

Tensions rooted in the dual commitment of social enterprises operating in a less developed region of Hungary

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Abstract:

The aim of this paper is twofold. The main objective is to contribute to a more comprehensive understanding of the tensions that characterize social enterprises because of their dual (economic and social) commitments in a Hungarian context.

The research was exploratory, as no structured inquiry has been carried out in a Hungarian context concerning the sources of tension social enterprises encounter because of their dual commitments. Therefore, a qualitative approach was chosen to achieve the exploratory goal. Semi-structured in-depth interviews were carried out with one expert and nine social entrepreneurs to map and understand these tensions in a Hungarian context.

The research provides a comprehensive three-level model of tensions in which concrete (observable) tensions are grouped into four main groups of tensions and fifteen subgroups.

The study is original in two ways. First, besides the numerous tensions that have already been observed by other researchers, this study revealed some that have not yet been empirically observed. Second, being the first research on tensions in a Hungarian context, the results increase understanding of social entrepreneurship in a Hungarian context based on the lived experiences of Hungarian social entrepreneurs.



Tensions rooted in the dual commitment of social enterprises operating in a less developed region of Hungary

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Human resources	Ensuring necessary competences	Organizational composition	Employment of disadvantaged people	Resource allocation
	Commitment	Selection		
Financial resources	Vulnerability to subsidies	Pricing	Attracting investors	
Growth and success	Optimal size	New technologies	Measurability of results	
Organizational operation	Ethical operation	Democratic decision-making	Family atmosphere	

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6 **Exploring tensions rooted in the dual commitment of social enterprises – the case of**
7 **social enterprises operating in a less developed region of Hungary**
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9 *Abstract*
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13 **Purpose**

14 The aim of this paper is twofold. The main objective is to contribute to a more comprehensive
15 understanding of the tensions that characterize social enterprises because of their dual
16 (economic and social) commitments in a Hungarian context.
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21 **Design/method/approach**
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24 context concerning the sources of tension social enterprises encounter because of their dual
25 commitments. Therefore, a qualitative approach was chosen to achieve the exploratory goal.
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27 entrepreneurs to map and understand these tensions in a Hungarian context.
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33 **Findings**
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35 The research provides a comprehensive three-level model of tensions in which concrete
36 (observable) tensions are grouped into four main groups of tensions and fifteen subgroups.
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41 **Originality**

42 The study is original in two ways. First, besides the numerous tensions other researchers have
43 already observed, this study revealed some that have not been empirically observed. Second,
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45 of social entrepreneurship in a Hungarian context based on the lived experiences of Hungarian
46 social entrepreneurs.
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52 **Keywords:** dual commitment, tensions, social enterprises, Hungary
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54 **Article classification:** research paper
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1. Introduction

Social enterprises (SEs) address societal challenges while seeking financial independence, often through commercial endeavours (Smith *et al.*, 2013). Therefore, social enterprises' objectives are dual: economic and social. These organizations must simultaneously be commercially viable and offer solutions to current social problems. In this hybrid model, the competing logics often conflict (Mason and Doherty, 2016; Jenner, 2016; Smith *et al.*, 2013). The conflict between business and social missions creates *tension* during their operation, which is a central characteristic of social enterprises (Doherty *et al.*, 2014; Smith *et al.*, 2013). As the presence of tension in the operation of SEs is decisive and may be a determinant of their survival (Smith and Lewis, 2011), it is important to understand the issue on a deeper level (Jenner, 2016; Smith *et al.*, 2013).

Based on the aforementioned, the aim of the present paper is twofold. First, we seek to improve the understanding of the tensions that characterize SEs because of their dual (economic and social) commitments. Additionally, we aim to contribute to the exploration of the societal factors that shape these tensions in a Hungarian context, especially for SEs operating in the less developed parts of the country.

As our research is exploratory, we chose a qualitative approach since no structured inquiry has yet been carried out in a Hungarian context concerning the tensions that SEs encounter because of their dual commitments. We carried out semi-structured qualitative interviews with one expert and nine social entrepreneurs to map and understand **this phenomena. This led to a comprehensive three-level model where specific (observable) tensions are grouped into four main groups and fifteen subgroups.**

The structure of the article is the following: After the literature review, we describe the methodology and the research sample and context, followed by our results and discussion. We close our study with conclusions.

2. The dual commitment of social entrepreneurs

Approaches to and theoretical operationalization of social entrepreneurship differ in several regards – for example, in terms of the order and priority of economic and social goals (Defourny and Nyssens, 2010a; Smith *et al.*, 2013); profit distribution (Borzaga *et al.*, 2012; Yunus, 2006); the role of innovativeness (Blackburn and Ram, 2006); the extent of business risk-taking (Defourny and Nyssens, 2010a); and the necessity of democratic decision making (Defourny and Nyssens, 2010b). In the present research, we consider SEs which are “*like non-profit or*

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3 *voluntary organizations [whose] primary purpose is to achieve a social mission, but like*
4 *businesses, they have to operate successfully within the marketplace”* (Cornforth, 2014, p. 3).

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6 A distinguishing feature of SEs is that they have a *dual identity* due to their objectives,
7 defined as pro-social and for-profit: a **utilitarian (i.e., entrepreneurial) and a normative (i.e.,**
8 **social, people-oriented) organizational identity** (Moss *et al.*, 2011). Consequently, the concept
9 of the SE can be understood as “a marriage between opposing values” (Zahra *et al.*, 2009, p.
10 527).
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15 Within this framework, SEs are diverse regarding the level of integration between social
16 programs and business activities. Alter (2004) differentiates between embedded social
17 enterprises (where social programs and business activities are one and the same), integrated
18 enterprises (where social programs overlap with business activities), and external social
19 enterprises (where social programs are distinct from business activities). Defourny and Nyssens
20 (2016) distinguish four major social enterprise models: the entrepreneurial non-profit (ENP)
21 model (non-profit organizations that develop an earned-income business to support their social
22 mission), the social cooperative (SC) model (mutual interest organizations award more
23 importance to the public interest/goods); the social business (SB) model (companies develop
24 business activities for a social purpose or mission); and the public-sector social enterprise (PSE)
25 model (increased responsibilities are transferred to private entities — among which social
26 enterprises — although these entities are kept under public control or at least regulated). While
27 in certain cases (e.g. in the SB model) the general interest component might be embedded in
28 the very nature of production activity, with the ENP model trading activities might be mission
29 unrelated.
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41 With any of these SE models, economic goals might conflict with the social mission.
42 This might lead to situations when the market logic predominates the social focus – a situation
43 of mission drift (Bacq and Lumpkin, 2021; Cornforth *et al.*, 2014; Ebrahim *et al.*, 2014; Jones
44 *et al.*, 2021; Raišienė and Urmanavičienė, 2017; Weaver, 2020). Besides harming reputation,
45 threatening organizational culture and working morale, and decreasing employee loyalty
46 (Raišienė and Urmanavičienė, 2017), mission drift leads to a situation wherein SEs “fail to
47 achieve their goals of delivering social value to their beneficiaries” (Ebrahim *et al.*, 2014, p.
48 82.). Alternatively, revenue drift may happen when SEs become so focused on the social
49 mission that the enterprise becomes financially unsustainable (Ebrahim *et al.*, 2014; Raišienė
50 and Urmanavičienė, 2017), leading to business failure (Cornforth *et al.*, 2014).
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59 Thus, it is a continuous challenge for SEs to achieve equilibrium between their dual
60 commitments of generating economic revenues and generating solutions to current social
problems (Jenner, 2016), as simultaneously existing business and social objectives often

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3 conflict. This creates tension during the operation of SEs (Moss *et al.*, 2011; Siegner *et al.*,
4 2018; Smith *et al.*, 2013), the negotiation of which is a complex, contradictory, constantly
5 dynamic and “messy” process (Mazzei, 2017).
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10 11 **3. Tensions resulting from a dual identity** 12 13

