

*NAGY SZABOLCS***CONSUMER BEHAVIOR IN RELATION TO SOCIAL ENTERPRISES AND ORGANIZATIONS
IMPLEMENTING SOCIAL INNOVATION**

This paper examines the growing role of social enterprises, which prioritize both social and environmental goals alongside profit. Despite the increasing prominence of social enterprises, the factors influencing consumer behavior towards them are under-researched. This paper seeks to fill that gap by reviewing the literature on consumer behavior and social enterprises, focusing on the role of social innovation. Through a systematic literature review, it identifies key factors influencing consumer engagement, including ethical concerns, perceived social impact, trust, and transparency. This study contributes to the growing body of literature on social innovation and consumer behavior, offering insights for both academics and practitioners seeking to enhance the relationship between consumers and socially innovative organizations.

Keywords: social enterprises, social innovation, consumer behavior

*НАГІ САБОЛЬЧ***ПОВЕДІНКА СПОЖИВАЧІВ ЩОДО СОЦІАЛЬНИХ ПІДПРИЄМСТВ ТА ОРГАНІЗАЦІЙ, ЩО
ВПРОВАДЖУЮТЬ СОЦІАЛЬНІ ІННОВАЦІЇ**

У статті досліджується зростаюча роль соціальних підприємств, які надають перевагу не тільки прибутку, але й соціальним, і екологічним цілям. Незважаючи на зростаючу популярність соціальних підприємств, фактори, що впливають на поведінку споживачів щодо них, недостатньо досліджені. Ця стаття намагається заповнити цю прогалину шляхом огляду літератури про поведінку споживачів і соціальні підприємства, зосереджуючись на ролі соціальних інновацій. Завдяки систематичному огляду літератури він визначає ключові фактори, що впливають на залучення споживачів, включаючи етичні проблеми, сприйнятий соціальний вплив, довіру та прозорість. Це дослідження сприяє зростанню обсягу літератури про соціальні інновації та поведінку споживачів, пропонуючи ідеї як для науковців, так і для практиків, які прагнуть покращити відносини між споживачами та соціально інноваційними організаціями.

Ключові слова: соціальні підприємства, соціальні інновації, поведінка споживачів

Introduction. The growing prominence of social enterprises and social innovation represents a significant shift in how businesses operate and address societal challenges (Dees et al., 2001; Nicholls, 2006). As consumers increasingly seek out products and services that align with their ethical values, businesses are under pressure to adopt sustainable practices and demonstrate their social impact (Santos, 2012). Social enterprises, defined as businesses that prioritize social and environmental goals alongside profit, have emerged as key players in this movement (Smith, Gonin, & Besharov, 2013). They have critical role in addressing societal challenges through innovative business models. These organizations operate at the intersection of profit-making and social impact.

However, the factors influencing consumer behavior toward these organizations remain underexplored. Understanding the motivations behind consumer engagement with social enterprises and the role of social innovation in shaping these behaviors is essential for both academic inquiry and practical application (Austin, Stevenson, & Wei-Skillern, 2006).

While prior research has established the importance of ethical consumption and corporate social responsibility (CSR), there remains a gap in understanding the specific behaviors and motivations of consumers who engage with social enterprises. This paper aims to address this gap by conducting a review of existing literature on consumer behavior and social enterprises.

The main objectives of this paper are to review the current literature on consumer behavior in relation to social enterprises and social innovation and identify key factors influencing consumer engagement with social enterprises, also provide insights for social enterprises on how to better align their strategies with consumer expectations.

The purpose of this paper is to examine consumer behavior in relation to social enterprises and to understand how social innovation within these enterprises influences purchasing decisions. This exploration aims to provide a comprehensive understanding of the factors that encourage consumer engagement with socially innovative organizations.

Literature review. Social enterprises are unique in that they operate with a dual mission: to generate profit while addressing social or environmental challenges. This hybrid model sets them apart from traditional businesses (Alter, 2007). Social enterprises are organizations designed to address social problems while maintaining financial sustainability (Santos, 2012).

While definitions of social enterprise differ globally, the Social Enterprise World Forum identifies five core characteristics that are consistently shared across these interpretations. These characteristics, adopted by the People and Planet First verification system, include: (1) the primary aim of social enterprises is to address social and/or environmental challenges; (2) they prioritize social purpose over profit in both their operations and strategic decisions; (3) they generate a portion of their income through trading activities; (4) the majority of their surplus is reinvested towards achieving their mission; and (5) they select legal structures and financing models that safeguard their social purpose over the long term (World Economic Forum, 2024).

