

Social Enterprises as Influencers of the Broader Business Community

A scoping study

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Social Enterprise NL

Social Enterprise NL connects, supports and represents the growing community of social enterprises in the Netherlands. As a national membership body founded in 2012, Social Enterprise NL works towards a better ecosystem for social entrepreneurship, by engaging stakeholders such as funders, corporates and governments. Social Enterprise NL holds international connections and perspectives through the Social Enterprise World Forum, Euclid Network and the Global Social Entrepreneurship Network.

Porticus

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Cover photo: Frank about tea



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Executive Summary

Influencing wider communities

Social enterprises influence broader business communities, governments, and other actors to move towards a more inclusive and sustainable economy.

The global economy needs to undergo a sustainability transition to overcome the social and environmental challenges mankind is facing. The business community as a whole can, and indeed should, play a crucial role in this transition by adopting sustainable business models and practices, both in terms of environmental sustainability and social sustainability.

Small action, big impact

Small niche innovators can trigger and accelerate broad transitions in sociotechnical systems. Transition theory shows that small actors such as social enterprises can play an important role in accelerating transitions by creating ‘niches’ and engaging in system-building activities. Social enterprises can also influence mainstream businesses to enter a niche and influence broader cultural and policy changes that favour sustainable business practices. This may eventually encourage more and more businesses to act more sustainably, changing what is ‘mainstream’ and ‘normal’ in the broader business community: a transition in the making.

Indirect positive force

Social enterprises have the ambition to be a positive force towards a more sustainable economy, far beyond the direct impact they create. The Netherlands Social Enterprise Monitor 2020 showed that 96% of Dutch social enterprises aim to actively influence other organisations to act more sustainably. More and more Dutch social enterprises have set explicit influencing ambitions beyond their direct impact and created specific practices to achieve those goals. Little knowledge exists, however, about the different ways social enterprises try to influence the economy or how effective these are.

Through literature research and case examples, this study reveals this discipline and unlocks the potential of social enterprises when it comes to accelerating a sustainability transition.

See it in action

Social enterprises undertake eleven different influencing activities, grouped in three categories.

1) Raising the possible

Although many companies would prefer to do business in a more sustainable way, it is often hard to imagine *how* to do business more responsibly. Social enterprises pioneer new products and business models, design ethical value chains, and contribute to knowledge development and technical innovation.

Their pioneering efforts show other companies the possibilities for alternative business realities. This realisation makes it possible for them to tag along. Both new and existing businesses have more reason to enter a new market when a social enterprise has proven that it can work and can make money.

The three activities social enterprises can deploy to ‘raise the possible’ are:

1. Prove sustainable business models,
2. Grow the sustainable market supply,
3. Develop and diffuse knowledge about innovations.

2) Raising the desirable

Norms and values of the main stakeholders (consumers, employees, and investors) have a huge effect on business practices. When the desires of these stakeholders change, they encourage companies to change their practices.

For example, when conscious consumers request sustainable products, businesses adapt to tap the demand. When young talented employees want to work for socially conscious companies, they will question management on their practices. Social enterprises offer opportunities to impact investors, attracting new investors to certain sectors. Clearly, social enterprises can influence the norms and values of all three of these stakeholders through their actions.

The activities social enterprises undertake to ‘raise the desirable’ are:

4. Raise awareness about the problem,
5. Offer consumers an alternative,
6. Advocate sustainable procurement,
7. Inspire people to demand a job with purpose,
8. Support the growing impact of investing.

3) Raising the acceptable

The vast majority of businesses will engage in business practices that are considered ‘acceptable’ by formal institutions, regardless of whether these standards are voluntary or enforced. Some will move to more sustainable practices only when their prior practices are considered unacceptable and, ultimately, when they are deemed illegal. Social enterprises can influence and raise these formal standards.

The activities to ‘raise the acceptable’ are:

9. Raise standards through voluntary industry agreements;
10. Raise standards through certifications and labelling;
11. Fuel a discussion in politics and change government policy.

