

**The Business of Terror: Social Entrepreneurship Approach to
Understanding the Islamic State**

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ABSTRACT

This paper looks broadly at terrorism and more narrowly at the Islamic State (IS) to see if this organisation can be interpreted as a social enterprise. This review is working with the framework of international relations and business and this interdisciplinary approach is relevant because it offers a new perspective on this topic. The research question: How can the Islamic State terrorist organisation be understood as a social enterprise? will be analysed using four different methodologies: literature review, financial analysis, business model review using the BMC, and the Stakeholder Analysis matrix.

Based on the results of the analysis, the social entrepreneurship framework has already been applied by some authors to the study of the terrorist organisations, thus it can be relevantly assumed that the largest terrorist organisation – the IS – is also relevant to analyse from this approach. The results of the analysis concluded that the mission of the IS does not fit into the social enterprise concept but is compatible with its business aspects based on its new post-territorial strategy. Regarding the IS finances, due to the difficulty of traceability, it is not possible to fully confirm that the organisation is operating below the non-distributing profit constraint. The results of the paper show that although the IS does not fully fit into the social entrepreneurship framework, it is an approach that is very conducive to understanding how an organisation effectively functions.

Keywords: terrorism, Islamic State, terrorist organisation, social entrepreneurship

TABLE OF CONTENTS

I.	INTRODUCTION	1
II.	CONTEXT AND RELEVANCE	2
II.1.	What is terrorism?	2
II.2.	Essential data on terrorism	3
II.3.	Media bias of terrorism	3
II.4.	What is the IS?	4
III.	THEORETICAL BACKGROUND	5
III.1.	Pseudo-state framework	5
III.2.	Social entrepreneurship	6
III.3.	The dark side of social entrepreneurship	9
IV.	THE MISSION AND THE “BUSINESS MODEL” OF THE IS	12
IV.1.	The ideology and mission of the IS	12
IV.2.	The business model and stakeholders of the IS	14
IV.3.	Who values the work of the IS?	16
V.	FINANCE SYSTEM OF THE ISLAMIC STATE	18
V.1.	Revenues and expenditures	19
V.1.1.	"Traditional" terrorism-financing	19
V.1.2.	Locally raised revenues	20
V.1.2.1.	Taxation	21
V.1.2.2.	Bank looting	21
V.1.2.3.	Control of Oil and Gas Reservoirs	22
V.1.2.4.	Extorting agriculture	22
V.1.3.	Business activities	23
V.1.3.1.	Human trafficking	23
V.1.3.2.	Drug and organ smuggling	24
V.1.3.3.	Cultural artefacts	25
VI.	CONCLUSION	26

REFERENCES	28
APPENDIX	30

LIST OF FIGURES

1. Figure: Key concepts related to social entrepreneurship (Source: authors' own graphics according to the studies of: Bedi & Yadav, 2019; Abdukadirov, 2010; Krizelj-Colovic & Mazic, 2017).....	7
2. Figure: Overall map of the dark and light side expressions of social entrepreneurship (Source: Talmage et al., 2019, pp. 140)	10
3. Figure: Business Model of the Islamic State (Source: authors' own graphics based on the BMC by Osterwalder & Pigneur, 2010).....	15
4. Figure: Stakeholder Analysis Matrix of the IS (Source: authors' own graphics)	16
5. Figure: Key concepts related to social entrepreneurship (Source: authors' own graphics according to the studies of: Bedi & Yadav, 2019; Abdukadirov, 2010; Krizelj-Colovic & Mazic, 2017).....	30
6. Figure: Overall map of the dark and light side expressions of social entrepreneurship (Source: Talmage et al., 2019, pp. 140)	30
7. Figure: Business Model of the Islamic State (Source: authors' own graphics based on the BMC by Osterwalder & Pigneur, 2010).....	31
8. Figure: Stakeholder Analysis Matrix of the IS (Source: authors' own graphics)	31
9. Figure: Organisation structure illustration of the IS Source: Authors' own graphics, based on Al Hashimi (2014), Lister (2014), Thompson (2014) as cited in Roth et al., 2015, pp. 61)32	
10. Figure: IS's main sources of revenues Source: Heißner et al. (2017)	32

I. INTRODUCTION

The broader topic of our paper analyses the operations and purpose of terrorist organisations, within which we will examine the IS. We found the topic relevant because terrorism is a very prominent issue today. We assume that many people are only informed by TV or current news and therefore only know certain details of the subject in general, which are directly highlighted. In general, there is a great deal of coverage of terrorism, but less on how terrorist organisations operate. Questions arise: what is the real mission of the IS? How can it finance its operations and violent actions? Where and how do they operate?

That is why we chose the research question: How can the Islamic State terrorist organisation be understood as a social enterprise? By going around and answering this question, the previous points will also be addressed. Based on our research question, our hypothesis is that the IS functions as a social enterprise because they operate under the constraint of non-distributing profit and their output is a public good.

The existence of terrorist organisations in international relations is most often addressed in the pseudo-state framework, but we argue that there are many other useful frameworks for effectiveness and operation in business and economics. We have found modern approaches that analyse the dark side of social entrepreneurship, including terrorist organisations. For our study this framework seemed promising, because it fits the new structure of the Islamic State better. Previously the IS was the most state-like terrorist organisation (Hamid, 2019), so we have found this organisation as an especially challenging case to test this fresh theory. Such an interpretation within an interdisciplinary framework is particularly interesting, as we have mentioned the business-based approach to the subject is not widespread yet.

In order to prove or falsify our hypothesis, we will go through the mission and finances of the IS in detail. We have selected these two areas as the basis for our analysis because they enable us to establish a critical framework system, along which we can match up.

In our paper, we use four different methodologies. We provide a literature review on social entrepreneurship, financial analysis of IS expenditures and revenues, interpret the business model of IS illustrated in the business model canvas, and further, identify both the external and internal stakeholders interpreted in the Stakeholder Analysis matrix.

We begin our research by putting the whole issue of terrorism and IS in context. Next, we will review the literature on social entrepreneurship and its dark side. We will then follow with a case study of IS, in which we will first describe the mission, stakeholders, and business model. Then we will do an in-depth financial analysis of IS. We briefly conclude our paper by summarizing our findings.

II. CONTEXT AND RELEVANCE

This chapter sets out the context for our analysis. First, we will look at terrorism and its key data. Then, for relevance, we will present media bias to terrorism in general. This section will be finished with a brief description of the Islamic State.

II.1. What is terrorism?

There is no internationally recognised legal definition of terrorism, partly because it is difficult to distinguish terrorism from other forms of violence (Ritchie et al., 2019). LaFree, Morris, and Dugan define terrorism as “acts of violence by non-state actors, perpetrated against civilian populations, intended to cause fear, in order to achieve a political objective” (LaFree et al., 2010, pp. 624). The authors of Our World in Data: Terrorism webpage – which we used to collect the basic data about terrorism nowadays – summarised the components of terrorism in seven criteria; to be considered an act of terrorism an action must:

1. be violent or threaten violence,
2. damage private and public property,
3. be carried out for political, economic, religious, or social purposes,
4. have far-reaching psychological repercussions beyond the immediate victim or target,
5. be perpetrated against targeting non-combatant, neutral, or randomly chosen people,
6. be conducted either by a chain organisation, by individuals, or by small groups directly influenced by its leaders,
7. be perpetrated by a subnational group or non-state entity (Ritchie et al., 2019).

II.2. Essential data on terrorism

We do not intend to give a detailed account and data of trends in global terrorism in this paper, but to put the later analyses in context, some key information is mentioned. In 2017, an estimated 26 445 people died from terrorism globally, which was 0.05% of all types of mortality (Ritchie et al., 2019). Terrorism had the most victims in the Middle East, South Asia, and Africa, less than 2% of deaths occurred in Europe, the Americas, and Oceania combined (Ritchie et al., 2019). However, there is significant year-to-year variability in how many people become victims of terrorism worldwide, so having few fatalities in one year is not an exact predictor for the next. It is detectable that terrorist attacks are more often in countries with more internal conflicts, but here is important to note again that there is a strong overlap between terrorism and other criminal activities. (Ritchie et al., 2019)

Despite the low risk of being a victim of terrorism (on average less than 0.01% of annual deaths in the United States resulted from terrorist attacks), according to comprehensive surveys, half of Americans are worried about it and more than a third say, that they are less willing to do certain activities (e.g.: travel overseas, attend mass events, go to skyscrapers) because of terrorism (Ritchie et al., 2019). News of terrorist attacks detectably increase public fear (Ritchie et al., 2019).