The literature identifies several types of social enterprises, ranging from cooperatives to businesses that prioritize fair trade, environmental sustainability, or community development (Doherty, Haugh, & Lyon, 2014).

Non-Profit organizations with Income-Generating Activities are primarily non-profit but engage in commercial activities to support their social missions.

Revenue generated through these activities is reinvested into the organization to further its social goals (e.g. a charity that runs a thrift store to fund its community programs) (Alter, 2007).

Cooperatives are businesses owned and operated by their members (Birchall and Ketilson, 2009). They aim to benefit their members (e.g., farmers, workers) and the community rather than maximize profits for outside shareholders (e.g. worker cooperatives, credit unions, and consumer cooperatives).

Social businesses operate like traditional for-profit businesses but prioritize social objectives over profit distribution to shareholders. Profits are reinvested into the business to scale up social impact or expand their offerings, rather than being distributed to investors (Yunus, 2010)

A *Community Interest Company (CIC)* is a specific type of legal structure, particularly in the UK, designed for social enterprises. CICs are for-profit companies that reinvest their profits into the community or social projects. They are regulated to ensure that their assets and profits are used for the public good (Mason, 2020)

Hybrid social enterprises combine aspects of both for-profit and non-profit organizations. They may have a non-profit arm to handle donations and grants while also running a for-profit entity to generate revenue through market-based activities. This model allows them to access a variety of funding streams (Battilana and Lee, 2014).

Fair Trade Organizations focus on ensuring fair wages and working conditions for marginalized producers in developing countries. Fair trade organizations often operate as a blend of non-profit and for-profit, selling products while guaranteeing fair trade practices along the supply chain (Nicholls and Opal, 2005).

Microfinance institutions (MFIs) provide financial services, such as small loans, savings accounts, and insurance, to individuals who do not have access to traditional banking. MFIs aim to reduce poverty by helping low-income individuals start or grow small businesses (Armendáriz and Morduch, 2010).

Public Sector Social Enterprises are government-initiated social enterprises that operate as autonomous entities but are owned or funded by the public sector. They focus on delivering public services with social impact goals, such as health, education, or employment services (Bovaird, 2006).

According to the latest report published by the World Economic Forum (2024), there are an estimated 10 million social enterprises, generating approximately \$2 trillion in annual revenue and creating nearly 200 million jobs globally. Social enterprise accounts for around 2% of global GDP and 3% of all businesses. India, China and the United States have the most social enterprises with, respectively, an estimated 2 million, 1.75 million and 1.3 million entities. Notably, social enterprises play a significant role in addressing gender inequality, with women leading one in two social enterprises worldwide, compared to only one in five conventional businesses. Although typically established to address local needs, social enterprises operate across diverse geographical regions and span multiple industries, including agriculture, information technology (IT), healthcare, and

financial services. They contribute significantly to the United Nations Sustainable Development Goals (SDGs), particularly those related to health, education, climate action, and employment, thereby reducing poverty and inequality. However, social enterprises face common challenges, such as limited public awareness, inadequate legal frameworks, and restricted access to finance. Many stakeholders, including consumers, investors, and policymakers, often lack a comprehensive understanding of the dual commitment that social enterprises maintain to both social impact and financial performance. This limited awareness can hinder their ability to fully appreciate the distinct value proposition and operational model of such enterprises (World Economic Forum, 2024).

Consumer behavior research has long examined how ethical concerns influence purchasing decisions (Carrington, Neville, & Whitwell, 2010). Ethical consumerism has been growing in prominence as consumers increasingly seek to align their consumption with personal values (Carrigan & Attalla, 2001). Research shows that ethical consumption plays a significant role in how consumers engage with social enterprises (Nicholls & Opal, 2005). A firm that actively engages in corporate social responsibility (CSR) initiatives can benefit from fostering trust and commitment in its customer relationships. These strengthened relationships subsequently encourage favorable customer behaviors, contributing to long-term business success. (Lacey & Kennett-Hensel, 2010). Consumers who engage in ethical consumption are motivated by a variety of factors, including personal values, social norms, and a desire to contribute to societal well-being (Harrison, Newholm, & Shaw, 2005). However, the degree to which these factors influence consumer behavior toward social enterprises remains a topic of debate.

