan et al., 2009) as examples from the extant literature. However, from the DCs literature, the most relevant DCs to understand how to manage tensions during different stages of SPO BMI are sensing capabilities, seizing capabilities, and transforming capabilities (e.g. Teece, 2007: 2018; Schoemaker et al., 2018; Inigo et al., 2017). Each will be briefly discussed in relation to how they may apply to SPOs in helping to establish a priori theoretical constructs which will then be further developed using our theory building approach, consistent with Eisenhardt (1989) and Eisenhardt and Graebner (2007).

In *sensing* new opportunities, SPO network members will need to engage in scanning, creation, learning and interpretative activities (Teece, 2007). SPOs will need to anticipate and identify important environmental signals that must be examined to enable a deeper understanding of opportunities and threats (Schoemaker et al., 2018). Using the example of government's intention to tender for new public service contracts that are potentially delivered by an SPO network represents one such signal. It presents an "*opportunity tension*" or a committed intention to pursue an initiative and generate an emergent result (Lichtenstein, 2011).

In *seizing* new opportunities presented by government tenders, SPOs need to respond in a timely manner by deciding and configuring new systems, procedures and structures to take advantage of external funding opportunities (Schoemaker et al., 2018). Reframing conventional thinking through the formation of an SPO network represents a way of seizing these new opportunities, however, also raises a number of challenges. For example, engaging multiple stakeholders requires dynamic capabilities to manage the conflicting short and long-term needs of stakeholders (Luscher & Lewis, 2008) as well as competing and coexisting roles

and emotions (Meynhardt, et al., 2016). Addressing competing stakeholder expectations requires managers to recognise the interrelated relationship of underlying tensions and value differences (Smith & Lewis, 2011). For example, a "split" identification may emerge which helps stakeholders to maintain a positive self-identity while also fostering a unified network identity (Teece, 2018). DCs enable greater acceptance of split identities, rather than encouraging defensiveness (Smith & Lewis, 2011). This can be achieved by first enabling SPO network members to develop integrative solutions that address social and economic objectives, second, embedding the social mission into work procedures (Besharov, 2013) and third, aligning stakeholder interests through normative or instrumental logics (Best et al., 2018).

In *transforming* a business model through BMI, SPOs would seek to enhance their long-term fitness (Schoemaker et al., 2018). BMI would enable the SPOs to operate within a network and consequently transform from service-driven enterprises to environment-focused enterprises by bringing new and adapted services into a newly managed environment (Schoemaker et al., 2018). Through the application of shared learning, the network would develop and adapt to environmental changes and align stakeholder interests by deleting, compartmentalizing, aggregating, or integrating them (Pratt and Foreman, 2000). As stakeholders become more behaviourally integrated, a shared focus would offer the best chance of managing the tension of dual mission focus. Ambidexterity can enable the simultaneous creation of economic and social value vital to economic sustainability (Florin & Schmidt, 2013).

In sum, in responding to new opportunities, SPOs may be driven towards networked-based business models, however, the process of changing various components, strategies, and resources (Marabelli & Galliers, 2017) across network members incurs paradoxical tensions from pursuing a dual social and economic mission, that need to be managed. Yeow et al., (2018) suggests that a dynamic capabilities approach mediates the effect of paradoxical

tensions through the enactment of sensing, seizing, and transforming dynamic capabilities and actions that enable strategic alignment. Building upon Yeow et al.,'s (2018) study, we put forward that a dynamics capabilities lens may be a useful approach to managing paradoxical tensions at a network level. We therefore pose our second research question: **RQ2. How can SPOs engaging in BMI manage tensions at the network level?**

3. Research design

3.1 Research setting

Due to the complexity of exploring and understanding the development of a networked-based business model, a qualitative, case study methodology was adopted. Case studies are useful to gain rich, thick description and insights into the dynamics present within unique settings (Eisenhardt, 1989; Yin, 2018). Furthermore, a case study strategy facilitates both theory elaboration (Fisher & Aguinis, 2017) and theory building (Eisenhardt, 1989; Yin, 2018). Eisenhardt (1989) suggests that is almost impossible for research to achieve an "*ideal of a clean theoretical slate (pp.536)*" and identifies that *a priori* theoretical constructs can help formulate research questions in situations of complex social phenomena. Following Eisenhardt (1989) and Fisher & Aguinis (2017) we use pre-existing conceptual ideas to 'theoretically triangulate' (Denzin, 1978) from a nexus of two theoretical lenses (i.e. BMI stages, and DC constructs), to provide theoretical explanatory reasoning for empirical insights. This process of a priori construct identification helped to "*focus efforts…*" whilst retaining "*…theoretical flexibility"* (Eisenhardt, 1989, pp.533). The integration of theoretical constructs allows exploration of gaps between conceptual ideas and practice to empirically build theory (Eisenhardt, 1989; Fisher and Aguinis, 2015; Goldkuhl & Cronholm, 2018). Consequently, a theory-based sampling strategy was adopted (Corbin & Strauss 2008), where the case study was selected based on the

theoretical phenomenon of interest (Patton, 1990). The case setting comprised a network of SPOs contracted by a UK government department to deliver two public services with an annual value of £1.5m. The network enabled access to multiple stakeholders including local, regional, and national service delivery providers and service commissioners. The network has operated for over 8 years and comprises seven disability organisations contracted to deliver programmes enabling people with disabilities to access and/or retain employment. Two lead partners, representative of the seven partner organisations, manage the network. Over 50 front line staff supports the delivery of services to disabled people.