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15 Tensions resulting from the structure of objectives are a central characteristic of SEs (Jenner,
16 2016; Mason and Doherty, 2016; Smith *et al.*, 2013). In the present research, *tension refers to*
17 *the dilemmas that arise during the operation of SEs as a result of dual (economic and social)*
18 *commitments, conflicting efforts aimed at opposing directions, and potentially incompatible*
19 *and simultaneously non-achievable goals, norms, and values* (Smith *et al.*, 2013; Zahra *et al.*,
20 2009). The achievement of *different goals* requires the simultaneous deployment of measures
21 that may not be harmonized (Siegner *et al.*, 2018) and that demand specific organizational
22 (financial and human) resources (Doherty *et al.*, 2014). While studies usually focus on the
23 conflict between social and economic objectives (Mason and Doherty, 2016; Jenner, 2016;
24 Smith *et al.*, 2013), Siegner *et al.* (2018) found that tension may arise between social objectives,
25 and McQuilten *et al.* (2020) explored the potential tension between professional, social, and
26 economic goals. Other studies (Primecz *et al.*, 2021) have found that the existence of different
27 goals and activities does not always lead to conflict. For example, based on the observation of
28 an open-access studio as a creative social enterprise, England (2022) concluded that a
29 multifaceted value system may create both challenges and opportunities in relation to
30 organizational goals.
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43 The issue of the *measurability of objectives* can also create tension: while economic
44 results can be measured using objective indicators, measuring social results is much more
45 difficult, as the latter are not easily quantifiable (Jenner, 2016; Primecz *et al.*, 2021).
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48 Tensions also arise related to *human resources* and employment – for example, deciding
49 whether the organization should employ a workforce with the competencies required to achieve
50 a social mission, individuals with the skills required to foster efficiency and profit-making, or
51 disadvantaged employees (Smith *et al.*, 2013). Further tension emerges in relation to the
52 provision of competitive salaries (Doherty *et al.*, 2014). The success of an enterprise is strongly
53 influenced by the availability of the *appropriate expertise* of employees (Borzaga and Solari,
54 2004). Sharir and Lerner (2006) found that the success of SEs is influenced by the ratio of
55 volunteers to paid employees. Doherty *et al.* (2014) identified the occasionally insufficient
56 competences and **skills** of volunteers.
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3 In the case of SEs, *a wide range of stakeholders* are present simultaneously, resulting in
4 different and competing expectations (Doherty *et al.*, 2014; Siegner *et al.*, 2018). One source
5 of tension might be whether employees are committed to *economic or social objectives* and
6 how the organization should manage any value differences between groups of employees
7 (Doherty *et al.*, 2014; Smith *et al.*, 2013). Aligning the different interests and values of different
8 groups is one task for managers of SEs (Mason and Doherty, 2016), while there is often
9 resistance towards adopting a market perspective, even though the application of traditional
10 business strategies is essential for achieving permanent social impact (Jenner, 2016).

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12 Tension related to the *time horizon* refers to the fact that while achieving a social impact
13 requires a long-term time perspective, business results appear in the short term (Siegner *et al.*,
14 2018; Bosma *et al.*, 2016; Smith *et al.*, 2013). Therefore, enterprises face the dilemma of
15 planning for the short and long term and managing any conflict between these goals **that differ**
16 **in timeframe** (Smith *et al.*, 2013).

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18 The choice of the *legal form of organization* can also generate tension (Smith *et al.*,
19 2013). This decision is often influenced by investors and subsidies, the assumed economic
20 needs of the enterprise, such as accessing sources of funding or obtaining legitimacy, along
21 with tax-minimization goals (Jenner, 2016).

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23 Besides the above-described difficulties, a dual commitment might also entail
24 advantages: due to their hybrid organizational nature, such organizations may obtain some
25 (human and financial) resources more efficiently, and creative solutions to social problems
26 might lead to innovation (Primecz *et al.*, 2021).

40 41 **4. The Hungarian context of SEs**

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43 Hungary was chosen as the country (context) for research because of the national origin of the
44 authors, which strongly influenced accessibility (e.g. due to language barriers). Furthermore,
45 Hungary is economically and socially spatially divided. Besides significant urban-rural
46 inequalities, Budapest, the capital, and the Central Hungary region that includes Budapest are
47 associated with very different (better) economic opportunities than other parts of Hungary. The
48 same is true of Hungary's Trans-Danubian [north-western and western] areas, which are
49 associated with much better economic opportunities than south-western, eastern and southern
50 areas, including the South Great Plain Region [Dusek *et al.*, 2014]). Therefore, the fact that the
51 SEs in the sample function in the Southern Great Plain region (a spatial choice influenced by
52 researcher situatedness and embeddedness) means that the socioeconomic environment of the
53 research sample is characteristic of the economically less developed parts of Hungary.
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3 Initially, after the country's accession to the EU, the legal form of "social cooperative"
4 was introduced by Hungarian legislation to serve as the legal format for SEs and was subject to
5 extensive state subsidization to support its spread. However, the policy was subject to extensive
6 criticism because of its contradictory results (European Commission, 2019): numerous "social
7 cooperatives" emerged only to apply for public funding instead of desiring the efficiency and
8 necessity of the legal form of a social cooperative, resulting in a top-down (regulation and
9 subsidization driven) institutionalization process instead of a bottom-up one. This top-down
10 character was later further legislated by the extra-legal requirement that social cooperatives
11 should have a politically managed body (typically a local self-government or local minority
12 self-government) as a member of the organization (see also Póla and Finta, 2020).

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21 Later, state and EU-funded programs (GINOP-5.1.3-16 and GINOP-5.1.7-17) that
22 targeted SEs permitted applicants to have other non-profit legal forms, including non-profit
23 enterprises, civic organizations (associations, foundations), social cooperatives and religious
24 organizations. Applicants were expected to meet specific requirements, including that they
25 should not strive for pure profit-maximization but rather be aimed at solving local problems in
26 relation to, for example, the labour market, equality, health and culture; should be interested in
27 achieving social goals *and* being profitable for the sake of financial sustainability; should use
28 their profits to achieve social goals; should undertake their activities within a cooperative
29 network of business and social institutions (e.g. local social institutions, state labour agency,
30 civil society organisations [CSOs]/non-governmental organizations [NGOs]; churches,
31 enterprises and banks); should engage in participatory decision-making within the organization;
32 and should contribute to the employment of disadvantaged and unemployed people.

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41 Except for these criteria defined by the aforementioned tenders several years ago, there
42 is no legal definition nor any legal and organizational form of social entrepreneurship in
43 Hungary (European Commission, 2019). Therefore, entrepreneurs can choose between non-
44 profit and for-profit legal and organizational structures for their SEs. G. Fekete *et al.* (2021)
45 distinguish between six types of Hungarian SEs (for a more extensive introduction, see G.
46 Fekete *et al.*, 2021):

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51 **Public-Service-Provision Social Enterprises:** non-profits with close ties to the public
52 sector, usually founded by the state or by organisations close to the state. These provide
53 services formerly under public responsibility and receive statutory state support in
54 exchange;
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58 **Enterprising CSOs:** mainly foundations and associations that engage in economic
59 activities to ensure their financial sustainability and achievement of social goals;
60 business activities complement private donations and grant-based public funding;

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3 economic activities (e.g. book publishing, training, consultancy, running a charity shop,
4 selling organic products and childcare) are financial means of achieving the original
5 social aims.
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8 **Work-Integration CSOs:** non-profit legal entities set up by citizens that target
9 disadvantaged social groups (e.g., women, ethnic minorities – especially Roma people
10 and disabled people) might also receive statutory support for employing people with
11 altered working abilities.
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14 **Local Development Community Enterprises:** these implement local economic
15 development programmes (e.g. sell local products or support activities serving the
16 operation or development of rural settlements), usually with the direct involvement of
17 local governments as members (often in the legal form of a social cooperative);
18 activities are often initiated and coordinated by local municipalities, resulting in a low
19 level of participatory decision-making and one dominant local citizen (the mayor).
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22 **Social Start-Ups:** the business activity of social start-ups is rooted in business ethics;
23 the social aim directly influences the economic activity aimed at economic development
24 based on a greater degree of social justice and environmental consciousness; these
25 organizations may be either non-profit or for-profit companies that operate in the fields
26 of IT, waste management, recycling, culture and transportation, for example.
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29 **Solidarity-Economy Initiatives:** these look for alternative solutions to current social
30 and environmental problems that go beyond modernism and capitalism; reciprocity,
31 participation and democratic decision-making play a definitive role; economic activities
32 are often designed to satisfy the needs of members, who are often a group of friends
33 and/or neighbours. may include, e.g., local exchange trading systems (LETS) and time
34 banks.
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47 Just like SEs in general in Hungary, this classification is not connected to any specific legal
48 form. Even though the choice of a specific legal **format** might theoretically generate
49 (dis)advantages for social entrepreneurs, this factor was not mentioned during the interviews.
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52 On the level of practice, the concept of social entrepreneurship is in its infancy in Hungary
53 (G. Fekete *et al.*, 2017). Estimations of the number of SEs range from 300-400 (Tóth *et al.*,
54 2011) to 3,360 (G. Fekete *et al.*, 2017) – however, these figures are somewhat arbitrary in the
55 absence of legal definitions and a defined organizational form for SEs, resulting in a lack of
56 reliable data(bases). However, to put these numbers in context, according to the Hungarian
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3 Central Statistical Office, there were 526 thousand legally registered enterprises in Hungary at
4 the end of 2022.