II.3. Media bias of terrorism

The topic of terrorism comes up a lot nowadays in the media. Terrorist attacks and the various other brutalities committed by the terrorist groups attract the media because of the nature of these news: these events are of interest and shock the audience, which widens the readership. Terrorism is overrepresented in the news by almost a factor of 4000 relative to its share of deaths (Ritchie et al., 2019). The availability heuristic means that “our perceptions are heavily influenced by the most recent examples of it; we’re biased to recent events in the news because we can recall them quickly” (Ritchie et al., 2019). So, the intense coverage makes it difficult to contextualize the true extent and risks of terrorism. This is exactly what the terrorists want, a lot of attention to their brutalities and creating fear among the population worldwide (Picard, 1993), this is called the asymmetry of fear power (BBC, 2015a).

Furthermore, the media coverage of terrorist activities is very unequal (Chermak & Gruenewald, 2006), as observed – attacks with a high number of fatalities and/or with Muslim perpetrators receive a lot of attention, Muslims perpetrated 12.5% of attacks in the US yet received more than half of the news coverage (Kearns et al., 2019, pp. 10). This tendency accelerates the public fear of terrorist attacks and Islamic migrants. This is exploited by some politicians in their propaganda (e.g.: Donald Trump (Politico, 2016), Viktor Orbán, (M1, 2020)), so terrorism – linked to migration – is often politicised. We do not detail this question in our paper, it is noted in order to emphasise the relevance of our broader research topic.

II.4. What is the IS?

The Islamic State (IS, also called Daesh or on previous names: ISI, ISIL, ISIS) is the largest and deadliest terrorist group nowadays (OCHA, 2022; WorldData, 2017). It is a religious extremist type terrorist group rooted in Salafi-Jihad ideology, which is determined by returning to “pure” Islam and by a belief that violent jihad is the duty of every Muslim (Saundra et al., n.d.).

The IS is a highly brutal terrorist group, it is notorious for its terrifying attacks and murders like beheadings. The IS believes in “qisas” which claims that the Islamic law allows the brutal retaliation according to the principle of equality. This creates the legal framework for these activities, but their intentions behind the brutality relate more than ideology – the asymmetric power of fear. (BBC, 2015a)

The first form of the Islamic State was created in 2004 by Abu Musab al-Zarqawi as a splinter group of Al-Qaeda, called AQI (al-Qaeda in Iraq) (Martin & Solomon, 2017). In 2006, Zarqawi created an umbrella organisation under the name of ISI (Islamic State of Iraq) to attract new recruits and establish a transnational caliphate (BBC, 2015b). The organisation has steadily grown stronger and occupied territory in Iraq and Syria (BBC, 2015b). In 2014 – after capturing Mosul – its then-leader Abu Bakr al-Baghdadi declared the caliphate and changed its name to Islamic State (IS) (Martin & Solomon, 2017).

The US-led international coalition has been fighting terrorist organisations in the Middle East since the early 2000s, but the first airstrikes against IS were launched in 2014 (Genn, 2016). The success of Western attacks is shown by the fact that the IS lost 98% of its

territory between 2017 and 2022 (Orofino, 2022). The Islamic State since its highwater mark of 2014-15 has been weakening constantly, however, it is still very important in the world politics (Milton, 2021).

The current leader of the organisation is called Abu Hassan al-Hashimi al-Quraishi, he is the leader since 2022 February, when his predecessor – Abu Ibrahim al-Hashimi al-Qurayshi – became the victim of a US raid (similarly to his former predecessor Baghdadi in 2019) (The Washington Post, 2022). The organisational structure of the group is detailed below, but it is noted here that is well structured, functional, and highly encrypted.

III. THEORETICAL BACKGROUND

We build the theoretical background of our essay on the theory of social entrepreneurship. In this section, we argue that terrorists can be viewed as social entrepreneurs (Abdukadirov, 2010). The majority of this chapter will be devoted to discussing social entrepreneurship, but initially we will take a brief look at pseudo-states, because this is the backdrop against which the existing scholarship on terrorist organizations is usually analysed. Later on, we introduce the social entrepreneurship theory. Then, we explain how this theory can be applied to terrorism, as the dark side of social entrepreneurship.

III.1. Pseudo-state framework

It is essential to commence the theoretical segment of this paper with a discussion of pseudo-states, given that this is the theoretical framework used in literature concerning terrorist organizations in International Relations.

Pseudo-states are entities that have some of the characteristics of a state, such as government, territory, and population but are not recognised as sovereign states by the international community. Such states may be created in areas where sovereignty is disputed or as a result of conflicts or separatist movements. Pseudo-states can also be described as de facto states, which means that they have effective control over a defined territory, but are not recognised by other states as a legitimate state actor. (Pegg, 2019)

The Islamic State was considered a pseudo-state because it did not have the recognised attributes of a legitimate state according to international law and norms. It was not

acknowledged by any other sovereign countries - an essential feature of being a state. Even though they declared themselves a caliphate and a state, the global community failed to recognize them as such. Also, the Islamic State did not rule a particular region with acknowledged borders. Even though, at its apex, the organization held authority over expansive areas of Iraq and Syria, these regions were not accepted as legitimately governed by the global society. (Tomuschat, 2015)

We would like to underline that the IS did not have a functioning government or administration that could provide essential public services like healthcare, education, and infrastructure (FATF, 2015). Instead, it relied on violence and coercion to maintain control and establish sustainable institutions for the needs of the population. Moreover, its economy was unstable, with revenue streams based primarily on illegal activities such as smuggling, extortion, and looting (FATF, 2015).

It did not have recognised territory borders, nor a sustainable taxation system or legitimate economy, therefore, the Islamic State was a pseudo-state that did not meet the qualifications to be considered a legitimate state by international law and norms (FAFT, 2015).

We strive to differ ourselves from this approach in order to bring a fresh outlook on how terrorist organizations, especially the Islamic State, operate.

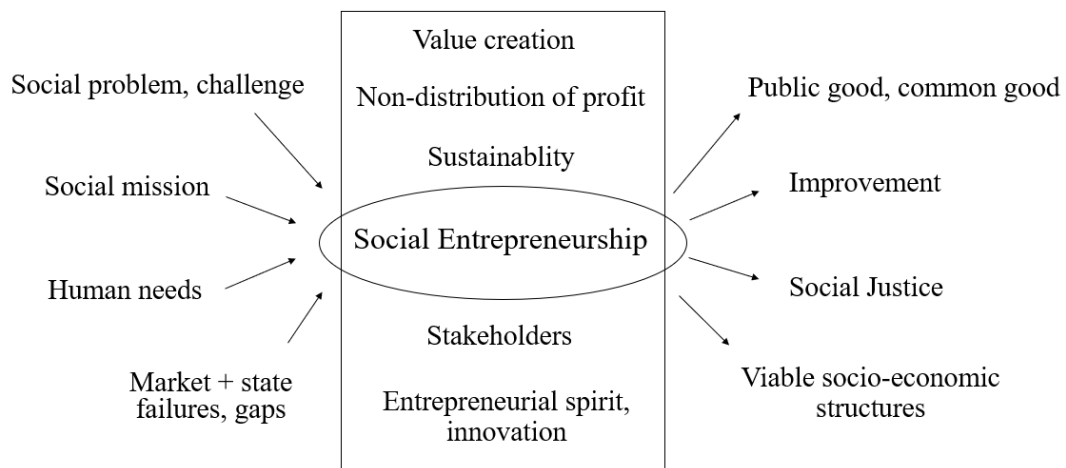
III.2. Social entrepreneurship

Research on social entrepreneurship is quite a modern phenomenon, but in the last few decades several voices have commented on it (Krizelj-Colovic & Mazic, 2017). Despite the novel popularity of the theory, its ideological roots go back to Mahatma Gandhi: “Be the change you want to see in the world” (Bedi & Yadav, 2019, pp. 1007). The authors define the concepts of social entrepreneurship differently, but the key components of the various definitions are similar.

In the 1st Figure we illustrated the main characteristics of social entrepreneurship, which we have identified in our literature review. The “input elements” or “reasons” are listed on the left; social entrepreneurship always responds to a social challenge or need, furthermore it usually seeks to fill in a gap of a missing public good. The key characteristics of social entrepreneurship are presented in the middle; unlike traditional businesses, the value

creation is carried out without a motive of profit. In addition, there is a particular focus on the interests of the stakeholders and on (economically, socially and environmentally) sustainable solutions. However, entrepreneurship and innovation are as important building blocks for social enterprises just as for for-profit companies. The “output” or the results are on the right, which are the elements of a higher level of social well-being. The result of social entrepreneurship can be tangible or intangible, it is often achieving an improvement on the initial situation. (Abdukadirov, 2010; Bedi & Yadav, 2019; Krizelj-Colovic & Mazic, 2017)

Overall, we can define social entrepreneurship as “an initiative taken by a social entrepreneur investing resources and entrepreneurial skills to solve a social challenge in a sustainable way” (Bedi & Yadav, 2019, pp. 1007).