3.2 Data collection

In order to fully capture the process of BMI and how tensions were managed, multiple data collection methods were employed over a longitudinal 24 month period (see Fig. 1). Longtitudinal research helps to provide a multidimensional perspective of complex social phenomena (Yin, 2018) such as exploring the process of BMI. The use of multiple methods helped to facilitate data triangulation (Denzin, 1978) which "*increase(s) the validity, strength, and interpretative potential of a study*" (Thurmond, 2001: 253) whilst reducing the chances of both research bias and recall bias.

<Insert Fig. 1 here>

Four data collection methods were utilised consisting of semi-structured interviews, focus groups, observations and document analysis. Semi-structured interviews were conducted with 30 managers representative of internal stakeholders (SPOs and organisations representative of the network), and external stakeholders (the funder and employers) of the service delivery network. These interviews helped to understand the initiation phase of BMI that started before the data collection period and helped to capture data relating to the ongoing exploration and exploitation phases of BMI that were taking place concurrently over the data

collection period. The interviews covered questions regarding the development phase of the network (i.e. BMI initiation), how the network had evolved and developed over time (BMI exploration), how the different SPOs have engaged in the process of BMI, the changes they have made to their value processes to facilitate network engagement (BMI exploration and exploitation), the challenges experienced in engaging and collaborating with network stakeholders (BMI exploration and exploitation), how they balanced a dual social and economic mission (BMI exploration and exploitation) and how they managed tensions (BMI exploration and exploitation). Table 1 provides details on the SPOs within the network. Five focus groups were also carried out with 33 service delivery staff to further understand the social dynamics of operating within the network and challenges encountered during the exploration and exploitation phases of BMI. Furthermore, participant observations were conducted of six meetings, which comprised of multiple stakeholders across corporate procurement, project management and service delivery functions. A learning log updated immediately after each meeting captured discussions, social cues, body language and researcher reflections in relation to each participant and the overall consensus of the meeting (Charmaz 2006; Corbin and Strauss 2008). These observations helped to capture real life observations (Woodside, 2016) of the tensions and management strategies being utilised during the exploration and exploitation stages of BMI, in their natural setting. The observations also allowed us to understand how these were dealt with over time Table 2 provides an overview of the data collection methods.

<Insert Table 2 here>

Furthermore, a range of publicly available documentation was analysed consisting of service user testimonials, performance records, improvement plans, partnership agreements, and project reports. These documents helped to triangulate evidence regarding changes made to value processes and ability to balance social and economic mission. All interviews and focus groups were digitally recorded, transcribed and checked for accuracy by respondents.

3.3 Data analysis

A multi grounded approach to data gathering, analysis and theory building approach was adopted (Goldkuhl & Cronholm, 2010, 2018), which combines both inductive (data-driven) and deductive (theory-driven) approaches within a broad interpretivist approach in order to build and develop theory (Eisenhardt, 1989, Eisenhardt & Graebner, 2007). This approach, as suggested by Eisenhardt (1989) and Eisenhardt & Graebner (2007) uses initial a priori constructs as a starting point for further and new construct development and enables the multiple data sources to generate empirical insights which are iteratively compared with prior literature to further build theory (Snowdon & Martin, 2010; Foley & Timonen, 2015). This is achieved through three grounding processes (see Fig. 2).

<Insert Fig. 2 here>

First through a process of open coding, themes inductively emerged through 'empirical grounding' (Goldkuhl & Cronholm, 2010, 2018). Next a process of deductive 'theoretical grounding' (Goldkuhl and Cronholm, 2010, 2018) allowed an iterative comparison of empirical findings to theory. The use of reflexive, and theoretical memos (Foley &Timonen, 2015; Corbin & Strauss 2008) helped to connect the different SPOs managers' perspectives and aided triangulation across the different data collection methods. Furthermore, the memos helped identify how empirical insights both within and across the different SPOs could be mapped onto the a priori dynamic capabilities construct (sensing, seizing, and transforming), facilitating empirical interpretation and theoretical cohesion (Goldkuhl & Cronholm, 2010, 2018). Axial coding (Straus & Corbin, 1998) was then followed to identify relationships between constructs resulting in the development of first order categories. Synthesis of first order categories allowed the development of explanatory second order categories. Relationships between second order categories then resulted in the identification of aggregate

dimensions, which facilitated 'internal grounding' (cohesion of empirical data and theory, Goldkuhl & Cronholm, 2010, 2018). The coding process was undertaken by two of the research team to ensure balance between empirical grounding and theoretical grounding (Goldkuhl & Cronholm, 2010, 2018) and to agree upon internal grounding which formed the basis of the discussion of findings. The use of reflexive and theoretical memos (Foley & Timonen, 2015; Corbin & Strauss 2008) helped to connect both the different SPOs managers' perspectives and aided triangulation across the different data collection methods.