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6 The Hungarian SME sector has been subject of intensive research activity in relation to
7 innovation (Török *et al.*, 2019; Györi *et al.*, 2019), financial culture, and socioeconomic
8 environment (Györi *et al.*, 2019), competitiveness (Márkus and Rideg, 2021), access to finance
9 (Nyikos *et al.*, 2020a), the impact of public funding on SMEs (Nyikos *et al.*, 2020b) and HRM
10 activities (Richbell *et al.*, 2010). As empirical research is not representative, it is rather difficult
11 to form general statements about the Hungarian SME sector. Still, it seems that politics heavily
12 influences numerous aspects of entrepreneurial life, from innovation activities through funding
13 opportunities to perceived socio-environmental obstacles to firm functioning. Regarding the
14 latter, companies involved in tenders mainly aimed at providing funding for innovation face
15 significant bureaucratic-administrative barriers. For the general SME population, it is high
16 expenditure (including taxes, contribution utilities, and rental costs); workforce-related matters
17 (qualifications and fluctuation); strong competitors; the legislative environment (labour laws,
18 environmental, tax and construction regulations, EU regulations) and obtaining financial
19 sources that are the major (or at least significant) barriers to company growth (Györi *et al.*,
20 2019).

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22 In order to understand SEs in Hungary, it is also important to consider the situation of
23 CSOs/NGOs. This sector is historically considered weaker than its Western counterpart due to
24 the legacy of communism, which led to a lack of interpersonal trust and low levels of civic
25 activism (Szent-Iványi and Lightfoot, 2016), including in relation to any form of solidarity
26 movements (G. Fekete *et al.*, 2017). Even though EU accession led to enhanced legitimacy and
27 funding for SEs, the illiberal transformation (combining democratic procedures such as a multi-
28 party system and general elections with a disregard for constitutional limits to power; a lack of
29 protection of citizens' rights; populism; [organizational] antipluralism; and ideological monism
30 [Grzebalska and Pető, 2018]) has created a variety of challenges for civil society organisations:
31 the legal and political environment is increasingly hostile as the state aims to control civil
32 society rather than enable citizen participation (Gerő *et al.*, 2023). In a Hungarian context, this
33 means, among other things, (1) radical cuts in state (and also international) funding for ‘non-
34 loyal’ CSOs/NGOs; (2) creating a hostile public attitude towards the latter by stigmatizing them
35 as “foreign agents” working against “the nation”; and (3) using state power (e.g. authorities) to
36 economically and administratively hinder their work (see Ágh, 2016; Batory, 2016; Gerő *et al.*,
37 2023).

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39 Regarding SEs in Hungary, research interest only started to become more intense in recent
40 years. Because of the aforementioned lack of legal definitions, organizational forms and
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3 databases about the population of social enterprises, the related research cannot be
4 representative.
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6 According to the most comprehensive report on the SE sector in Hungary (European
7 Commission, 2019), the concepts of social enterprise and social entrepreneurship are relatively
8 new in Hungary. The first examples were related to the impacts of international NGOs (Ashoka
9 and NESsT) and rooted in earlier traditions of civil society; cooperatives (especially social
10 cooperatives); conventional types of enterprises with social goals; and the economic initiatives
11 of churches (e.g., social support activities). Furthermore, social entrepreneurship has been
12 recently subsidized by state and EU programs (European Commission, 2019).
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19 As a result, social entrepreneurship has recently become well-known among entrepreneurs
20 with societal goals. Recently, new consultant organizations have emerged within the ecosystem
21 of SEs, as a major challenge for Hungarian social entrepreneurs is that the level of management
22 and business skills within these organizations is very low, and they usually need consulting
23 services (G. Fekete *et al.*, 2017).
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27 Krátki (2022) distinguishes between accelerator programs run by non-profit or for-profit
28 consultants, incubation initiatives, and consultants that provide consultancy services of
29 different complexity (including full-service firms, general service firms, specialized firms and
30 boutique firms). According to Tokár-Szadai (2021), SEs are interested in obtaining consultant
31 support for exploring financial opportunities, acquiring material support, developing marketing
32 activities to support the popularization of social goals, and operational support associated with
33 concrete solutions that can be built into and support everyday operations.
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39 Research and academic interest in SEs have also grown significantly, while networking
40 activities among SEs aimed at supporting information-sharing and interest representation have
41 begun (European Commission, 2019).
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44 According to G. Fekete *et al.* (2017), the major goals of Hungarian SEs are related to the
45 integration into work (and general support) of economically/socially disadvantaged and
46 physically or mentally disabled individuals. Most Central and Eastern European SEs cannot
47 achieve economic sustainability exclusively through their business revenue, thus they require
48 donations, grants, and volunteer work (G. Fekete *et al.*, 2017) – estimations regarding the extent
49 of external financial support range from 25% (SEFORIS consortium 2016) to 52% (G. Fekete
50 *et al.*, 2017). Similarly, Kiss *et al.* (2021) found that SEs in the social and health sectors in
51 Hungary that substitute public institutions as a result of the state's withdrawal from welfare
52 services primarily depend on funding from central state budgets, public social and health
53 institutions, local governments and EU co-financed grants.
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3 Finally, the social integration of Roma citizens is a Hungarian specialization for SEs (Kiss
4 *et al.*, 2022), as the Roma in Europe and especially in Hungary, are clearly among the poorest
5 and most vulnerable stigmatized ethnic minorities and often suffer from spatial segregation
6 (Cretan *et al.*, 2020).
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10 11 **5. Research methodology and sample** 12

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14 In our research, *we address the following question*: In relation to the operation of SEs in a
15 Hungarian context, what tensions emerge from having a dual commitment, especially for SEs
16 operating in the less developed parts of Hungary? The lack of related research in Hungary called
17 for an exploratory *qualitative approach*. Accordingly, we chose the *semi-structured personal*
18 *in-depth interview* methodology. Interviews were carried out in the second quarter of 2018 **and**
19 **were tape recorded**.
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24 We covered multiple issues with our interviewees, as follows: 1) the ‘story’ and main
25 milestones of the SE, 2) the goals, motivation, and definition of success of the entrepreneur, 3)
26 innovation and competitive advantages, 4) the role of the entrepreneurs’ families in the SE, 5)
27 tensions between economic and social goals, and 6) the (dis)advantages of being an SE. To
28 clarify the tensions for the interviewees, we asked them about the main challenges in relation
29 to behaving ethically, hard decisions, conflicts between different goals, and how they balance
30 and choose among economic and social goals. We remained open to the emergence of new
31 topics. Before conducting interviews with social entrepreneurs, we conducted an *expert*
32 *interview* with a business advisor specialized in social entrepreneurs, which we refer to as
33 Number 1 when presenting our results. **Thus, we used two different guides: one for the expert**
34 **interview and one for interviews with social entrepreneurs**.
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43 *To identify interviewees*, we used three main channels: 1) entrepreneurs recommended
44 by the interviewed expert, 2) participation in events organized for social entrepreneurs, and 3)
45 a database of winners of tenders targeted at social entrepreneurs. Our main selection criterion
46 was that the SE of the potential interviewees complied with our definition of a social enterprise.
47 Of the seventeen social entrepreneurs we contacted, nine responded positively. Our sampling
48 thus corresponds to maximum variation sampling (Krátki and Kiss, 2021) in relation to
49 economic activity, social objectives, and time of operation.
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55 *Data analysis* was carried out in multiple steps. In the first stage, two authors coded all
56 interviews independently using an open-analysis methodology. In the second step, we
57 contrasted the two independent analyses until we reached a consensus before starting to classify
58 (types of) tensions.
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The expert we interviewed is the leader of a regionally significant business advisory organization that specializes in SEs. The social entrepreneurs (Table 1), with one exception (7), operate in the Southern Great Plain region (NUTS 2) in Hungary. The organizations were mainly micro-enterprises (with fewer than ten employees) (Table 1). Several organizations had a history of only 1-2 years at the time of the interview (2; 7; 8; 10), but more had been operating for over three years (3; 4; 5; 6; 9). Most SEs were active in the production sector (producing furniture, craft products, fruit juice, etc.), but some were involved in service provision (counselling and education). The most frequent social goal of members of the sample is employing the disadvantaged – the primary social goal for five enterprises (nos. 2, 3, 4, 5 and 6), which can thus be clearly considered WISEs, while for enterprises nos. 8 and 10 work integration is a complementary but still significant social goal. According to G. Fekete et al.'s (2021) typology of Hungarian SEs, most SEs in our sample can be considered social start-ups. However, we also find work-integration CSOs and an enterprising CSO.