1. Figure: Key concepts related to social entrepreneurship
(Source: authors' own graphics according to the studies of: Bedi & Yadav, 2019; Abdukadirov, 2010; Krizelj-Colovic & Mazic, 2017)

Social entrepreneurship is easily distinguishable from traditional entrepreneurship, but there are a lot of similarities as well. The biggest difference is that social corporations function under the constraint of non-distributing profit (Abdukadirov, 2010). This constraint does not mean that social enterprises cannot do profitable activities, but the emphasis is on the future of the profit. Redistribution is limited to the staff of the organisation, the founders of social enterprises cannot profit individually from the business; the profit must be invested back in the organisation (Krizelj-Colovic & Mazic, 2017). However, they are similar given that both run an economically viable business model (Haugh, 2005). Social corporations

also must maintain their finances. Funding crucially determines the scope of operations and the long-term existence of all types of enterprises (Certo & Miller, 2008). The hybrid form of social enterprises is the most common, while it accepts donations but generates finance for their survival as well (Bedi & Yadav, 2019). Later the finance structure of our case organisation, the IS also gets a significant segment in our analysis.

Social entrepreneurship has two key components: the entrepreneurial spirit and serving social needs. The first means that entrepreneurs need to be motivated to grow their businesses and seize opportunities. It is an additional requirement here that starting the business is the decision of the social entrepreneur; “shopkeepers” start companies because they have no other choice to get by, therefore, they are not considered entrepreneurs. Secondly, social entrepreneurs do not seek for profit, but for social values. What is important here is that, besides the constraint of non-distributing profit, that social enterprises must serve a common good. They maximise this social value instead of profit, although its amount and thus the efficiency of these businesses are highly complex and often impossible to measure. (Abdukadirov, 2010)

Although we have looked at the concept of social enterprise, we have not yet answered the reason for its existence. Why are the public and private sectors not enough to meet the needs? There are a lot of competing theories that seek to give a reason for the existence of social entrepreneurship; the two main ones are the public goods theory (which is demand-sided) and the supply-side theory. The first claims that social enterprises are created because the government sometimes provides insufficient amounts or types of specific public goods (Abdukadirov, 2010). According to Santos (2012) from this perspective, the social enterprise fills the social voids left by government and private ownerships. The supply-side theory emphasizes the entrepreneurial spirit, and the motivation of entrepreneurs that we detailed above (Abdukadirov, 2010). In this theory, creating social value is a central element (Austin et al., 2006), therefore, the preferences of the stakeholders have a major role (Avner Banner, 1986 as cited in Abdukadirov, 2010, pp. 608).

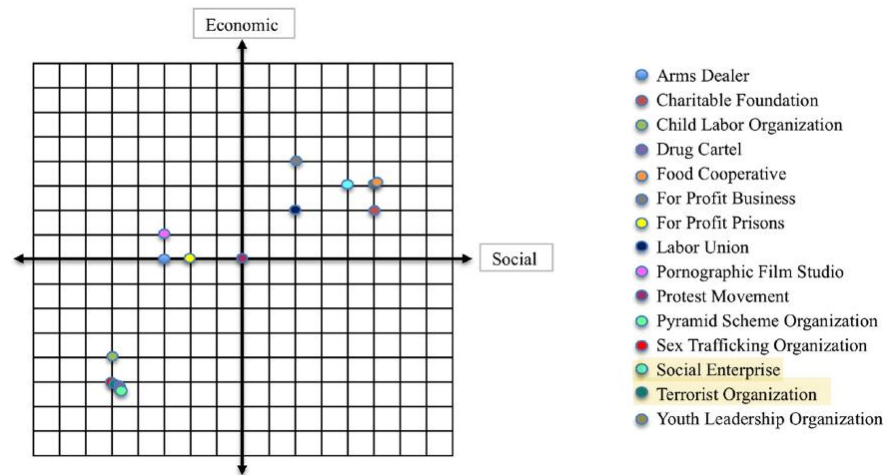
Overall, social entrepreneurship plays an important part, because it meets unique needs and tackles social challenges in a way that other forms of organisation would not (Krizelj-Colovic & Mazic, 2017).

III.3. The dark side of social entrepreneurship

The structures of social enterprises differ from enterprise to enterprise (Bedi & Yadav, 2019). Now, we focus on the “dark side” of social entrepreneurship, and more specifically, on terrorist groups. We aim to apply the above-mentioned characteristics to terrorist organisations and justify why we consider them to be social enterprises. Before that, we take a brief look into the topic of “dark” entrepreneurship.

There are three types of entrepreneurships: formal, informal and criminal. In the frame of formal entrepreneurship, the production processes and the products are both licit. Informal entrepreneurship may involve illicit processes (e.g.: tax evasion) but the products are licit. Criminal entrepreneurship produces illicit products regardless of its processes. (Castells & Alejandro, 1989 as cited in Abdukadirov, 2010, pp. 607)

Talmage, Bell, and Dragomir (2019) claim that entrepreneurs can both negatively and positively affect economic and social equilibriums through their actions (destroy, disrupt, establish, improve, etc.). In their study, they investigated how this happens in social entrepreneurship by questionnaire survey analysis. The members of the survey panel were asked to “provide their perceptions of where certain enterprises ought to be located on a dark to light spectrum” (Talmage et al., 2019, pp. 136). The results are presented in the 2nd Figure. People placed Social Enterprise into the “fully light” (both economically and socially light) quarter and Terrorist Organization into the “fully dark” quarter. We conclude that the average person does not associate terrorist organisations with social enterprises. In the following, we would like to draw attention to the fact that terrorist organisations can operate as the part of social entrepreneurship. (Talmage et al., 2019)



2. Figure: Overall map of the dark and light side expressions of social entrepreneurship
(Source: Talmage et al., 2019, pp. 140)

“Terrorism is increasingly linked with social entrepreneurship” (Krizelj-Colovic & Mazic, 2017, pp. 80). As we mentioned, social enterprises – so now a terrorist organisation – must meet three important requirements: the entrepreneurship (entrepreneurial spirit), the constraint of non-distributing profit and the output of a common good.

First, we examine entrepreneurship. Terrorist groups’ leadership usually comes from the upper-middle class; so the founders have a choice, it is their own self-driven decision to establish an organisation. Furthermore, the competitive environment and changing circumstances of terrorism forces the “terrorist entrepreneurs” to be adaptive, creative, and entrepreneurial. (Abdukadirov, 2010)

We will present later in the case of the IS too, that the organisation has been able to adapt its strategy to the changing environment, so it can be argued that the IS has the entrepreneurial spirit (Orofino, 2022).

Terrorist groups more or less work under the constraint of non-distributing profit. Terrorist groups – similarly to non-profit organisations – are donated to for ideological reasons unrequited, and only for their staff (militants, experts) is the profit redistributed through salaries (FATF, 2015). However, it is notable that their financing streams – partly because of illegality – are hard to trace back (Milton, 2021). We detail this question – through the case of the Islamic State – later.

It is important that in this perspective we can separate terrorist organisations from other criminal groups (Abdukadirov, 2010). According to the United Nations Office on Drugs and Crime (2018) the main difference between organized crime and terrorism is the object of the criminal activity. Terrorist organisations commit crimes to achieve political or social goals, while organised crime groups seek “financial or other material gain” (UNODC, 2018). Although it is outside the scope of our paper, it is a very interesting and relevant issue to examine the financial channels and business model of mafia organisations as with globalisation mafia activity is becoming an increasingly serious problem (Valera, 2013). We conclude that criminal groups engage in illegal activities similar to terrorists, but the significant difference is that criminal organisations are driven by profit and the hope of getting rich, but terrorist organisations are driven by ideological conviction.

The hardest is to define the output of terrorism. It is clear that the immediate output of terrorist organizations is symbolic violence (McCormick, 2003). How can violence be considered as a public good or social value? Here, we can again highlight the difference between the terrorist groups and other criminal gangs. When violence is aimed at personal enrichment – like in for-profit criminal gangs – violence is a private good and the entrepreneurial activity cannot be considered social (Abdukadirov, 2010). On the other hand, violence that benefits the society (e.g.: military, police actions to defend the population) is generally considered a public good (Abdukadirov, 2010). “Defense, in fact, is a classic example of public good” (Abdukadirov, 2010, pp. 606). Terrorist organisations state that they protect the interest of a large community (Abdukadirov, 2010). They fill a gap of public good detected by a community and fight for it. As Black puts it, “terrorists represent an aggrieved collectivity (such as an ethnicity or religion) and attack civilians associated with another collectivity” (Black, 2004, pp. 18).