The data analysis process was conducted concurrently over the 24 month period, which helped to build up a picture longitudinally of the exploration and exploitation stages of BMI and the social phenomena involved. A concurrent data analysis process helped to alleviate recall bias and contradictory accounts (Snowdon & Martin, 2010) through clarification during the different data collection points. For example, the observations, focus groups and repeat interviews served as a way of cross checking any divergent perspectives collected from the interviews. Theoretical saturation (Saunders et al. 2015; Birks & Mills, 2015) was reached when both researchers identified that the data did not present new codes and the categories were 'clearly articulated with sharply defined and dimensionalised properties' (Birks & Mills, 2015). Informant feedback (Miles & Huberman, 1994) during a network steering group helped to further ensure the validity of the findings.

4. Findings

To address research question 1, we identified and mapped types of social and economic tensions that existed at the network level to each stage of the SPO BMI process (see Fig. 3). At the BMI initiation stage, contractual and isomorphic tensions were present. Multiple tensions existed between the network members at the BMI exploration stage including governing,

relational, service quality, and structural tensions. At the BMI exploitation stage, legitimacy, relational, and performing tensions were present. Table 3 presents these tensions.

<Insert Fig.3 here>

<Insert Table 3 here>

To address research question 2 we identify how different tensions were managed by different dynamic capabilities at each stage of SPO BMI at the network level of analysis (see Table 3). We now discuss types of tensions at each stage of BMI and how tensions were managed.

4.1 BMI initiation stage: Dynamic capabilities used to manage tensions

At the BMI initiation stage, the SPOs identified that they made sense of the changing environment by acquiring knowledge and scanning external funding opportunities to inform a deeper understanding of risks and opportunities. Economic requirements inherent in public sector contracts required higher-level capabilities beyond those of individual SPOs. Accordingly, SPOs with a history of joint collaboration sensed an opportunity to make a more competitive response to tenders and demonstrate greater efficiencies by forming a network. At this stage, sensing represented a key dynamic capability used to manage contractual and isomorphic tensions (see Table A.3) as the SPO network members scrutinised eligibility requirements of government contracts. Economic targets and obligations inherent in government funding created contractual tensions that also manifested in isomorphic tensions. For example, there were tensions between identifying creative responses to an increasing demand for services from individuals with more complex needs, in an environment characterised by fewer resources, heightened competition for funding, and more stringent economic accountability requirements.

While network partners sensed that securing a large government contract would threaten their independence and control, interviews with senior managers reflected the potential

for the SPO network to create new value that would make a positive difference to the lives of service users through access to funding and greater alignment with government policies and priorities. One of the network members reflected:

> *"to bid successful for programmes it was better maybe to work together than to compete against each other. The direction that we felt was coming from the commissioners was for larger contracts and if we didn't work more collaboratively together then there was a danger that either there would be competition from… larger National organisations or maybe even International organisations… but at the core of it we felt that collectively we could deliver a far better service for the participants" (Network member 07).*

Network partners sensed that this could be achieved through alignment processes whereby the network's ability to delivery strategically relevant services was supported by adopting a collaborative approach that enabled the network to adapt to the demands of new funding regimes. In forming a network, SPOs invested considerable time and effort assessing organisational compatibility across network partners. This was enabled through knowledge and information processes and due diligence capabilities that involved transactional assessments of partner performance, quality standards, organisational competence, image, and financial probity. Network Member 02 illustrates this,

> *"We spent time looking at what our value base was and our ethos and we agreed on that and the various quality awards and quality practices that were integral and embedded within each organisation".*

4.2 BMI exploration stage: Dynamic capabilities used to manage adaptive tensions

At the BMI exploration stage, the network designed a new business model. At this stage governing, relational, service quality, and structural tensions prevailed and were managed through seizing capabilities (see Table 3). Designing the architecture of a new business model

created structural tensions including blurred boundaries and constrained operational capacity, at the individual and network level as reflected through an interview with a senior manager

> *"We've local and small organisations as well as larger regional organisations and regional organisations that are part of National organisations. That brings a range of skills and competence, but also challenges, given that organisations have different governance models and different reporting mechanisms and sometimes corporate barriers or governance protocols that they have to go through to get agreement on things"* (Network member 06).

Serving the interests of employers and service users created relational tensions in the workplace that stretched the professional boundary spanning practices of staff. Within the network, stakeholders adopted multiple roles and responsibilities and operated within new reporting structures that created structural tensions as a result of divided organisational and network loyalties. Stakeholder identities were determined by different logics of interest including an organisational focus, programme focus, contractual focus and/or customer focus. Difficulties in balancing the social/economic interests of organisations and stakeholders comprising the network were enabled through a shared service user orientation that anchored the interests of all stakeholders and created shared social and economic value through conjoined interests and a shared purpose. For example, the collective efforts of staff to tackle workplace discrimination enabled improved quality of life outcomes for service users while simultaneously improving workplace diversity.