Table 1: Primary descriptive characteristics of the research sample

No.	Gender	Main activity	Main goal	Legal form	Type (according to G.Fekete et al. 2021)	Age of organization	Number of employees
1	male	expert, social enterprise consultant					
2	female	furniture renovation, recycling	Employing people excluded from the mainstream labour market; traditionalism; popularizing handcraft products; popularizing reuse	social cooperative	social start-up	1-2 years	<10
3	female	handicraft products	Enhancing the quality of life of people living with sclerosis multiplex, traditionalism, popularizing handicraft products	association	enterprising CSO	more than 3 years	<10
4	female	family daycare centre	Supporting families with disabled children, integrated education of disabled children, employing disadvantaged people – mainly elderly, single mothers with children, new job entrants	association	social start-up	more than 3 years	<10
5	female	handicraft products	Employ and reduce the social isolation of mentally disabled people	foundation	work-integration CSO	more than 3 years	<10
6	female	handicraft products	Employ, train and reduce the social poverty of people with reduced working abilities	association	work-integration CSO	more than 3 years	10-20

7	male	consultancy, investment mediation to social enterprises	Supporting social enterprises (attracting investors, community building)	limited liability company	social start-up	1-2 years	<10
8	male	applied arts, manufacturing	Employing people with very low level of education	association	social start-up	1-2 years	10-20
9	male	fruit juice and briquette production	Popularizing healthy lifestyles and local markets (short supply chains)	social cooperative	social start-up	more than 3 years	<10
10	female	family daycare centre	Supporting the social integration of Roma children, employing disadvantaged people	social cooperative	social start-up	1-2 years	<10

6. Empirical results

In the present section, we introduce our results in a descriptive way – we describe the tensions we identified alongside the classification we created based on our, qualitative analysis.

In the interviews, *the general contradiction between economic and social goals* was outlined, “*that is, the difference between the two ways of thinking, between the two things is so huge.*” (2). The problem is claimed to be that “*thinking with two heads, seeing both through business and social lenses, is really difficult*” (1). The importance of having a dual focus emerges, as indicated by the quote of participant 7: “*You can’t [...] ignore the economic interest and only consider the social – then you become civil [a purely civil society organization]. And sooner or later, you’ll face the same problems as the civil sector does. If you only consider economic interests, then you’ll face the same problems as for-profits do. You’ll cause the same social harms*” [7]. Meanwhile, engagement in social activities can reduce economic efficiency as “*For us, money is not God, therefore, we’re more engaged in activities which don’t have monetary value and it slightly [reduces] our economic activity* [2].

Thus, the tensions identified in other studies (Doherty *et al.*, 2014; Smith *et al.*, 2013) and the coexistence of social and economic goals were also clearly observed in the present research.

Beyond this general observation, our research explored several groups and layers of tensions created by this dual identity (*Figure 1*).

Figure 1 – Tensions resulting from dual commitments in the operation of SEs identified by the empirical research

Human resources	Ensuring necessary competences	Organizational composition	Employment of disadvantaged people	Resource allocation
	Commitment	Selection		
Financial resources	Vulnerability to subsidies	Pricing	Attracting investors	
Growth and success	Optimal size	New technologies	Measurability of results	
Organizational operation	Ethical operation	Democratic decision-making	Family atmosphere	

Source: Authors' construction

6.1 Tensions related to human resources

Tensions related to *human resources* are classified into six subgroups (Table 2).

Table 2 – Tensions related to human resources

	SOCIAL INTEREST	ECONOMIC INTEREST	TENSION
Ensuring necessary competences	The organization should employ people with the competences required to achieve social goals.	The workforce employed by the organization should have the competences required to achieve economic goals (efficiency and profit generation).	<ul style="list-style-type: none"> - Should the organization employ people with the competences and value systems required to achieve social or economic goals? - How can the SE achieve economic success and social goals without human resources with appropriate competences and skills?
Employment of disadvantaged people	The employment of disadvantaged people is a social goal.	Employing a workforce suitable for maximising efficiency	<ul style="list-style-type: none"> - How can the employment of disadvantaged people and economic efficiency be achieved simultaneously? - How can the productivity of disadvantaged employees and the competitiveness of the products/services they produce be increased? - How can a product/service be priced so that the enterprise can produce enough revenue? - How can any special treatment that is necessary be ensured so that the enterprise can still generate revenue (in addition to covering such extra costs)?

Commitment	Employees and stakeholders are committed to social goals.	Employees and stakeholders are committed to economic goals.	<ul style="list-style-type: none"> - How can commitment be increased alongside other goals? - How can different interests be managed within the enterprise? - How can commitment be increased when wages are lower than market wages or efforts based on voluntary work? - How can the different expectations that emerge due to different degrees of commitment be aligned?
Organizational composition	Employment and inclusion of the widest range of people directly affected by a given social problem.	Employment and inclusion of a limited number of people directly affected by a given social problem.	To what extent and in what way should direct stakeholders be involved in the SE?
Selection	Employee selection driven by social interests	Employee selection driven by economic interests	How can economic and social goals related to employee selection be aligned?
Resource allocation	Allocation of human resources to social purposes.	Allocation of human resources to economic purposes.	What should the enterprise allocate its employees' expertise and working hours to?

Source: Authors' construction

6.1.1 Ensuring the necessary competences

Tensions emerge related to *ensuring the necessary competences*; as for SEs, “*there is a need for an apparatus, human staff, who can see things from a business perspective and for others who can see things from a social perspective*” (1). A lack of economic competences was characteristic of a significant proportion of the studied enterprises (2, 3, 5, 6, 7, 8). Insufficient business competences tend to be present in the areas of competitive analysis, planning, pricing, and sales. A lack of social competences only occurred in one case (5).

6.1.2 Employment of disadvantaged people

Disadvantaged employees are considered less *efficient and productive* than non-disadvantaged workers. Therefore, their employment often hinders the achievement of economic goals. The presence of this tension was exclusively characteristic of WISEs within the research sample. Indeed, this tension was the only one emphasized by all WISEs and exclusively by WISEs during the interviews.

Furthermore, disadvantaged employees are not always able to produce *high-quality products/services* similar to those of competitors who employ non-disadvantaged workers. “*No customers will [say] ‘Oh, it’s so nice, it doesn’t look that good, but I’ll still buy it’. No. Here, they must produce the same high-quality products and services as our competitors that don’t work with disabled or low-skilled workers.*” (1).