Terrorist violence is, of course, explicitly and indisputably criminal. We think it should be noted here that we do not claim the opposite, we just draw the audience’s attention to the “common good” approach of terrorist violence. Weber (1918, pp. 1) defined the state as a “human community that successfully claims the monopoly of the legitimate use of physical force within a given territory”. Since then, the monopoly of violence is well known and widely accepted in the field of international relations as the defining characteristic of the modern states. The monopoly of violence is possessed only by legitimate states (Munro, 2013), and terrorist groups are certainly not legitimated (Cook, 2003).

However, as we have mentioned before, violence is not the ultimate product, but rather the instrument they use to achieve a political goal (Abdukadirov, 2010). Their political or social achievements can be interpreted as a public good for a particular community.

Terrorist organisations can be grouped according to their social and political objectives. There are multiple typologies for grouping terrorist organisations; we chose the typology first used by Post, Ruby, and Shaw to classify terrorist groups into five categories: nationalist-separatists, social revolutionaries, religious fundamentalists, religious extremists, and right-wing groups (Post et al., 2002, pp. 111). Nationalist-separatists fight for new state borders on ethnic lines. The aim of social revolutionaries is to overthrow the existing socio-economic order. Religious fundamentalists promote a particular view of religion. Religious extremists are similar to the previous, but with extreme ideologies or cults. Finally, right-wing groups support reactionary ideologies with an idealized period from the past that favoured an ethnic or racial majority. (Post et al., 2002)

Based on these, we state that the IS belongs most to the religious extremist type, because they promote extreme religious ideologies.

IV. THE MISSION AND THE “BUSINESS MODEL” OF THE IS

Our examination of social entrepreneurship with respect to terrorist organizations has concluded, so now we turn our attention to a case study on the Islamic State. We can assess this terrorist organization through a business framework, permitting us to acquire fresh perspectives on comprehending terrorism.

Whether it is a for-profit company, a social enterprise, or even a state, every organisation has a mission and a way through which it achieves it. Now, we examine the mission, the “business model” of the Islamic State. This is a key point in obtaining information on its operational objectives and in assessing its social entrepreneurial nature.

IV.1. The ideology and mission of the IS

As we mentioned in the brief introduction section about the IS, its ideology is rooted in Salafi-Jihad ideology, which is determined by returning to “pure” Islam and by a belief that violent jihad is the duty of every Muslim (Saundra et al., n.d.). We concluded too, that the

Islamic State is a religious extremist terrorist group because they promote extreme religious ideologies. The mission of the IS also stems from its ideological foundations. Although its ideology is not particularly innovative compared to other jihadist groups (like the Al-Qaida), they are more ambitious by calling for the establishment of a global caliphate (Orofino, 2022). Other similar terrorist groups focused mostly on the fight against the Western infidels, the IS embodies an evolution by having a mission of creating a pseudo-state (Orofino, 2022).

Here we have to note that interpreting the IS as a social enterprise runs into a slight contradiction. The mission of the Islamic State is more state-natured than entrepreneurial. Researching the topics of pseudo-states, alternative sovereigns and counter-sovereigns is not part of our essay, but we consider the approach to be absolutely relevant explaining the existence of terrorist organisations - especially in the case of the Islamic State. In this essay, we investigate an alternative approach that is less researched but can provide new perspectives on understanding how terrorist organisations can efficiently operate in a competitive environment.

We define its mission from two perspectives. From its own point of view: “the IS seeks to eradicate obstacles to restoring God's rule on Earth and to defend the Muslim community (umma), against infidels and apostates” (BBC, 2015b). From an outsider's point of view – who does not follow the ideology – we can state, that the IS's mission is reaching the state of a great legitimated Caliphate while spreading the Muslim faith. The mission is the same, but the framing is different. The first suggests a legitimate, superior mission to fix an incorrect order, while the second suggests a minority's aim for power.

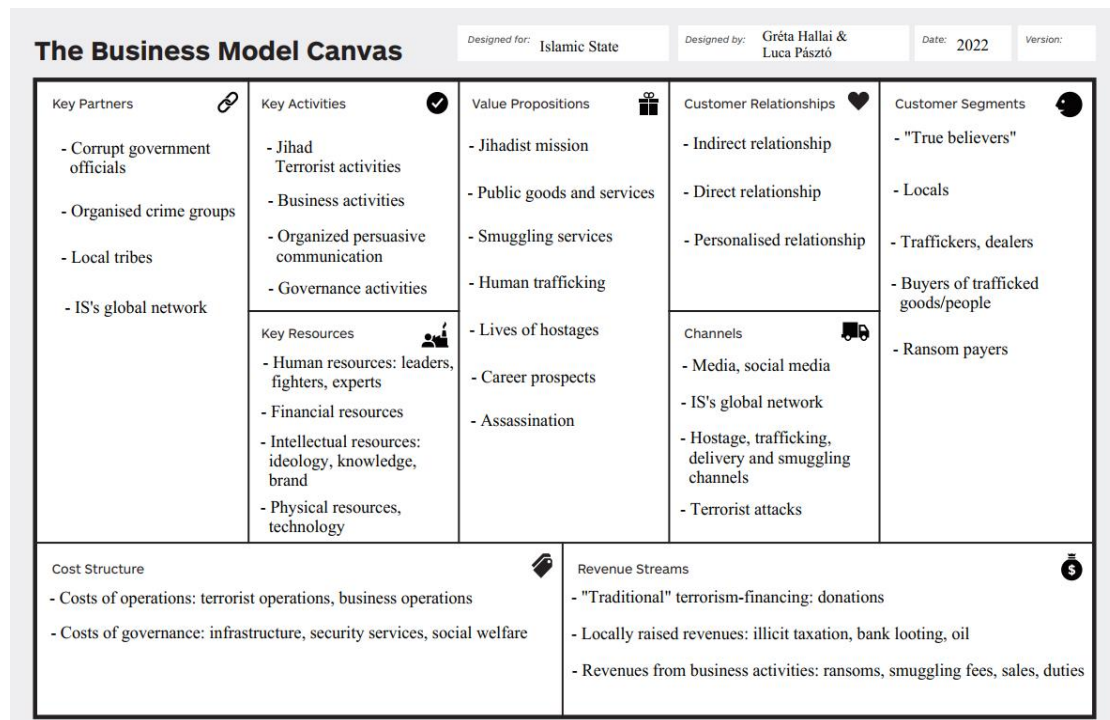
If we strive to examine the social entrepreneurship framework of the organisation, this decoupling is important to understand how the output of the IS can be interpreted as a public good. In our opinion not everybody necessarily agrees that for example, terrorist attacks conducted by the Islamic State are public goods. However, what we have described in our discussion of terrorist organisations as social enterprises is also true for the Islamic State. Their output can be interpreted as a common good according to their believers' needs, they defend the interests of a specific group of the society (Abdukadirov, 2010). Their intermediate output is symbolic violence to reach a political goal – the legitimated Caliphate and Islamic domination (Abdukadirov, 2010). Nevertheless, as they are not authorised for violence, they operate illegally. We are not trying to legitimise their activities, but merely

to interpret them also from their own perspective. So as social entrepreneurs, the IS defends its stakeholders and serves their needs, although these needs are for an outsider incomprehensible.

IV.2. The business model and stakeholders of the IS

What do they have to do to reach their mission? The answers can for example be to expand, to defend and stabilise their territory or to convert the unbelievers by radical means. It is important to understand systematically, how the organisation implements the mission throughout its daily operation. For this purpose, we can use the business model analysis. The original business model definition is: “The business model, derived from the fundamental purpose and mission, simply put, answers the question of the logic, the activities and the relationships between them that create value for its stakeholders, especially consumers and owners” (Chikán, 2020). We had to adapt this definition slightly to make it applicable to the specific organisation – which is not a traditional enterprise – we analysed. From our point of view: The “business model” of the IS looks at its logic of how the organisation creates value for its stakeholders and achieves its mission through activities and relationships.

There are several similar formulations of the business model in the literature, we rely on the classical structure. According to that, the business model is divided into nine blocks, which can be presented on a "Business Model Canvas" (Osterwalder & Pigneur, 2010). We have also created this summary for the Islamic State (3rd Figure).