Social innovation refers to the development of new ideas, products, or services that address social problems in innovative ways (Mulgan, Tucker, Ali, & Sanders, 2007). It includes novel strategies, concepts, or products that meet social needs more effectively (Mulgan, 2007).

Social innovation is central to the mission of social enterprises, as it provides a mechanism for achieving social impact. Consumers may be more likely to engage with organizations that demonstrate a clear commitment to innovation and social change (Phills, Deiglmeier, & Miller, 2008).

Macca et al. (2024) conducted a study examining the influence of corporate social responsibility (CSR) communication on consumer engagement by analysing social media activity of the top 15 European banks. The study specifically assessed the impact of various CSR dimensions, finding that content related to employee support and diversity significantly increased consumer engagement compared to non-CSR-related content. In contrast, other CSR dimensions, such as environmental responsibility, community support, and product-related initiatives, either negatively affected engagement or showed no statistically significant difference when compared to non-CSR content.

There are three main factors influence consumer behavior toward social enterprises:

1. **Ethical Concerns:** Consumers who prioritize ethical consumption are drawn to businesses that align with their values (Auger, Devinney, & Louviere, 2007).

2. **Perceived Social Impact:** Consumers are more likely to support organizations that can demonstrate tangible social or environmental outcomes (Ellen, Webb, & Mohr, 2006).

3. **Trust and Transparency:** Trust is a critical factor in consumer engagement, particularly for social enterprises, which rely on transparency to demonstrate their social mission (Kand, & Hustvedt, 2013).

Despite the growing body of literature on social enterprises, there is limited research that specifically examines the behavior of consumers in relation to these organizations. This paper seeks to fill this gap by conducting a systematic review of the literature on consumer behavior and social enterprises.

Methodology. This study utilizes a systematic literature review (SLR) methodology to identify and synthesize relevant research on consumer behavior in relation to social enterprises and social innovation. A systematic literature review involves a structured approach to searching, analyzing, and reporting on existing studies to ensure comprehensive and unbiased coverage of the topic (Budgen & Brereton, 2006).

A comprehensive search was conducted using academic databases such as Scopus, Web of Science, and Google Scholar. The search terms included "consumer behavior," "social enterprises," "social innovation," "ethical consumption," and "sustainable business."

Articles were selected based on relevance to the topics of social innovation, consumer behavior in relation to social enterprises and ethical consumption. Peer-reviewed journal articles published between 2000 and 2024 were reviewed to ensure a broad yet contemporary view of the field. Articles and papers did not focus the relevant topic and did not contain at least one of the keyword, and non-peer-reviewed articles were also excluded.

The selected articles were analyzed using a thematic analysis approach. Key themes were identified, such as social enterprises, ethical motivations, trust, perceived social impact, and the role of social innovation in shaping consumer behavior. A total of 24 peer-reviewed articles met the inclusion criteria for this review.

Presentation of the main research material. Salido-Andres et al. (2022) conducted a systematic review to examine the relationship between social enterprises (SEs) and sustainable consumption. They introduced an integrative conceptual framework that links antecedents, individual determinants of sustainable consumer behavior, and valued product attributes from the perspective of SE customers. The framework highlights key factors at the customer level, including perceptions of contribution to the common good, satisfaction of personal needs, SE effectiveness, social responsibility, and credibility. Additionally, it encompasses elements such as product quality, brand identification, customer attitude-intention-behavior, perceived product risk, information saturation, and distrust of product quality.

Becchetti & Rosati (2007) investigated the behavior and motivations of nearly 1,000 consumers purchasing fair trade goods, which had socially responsible

characteristics and carry a price premium compared to non fair trade alternatives. They revealed that fair trade products have an income elasticity below one, and demand is negatively correlated with geographic distance from the nearest shop, but positively correlated with age and awareness of social responsible characteristics. Awareness of social responsible criteria is influenced by factors such as consumption habits and membership in volunteer associations, which indirectly drive consumption through increased awareness. Additionally, consumers' willingness to pay more for the social responsible features of fair trade products is positively linked to their awareness of socially responsible criteria.

Harsanto et al., (2022) systematically reviewed sustainability-oriented innovation practices in social enterprises. Sustainability-oriented innovation in social enterprises is more dominantly practiced in the form of social innovation rather than environmental innovation, which is in contrast to the trend in commercial organizations. Sustainability-oriented innovation in social enterprises is more widely practiced in the form of process and organizational innovation rather than product innovation, which is similar to the trend in commercial organizations. The study also identified several challenges encountered by social enterprises in developing sustainability-oriented innovations, including insufficient access to long-term funding, low entry barriers for potential competitors, and operational inefficiencies. These obstacles hinder the ability of social enterprises to effectively scale and sustain their innovative efforts.