> *"Our clients are looking for employment but they're also looking for other things like inclusion and financial independence and friendships and all those things that most of us want out of life"* (Network Member 02)

There was evidence of governing tensions including diverse approaches to risk management and inconsistent operational procedures across network organisations as illustrated by CEO 03.

> *"We have seven organisations and we all have our own staff……no matter how good you try to be at sharing, there's no one saying this is the standard operating procedure. Each organisation may have operating procedures but they'll differ".*

The boundary spanning functions of staff delivering services were not always understood, which created tensions when balancing stakeholder interests within the network**.** For example, programme requirements established by the funder created shortfalls in serving service users and employers interests beyond definitive timescales. This created tensions between generating income and acting ethically. Diversities in stakeholder value propositions created service quality tensions.

The findings reflected that competitive tendering created governing tensions that impacted upon the structures of SPOs network members as they adapted to standardisation. Engaging in BMI created tensions between old and new processes due to the complexity of operations where staff delivered services to large caseloads of service users with high support needs, across multiple programmes. Part-time working arrangements, and staff absenteeism also created tensions across the network members that were managed through seizing capabilities. For example, in conceptualising a new business model, the network members established a joint partnership agreement that clarified roles and responsibilities. Tensions arising from dual stakeholder identities across the network resulted in divided loyalties that created challenges impacting value creation and the prioritisation of responsibilities of organisations comprising the network

> "*I suppose the fundamental issue is that, their [network members] loyalty has to be with their own organisation in terms of their role, so the challenge is to try to build on that and not to see it necessarily as a divisive issue*" (Network member 08).

Accountability processes including a partnership agreement enabled stakeholder buy-in through cross-functional team working within the SPO network, as staff assumed more responsibilities. SPO BMI was enabled through co-chair and co-lead partners, joint service improvement plans, co-joined meetings, and joint staff development workshops.

Contractual requirements and imposed timescales for the completion of outcomes and administrative activities also created service quality tensions at the network level that detracted from staff capacity to support service user needs. The network, managed these tensions by making a business case to the funder justifying the need for programme flexibilities. While the funder's instrumental value proposition focused on the network's delivery of economic or technical outcomes, this value proposition was adapted as the funder became more aware that functional processes were critical to the achievement of service user outcomes. Funder 02 illustrated this point.

> *"If we just look clinically at the numbers and the individual wasn't getting the right level of support and if the clients themselves weren't happy, and if flexibilities around the level of support needed weren't in place and someone for whatever reason didn't remain in employment that wouldn't work".*

Dual pressures arising from co-opetition across network members (see Table A.3) required careful management given the existence of co-operation and competition. For example, while exchange of specialist knowledge across network partners added value to the service user experience, knowledge exchange simultaneously strengthened the competitiveness of partners enabling the potential for opportunistic gains and losses. CEO 05 expressed their concern:

> *"we are we are skilling up our competitor and also you are allowing someone in to expose the difficulties that you have".*

Dialogical processes enabled SPOs to develop personal bonds and nurture relationships with stakeholders enabling trust that mitigated the effects of co-opetition and promoted co-operation across the network. Observations of Steering Group meetings provided evidence that trust was enabled through shared decision-making, acting ethically and procedural justice. Network decisions were agreed through open dialogue and governed by acting ethically with a view to serving service user interests. Procedural justice was enabled through the network's design of joint guidelines and operational directives.

There was evidence during interviews, focus groups and observations of Steering Group meetings, of relational tensions within the network. For example, divergent social, economic and relational stakeholder expectations created conflicts of interests impacting both the network and individual level. The findings indicated that co-design and co-delivery mechanisms enabled the alignment and balancing of stakeholder interests at the network level. For example, by co-designing and co-delivering training programmes to employers, staff created and delivered value through shared knowledge and expertise that informed a more holistic understanding of how to manage divergent employer and service user expectations and behaviours. Co-joined meetings of the Steering Group and joint staff development workshops enabled cross-functional working within the network through shared learning and improvement processes, problem solving and dialogical processes.

4.3 BMI exploitation stage: Dynamic capabilities used to manage tensions

At the BMI exploitation stage, there was evidence of legitimacy, relational, and performing tensions. Tensions at this stage were mainly managed through transforming capabilities (see Table 3). The SPO network integrated the collective knowledge and expertise of network partners to create value by exploiting new services in new areas. Wider government reforms focused on economic efficiencies influenced structural changes within government

departments and created tensions that impacted the networks ability to ascertain knowledge about the longevity of contracted services, despite the network's impact and achievement of high performance outcomes:

> *"That's probably the biggest frustration about the programme [is] that we're getting 40% into employment with a more challenging client group over a shorter timeframe"* (Network member 09).

At this stage, a collective, rather than a silo approach was perceived to have greater impact when lobbying government on more strategic issues impacting the continuity of resources. Impact demonstration represented a key capability in the networks strife to secure longevity in service delivery. Network members deployed a range of tactics underpinning lobbying processes to influence imminent threats of service closure including political lobbying, greater co-engagement in formal consultations instigated by the funder, more informal conversations with key decision-makers, and heightened levels of marketing and communications.