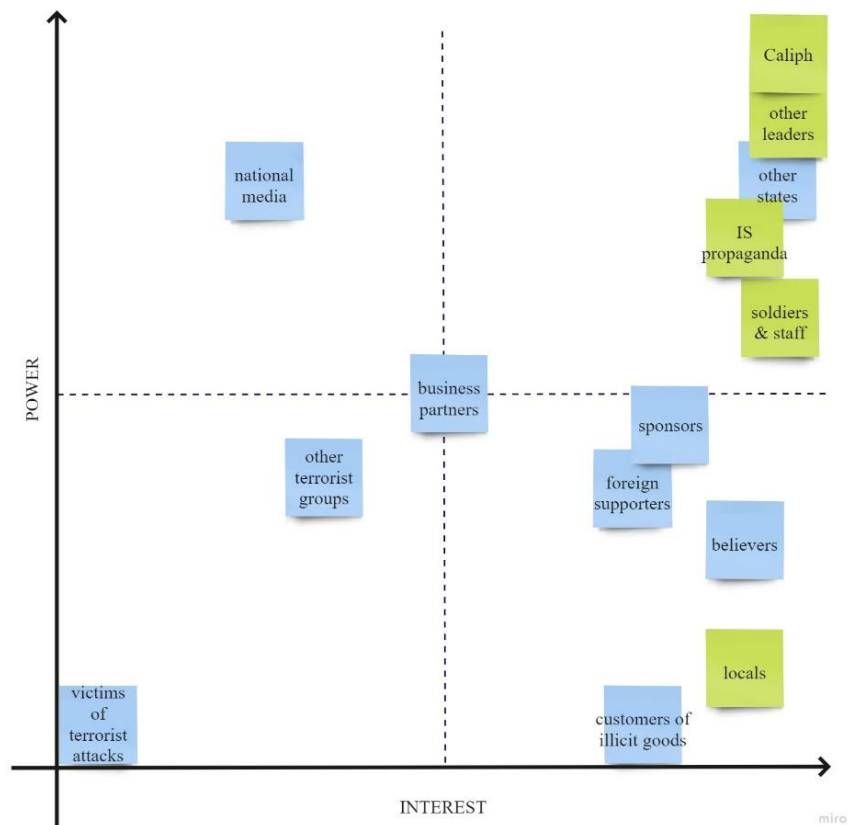
3. Figure: Business Model of the Islamic State
(Source: authors' own graphics based on the BMC by Osterwalder & Pigneur, 2010)

Because of the contradiction mentioned above some points are difficult to fill in the traditional way. What is the product of the IS? Who are the customers? If we move away from our initial thoughts, we can answer these questions.

According to the literature, besides terrorist attacks, we have identified several various activities, as can be seen in the key activities block as well. Its activities are closely linked to its financial system, which we discuss in more detail later. It is noted here, that since its heyday in 2015, the IS has lost a lot of territories and its governmental activities have been reduced (Milton, 2021). Accordingly, it has shifted its strategy from quasi-statehood to a decentralised ideology centred on encouraging individual attacks worldwide (Orofino, 2022). The mission does not change but the strategy had to, the IS has evolved into a “post-territorial” group (Orofino, 2022).

The value propositions are also varied depending on which “customers” they serve. They have several different stakeholder groups, which we illustrated in the 4th Figure. The two axes of the Stakeholder Analysis Matrix are power and interest. Within these, we have placed the fourteen external (blue) and internal (green) stakeholders we have identified. The figure shows that the most vulnerable are the victims of terrorist attacks because they are

external stakeholders who have neither influence nor interest. At the other pole is the Caliph himself, who has maximum influence and interest in the organisation. The other leaders under Caliph also seem to have a relatively large influence on IS, so it is important to understand the structure of the organisation. The current organisational structure is not fully known, we have compiled from several different sources what we think it might have looked like before the current leader, Al-Hasimi. As the current organisational structure is not transparent, we have recreated it based on the most recent publicly available information, most of which dates back to the era of the previous leader. Due to the lack of contradictory information, it is reasonable to assume that the structure has not been altered significantly. According to our understanding we have created our graphics, which we attached in the appendix.



4. Figure: Stakeholder Analysis Matrix of the IS
(Source: authors' own graphics)

IV.3. Who values the work of the IS?

Other interesting question arise: how attractive their ideology and mission are? How many people and which social groups are targeted by the IS? As Wood claimed, IS had a broad

appeal to everyone from “Sunni Arab pragmatists to foreign soldiers of fortune” (Wood, n.d. as cited in Juergensmeyer, 2018, pp. 3). As Orofino (2022) points out, “the IS has been home for many second-generation Muslims and a safe place for disenfranchised individuals”. Using its sophisticated propaganda system, the IS can reach thousands of young people and be attractive to those who are dissatisfied with the Western establishment (Orofino, 2022). The Al Hayat Media Center – a branch of the IS’s larger media campaign – generates media content for the particularly non-Arabic audience, who represent a significant basis of the recruitment pool for the organisation (Macnair & Frank, 2017). According to the study by Macnair and Frank (2017, pp. 234) “al-Hayat videos cater to potential Western recruits and sympathizers by portraying life in the IS as spiritually and existentially fulfilling, while simultaneously decrying the West as secular, immoral, and criminal” and this can be determinative in the radicalisation process. A lot of foreign supporters have incomplete ideological and theological knowledge of the movement (Juergensmeyer, 2018). According to Batrawy, Doods, and Hinnant (2016) books titled “Islam for Dummies” and “The Koran for Dummies” spread on the internet and among new foreign recruits, who knew almost nothing about where they were going to fight. We believe that this sophisticated and well-targeted propaganda can engage its target audience well enough and even drip just enough information to provide a driving force for the “disillusioned” young. Once they have experienced reality and become aware of the unvarnished reality, then it is obviously impossible to leave the organisation (Batrawy et al, 2016). That is why it is so important to have a sufficiently comprehensive knowledge of the subject.

Based on the analysis in this section, we conclude that the current “post-territorial” strategy is more applicable to the social entrepreneurship framework we examine. A further important finding is that because it has been able to adapt its strategy effectively to the changing circumstances, it can be argued that the IS has the entrepreneurial spirit. However, we have also found that the mission of the IS contradicts with our hypothesis, because its state-level ambitions go beyond the social entrepreneur concept. But we do not believe that this has such an impact on the functioning of the organisation that it cannot operate like a social enterprise. This is supported by our finding that the service offered by the IS can also be considered a public good, because it creates a value for a community that cannot be satisfied by other, traditional companies. After the criteria we have examined so far for our hypothesis, we will now look at the last criterion, the finances of the IS.

V. FINANCE SYSTEM OF THE ISLAMIC STATE

Terrorist organizations need as much money as possible not only for their operational tasks but also for the longevity of the organisation. But as we have written before, the terror organisations – like the IS – does not operate only for the profit, because most of the revenue they generate is reinvested in the running of the organisation. Unfortunately, as we have all seen on news and TV recently, the group tries to implement high-impact attacks at low cost, committed simply using knives or rented vehicles (FATF, 2015). But in general, a large-scale terrorist attack is quite expensive to carry out, for example, 9/11, which cost about \$400,000-500,000 (Roth et al., 2004, pp. 3). So how do they generate revenue?

We would like to point out that most of the data we are working with is from 2014 and 2015, the more recent data are highlighted separately. In most cases, we use data from the Financial Action Task Force 2015 report because it “is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass destruction. The FATF Recommendations are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard.” (FATF, 2015)

We are working with this data because this is when the IS was the strongest (FATF, 2015). There is documentation from this period and there was a lot of money flowing, but since the US military has stepped in, they are only operating in small areas, so the recent data is limited.

In addition, it is particularly difficult to track the IS’s financial movements since 2019 because since then they operate a financial system similar to the Al-Qaeda, known as hawala. This system is often used to transfer cash between places where the banking system does not work or is too expensive. If the middleman accepts to do business with you, then you can generate a password and he will take your cash, then provide you with the contact information of a hawala broker in the city where your money is headed. Whoever gives this password to the intermediary will receive the money. In this way, the money can cross borders without you having to check who is sending or receiving it and what it is being spent on. One of the giants of the industry is the Islamic State, which owns a network of money services businesses and has moved millions of dollars a week. (Kenner, 2019)

After US-backed forces retook the last territories from Islamic State in Syria in 2019, the US and its allies have yet to defeat the terrorist organisation's economic empire. The IS is still a great financial power, experts say: it still has access to hundreds of millions of dollars and can rely on a battle-proof operating base to keep money flowing into its coffers. (Kenner, 2019)

V.1. Revenues and expenditures

One of the most researched topics related to IS is finance, especially the revenue side. Because of the above-mentioned information, the key component of the fight against terrorism is Counter-Terrorist Financing, which aims to identify and prevent terrorist organisations from obtaining funds and obstructing their ability to move funds (FATF, 2015). The international community recognises that financial information can be used to trace terrorists and their networks and identifies two main objectives: disrupting terrorist revenue sources on the one hand and preventing and detecting fund transfers on the other (Rocha & Canales, 2022). Terrorist financing consists of a variety of evolving methods and mechanisms for raising and moving money and resources. There is no general explanatory model, nor is there a consensus on the classification of financing methods.

We have divided their different asset acquisition methods into three groups: "traditional" terrorism-financing, locally raised revenues, and revenues which are from business activities.

V.1.1. "Traditional" terrorism-financing

According to our categorising this part includes money raised through voluntary donations and fundraising. At first, we assumed that because of the ideological commitment, the IS is likely to be supported by wealthy people and account for a significant percentage of its wealth. On the contrary, the overall quantitative value of external donations to IS is minimal relative to its other revenue sources, but the organisation has received some funding from wealthy private regional donors (FATF, 2015).