Dionisio & De Vargas (2020) examined the concept of corporate social innovation, which allows companies to help solve social problems through innovative strategies while reaching economic results. They found that new paradigms of corporate social innovation could reinvent institutions and open up new possibilities for businesses to solve social problems. They highlighted the importance of further institutionalizing corporate social innovation to consolidate its impact, particularly in light of growing stakeholder demands from customers, employees, and civil society. Institutional changes are necessary to influence and facilitate the diffusion of innovative business practices across corporations. The findings suggest that corporate social innovation can significantly enhance relationships between businesses, stakeholders, society, and communities.

Phillips et al., (2015) provided a systematic review of research linking social innovation with social entrepreneurship. They found a growing interest in research linking social innovation and social entrepreneurship, with a focus on the role of entrepreneurs, networks, systems, institutions, and cross-sectoral partnerships. The authors synthesized the existing research into an analytical framework that takes a "systems of innovation" approach to studying social innovation and social entrepreneurship. The also suggested that interactive and collective learning is essential for the successful pursuit of social innovations, as highlighted by the systems of innovation approach. This framework also emphasizes the importance of institutional context, noting that institutions can either hinder or support social innovation processes. For social

innovations to achieve their societal benefits, institutions must co-evolve alongside them. They identified a growing focus on networks and the need to better understand the types of networks and activities required for successful innovation. From a policy perspective, networks are critical in supporting social innovation, yet there is insufficient evidence to guide government efforts in facilitating effective networks.

Grilo & Moreira (2022) investigated the conceptual connection between social innovation and social entrepreneurship, and the role of the 'social' in this relationship. As a result of a systematic literature review, they found that the connection between social innovation and social entrepreneurship is in its early, "take-off" phase, but the field is still fragmented with a lack of consensus. The current literature reveals significant gaps in fostering the social, political, and environmental conditions needed to promote social entrepreneurship and innovation. There remains a lack of clarity around the concept of the common good and how to generate social value or address societal needs effectively. The relationship between social entrepreneurship and social innovation is still not fully understood, particularly in terms of how "social" is defined within their outcomes. Furthermore, both concepts suffer from fragmented and inconsistent definitions, leading to a lack of integrative frameworks.

Tsai et al. (2020) conducted an analysis on how consumer behavior and purchase intentions are influenced by the dual social and business goals of social enterprises, as well as the role of reference groups in this context. The study revealed that consumers' intentions to purchase social enterprise products and services are primarily shaped by perceived behavioral control and their attitudes toward these offerings. Additionally, reference groups, such as family, friends, and peers, play a significant role in shaping consumers' purchasing decisions. The findings suggest that social enterprises can enhance consumer engagement and purchase intentions by emphasizing the social impact and goodwill associated with their products and services, while also improving transparency in their operations to build consumer trust. As a result, social enterprises are recommended to: (1) highlight the social impact and service philosophy of their products, (2) enhance operational transparency to boost consumer confidence, and (3) leverage word-of-mouth marketing while exercising caution in selecting brand ambassadors, particularly celebrities, for advertising and promotional efforts.

In a paper investigating which sustainable development goals are addressed by social innovations and who the innovators are that develop and implement them Eichler & Schwarz (2019) revealed that most social innovation case studies address issues related to improving health and well-being. Additionally, the research highlights a distinct difference in the focus of social innovations between developed and developing countries. In developed nations, SDGs such as "Partnerships for the Goals" and "Sustainable Cities and Communities" are more prominent, while in developing countries, SDGs like "No Poverty," "Affordable and Clean Energy," and "Clean Water and Sanitation" are prioritized. Furthermore, the study identified five main

categories of innovators responsible for social innovation: social entrepreneurs, NGOs and non-profits, public institutions, civil society, and firms/social enterprises.

A recent study by Kailai and Bustami (2024) explored the relationship between corporate social responsibility (CSR) and consumer behavior, revealing that CSR has a significant impact on consumer decision-making, trust, and purchasing behavior. The findings suggest that consumers assess CSR initiatives by evaluating how closely they align with their own values, considering both core and peripheral aspects of CSR. Additionally, the study emphasizes that effective CSR communication—marked by transparency, relevance, and accuracy—is crucial in fostering customer trust and enhancing a company's reputation.