Power differentials and structural changes as a result of welfare reform created relational tensions at both the individual level and network level and resulted in a lack of reciprocity. For example, the network required co-operation from referral agents in government to access service users. However structural changes impacting the roles and responsibilities of referral agents had a negative effect on the number and suitability of service user referred to the network. Relational tensions were managed through transforming capabilities that captured value for both staff and referral agents as a result of joint problem solving processes that involved staff co-locating and working reciprocally with referral agents across thirty-two offices. Co-engagement processes enabled joint problem-solving and mitigated the effects of bounded rationality arising from referral agent's lack of knowledge and cognitive ability to effectively assess the best programme for a given service user.

"I found that the needs referral agents identified for clients didn't actually reflect what client's needs were when they were interviewed by myself so there was a miss match there" (Network member 08).

Finally, performing tensions created social and economic trade-offs within the network. Not all members of the network enjoyed large service user caseloads and so levels of financial income were significantly disproportionate across network partners. Acting ethically was compromised by programme funding constraints that restricted staff's ability to resource the tailored needs of service users. Moreover, disparities in service user needs created cost implications with negative impacts on financial surpluses. While financial income disparities created frustrations across network partners these tensions were mitigated through joint problem solving and dialogical interaction within the network that fostered a shared sense of commitment to the partnership.

In sum, contractual, isomorphic, governing, relational, service quality, structural, legitimacy, and performing tensions arising from the dual mission SPO network were differentiated during the process of BMI. Tensions at the BMI initiation, exploration, and exploitation stages were managed through different dynamic capabilities including sensing, seizing, and transformation capabilities.

5. Discussion

Consistent with calls for the integration of different lenses to generate richer and more diverse theorising in relation to paradoxical tensions and competing stakeholder demands (e.g. Smith & Lewis, 2011; Toth et al., 2019; Smith & Tracey, 2016), our study makes a number of theoretical contributions using the BMI and DC lenses.

First, we address the paucity of studies examining whether SPO BMI enables or hinders the balancing of economic and social values vital to organisational sustainability (Foss & Saebi,

2017; Bocken et al., 2014). By exploring a wider SPO network setting we show how the value logics of different stakeholders and the relational exchanges between them, create different types of tensions that impact different stages of SPO BMI. We find that collaborative working raises complex tensions in a network, which creates additional challenges in managing complex and dynamic interactions across a multi-stakeholder network. Our findings suggest that dual mission tensions at the network level are more diverse and prevalent at the BMI exploration stage as a result of changing logics. As SPOs explore BMI, complex interactions with a multiplicity of stakeholders with individual identities (Pera et al., 2016) and competing economic and social values (Tantalo & Priem, 2016; Osborne, 2018) are exacerbated at the network level. Prior studies examine conflicting tensions at the individual level (Smith & Lewis, 2011), dyad (Yeow et al., 2018), organisational level (Cameron & Quinn, 1988) and in hybrid contexts (Kellner et al., 2017). Our research provides new insights at a network level of analysis which is called for by scholars (e.g. Hahn et al., 2018; Ludeke-Freund & Dembak, 2017). We extend the work of Jensen & Sund (2017), Schoemaker et al., (2017), and Smith & Lewis (2011) through offering a more nuanced understanding of types of tensions at the network level during the different stages of SPO BMI.

Second, by integrating BMI and DC lenses, we develop insights that make a theoretical contribution to paradox theory and dynamics capabilities theory. For example, we answer calls for further examination into the contradictory and interdependent nature associated with commercial and social stakeholder expectations and organisational responses to engage these stakeholders in a network context (Smith & Tracey, 2016). We identify and map the types of network level tensions emergent from the findings at different stages of SPO BMI and illustrate how these tensions are managed. Understanding how to manage tensions is important as choosing between economic and social logics generates psychological, social and practical consequences that impact both the SPO network and the network members success or failure

(Besharov & Smith, 2014) and can conflict with, or create other types of value (Castellas et al., 2018). We suggest that managing tensions is not achieved by segmenting or compartmentalising logics as reflected in prior studies (e.g. Kraatz & Block, 2008), but rather by reconciling logics through stakeholder co-creation. Our empirical framework (Table 3) illustrates the dynamic capabilities that enable the reconciliation and management of tensions through stakeholder co-design, co-delivery, co-evaluation and co-engagement, particularly at the exploration and exploitation stages of SPO BMI. The findings suggest that stakeholder co-engagement and integration within the BMI process enables the management of tensions, creating conditions favourable to the co-creation of economic and social value at the network level.

Our study responds to calls seeking further empirical studies to explore differences in the nature of competing demands in the environments in which they surface, and the implications these differences have for managerial responses (Smith et al., 2013). This is particularly important for SPOs operating within a network, as managers need to demonstrate balance among competing social and economic values. We build on research by Teece (2018) who explores the impact of dynamic capabilities on business models and extend the work of Schoemaker et al., (2018) by illustrating how dynamic capabilities enable the management of dual mission tensions in multi-stakeholder networks at different stages of SPO BMI. In co-creation processes, dynamic capabilities are an initiative used by top management to take advantage of new and unique resources, such as knowledge and experience, that customers and other agents can provide (Tuli et al., 2007; Zhang & Chen, 2008).