According to the record of 2015 made by the Financial Action Task Force, transferring money donated to charity fundraisers to conflict zones or areas where IS is active carries the risk of financing terrorism. Non-profit organisations that raise funds for beneficiaries in

third countries who belong or are suspected of belonging to violent or paramilitary structures also pose an additional risk. This risk is further increased if the source of funds and the purpose of the transaction are unknown or cannot be traced. Such cases include transactions without references or the use of generic terms such as 'other', 'services', and 'goods'. (FATF, 2015)

The terrorist organisation's low-level contributors like to use crowdfunding strategies, which have become another source of funding and material resources for IS. Social media platforms nowadays are unintentionally providing an effective method for terrorist groups and their sympathizers to exploit this technology for terrorist financing purposes. When we talked about recruiting members, we mentioned that the IS has set up a propaganda arm called Al-Itisam Establishment for Media Production, which is in the Al-Hayat Media Centre. The Al-Hayat Media Centre focuses primarily on the dissemination of IS propaganda via social media platforms and managing dozens of social media accounts associated with the organisation. It is through these accounts that the IS can maximize its "viral" capabilities and garner widespread support. The IS mainly uses social media to encourage donations and conducted marketing campaigns that meet industry standards set by the largest crowdfunding companies. (FATF, 2015)

We concluded that based on their active presence and posting on various social media platforms, their undeniable aim is to recruit and gain supporters just as we have mentioned previously.

V.1.2. Locally raised revenues

This category covers illicit revenues from land occupation. This includes activities such as illicit taxation, bank looting, extortion, control of oil fields and refineries, trading artifacts, and robbery of economic assets which are carried out in the occupied territories. Revenues from these sources are listed in most financial reports and represent a significant proportion of the IS organisation's assets. (FATF, 2015)

We think it is interesting to note that the IS has attempted to demonstrate a degree of sophistication and a formalized, structured internal financial management system by providing receipts for levies paid (FATF, 2015).

V.1.2.1. Taxation

As previously noted, the Islamic State levies taxes, although such taxation is not a sustainable practice. It is also important to note that taxation is not a trait of social enterprises. We will introduce their taxation briefly, because it is one of their revenue streams.

Islamic State collects taxes from the population under its control. It also charges fees for certain services, like “protection” and raises levies on trade passing through its territory. (FATF, 2015)

Based on figures for total revenue from zakat (Islamic alms-giving) and sums extrapolated from taxation income in the Islamic State’s largest city of Mosul following its capture in the summer of 2014, the group received \$300–400m from taxation in 2014 (Heißner et al., 2017, pp. 7). Despite losing territory throughout the year, its tax income increased to \$400–800m in 2015, as the group consolidated and exploited its control over major population centres in Iraq (Heißner et al., 2017, pp. 7). The loss of these cities – alongside key transit points in Syria such as Jarablus – meant that taxation revenue in 2016 decreased to \$200–400m (Heißner et al., 2017, pp. 7).

V.1.2.2. Bank looting

According to the 2015 data of the Financial Action Task Force, bank looting is another major source of income for IS, it derived a significant portion of its wealth from controlling the bank branches in Iraq. Also, the FATF claims, that the IS treats state-owned and private banks differently. The cash at state-owned banks are IS “property” while the cash at private banks largely remains in the vaults, to be taxed by IS upon customer withdrawals. The US estimated that the IS has had access to the equivalent of at least a half-billion US Dollars in cash alone (FATF, 2015, pp. 12). However, moving these funds is not easy for the IS because the banknotes inside are all in Iraqi currency, the dinar. IS has turned its focus to looting banks in Mosul, which is one of the most important financial centres in Iraq. Managers have been deployed to several bank branches. The IS managers accept cash deposits from local Christians and Muslims and levied a 5 percent tax on cash withdrawn from customers (FATF, 2015, pp. 12). This allows IS to profit from bank transactions and ensures continuity of operations. (FATF, 2015)

V.1.2.3. Control of Oil and Gas Reservoirs

IS also seeks to operate local oil infrastructure. The exploitation of these vast areas allows the organisation to control many oil fields, from which it continues to produce oil for its own use, for its own refining, and resale or exchange on local and regional markets. (FATF, 2015)

In our view, control over these resources is of paramount importance, as energy assets are essential to ensure a reliable and sustainable steady income stream.

We have some confirmation from the data, but it turns out that it is not nearly as sustainable as we first thought. In fact, the group has seen its illicit oil trade decline as a result of intense US airstrikes and a drop in oil prices in 2015 but it was a lucrative venture for an extended period of time (FATF, 2015).

The data from the year 2015, published by the FATF claims that the IS cannot effectively manage these assets due to the lack of resources and technical capacities. However, Heißners' article shows that oil-related revenues account for the second-largest slice of total revenues, with an estimated value somewhere between \$435 million and \$550 million (Heißner et al., 2017, pp. 9). IS has reportedly sold oil near the wellhead for \$20-35 per barrel, where middlemen can then sell it onwards at \$60-100 per barrel in local and nearby markets (FATF, 2015, pp. 14). A representative truck carrying approximately 150 barrels of crude oil earns roughly \$3000 to \$5000 (FATF, 2015, pp. 14).

According to Martin and Solomon (2017), buyers usually pay by cash in dinars for the barrels, which are hard to use later. So, the monetizing of petroleum can be challenging when the IS is trying to directly sell the crude oil itself. Refining the crude into products that are used locally as fuel for vehicles and cooking, or sale to the local population is much easier.

V.1.2.4. Extorting agriculture

IS has also found opportunities for revenue generation in agriculture, both in Syria and Iraq. The organisation is said to extort money under the name of “zakat” from farmers by taking portions of their wheat and barley crops. In addition, the IS seizes agricultural equipment

from local farms, which it then leases back to the farms whose equipment has been confiscated. The determination of the crops' price is also within the power of the IS by controlling the land and means of production, storing food in silos, and distributing it. (FATF, 2015)

The UN Food and Agriculture Organisation estimates that in 2014, IS operated in part of Iraq that accounted for over 40 percent of Iraq's wheat cultivating land (FATF, 2015, pp. 15). The Financial Action Tasks Force's report from 2015 argues that this is extremely advantageous for the organisation because they benefit from the wheat sector, while at the same time strategically limiting the supply of the minority and the opposition.

It is also very important to note here that the IS has already used its control over water resources to destroy agricultural land in southern Iraq by releasing water stored in the Fallujah dam. As a result, the farmlands 160 kilometres downstream have been devastated by the water, leaving millions of people without water in several cities. (FATF, 2015)

V.1.3. Business activities

This category includes revenues where commercial activity in the classical interpretation occurs. By this, we mean that the organisation is engaged in the production, distribution, and sale of goods and services for profit.

V.1.3.1. Human trafficking

Human trafficking has revealed itself to be a significant source of revenue for the IS, and it is said that this industry constitutes approximately 20 percent of their income (Johnson, 2016, pp. 5 as cited in Martin & Solomon, 2017, pp. 38).

We noted that, based on the various sources used later in the text, there are three ways in which trafficking generates revenue. The kidnapped people are either resold or offered as sex slaves to the organisation's fighters or held for ransom.

According to the article of Martin and Solomon, in 2014, just for this reason an estimated 2,500-4,000 Yazidi women and girls were forced into marriage or sexual slavery for a small amount of money (Martin & Solomon, 2017, pp. 38). IS specifically targets women and children and takes them to "slave auctions" (FATF, 2015). Boys and girls aged between

one- and nine-years-old cost around \$165, adolescent girls cost as little as \$124 and women over 20 are even cheaper (Solomon, 2015, pp. 28 as cited in Martin & Solomon, 2017, pp. 39). So, we can see that based on market values, young women are in greatest demand.

Despite the fact that human trafficking seems so lucrative, it is not the main purpose of the organisation, they mainly use it as a recruitment mechanism so they offer extra services for their soldiers for cheap.

IS not only traffics and sells people, but the group also buys people. A highly attractive advantage for their militants is that they meet the demands by providing them with sex slaves at horribly cheap prices. The prices IS fighters are paying for their slaves appear to be approximately \$13 (FATF, 2015, pp. 13).