Lee et al. (2024) found that consumer intention to purchase social enterprise products is positively correlated with actual purchasing behavior, particularly among individuals with progressive political ideologies and higher household incomes. Their study highlights a significant relationship between consumers' purchase intentions and their actual behaviors when it comes to social enterprise products or services. This relationship is notably stronger for consumers who exhibit progressive political values and those within higher income brackets.

Ferdousi (2017) found that consumers' purchasing decisions for social enterprise products are more significantly influenced by the availability of product information and rational factors, such as pricing and accessibility, rather than by their prior knowledge or ethical perceptions. This suggests that consumers prioritize tangible product attributes over ethical considerations when making purchasing choices. To enhance consumer engagement, social enterprises should focus on providing detailed information about their social and environmental missions, while maintaining high product quality and ethical standards, in order to build a trusted and reputable brand.

João-Roland and Granados (2020) demonstrate that collaborative, user-centered approaches and a participatory organizational culture positively influence social innovation performance within social enterprises. Their findings highlight that cooperation with community members, beneficiaries, and universities significantly enhances social innovation outcomes. Additionally, developing solutions rooted in the community's needs fosters better social innovation performance. Social enterprises benefit from employing design thinking methodologies and encouraging intrapreneurship—entrepreneurial behavior exhibited by employees within the organization. For effective social innovation strategies, social enterprises must identify social needs through empathetic engagement, co-create solutions with stakeholders, and develop initiatives that create, transform, and sustain value. These efforts are supported by four key pillars: community engagement, cooperation, user-centered approaches, and intrapreneurship.

In their study on the role of stakeholder relationships in the social innovation process, Phillips et al. (2019) examined the ideation and implementation stages within social enterprises. The research revealed that while social enterprises effectively engage stakeholders during the

ideation phase of social innovation, they often fail to capitalize on stakeholder knowledge and expertise during the crucial implementation phase. To address this gap, the authors proposed a social innovation-stakeholder relationship matrix, aimed at guiding social enterprises in developing and maintaining stakeholder partnerships to better achieve their social innovation objectives. This matrix serves as a strategic tool for leveraging stakeholder relationships throughout the entire innovation process.

Ravi et al. (2022) analyzed consumer purchase intentions toward social enterprise products, revealing that emotional value serves as a mediating factor between attitude, subjective norms, and purchase intention. Their findings indicate that consumers' attitudes directly influence their intention to purchase social enterprise products, while subjective norms exert an indirect effect through the mediation of emotional value. Notably, perceived behavioral control was found to have no significant impact on consumers' purchase intentions in this context. This study highlights the importance of emotional value in shaping consumer behavior towards socially-driven enterprises.

Mirić et al. (2018) examine the factors that drive innovation within social enterprises, focusing on individual, organizational, and environmental influences. Their study highlights that social enterprises are motivated to innovate by a combination of internal factors, such as leadership and organizational culture, and external factors, including market conditions and policy environments. Access to both internal and external financial resources is critical in determining the extent of innovative activities within these enterprises. The researchers underscore the pivotal role that innovation plays in enabling social enterprises to effectively address broader societal challenges through social entrepreneurship.

Omarov (2020) posits that social entrepreneurship provides a platform for the self-organization of citizens in selecting the social services they require. The development and evolution of social entrepreneurship differ across nations, shaped by both the existing institutional frameworks and historical contexts. The European and U.S. models of social entrepreneurship have been introduced in developing regions, particularly in Latin America and Africa, with the support of international organizations and foundations, fostering localized adaptations of this approach to social service provision.

Chen et al. (2020) employed structural equation modeling on a sample of 381 customers of Chinese social enterprises (SEs) to investigate the influence of customer socialization strategies on customer behavior, with a focus on organizational legitimacy from the customer's perspective. The study revealed that customer socialization initiatives help social enterprises establish organizational legitimacy, which in turn positively influences customer behavior. Specifically, different socialization strategies enhance various forms of legitimacy—relational, market, and social. These forms of legitimacy subsequently drive both in-role behaviors such as repeat purchases and extra-role behaviors including referrals, feedback, and forgiveness. Furthermore, the

research indicates that relational and market legitimacy may be prerequisites for achieving social legitimacy, as the three types are "highly accumulative" in nature.