Strengthening their influence

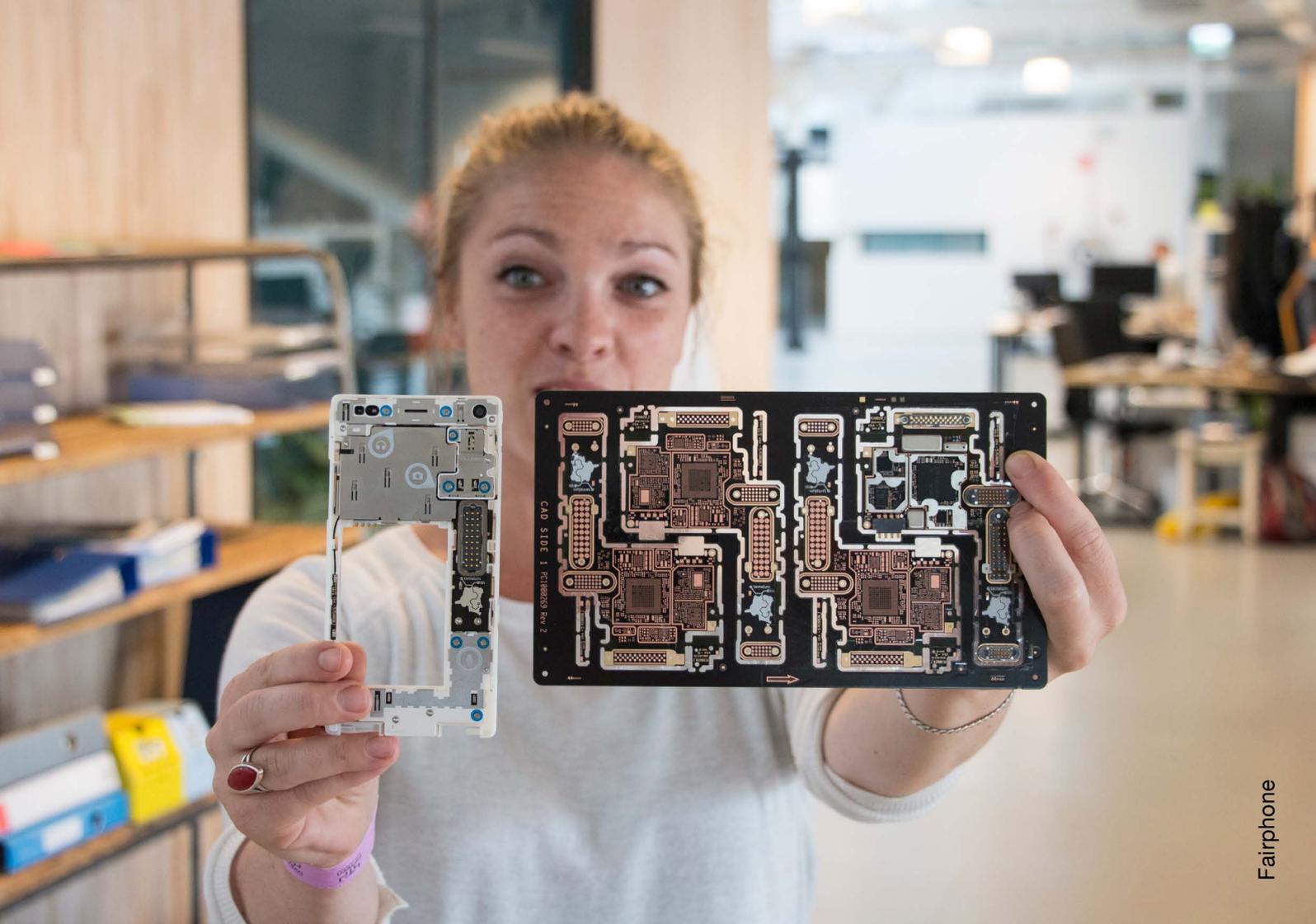
Social enterprises clearly have a positive influence - but it needs to be strengthened further. Social enterprises have the ambition to influence other organisations and we found a lot of promising examples of doing so. At the same time, we also found barriers that are preventing them from doing so, such as limited resources and lack of competences.

We see huge untapped potential. Therefore, we suggest tangible initiatives to grow their existing influence:

- *Build the influencing capacity of social enterprises around the world*
 - An influencing 'how to' handbook for social entrepreneurs and capacity-building programs that can be conducted worldwide,
 - A Community of Practice for influencers in certain industries and/or regions, complemented with action research¹,
 - A campaign that highlights best practices for others to follow as an example.
- *Facilitate cooperation between social enterprises and corporates*
 - Develop a program to bring social entrepreneurs and social intrapreneurs together, to inspire and learn from each other.
- *Fund systemic change and targeted experimentation*
 - Impact investors and venture philanthropists can play a key role by allocating dedicated funds towards strengthening the influence of social enterprises. These funds should be combined with action research to ensure that the insights can be shared broadly.
- *Accelerate academic research about the influencing role of social enterprises.*
 - There is still very limited academic research on the indirect impact of social enterprises. We need to spark the discussion within the academic community and start conducting deep case studies.