Additionally, we contribute to the value co-creation literature. Combining the value co-creation and dynamic capabilities literature offers new insights on how the management of tensions at the network level enables value creation and delivery within a SPO network. We show how transforming capabilities co-create value for multiple stakeholders as a result of joint

problem solving processes and reciprocity, and how dialogical processes enable trust that simultaneously mitigates the effects of co-opetition and facilitates co-operation across the network. By integrating four bodies of literature: BMI, paradox theory, dynamic capabilities, and value co-creation literature, we show how tensions have contextual inter-dependencies wherein tensions experienced at the network level create challenges at the individual level. For example, structural changes imposed by government broadened the responsibilities of referral agents and had a negative effect on the suitability of service users referred to programmes at the individual level, and on the number of service users referred to the network.

Third, we address calls for future research to examine the relationship between dynamic capabilities and BMI (Leih et al., 2015). Literature showing that dynamic capabilities help managers to *"manage challenges of dynamic environment; based on using existing resources and securing new ones"* (Jurksiene & Pundziene, 2016, p.440) neglect to show how this process is enabled (Macpherson et al., 2015) which is a key contribution from findings of our study. By identifying and mapping 10 processes and 3 capabilities underpinning dynamic capabilities (DCs) at different stages of SPO BMI (see Table 3) we develop the dynamic capabilities literature by building upon more recent studies examining DCs beyond the boundary of a firm (e.g. Eriksson, 2014; Alinaghian & Razmdoost, 2018). We suggest that the processes and capabilities underpinning DCs are differentiated in an SPO network and so may be context dependent. Accordingly, our study makes an important contribution to a field of inquiry that is still in its infancy, which lacks empirical support (Teece, 2018; Helfat &Peteraf, 2009).

6. Conclusions and implications

This research identifies the complexities SPOs face in innovating their business model to operating within a network. Understanding the dynamics, tensions and capabilities required to

participate in network-based business models is important since it can be a solution for many SPOs faced with changing external environments. A network can offer a competitive advantage to a collective of SPOs interested in securing large government contracts through access to complementary resources and capabilities, and extend the potential for enhanced service provision through value co-creation. Consequently engaging in BMI offers a useful approach to enhance the sustainability of a SPO. BMI can help SPOs to facilitate the alignment of their value propositions, value creation and value capture activities with a complementary network of SPOs who are all interested in securing sustainability and growth. Moreover, from the findings we conclude that BMI can increase the effectiveness of SPO network members, enabling them to secure resources vital to the delivery of mission. However, as our findings reveal, networks are a reservoir for different types of tensions that emerge at different stages of SPO BMI, which need careful management. We conclude that, at a network level, tensions are more complex, dynamic, and have inter-dependencies therefore require the development of dynamic capabilities to overcome tensions and ensure all network members can balance their social and economic missions.

Considering practical implications, understanding how to manage tensions at the network level is a critical management function and key to SPO sustainability. Recognising the legitimacy of opposing demands and logics, paradox theory provides insights enabling managers to address tensions in order for organisations to survive and thrive. By developing understanding of types of tensions at the network level and showing how sensing, seizing, and transforming capabilities can help a network to manage tensions at different stages of BMI, this research provides insights and knowledge which can increase the potential for managers to co-create value through access to complementary resources (Inigo et al., 2017; Chester et al., 2019). Furthermore, we offer insights to managers delivering publicly funded services into how different dynamic capabilities mediate tensions of a dual mission focus through processes

and capabilities at different stages of BMI. We conclude that our empirical model may be applicable in understanding tensions of dual mission focus in other network settings such as for-profit and/or cross-sectoral networks.

7. Limitations and future research

The study is not without limitations. First, the use of qualitative approaches limit empirical generalisability; however our approach offers the potential for theoretical generalisability by applying the theory building constructs and relationships to other cases where they can be further developed. Whilst a single case study allows for in-depth exploration and theory building, future research should explore multiple case studies within similar and/or different sectors including the for-profit sector to aid generalisability. Second, paradoxes raise both challenges and opportunities (Smith &Tracey, 2016). Future comparative case studies could investigate the under researched issue of how paradoxical tensions create gains and trade-offs that impact the co-creation of value in a network. Third, future studies could investigate dynamics that operate at the intersection between and within the main categories of tensions identified in our findings.

Future research could expand paradox theory by examining a multiplicity of competing demands at different levels (micro, meso, and macro levels) within networks. Opportunities also exist to extend the boundaries of organisational paradox theory through the integration of other theories (Schad et al., 2018). For example, social network theory offers a relevant framework to examine how individuals experience and navigate paradoxes through their interactions with other stakeholders in a network setting. As network paradoxes often manifest from incompatibilities between individual characteristics and collective interaction (Hakansson and Ford, 2002), we suggest that social balance theory (Toth et al., 2019) may be a useful lens

to theorise tensions in a network context. Finally, value pluralism (Green & Dalton, 2016) offers a further lens to examine the relationship and tensions between mission and margin in an SPO network context where multiple stakeholders have different and opposing social and economic values and logics.