Venugopal and Viswanathan (2019), utilizing a qualitative, ethnographic approach and data from 19 social enterprises, developed a four-stage process model for implementing social innovation in subsistence marketplaces. Their findings emphasize that for social enterprises to effectively introduce social innovations in these contexts, they must facilitate institutional change within local communities. The model comprises four stages: (1) gaining legitimacy within the community, (2) disrupting elements of the existing institutional environment, (3) assisting in re-envisioning institutional norms and practices, and (4) providing the necessary resources for the institutional change process. These stages address critical community concerns, including the rationale for allowing external involvement, the need for change, the aspects of the institutional environment that should be altered or maintained, and the community's role in driving the change. The study highlights a participatory approach, underscoring the importance of collaboration between social enterprises and local communities to create the institutional conditions necessary for social innovation.

Pitta and Howard Kucher (2009), through a case study approach, demonstrated that social enterprises can achieve success in their social missions by leveraging product innovation and management practices. They highlighted that non-profit organizations often fail to fully appreciate or integrate business principles, which can hinder their effectiveness. By incorporating business practices, non-profits can evolve into "social enterprises," a distinct organizational model. These social enterprises employ profit-generating activities to fund their charitable objectives, thereby functioning as "for-benefit" organizations that blend commercial success with social impact.

Choi and Kim (2013), utilizing Structural Equation Modeling (SEM) on a sample of Korean consumers of social enterprises, examined the impact of perceived quality and value of social enterprise products on customer satisfaction and repurchase intention. Their findings revealed that consumer perceptions of quality, along with functional, emotional, and social value, positively influence customer satisfaction. Additionally, the perception of these values—functional, emotional, and social—has a significant positive effect on both customer satisfaction and the intention to repurchase social enterprise products and services. The study underscores the importance of perceived value in driving customer loyalty within the social enterprise sector.

The implementation of social innovation not only enhances the effectiveness of the social enterprise but also improves consumer loyalty. Consumers are more inclined to support social enterprises that are perceived as transparent and socially innovative, as these values resonate with their ethical concerns. Therefore, social innovation enhances the perceived social value of an enterprise, leading to increased consumer engagement (Yunus et al., 2010).

João-Roland & Granados (2020) identified the key drivers of social innovation (SI) in social enterprises, highlighting contextual, organizational, and managerial factors. The SI process is divided into four stages: mapping and development, consolidation, scaling up, and evaluation. The drivers of SI are categorized into three primary factors: contextual (policy support, community participation, local relevance), organizational (business model, partnerships, organizational culture, knowledge management), and managerial (entrepreneur characteristics, management practices). Among these, organizational and managerial factors are particularly significant, with business models, partnerships, organizational culture, and management practices that promote teamwork and participation playing a critical role in driving social innovation.

According to Choi (2021) social enterprises should prioritize marketing strategies that emphasize their distinct social responsibility and employee welfare, distinguishing them from traditional commercial enterprises to enhance their corporate image. Social enterprises should focus on promoting corporate associations related to these values, particularly affective associations, which play a crucial role in boosting customer satisfaction and repurchase intentions. Affective associations directly influence purchase decisions and indirectly stimulate re-purchase intentions by enhancing customer satisfaction. However, social enterprises have been ineffective in building strong social ties and communicating their social values effectively. Therefore, social enterprises should strategically manage their social communities as part of their customer relationship management efforts. Additionally, social enterprises need to focus on stimulating cognitive associations by improving product quality and reshaping customer perceptions to overcome negative stereotypes of inferior quality. Through targeted marketing communications and product improvements, social enterprises can strengthen cognitive and affective connections with their customers.

Yunus et al. (2010) identified five critical factors for the success of social businesses. Three of these factors align with traditional business model innovation: challenging established paradigms, forming strategic partnerships, and engaging in continuous experimentation. However, two factors are distinct to social business models: attracting shareholders who prioritize social profit and establishing clear social profit objectives from the inception of the business.

The literature review provided a comprehensive analysis of how social enterprises intersect with sustainable consumption, innovation, and consumer behavior. The following key findings were identified:

1. **Consumer Behavior and Social Enterprise Products:** Several studies (Salido-Andres et al., 2022; Becchetti & Rosati, 2007; Tsai et al., 2020) highlight that consumer purchase decisions are shaped by perceptions of social impact, product quality, and social responsibility. Fair trade and social enterprise products are favored by consumers with higher awareness of social responsibility and are influenced by emotional and behavioral factors, like social norms and perceived behavioral control (Ravi et al., 2022).