Finally, disadvantaged employees *often need a more sensitive and supportive attitude* as they are “*more difficult to handle*” (5), requiring extra energy input from the entrepreneurs. (“*...for a person [with a psychological condition] you must tell them nicely, tell them once,*

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3 *twice, twenty times, always patiently, you can't tell them off because then it's the end of the*
4 *world" [5]).*
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7 8 6.1.3 Commitment 9

10 Stakeholders might be committed to *economic and social goals* to a different extent, e.g.,
11 *"among those who come from the civil sector, there is predominantly a sort of excessive focus*
12 *on the cause ... they don't do the other activities that are a must in [organizations in] the for-*
13 *profit sector, or they don't do them properly..." (7). Due to different degrees of commitment,*
14 *different expectations and preferences develop regarding work schedules and the flexibility of*
15 *payments.*
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21 The phenomenon can also explain the differences in *market wages*, as SEs tend to offer
22 lower wages than would be available in the for-profit sector (*"I could easily earn several times*
23 *this amount, but I wanted [to do] something, and we're doing that here."* [9]).
24
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26 Finally, SEs tend to rely on *voluntary work* to a significant extent (Jenner, 2016).
27 However, the same commitment cannot be expected from volunteers as from paid employees
28 (*"I work as a volunteer in the same way as when I'm paid for it, but this can't be expected from*
29 *everyone, what's more, from anyone."* [3]).
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33 34 6.1.4 Organizational composition 35

36 The organizational composition may create tension if *"there are only disabled people in the*
37 *management of the association"* (3). Although it is a social goal to involve the widest range of
38 people who are directly affected by a given social problem, it is important for the sake of
39 economic interests to have *"someone from outside [who can] see things, who is not really*
40 *involved in this matter"* (3).
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45 46 6.1.5 Selection 47

48 Tensions related to employee *selection* occur because the practice of selection is a social-
49 interest-driven process which does not always result in favourable decisions from an economic
50 perspective (*"Hiring indeed takes place in a way that someone just settles in and after a while,*
51 *we just don't have the nerve to say we won't offer some kind of payment."* [2]).
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6.1.6 Resource allocation

SEs must make decisions about whether they will allocate scarce human resources to achieving economic or social objectives. (“*There is no such occasion that we would send away our special school children because we happen to have a paying customer*” [10]).

6.2. Tensions related to financial resources

Tensions related to obtaining financial resources are shown in *Table 3*.

Table 3 – Tensions related to financial resources

	SOCIAL INTEREST	ECONOMIC INTEREST	TENSION
Vulnerability to subsidies	Social engagement on the widest possible scale.	Social engagement is minimal. Increasing the economic efficiency of the enterprise.	What extent of social engagement is possible while the enterprise must remain independently sustainable?
Attracting investors	Highest level of social efficiency possible.	Highest level of economic efficiency possible.	What extent of social engagement will attract investors and help maintain adequate efficiency?
Pricing	Determining price based on cost estimation. (To make up for lower efficiency.)	Determining price based on market needs and solvency.	How can the price of a product/service be determined so that the enterprise can generate a profit?
Resource allocation	Allocating income of enterprise to social purposes.	Allocating the income of the enterprise to economic purposes	What should the enterprise allocate income to?

Source: Authors' construction

6.2.1. Vulnerability to subsidies

Tensions related to *vulnerability to subsidies* were a central feature of our interviews. Tenders are important financial resources both for start-ups and organizational maintenance. The unpredictability of tenders makes operating more difficult, especially since numerous tenders are unavailable for SEs due to their prefinancing requirements in a Hungarian context.

6.2.2. Attracting Investors

On the one hand, “*SEs are not mature enough to be able to involve investors*” (7), and on the other, “*there are very few investors who are open to investing in a social enterprise. So, to put it simply, they should be satisfied with a lower growth rate and a lower profit rate, but [the SE] should generate a social impact. So, they are still more money-oriented here in Hungary.*” (7).

6.2.3. Pricing

Tensions related to *pricing* hinder the ability to increase the revenue generated from economic activities. The development of a competitive market price is inconsistent with real cost estimations (*“How many working hours are invested in it, how serious is the disability of the person who makes it, how difficult it is for them, and then the raw materials of course – the paint and stuff ultimately cost money – and then [once] it turned out [that making the product] was not viable because the price would have been so high because there were things that required so many hours of input.” [3]*). As shown by the quotation above, tensions related to pricing are related to the employment of economically less productive workers – as mentioned by several (but not all) WISEs within the sample.

Furthermore, although tenders are a great help for start-ups, they make pricing more difficult (*“When we started, the service was free in the tendering period... so we kept the prices low for quite a long time compared to the market price, and we should not have done that.” [4]*). For some, it is also challenging to predetermine fixed prices or ask for appropriate donations from customers.

6.2.4. Resource allocation

Financial resource allocation concerns whether the enterprise should allocate income for economic or social purposes. (*“Yes, we need this, we need that. Thirty thousand HUF [approx. 80 EUR] for about ten places, what should we do?” [5]*).

6.3. Tensions related to growth and success

Tensions associated with the main area of growth and success are shown in *Table 4*.

Table 4 – Tensions related to growth and success

	SOCIAL INTEREST	ECONOMIC INTEREST	TENSION
Optimal size	Excessive growth may hinder the achievement of social goals.	Further growth is an economic interest.	How can the optimal size of the enterprise be defined?
Measurability of results	- Social results can only be measured with difficulty and emerge over the long term. - Social results count as success.	- Economic results can be measured easily and arise in the short term. - Economic results count as success.	- How can the success of the enterprise be measured? - How can the success of the enterprise be defined?
New technologies	The introduction of new technologies may undermine social interests.	The introduction of new technologies supports economic goals.	What method of production should the enterprise choose?

Source: Authors' construction

6.3.1. Optimal size

Even though strengthening the economic leg of SEs is a condition of survival, excessive growth is not necessarily desirable as it may adversely affect social objectives (*“[the organization] doesn’t want to be big or huge, it doesn’t want to produce [on a] large-scale. Because then it wouldn’t be able to produce at such high quality. It wants to be in the middle ground. It wants to involve more disadvantaged people, but it doesn’t want to grow very big. [1]”*). Tension related to *optimal size* occurs both from the perspective of products, as these should not be seen as *“[just another] one on the shelf”* (9) and from the human perspective, as *“I don’t want a factory [...] I would like to be able to see whom I’m working with”* (6).

6.3.2. Measurability of results

Economic and social objectives cannot be measured the same way, complicating the definition of “success”. The SE expert (1) emphasized that it is important to measure social impacts, and few entrepreneurs acknowledge this approach. In contrast, one of the entrepreneurs even claimed that quantifying social results is challenging.

6.3.3. New technologies

Even though the introduction of *new technologies* can increase efficiency, this may hinder the realization of social goals (*“It’s a difficult decision, because if we shift to a technical process... it’ll have the same result, but it’s a magical thing how the ‘juice’ is flowing [how the process is presently managed], this would be left behind. On the other hand, one person would remain at work, but on the other side of the scale, we’re talking about saving a person’s labour, which doesn’t necessarily mean that fewer of us will work, but we can be more efficient on that line and energy could be reallocated to another line....”* (9).

6.4. Tensions related to organizational operation

The last main group of tensions are related to organizational operation (*Table 5*).

Table 5 – Tensions related to organizational operation

	SOCIAL INTEREST	ECONOMIC INTEREST	TENSION
Ethical operation	Operating ethically is a social goal; its impact arises in the long term.	Being ethical to an excessive degree hinders economic results in the short term.	How can the optimal degree of being ethical be defined?

Family atmosphere	Creating a family atmosphere is a social goal; its impact arises in the long term.	Being familial to an excessive degree hinders economic results in the short term.	How can the optimal degree of being familial be defined?
Democratic decision making	Democratic decision-making is a social interest.	Democratic operation slows down decision-making.	How can the management of the enterprise be organized, keeping both interests in mind?

Source: Author's construction

6.4.1. Operating ethically

Although being ethical is a social goal for SEs, being ethical to an excessive extent hinders profitability in the short term and thus conflicts with economic interests (*“And what if they spoil something? How do we reuse that material? We had a very good example of this. It wasn't a big deal. Some shellac was tipped over due to [someone's] clumsiness. This small one-litre [bottle] of shellac costs 15,000 HUF. What should I say now? That they must pay for it? We couldn't pick it up off the ground because it created a terrible mess...”* [2]).

6.4.2. Family atmosphere

Creating a family atmosphere is one of the social interests of numerous SEs; however, being familial to an excessive degree hinders financial performance in the short term. (*“We sit down at noon, and we have a half-hour lunch break with some chatting. I don't allow this to be an hour, and I don't allow it to be two hours, so we keep [to the time limit of 30 minutes]. I always tell everybody that you should keep in mind that if we're sitting here chatting, time is flying, and there's no production. So, I try to set limits.”* [2]).