The IS has reportedly kidnapped hundreds of individuals to extract ransom payments or brutally murdered them to send a political message. Until 2014, IS has generated significant proceeds from ransoms from kidnapped victims, estimated by FATF members to be between \$20 and \$45 million (FATF, 2015, pp. 18.). These payments are deliberately concealed most of the time because these are often paid for by private companies who want to keep the deals secret. (FATF, 2015)

V.1.3.2. Drug and organ smuggling

According to the Russian Federal Drug Control Services, drug trafficking is a massive source of profit for the IS, which annually generates an income of \$1 billion from its narcotics industry (Martin & Solomon, 2017, pp. 38.). An estimated 48 tons of cocaine, worth approximately \$1.8 billion in Europe, are smuggled every year (Burke, 2016 as cited in Martin & Solomon, 2017, pp. 38.). The transfer of heroin has also become a reliable source of income for the IS. The IS is thus determined to expand its drug trade to compensate for oil revenues that were lost when the oilfields were destroyed by the coalition airstrikes in August 2014 (Pattern, 2015, as cited in Martin & Solomon, 2017, pp. 38). (Martin & Solomon, 2017)

The IS has also entered the human organ trafficking market, exploiting its networking system from the trade of drugs and other illegal goods. According to Marin and Solomon (2017), the IS has been recruiting foreign doctors to harvest internal organs not only from

the bodies of their own dead fighters but also from living hostages including children from minority communities in Iraq and Syria. The group has set up a specialist organ smuggling division whose sole responsibility is to sell human hearts, livers, and kidneys on the lucrative international black market (Wood, 2015, pp. 12. as cited in Martin & Solomon, 2017, pp. 39).

V.1.3.3. Cultural artefacts

There is limited information on the smuggling of cultural artefacts since these are also sold on the black market. This can also be a lucrative area if antiquities are found in the area managed by the IS, or if they even know that these artifacts exist, or finally if they recognise the artifact and correctly estimate its value. But for now, the profits from this are relatively marginal. (FATF, 2015)

There is a relatively large amount of information about the IS finances on the revenue side, but little is known about the IS expenditure due to the difficulty of traceability and the high level of discretion. Because of the lack of traceability, we cannot tell whether the money is actually being fully reallocated to the parts of the organisation that are needed to run it. We believe that, like the IS soldiers, its leaders are also being paid, but presumably much larger sums. There is a great deal of secrecy surrounding this issue because it would be contrary to the mission of the IS, and then the organisation's fighters would become disillusioned. So, it is therefore believed that much of the money will be reinvested. We can neither refute nor confirm that the organisation functions under the constraint of non-distributing profit with certainty. What is certainly true, however, is that making a profit is not the main purpose in itself, it is an important means to achieve its mission.

From this section, we conclude that IS has a well-functioning, profitable financial structure, which is clearly essential for it to be considered an enterprise at all. If we assume that even partly the IS's financial policy meets the constraint of non-distributing profit, it could be understood as a non-profit organisation. But by the definition of NPOs, the IS cannot be one, because it performs violent acts (Abdukadirov, 2010).

VI. CONCLUSION

In this paper, we were focusing on the topic of terrorism and more specifically on the Islamic State terrorist organisation. Our research question was: How can the Islamic State terrorist organisation be understood as a social enterprise? We first looked broadly at terrorism to give the relevance of the topic and put it in context. Then, in our literature review, we presented the social entrepreneurship and its dark side, from which we concluded that other authors have already examined terror organizations as social entrepreneurs. Thus, the relevance of our subsequent analysis to our chosen terrorist organisation – the Islamic State – was established.

In the first stage of our case study, we looked in the mission and business model of the IS. The analysis led us to the conclusion that the current “post-territorial” strategy is more applicable in the context of the social entrepreneurship, than the previous one which was more state-like. Another important finding is that the IS's operation reflects the entrepreneurial behaviour because of their ability to effectively adapt in a changing environment. We found, however, that the mission of IS contradicts our hypothesis, as their state-like ambitions go beyond the concept of social entrepreneurship. The services provided by the IS can be seen as public goods as they create value for the community that other traditional businesses can not satisfy.

In the second main unit of our study, we examined the financial system of the IS. Although we found a lot of data on revenues, the expenditure side is very difficult to trace back and there is a high level of discretion surrounding the salaries of high-level leaders. From this section, we can conclude that the IS had a well-functioning and profitable financial structure in the analysed time period, which is clearly necessary to be considered as an enterprise. As mentioned above, we are not sure how much of the profit is explicitly reinvested, but we conclude that most of it is. Because without enough money the organisation cannot function and then it would no longer be fighting for the mission and would go against its original lofty purpose. The IS is still a great financial power and to disband the organisation, the international community has to disrupt the IS's financial flow.

Investigating the Islamic State in the context of a social enterprise framework had the potential to provide insight into their utilization of social programs as a means for recruitment and control, as well as the exploitation of vulnerable populations. By examining

the tactics and objectives of this terrorist organization from a social enterprise perspective, we could gain a more thorough understanding of how radical groups manipulate socio-political issues to gain support and further their agenda.

For instance, the IS offered certain services such as healthcare and education to those living in areas under its governance. Even though they were often insufficient and used for propagandistic purposes, they still had an effect on people's lives. By understanding how these services were provided and comprehending how they were perceived by the local populace, we could gain knowledge on how terrorist organizations take advantage of social circumstances to secure loyalty and backing.

Moreover, by analysing the Islamic State through a social enterprise lens, we could uncover their abusive practices over vulnerable populations such as women and children. Examining their expenditures and recruitment strategies revealed that the group has employed sexual violence and slavery for control purposes, as well as hired child soldiers for combat operations.

In closing, we would emphasize the great significance of diverging from the typical pseudo-state analytical framework and dissecting the Islamic State as a social enterprise. Taking this new approach to analysis enabled us to identify additional information, and gain more profound insight into the relationship between these components.

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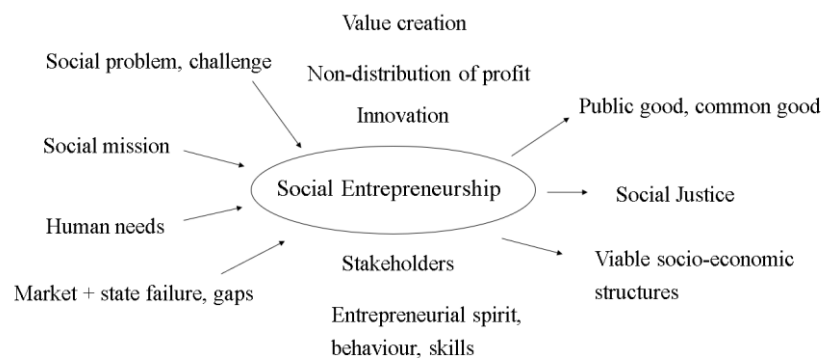
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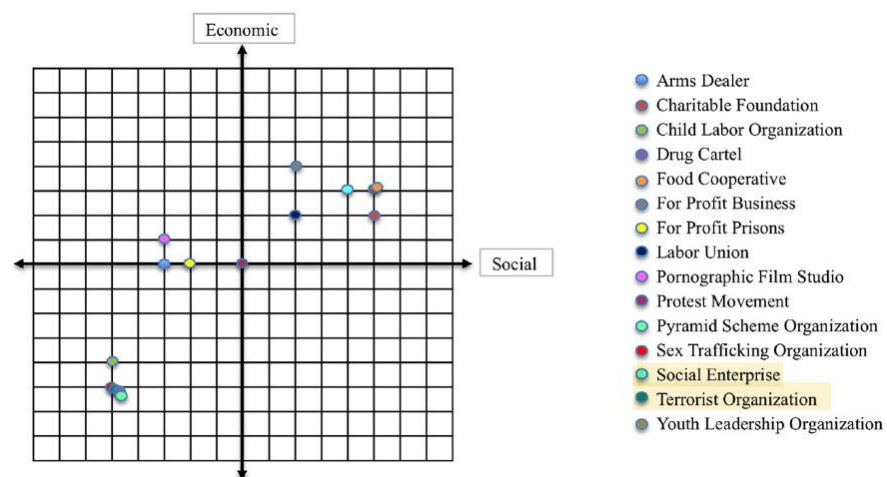
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APPENDIX