2. **Sustainability and Innovation in Social Enterprises:** Social enterprises focus more on social innovation than environmental innovation, primarily through organizational and process innovations (Harsanto et al., 2022). This innovation approach differs from commercial enterprises, which typically prioritize product innovation. Challenges such as funding and competition hinder scaling (Harsanto et al., 2022), while collaboration with stakeholders enhances innovation outcomes (João-Roland & Granados, 2020).

3. **Corporate Social Innovation and Stakeholder Relationships:** Social enterprises and corporations benefit from integrating social innovation strategies to address societal issues while achieving economic goals (Dionisio & De Vargas, 2020). Effective stakeholder engagement is crucial throughout the innovation process, but many social enterprises struggle with leveraging these relationships during the implementation phase (Phillips et al., 2019).

4. **Role of Social Innovation and Institutional Context:** Social innovation plays a key role in addressing Sustainable Development Goals (Eichler & Schwarz, 2019) and is influenced by institutional contexts. Social enterprises in developed and developing countries focus on different priorities, such as health and partnerships in developed regions, and poverty and clean energy in developing regions. Institutional frameworks also shape the evolution of SEs across different countries (Omarov, 2020).

5. **Marketing and Customer Perceptions:** Social enterprises need to enhance transparency and highlight their social missions to build consumer trust and engagement (Choi & Kim, 2013; Choi, 2021). Effective marketing strategies that emphasize social responsibility and employee welfare can distinguish social enterprises from traditional businesses, improve customer satisfaction, and increase repurchase intentions (Choi, 2021). Consumers who believed that a social enterprise was making a tangible impact were more likely to support it, regardless of price or convenience (Nicholls, 2006; Ellen et al., 2006).

6. **Challenges and Future Directions:** The relationship between social innovation and social entrepreneurship remains fragmented, with inconsistencies in definitions and a lack of integrative frameworks (Grilo & Moreira, 2022). Institutional changes are required to foster social innovation and corporate social responsibility effectively. Collaboration, strategic partnerships, and community involvement are essential for sustaining social impact and fostering innovation (Venugopal & Viswanathan, 2019).

7. **Ethical Motivations:** The majority of studies found that ethical concerns, such as fair trade and environmental sustainability, were primary drivers of consumer engagement with social enterprises (Harrison et al., 2005; Carrington et al., 2010). Further ethical motivations, such as environmental responsibility and social justice, also play a crucial role in consumer behavior toward social enterprises (Becchetti & Rosati, 2007).

8. **Trust and Transparency:** Transparency was identified as a critical factor in building consumer trust.

Social enterprises that clearly communicated their social mission and demonstrated their impact were more successful in retaining consumers (Sirieix et al., 2011). Trust and transparency are essential for maintaining consumer engagement in social enterprises (Farnese et al., 2022). This challenge is particularly pronounced in post-socialist Central and Eastern European (CEE) countries, where the values of cooperation and social justice were undermined during the socialist period. As a result, low levels of trust, social consciousness, and civic activism, combined with limited entrepreneurial skills and inclination, hinder the growth and development of social enterprises in the region (European Commission, 2020). The willingness of consumers to repeatedly engage with a social enterprise is directly correlated with how transparent the enterprise is about its social mission and impact. The degree to which an organization communicates its social mission and its effectiveness in achieving that mission influences consumer trust and, consequently, purchasing behavior (Chew & Osborne, 2009).

Social enterprises succeed by blending social missions with innovative strategies, fostering stakeholder collaboration, and focusing on consumer engagement through clear communication and product quality. However, they face challenges related to scaling, institutional support, and market competition.

Conclusions, implications and future research directions. This literature review highlights the significant role of social enterprises in promoting sustainable consumption, social innovation, and corporate social responsibility (CSR). Social enterprises, distinguished by their dual business and social goals, have evolved as key players in addressing societal challenges. Consumers of social enterprises value both social impact and product quality, with their purchasing behaviors influenced by emotional, rational, and ethical factors. Social innovation, especially when supported by stakeholder engagement, community participation, and collaborative approaches, drives social enterprises success. However, challenges such as insufficient funding, fragmented definitions of social innovation, and operational inefficiencies remain barriers to scaling their impact.