6.4.3. Democratic decision making

Democratic decision-making might also be a source of tension. First, while not every member of an SE is actively engaged in managing its operations (*“It's difficult to convene a general meeting as this has ten members, and [difficult] to make decisions, as [participants] actually have no idea what's going on here – [4]”*), in many cases – particularly in the case of social cooperatives – every member has voting rights of equal weight (Szemán, 2017) (*“So when we have to make a decision on whether there will be dividends at the end of the year or not, or we generated a profit, let's say two million forints [approx. 5,200 EUR] and [when deciding] what we should do... It's really difficult, and we have very serious debates.”* [2]). Consequently, democratic decision-making slows down the decision-making process, adversely affecting economic interests. Moreover, the distribution of responsibility related to decisions might also create tension (*“I always consider it the most important thing to have a democratic operation.*

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3 *Moreover, decision-making is collective. I would also really like it if the responsibility wasn't*
4 *only mine, but the others chipped in. Well, it doesn't [happen] that they take responsibility..."*
5 *[3])*
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9 **7. Discussion – tensions in a less-developed Hungarian context**

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12 It is a quite general observation in research on SEs that balancing their dual mission is the prime
13 challenge faced by social enterprise owner-managers, leading to tensions for SEs (Kay *et al.*,
14 2016). This is true of the Hungarian context (Primecz, 2021).

15
16 Below, we reflect on our empirical results by comparing them to pre-existing
17 comprehensive models of SE tensions (Smith *et al.*, 2013; Doherty *et al.*, 2014; Mason and
18 Doherty, 2016) and other relevant international and Hungarian empirical research. As shown
19 below, our research corroborates existing empirical knowledge about the tensions that arise in
20 SEs due to their dual commitment. Moreover, it elaborates on **these** and reports on previously
21 undiscovered ones.
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28 **7.1. Tensions related to human resources**

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31 Regarding **ensuring the necessary competences**, in line with our results, Doherty *et al.* (2014)
32 emphasize that achieving a dual mission requires having a balance of staff with both
33 commercial and social sector knowledge. In relation to this, a lack of business skills and
34 competences is also identified by others as one of the main problems affecting these
35 organizations (Jenner, 2016; Smith *et al.*, 2013; Doherty *et al.*, 2014). Kiss *et al.* (2022)
36 observed that the lack of such professional expertise might be a core problem for numerous
37 Hungarian SEs, as social entrepreneurs often have mainly social-sector professional
38 backgrounds and lack business skills and knowledge. This situation is probably especially
39 characteristic of enterprising CSOs, consisting of a significant proportion of the SEs in Hungary
40 (G. Fekete *et al.*, 2021)
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48 As for the **employment of disadvantaged people**, Borzaga and Solari (2004) and
49 Sivathanu and Bhise (2013) emphasize that ensuring the adequate quality of production
50 processes and the quality assurance of products and services is challenging for SEs for such
51 reasons. Similarly, Smith *et al.* (2013) found that whether the organization employs a workforce
52 with the competencies required to achieve the social mission, workers with the skills required
53 to improve efficiency and profit-making, or disadvantaged employees, emerges as a source of
54 tension. Our results also identify such a **phenomenon** in a Hungarian context. Beyond this, Kiss
55 *et al.* (2022) observed that for SEs that target people with disabilities, hiring non-disabled
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3 people who can work together with people with disabilities is a major challenge due to the low
4 salaries and the high level of social sensitivity that is required. Dajnoki (2011) also found that
5 even though disabled employees have been proven to be more reliable, their employment is
6 limited by their reduced capacity to work and the additional cost of special employment
7 conditions, while their lower self-esteem may undermine their performance (Csillag *et al.*,
8 2018).

9
10 In Smith *et al.*'s (2013) model, tensions related to **commitment** play a significant role. First,
11 connected with tension related to the challenge of sustaining a commitment to conflicting goals
12 over time: while a preference for quantifiable metrics can lead to a focus on business objectives,
13 the passion and commitment of social entrepreneurs can lead to social mission dominance.
14 Second, in relation to 'belonging' tensions that involve issues of identity, leaders face questions
15 from employees about whether the organization is more aligned with a profit motive or social
16 mission. If leaders or members experience diverging identification with different organizational
17 goals and values, this can lead to the emergence of subgroups and internal conflict (Smith *et*
18 *al.*, 2013). Doherty *et al.* (2014) also identified different forms of commitment-related tension,
19 e.g., in relation to the individualistic orientation vs. a collectivist sense of duty and human
20 resources (as small, resource-constrained organizations, SEs are not able to pay the market rate
21 to employees; they thus rely on non-financial incentives to motivate staff [Doherty *et al.*,
22 2014]). In a Hungarian context, low salaries can definitely lead to fluctuations in the workforce,
23 as observed by Kiss *et al.* (2022).

24
25 As for **organizational composition**, Mason and Doherty (2016) revealed that producer
26 participation creates additional challenges, e.g., by complicating board meetings with
27 participants who have a low level of understanding about running a business, leading to
28 important decisions being taken outside of such meetings without producer participation. Smith
29 *et al.* (2013) revealed that social and economic missions often demand different and inconsistent
30 cultures and human resource practices and thus require different employee profiles, leading to
31 tension about who to hire and how to socialize employees.

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33 Reinforcing our results, Sivathanu and Bhise (2013) also claim that the process of
34 recruitment and **selection** causes dilemmas for SEs. As formulated by Csillag *et al.* (2018) in
35 relation to WISEs, it is also a significant issue in the selection process whether (1) a person with
36 a specific disability is sought for a job that is already designed for this purpose or (2) the aim is
37 to employ somebody who matches the organization and to adapt the job to the person later.
38 These two approaches pose different challenges, further complicating employee selection
39 decisions.

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3 As for **human resource allocation**, most researchers (e.g., Doherty *et al.*, 2014) only
4 write of resource allocation tensions in general (mainly reflecting on financial resource
5 allocation).
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8 9 **7.2. Tensions related to financial resources**

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11 **Vulnerability to subsidies** seems to be a rather general phenomenon in the Hungarian SE
12 context. G. Fekete *et al.* (2017) show that the uncertainty associated with subsidies contributes
13 to the uncertainty of operating. Raising seed capital is hindered by the anomalies of the tender
14 system, and the inflexibility of tender conditions may distort the original goals even in the
15 planning phase (Varga, 2015), especially since less marketable SEs often become dependent on
16 external funding (Primecz *et al.*, 2021; Kiss *et al.*, 2022).
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22 A significant reason for this situation may be the characteristics of demand in a
23 Hungarian context. Besides the generally smaller proportion of socially conscious consumers
24 in Hungary than in Western European countries (European Commission, 2019), other factors
25 are also important.
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29 First is Hungary's semi-peripheral position and related lack of purchasing power,
30 especially in disadvantaged regions (G. Fekete *et al.*, 2021), where SEs are often situated. Kiss
31 *et al.* (2022) found that social enterprises in rural areas have problems finding customers
32 because the latter tend to live in bigger cities and the capital, where purchasing power is greater.
33 This means that social enterprises, especially those that emerge in disadvantaged regions, face
34 severe challenges in relation to surviving on market revenues alone for structural reasons (G.
35 Fekete *et al.*, 2021). Additionally, prejudice against some vulnerable groups (especially the
36 Roma, the most stigmatized ethnic minority in Hungary) may even reduce the demand for
37 products that benefit the well-being of the Roma, including the potential demand from public
38 institutions (Kiss *et al.*, 2022).
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46 A further problem of external funding in a Hungarian context is that it is usually
47 characterised by short-term projects and significant bureaucracy (Kiss *et al.*, 2022); moreover,
48 the former is somewhat unpredictable, scarce, and not based on local needs (G. Fekete *et al.*,
49 2021). Specific characteristics of the illiberal Hungarian political environment further
50 complicate this. Quick and top-down changes in legislation contribute to unpredictability, while
51 the distribution of funding for non-profit and civil-society organisations is heavily dependent
52 on loyalty: organisations that are critical of government policies are not preferred, and those
53 supportive of the current government may have privileged access to public funding (G. Fekete
54 *et al.*, 2021). Funding might also be used by the government to “silence” dissonant voices
55 through the co-optation of potential critics (Gerő *et al.*, 2023; Málovics *et al.*, 2019). This raises
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3 interesting questions about the (in)dependence of SEs within such a context: while subsidies
4 might increase revenue and thus autonomy in the sense of economic security, they may also
5 increase the vulnerability of the NGO/CSO/SE sector in an illiberal context characterized by
6 expectations of loyalty. Additionally, this limits the opportunities for the critical political
7 interest representation of the vulnerable (e.g., *Málovics et al., 2019*).