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			Data Collection Point			
Data Collection Method			Months 1-6	Months 7-12	Months 12-18	Months 18-24
Interviews	SPO1	Senior Managers	2	2	2 (repeat interview)	
		Board member	1			
	SPO2	Senior Managers	2			
	SPO3	Senior Managers	2			
	SPO4	Senior Managers	1	1		
		Board member	1			
	SPO5	Senior Managers	1	1		
		Board member		1		
	SPO6	Senior Managers	1	1		
		Board member	1			
	SPO7	Senior Managers	2	1	1 (Repeat interview)	
		Board member		1		
	Funder		2	1		
	Employers		1	1		
Focus Groups (front line staff)	SPO 1			1		
	SPO 2			1		
	SPO 3		1			
	SPO 4		1			
	SPO 5		1			
Observations	Consortium Meetings		2	2	1	1
Document analysis	Testimonials			X	X	X
	Contract specification	x				
	Performance records		X	X	X	X
	Annual reports			x		x
	Impact cards					x
	Improvement plans			X	X	X
	Income and expenditure profiles		x	x	x	x
	Partnership agreement		X			

Fig.1 Data collection methods and timescales

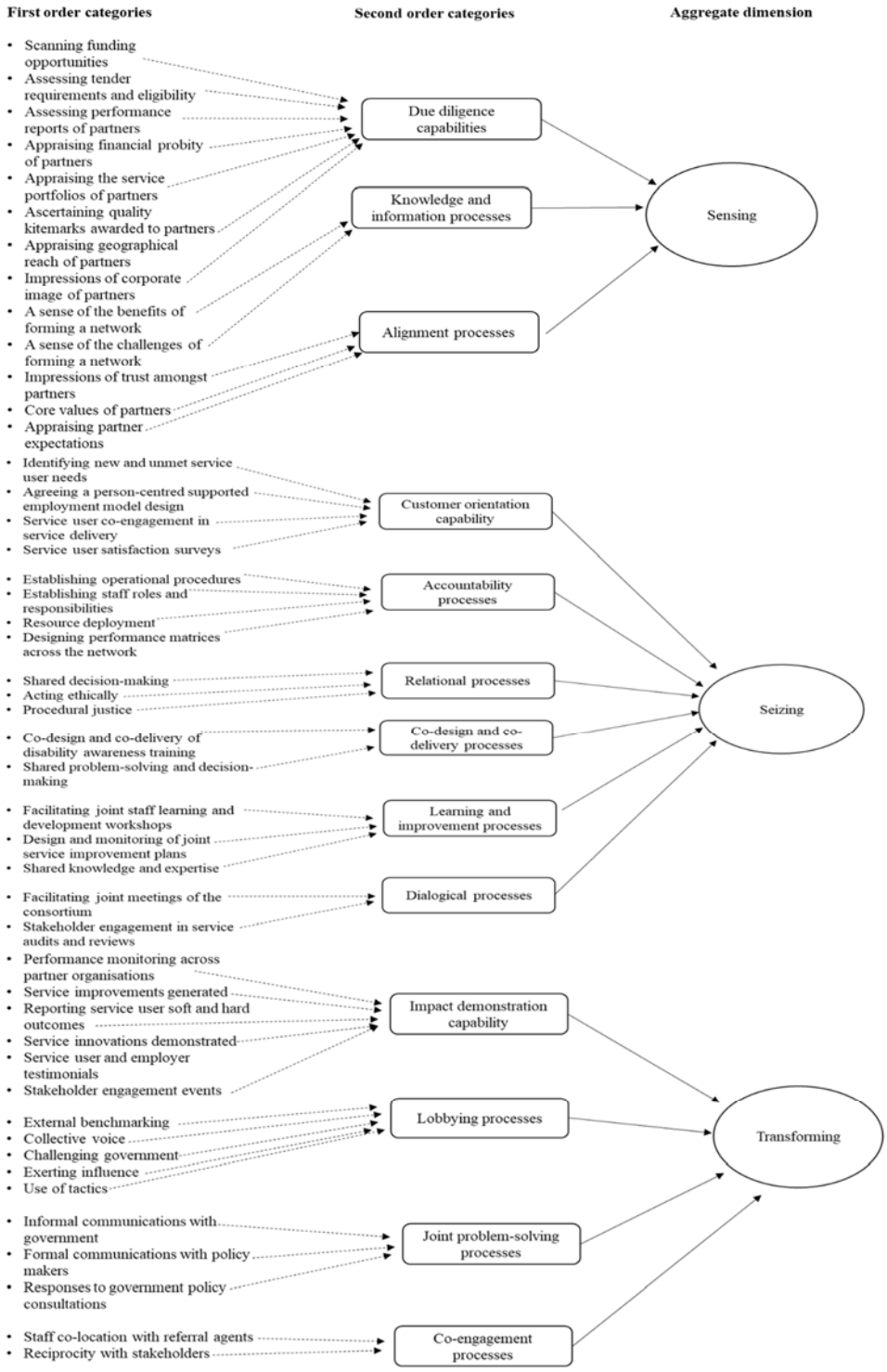

Fig.2 Data constructs, categories and aggregate dimensions.