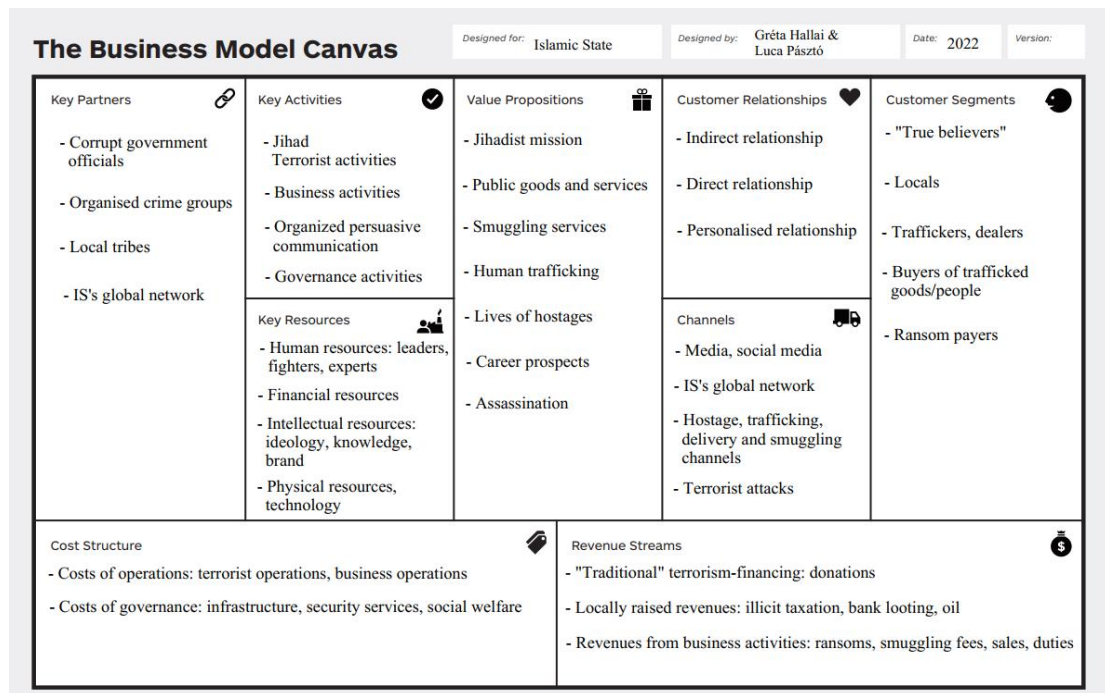


5. Figure: Key concepts related to social entrepreneurship

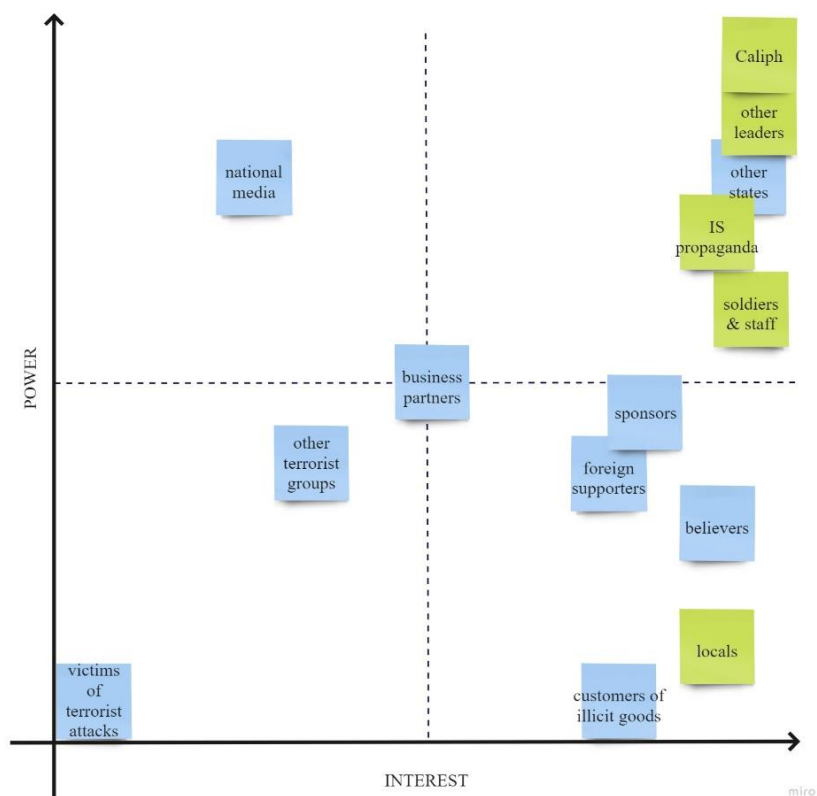
(Source: authors' own graphics according to the studies of: Bedi & Yadav, 2019; Abdulkadirov, 2010; Krizelj-Colovic & Mazic, 2017)



6. Figure: Overall map of the dark and light side expressions of social entrepreneurship
(Source: Talmage et al., 2019, pp. 140)

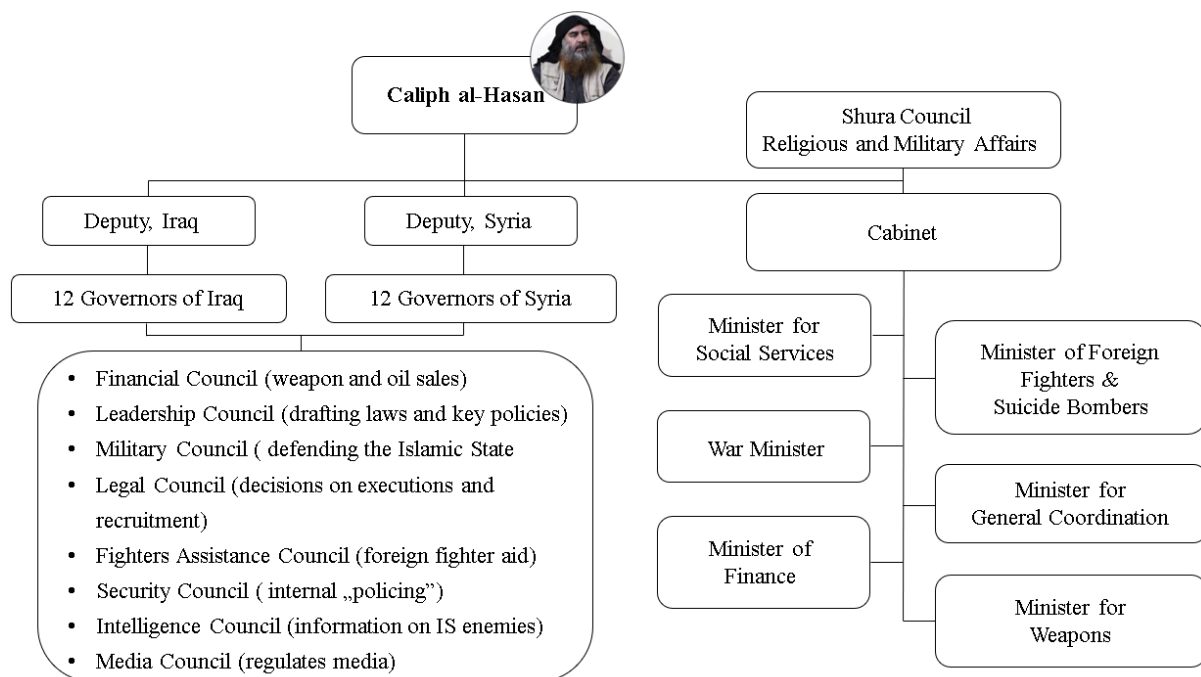


7. Figure: Business Model of the Islamic State
(Source: authors' own graphics based on the BMC by Osterwalder & Pigneur, 2010)



8. Figure: Stakeholder Analysis Matrix of the IS
(Source: authors' own graphics)

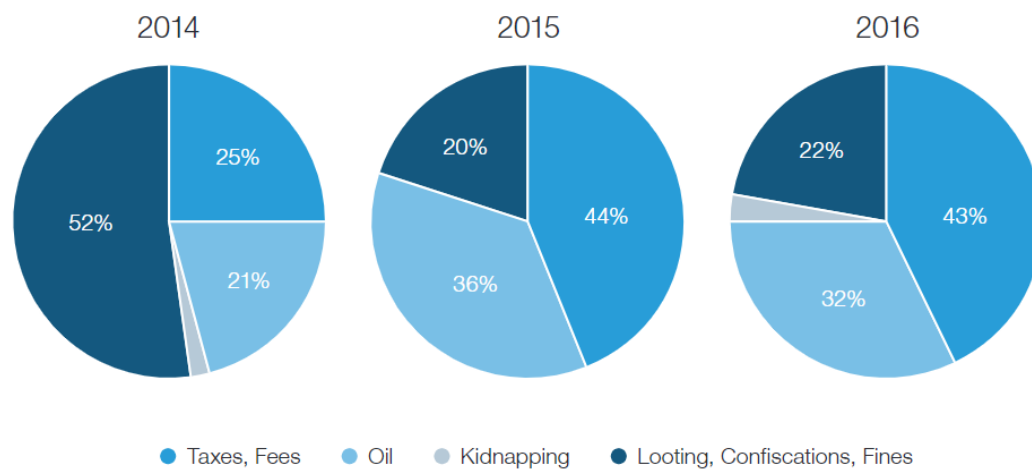
1. Appendix



9. Figure: Organisation structure illustration of the IS

Source: Authors' own graphics, based on Al Hashimi (2014), Lister (2014), Thompson (2014) as cited in Roth et al., 2015, pp. 61)

2. Appendix



10. Figure: IS's main sources of revenues

Source: Heißner et al. (2017)