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11 **Attracting investors** also seems to be a significant challenge in a Hungarian context.
12 Our results align with the findings of Tóth *et al.* (2011), who claim that investors tend to have
13 a risk-averse attitude. According to Varga (2015), there are no financiers or investors in the
14 Hungarian market who will waive a share of their financial benefits for the sake of making a
15 social impact. As the hybridity of social enterprises results in their lower financial returns than
16 private organizations, there is a lack of investors in SEs. Especially unlike other national
17 contexts (Doherty *et al.*, 2014), no legal forms have been established in Hungary to support
18 social enterprises to raise equity. Finally, pressure to comply with investors' demands may lead
19 to the disappearance of those social goals that are not supported by the financiers, even when
20 these were initially valuable to the organization (Primecz *et al.*, 2021).

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29 **Pricing** as a form of tension emerges in our research differently from international
30 examples. This involves how the internalization of social costs and the negative impact of this
31 on profits relates to economic costing (Doherty *et al.*, 2014). In a Hungarian context, the tension
32 in relation to pricing is related to the fact that the SEs in our sample feel that they are often not
33 able to include the full costs of production (e.g., WISEs that are working with a reduced level
34 of labour efficiency) in their prices if they want to remain competitive on the market. This again
35 shows the aforementioned lack of ethical consumers willing to pay higher prices for ethical
36 products and explains the significant role of subsidies in the Hungarian SE sector. An additional
37 concern of SEs revealed by Kiss *et al.* (2022) is the rising production costs due to the shortage
38 of employees in Hungary, as wages need to be increased continuously to attract a workforce.

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As for **financial resource allocation**, this is probably the most trivial form of tension
between the economic and the social mission. As Doherty *et al.* (2014, p. 422) formulate it,
*“[t]he pursuit of financial sustainability and social objectives requires the generation of
sufficient revenue to invest in business activities at the same time as maintaining investment in
social projects...”* and *“[t]his challenge requires SEs to craft a balance between acquiring
resources to build and maintain competitive advantage and using resources to engage with
their key stakeholder groups.”*

7.3. Tensions related to growth and success

Regarding the tension related to **optimal size**, this has also been discovered by other scholars in other contexts. Smith *et al.* (2013) emphasize that SEs, on the one hand, want to expand to increase their social impact. However, on the other hand, they are aware that growth can threaten the social mission, as specific characteristics (e.g., local ties, communal trust-building, the imprinting of the founder's values and morals) might diminish with size – too much growth potentially leading to mission drift. Other studies (Siegner *et al.*, 2018; Zhao and Han, 2020) have analysed in-depth challenges related to the growth of SEs in different regional contexts. Even though the SEs in our sample are much smaller than the cases mentioned above, it is clear that striving for growth is not an issue/goal that can occur without self-reflection for SEs as it potentially impacts the social mission.

Research in other contexts also identifies challenges related to the **measurability of results**. The issue here seems to be at least twofold: first, economic results can be objectively measured, while this is not always the case with social impacts (Jenner, 2006); second, economic results arise in the short term and social impacts in the long term (Bosma *et al.*, 2016). Smith *et al.* (2013) also acknowledge the existence of such a source of tension: measuring social mission success is extremely challenging, especially since this often requires a long time horizon. However, this is not a unique situation that is only characteristic to the SE sector; the social impact measurement of micro-level initiatives is a challenging issue in general – see, e.g., Farnell and Šćukanec (2018) for the case of universities.

According to our knowledge, empirical research has not yet identified tension for SEs in relation to **new technologies**. However, this topic might be relevant to SEs that take a critical view of technological change's social and environmental impacts (as frequently occurs in technology and sustainability studies; see, e.g. Hopwood *et al.*, [2005]). An investigation of, e.g., degrowth enterprises (see e.g., Wells, 2018) may lead to a better understanding of such tensions.

7.4. Tensions related to organizational operations

Operating ethically comes at a cost, whether this concerns employees (as revealed by our research) or ethical behaviour in supply chains (e.g., fair-trade enterprises which pay the Fairtrade-stipulated minimum price to suppliers, even when this is above the market price [Doherty *et al.*, 2014]). Indeed, a significant critique concerning the (lack of) meaningful positive social and sustainability impacts of conventional (strategic) corporate social responsibility (CSR) is that when following a win-win approach, ethical firm behaviour is

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3 appraised as an inferior goal to profitability (see, e.g., Kallio, 2007; Schaltegger and Burrit,
4 2005). This indicates the importance of research on socioeconomic environments where ethical
5 behaviour has a low cost (i.e., where the socioeconomic environment allows for the strongly
6 ethical operation of SEs and other companies).
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10 Tensions related to the **family atmosphere** are also absent from empirical research on
11 SEs. However, in a Hungarian context, a family atmosphere is documented to be a general
12 characteristic of numerous SMEs in general (Málovics, 2011).
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15 Finally, even though **democratic (participatory) decision-making** is a normatively
16 expected feature of SEs (European Commission, 2019), it is associated with significant
17 challenges and tensions according to our results and those of others. Social entrepreneurs often
18 feel that both social and business goals may be more immediately served through hierarchical
19 decision-making structures (Gleerup *et al.*, 2019). Similar arguments can be found against
20 public participation in the literature on participatory decision-making (Bajmócy and Gébert,
21 2014), even though, according to most scholars, the advantages of participatory democratic
22 decision-making clearly outweigh the costs. Still, democratic decision-making seems to be an
23 extreme challenge for organizations competing in the market – small wonder that, according to
24 G. Fekete *et al.* (2021), such decision-making is not at all characteristic of Hungarian social
25 start-ups.
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34 35 **8. Conclusions**

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37 The study explores the tensions resulting from the dual commitment of SEs. Our research can
38 be considered gap-filling in terms of the Hungarian context, especially in relation to less well-
39 off regions, as no structured inquiries have addressed this topic in this area, while it also
40 contributes to wider debates around understanding the tensions in social enterprises, beyond
41 Hungary.
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46 Based on our qualitative research, we identified four main groups of tensions (tensions
47 related to human resources; financial resources; growth and success; and organizational
48 operations), which we divided into 15 subgroups (*Table 6*). As we showed in the discussion
49 section, our results align with international and Hungarian research findings. In this regard,
50 Hungarian SEs encounter similar tensions to non-Hungarian ones. Furthermore, some of the
51 tensions revealed by the literature on SEs and our research are not SE-specific in the sense that
52 they are observable on a more general level and in the scientific literature. Examples of such
53 “general” (non-SE specific) tensions are difficulties with the social impact measurement of
54 social-change-orientated micro-level initiatives (Farnell and Šćukanec, 2018) in general and
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participatory democratic decision-making on both the micro- and macro levels (Bajmócy and Gébert, 2014).

Table 6. Summary of identified tensions and associated challenges – a comparative overview

EXPLORED TENSIONS		CHALLENGES AS ROOTS OF TENSIONS	SIMILAR RESULTS IN INTERNATIONAL LITERATURE
Human resources	Ensuring necessary competences	SEs are characterized by a lack of business competences (Jenner, 2016; G. Fekete <i>et al.</i> , 2021., Kiss <i>et al.</i> , 2022)	Tensions related to ensuring necessary competences (Smith <i>et al.</i> , 2013) Tensions related to human resources (Doherty <i>et al.</i> , 2014).
	Employment of disadvantaged people	Limitations on the employment of disabled people on a broader scale (Dajnoki, 2011) Ensuring adequate quality is difficult when employing disadvantaged people (Borzaga and Solari, 2004; Sivathanu and Bhise, 2013) Employment of disadvantaged people poses a challenge for management (Kiss <i>et al.</i> , 2022; Csillag <i>et al.</i> , 2018)	Tensions related to organizing (Smith <i>et al.</i> , 2013)
	Commitment	Many SEs are characterized by the dominance of social interests compared to economic ones (G. Fekete <i>et al.</i> , 2021) Employee retention, ensuring competitive salaries, and managing the specificities of voluntary work (Jenner, 2006; Kiss <i>et al.</i> , 2022)	Tensions related to commitment (Smith <i>et al.</i> , 2013) Tensions related to mission (Doherty <i>et al.</i> , 2014) Tensions related to human resources (Doherty <i>et al.</i> , 2014) Tensions related to finding the balance between social and business benefits (Mason and Doherty, 2016)
	Organizational composition	Excessive weight awarded to opinions of those affected among employees may hinder governance (Dajnoki, 2011)	Tensions caused by producer involvement (Mason & Doherty, 2016) Tensions related to organizational issues (Smith <i>et al.</i> , 2013)
	Selection	Recruitment and selection pose a challenge for SEs (Sivathanu and Bhise, 2013; Csillag <i>et al.</i> , 2018)	Tensions related to human resources (Doherty <i>et al.</i> , 2014)
	Resource allocation		Tensions related to resources (Doherty <i>et al.</i> , 2014) Tensions related to competition for resources (Mason and Doherty, 2016)
Financial resources	Vulnerability to subsidies	Lack of purchasing power in the less well-developed parts (in a semi-peripheric country) Lack of socially conscious consumers and presence of hostile consumers (for SEs that support stigmatized groups) Uncertainty of subsidies, anomalies in tendering systems, and excessive dependence on external tenders increase	-