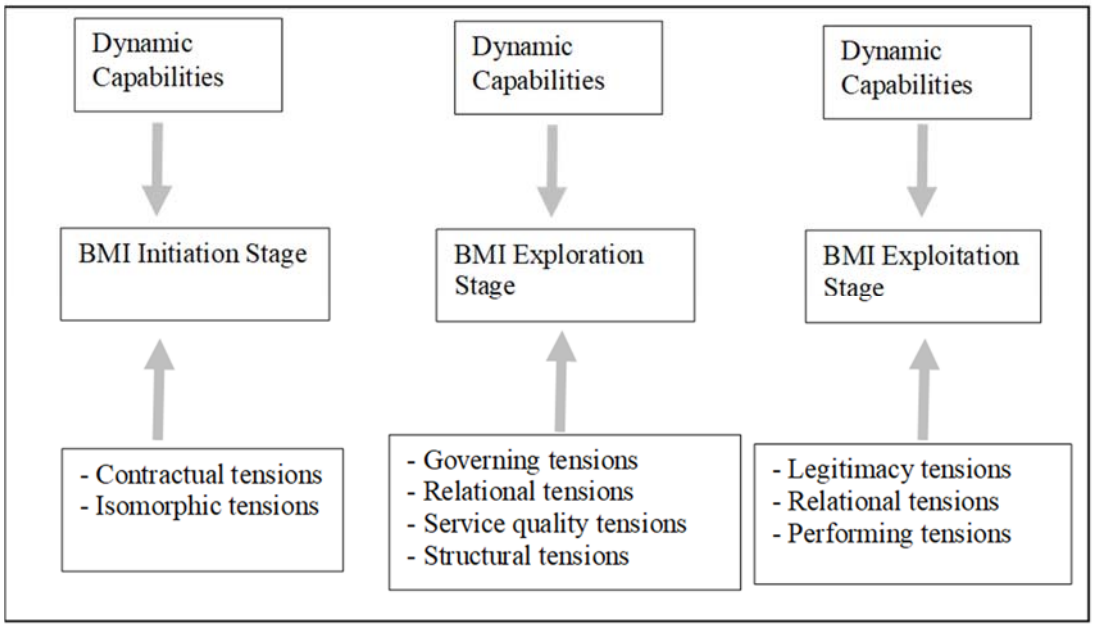

Fig.3 Types of tensions at different stages of SPO BMI at the network level

Table 1 Overview of organisations comprising of the SPO network

Organisations comprising SPO network	Geographical remit of organisations	Size	Service user type
Organisation 1	National	200+ employees	Blind/Visually impaired
Organisation 2	National	200+ employees	Deaf/Hearing impaired
Organisation 3	National	200+ employees	Learning disability
Organisation 4	Regional	200+ employees	Physical disability
Organisation 5	Regional	100-199 employees	Mental health
Organisation 6	Local	20-99 employees	Learning disability
Organisation 7	Local	20-99 employees	Learning disability

Table 2 Data collection methods

Research method	Number of interviewees/observation meetings	Length of interviews/observation meetings	Number of transcript pages
Interviews	30	Ranged from 43 minutes to 1 hour and 35 minutes.	472 pages
Focus Groups	5	Ranged from 48 minutes to 1 hour and 50 minutes	126 pages
Observation meetings	6	2 hours 45 minutes per meeting	152 pages

Table 3 Dynamic capabilities used to manage paradoxical tensions at each stage of SPO BMI at the network level of analysis

	Tensions of dual mission focus		Dynamic capability	Processes underpinning dynamic capabilities	Capabilities underpinning dynamic capabilities	Business model dynamics
BMI Stages	Type of tension	Examples of paradoxical tensions				
Initiation	Contractual tensions Isomorphic tensions	• Efficiencies and creativity • Independence and control	Sensing	- Knowledge and information processes - Alignment processes	- Due diligence	- Scanning opportunities for funding - Assessing eligibility requirements implicit in government tenders requiring large scale service delivery - Identifying organisational partners and assessing partner compatibility - Appraising stakeholder expectations
Exploration	Governing tensions Relational tensions Service quality tensions Structural tensions	• Standardisation and diversity • Funder and service user expectations • Co-opetition • Functional and technical outcomes • Organisational and network loyalties	Seizing	- Accountability processes - Joint decision making processes - Co-design and co-delivery processes - Learning and improvement processes - Dialogical processes	- A stakeholder orientation	- Conceptualising a new business model - Designing joint operational practices and procedures - Performance management - Service evaluation and improvements - Joint staff training and development - Co-design and co-delivery of service user programmes
Exploitation	Legitimacy tensions Relational tensions Performing tensions	• Efficiencies and impact • Reciprocity and structural changes • Economic and social impact demonstration	Transforming	- Lobbying processes - Joint problem-solving processes - Co-engagement processes	- Impact demonstration	- Challenging proposed government reforms - Co-locating expertise to encourage the achievement of targets - Actively engaging stakeholders in strategic events and testimonials