Theoretical implications include the dual-value proposition of social enterprises: they need to align their social and business objectives to drive consumer engagement and trust. The literature suggests that customers value a blend of social impact, product quality, and business transparency (Tsai et al., 2020; Yunus et al., 2010). Theoretical implications are also related to the social innovation framework. Social innovation in social enterprises operates within a systems-of-innovation approach that emphasizes learning, institutional co-evolution, and network building (Phillips et al., 2015). This framework can be expanded with more detailed understanding of how social enterprises leverage these systems for innovation, particularly in varying economic contexts (Grilo & Moreira, 2022). The next theoretical implication refers to the impact of consumer behavior on social enterprises. The role of consumer awareness, emotional value, and social norms in shaping purchase

decisions is crucial (Ravi et al., 2022; Becchetti & Rosati, 2007). This suggests that future studies could integrate theories of consumer psychology with social enterprise models to explain and predict purchasing behavior. Lastly, as far as the institutional context concerned, social innovation and entrepreneurship are deeply embedded in institutional environments that either support or hinder social enterprise growth (Venugopal & Viswanathan, 2019). Thus, the success of social enterprises is contingent on both internal (organizational culture, leadership) and external (policy, market conditions) institutional factors (Mirić et al., 2018).

As for managerial implications concerned social enterprises must emphasize their social mission and CSR initiatives to attract socially-conscious consumers. Highlighting transparency, social impact, and product quality in marketing can improve consumer trust and loyalty (Choi & Kim, 2013; Kailai & Bustami, 2024). To implement stakeholder engagement, successful social innovation requires strong stakeholder relationships, particularly during both the ideation and implementation phases (Phillips et al., 2019). Managers should prioritize collaborative partnerships with customers, community members, and other stakeholders to ensure co-creation of value (João-Roland & Granados, 2020). Social enterprises need to address operational inefficiencies and secure long-term funding to support sustainability-oriented innovations (Harsanto et al., 2022). A focus on process and organizational innovations may provide a strategic advantage in this regard. Managers should also focus on building strong cognitive and affective associations with consumers, especially by reshaping perceptions of product quality and emphasizing ethical considerations (Choi, 2021). Finally, social enterprises should embed corporate social innovation into their business models, ensuring that these efforts are institutionalized and aligned with stakeholder demands (Dionisio & De Vargas, 2020). The findings suggest that for social enterprises to thrive, they need to focus on enhancing their transparency and social innovation efforts. Companies should prioritize communicating their ethical values and social impact clearly to the consumer base. By aligning their mission with the values of their target consumers, social enterprises can create stronger emotional connections and foster brand loyalty.

Regarding future research directions more research is needed to explore how different consumer demographics (e.g., age, income, political ideology) influence purchase behavior in social enterprise contexts, as highlighted by Lee et al. (2024). Future studies could examine how these factors interact with different SE product types and marketing approaches. Future studies should explore the role of varying institutional environments on SEs' ability to innovate, particularly in developing versus developed economies (Eichler & Schwarz, 2019). This could involve a deeper analysis of how SEs adapt their models in diverse socio-political settings. While current research provides frameworks for social innovation processes, there is a lack of longitudinal studies that track the long-term societal and economic impacts of these innovations (Venugopal & Viswanathan, 2019). Further research should focus on the "social" aspect of innovation,

particularly in clarifying how social value is generated and measured (Grilo & Moreira, 2022). A more standardized definition of social value and innovation could help unify fragmented theoretical approaches. The barriers to scaling sustainability-oriented innovations in SEs require more attention. Research could investigate how SEs can overcome operational inefficiencies and low entry barriers (Harsanto et al., 2022). Additional research is needed to explore how cross-sector partnerships between SEs, governments, NGOs, and businesses influence the innovation and sustainability practices of SEs (Phillips et al., 2015). Further research is needed to explore the specific mechanisms by which social enterprises can enhance consumer trust and engagement, particularly in different cultural and economic contexts.

By addressing these theoretical, managerial, and research gaps, social enterprises can better leverage innovation, consumer behavior, and institutional support to create meaningful social change.

Acknowledgment. This study was supported by the National Research sub-program of the Thematic Excellence Program 2021, as part of the Creative Region III. project (identification number TKP2021-NKTA-22), funded by the National Research, Development and Innovation Office (NKFIH). Köszönetnyilvánítás - A tanulmány a Tématerületi Kiválósági Program 2021 – Nemzeti kutatások alprogram keretében, a TKP2021-NKTA-22 azonosítási számú Creative Region III. projekt részeként, az NKFIH támogatásával valósult meg.

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Надійшла (received) 17.06.2024

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