		uncertainty of operation (G. Fekete <i>et al.</i> , 2021; Kiss <i>et al.</i> , 2022; Varga, 2015) Funding policies of illiberal regimes (G. Fekete <i>et al.</i> , 2021) Dependency vs. independence	
	Attracting investors	Risk-averse attitude of investors (Tóth <i>et al.</i> , 2011; Varga, 2015) Investor expectations lead to mission drift (Primecz <i>et al.</i> , 2021)	-
	Pricing	Full costing leads to ideal price greater than market price	Social costing vs. profits (Doherty <i>et al.</i> , 2014)
	Resource allocation	SEs are characterized by a shortage of resources in general	Tension related to financial resources (Doherty <i>et al.</i> , 2014) Tension related to competition for resources (Mason and Doherty, 2016)
Growth and success	Optimal size	Too much growth might lead to mission drift	Tension between growth and mission drift (Smith <i>et al.</i> , 2013). Growth and conflict between social missions (Siegnier <i>et al.</i> , 2018; Hao and Zan, 2020).
	Measurability of results	Difficulty measuring social results (Jenner, 2006) Economic results arise in the short term, and social impacts in the long term (Bosma <i>et al.</i> , 2016)	Tension related to performance (Smith <i>et al.</i> , 2013) Tension related to finding the balance between social and business benefits (Mason and Doherty, 2016)
	New technologies	Applying new technologies might have contradictory social impacts	-
Organizational operation	Ethical operation	Operating ethically is costly (Doherty <i>et al.</i> , 2014).	
	Family atmosphere	SEs focus on the social well-being of employees, as reflected in how the organization is governed, which is associated with potential costs	-
	Democratic decision making	Democratic decision-making should be a characteristic of SEs (normative requirement) (Defourny and Nyssens, 2010).	Tension related to democratic (participatory) decision-making (Gleerup <i>et al.</i> , 2019).

Source: Authors' construction

Our results reinforce those of Amin *et al.* (2002) in relation to the significant role locality (local circumstances) plays in the life of SEs, especially in economically disadvantaged environments (regions). As Amin *et al.* (2002) show, SEs that work on a very small scale are strongly affected by local markets – in disadvantaged regions, the limited local disposable income limits economic opportunities for SEs. Similarly, in the context of less developed Hungarian regions, achieving financial sustainability based on market revenue is an extreme challenge for SEs for structural reasons (lack of purchasing power in a semi-peripheral economic context). This

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3 situation is further complicated for SEs as growth and “delocalization” (Amin et al., 2002) often
4 lead to mission drift (as both revealed by our research and the literature).
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6 In addition to the general lack of purchasing power, the SE environment in a Hungarian
7 context is also characterized by political- (an illiberal political environment characterized by
8 state withdrawal and loyalty-based redistribution) and legal- (no definition or specific
9 organizational form for SEs) hardships complicated by specific sectoral characteristics (SEs are
10 usually young organizations that often grow out of civic/social initiatives and thus lack business
11 skills). All this results in additional vulnerability to subsidies and difficulty attracting investors.
12 Beyond this, even though our sample size is limited, we can still assume that having a family
13 atmosphere is of significant value (and potentially a source of tension) to numerous SEs,
14 **similarly to the** Hungarian SME sector (Málovics, 2011).
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17 The presence of a wide range of complex and interrelated sources of tension means that
18 it is very challenging for SEs to achieve their social mission – i.e., to contribute to structural
19 social change that supports the principles of social justice and sustainability (see also Primecz
20 *et al.*, 2021) while also being self-sustaining financially, especially in an illiberal political
21 environment that prefers (and uses redistribution for) co-optation instead of support. Therefore,
22 an important research theme for the future would be identifying the policy options that shape
23 the socioeconomic environment for SEs that would allow them to contribute to their social goals
24 while diminishing sources of tension (and supporting their financial sustainability), which
25 presently consume a determining part of their energy. Creating such an environment would
26 clearly support the SE sector as an engine of structural change for social justice and
27 sustainability. However, creating such an environment might be part of a political project
28 (including for the SEs themselves). For example, Amin et al. (2002) show that SE sector success
29 might be the result of SEs transforming the local political climate by taking a strong political
30 role and changing the relationship between local people and the state – a process that presently
31 does not happen in a Hungarian context (Primecz, 2021).
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34 Furthermore, if the SE sector aims to meaningfully support the sustainability transition,
35 tensions related to **(new) technologies** should be understood in more detail – such as the role
36 technology is playing in sustainability transitions (Hopwood *et al.*, 2005) and what this means
37 for the technological choices/options of SEs.
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40 Finally, it is important to note that the present research was carried out before the
41 COVID-19 pandemic and does not address its impact on the sector. While the pandemic might
42 have created social enterprises (scarce funding opportunities may motivate non-profits to
43 engage in commercial activities [Weaver, 2020] and new, e.g. local [Bacq and Lumpkin, 2021;
44 Loukopoulos and Papadimitriou, 2022] or digital [Loukopoulos and Papadimitriou, 2022]
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3 markets could have emerged/grown, while conventional enterprises may have seen
4 opportunities in addressing public needs that arose during the pandemic and become more
5 socially driven [Bacq and Lumpkin, 2021; Zahra, 2021]), the pandemic might also have led to
6 SE closures because of the multiple challenges it presented to all businesses, including those
7 outside the SE sector (Weaver, 2020). We also know from the literature that the pandemic might
8 have increased tensions and even led to mission drift (Bacq and Lumpkin, 2021; Weaver, 2020)
9 or greater mission agility (e.g., SEs maintained their social missions but temporarily focused
10 on economic goals to keep the organizations alive in uncertain times [Bacq and Lumpkin, 2021;
11 Kamaludin *et al.*, 2022; Weaver, 2020]).

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How these processes have influenced tensions in Hungarian SEs has not been structurally examined. Still, we can assume that the lack of SE-specific compensation schemes, shrinking and illiberally (loyalty-based) distributed governmental spending, together with declining real wages (thus the purchasing power of consumers), followed by the drastic rise in energy prices because of the Russian aggression in Ukraine represent additional challenges for SEs in Hungary – as shown by the examples that reach the Hungarian public through local/national media.¹

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¹ A well-documented example for such hardships is the example of the Symbiosis Foundation’s (<https://spheranetwork.com/videos/hungary-a-social-farm-run-by-foundations-is-in-trouble/>).

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3 **Article Submitted to *Social Enterprise Journal*:**
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5 SEJ-04-2023-0052.R3, Tensions rooted in the dual commitment of social enterprises operating
6 in a less developed region of Hungary
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8 **Dear Prof Michael Roy, dear Editors,**
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12 Thank you for your work with our paper and supportive attitude during the whole process. We
13 carried out one more round of close editing that focused most off all on
14 addressing any repetitions, as suggested by the both the Reviewer and the Associate Editor.
15 Beside, we also corrected previously anonymized citations as the paper will not be sent back to
16 reviewers at this stage. We **marked changes by red letters in the revised text.**
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22 Thank you once again for your work with our paper.
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26 Sincerely,

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28 Janka Tóth, Máté Repisky and György Málovics
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