With these initiatives, we can tap into the full potential of social enterprises. Only then can we make the necessary steps towards a new economy where we reach the Sustainable Development Goals.

¹ Investigating a problem through activity, designed to find practical solutions.



Introduction

“But as soon as the success is before everyone’s eyes, everything is made very much easier... and a whole crowd invariably does copy it.”

Joseph Schumpeter, 1928¹

Nations and communities around the world are facing vast social and environmental challenges. The unprecedented global health and economic crisis caused by COVID-19, growing inequality, degradation of ecosystems, and the plastic soup are just a few of many such challenges. The business community plays a pivotal role in overcoming these challenges. Environmental and social objectives need to become important drivers for business if they are to succeed. Social enterprises - companies that exist to solve a social or environmental problem - are the pioneers in this transition.

Social enterprises distinguish themselves from other companies in that they adopt and create innovative sustainable business models that have the primary aim of solving a social or environmental problem: impact first (box 1). For social enterprises, financial profits are a means rather than an end. Social enterprises create *direct impact*; for example, by using otherwise wasted food in catering services or by training and employing disadvantaged youth.

But social enterprises can also trigger a reaction from the broader business community; for example, because they raise awareness about a social problem and influence the business community to act more sustainably. As Kubzansky and Breloff put it, by influencing other actors in the system, social enterprises may create “systemic-level ripples” that “lead to the creation or growth of whole new markets”.² Although it is complicated to measure the actual contribution of different actors to the creation of new markets, the indirect impact that social enterprises have by pioneering new markets can play a crucial role in the transition towards a more sustainable business community. As sustainability here refers to both environmental and social matters, social enterprises can therefore have an accelerating effect on resolving challenges in both of these areas.

Over the years, we have come across overwhelming amounts of anecdotal evidence that social enterprises do indeed aim to influence the broader business community. In contrast, we were surprised to find in our research that there is very limited academic research that explicitly studies the *indirect impact* of social enterprises through their influencing roles. A better understanding of the influence of social enterprises could help accelerate the transition towards a more sustainable business community, as it could:

- Increase the effectiveness of social entrepreneurs, in recognizing required competencies, in building alliances, and in allocating resources,
- Help social intrapreneurs working in mainstream businesses to better utilize social enterprises to push their sustainability agenda forward, and possibly help others to learn from their experiences,

- Help venture philanthropists to understand the relevance of indirect impact and support social enterprises in their influencing efforts specifically,
- Help intermediary organizations to better understand how to educate and assist various actors in their sectors,
- Inform academics about interesting new pathways for future research and create a stronger scientific foundation for harnessing the influence of social enterprises in sustainability transitions.

This scoping study is our first step towards a deeper understanding of how social enterprises can create indirect impact by influencing the broader business community. We have tried to answer the following three questions:

1. What is the ‘state of knowledge’ around indirect impact and the influencing role of social enterprises on the broader business community?
2. Which influencing activities do social enterprises employ?
3. Which knowledge or tools should be developed to most effectively grow not only the indirect impact of social enterprises but also the positive impact of the broader business community as a whole?

Contents

Chapter One: Social enterprises can spark sustainability transitions. *A look at the concept of sustainability transitions, the role social enterprises can play in them, and what our study aims to investigate.*

Chapter Two: Methodology. *A reflection on the methodology that was used to conduct this exploratory study.*

Chapter Three: How do social enterprises accelerate the sustainability transition? *A look at how social enterprises influence the broader business community and presentation of our unique model of influencing, with eleven influencing activities divided into three categories.*

Chapter Four: Avenues supporting the desired transition. *Identification of potential avenues that strengthen the forces towards the sustainability transition and the supporting research agenda.*

Chapter Five: Concluding thoughts. *A summary of our research and optimistic look ahead to future plans and further research opportunities.*





Frank about tea

Chapter 1:
**Social enterprises can spark
sustainability transitions**

“Real social entrepreneurs want systems to change, transitions that take years, and that can hurt. It is about operating radically differently. As a social entrepreneur, you should think about: where are you in that landscape, in the system? What do you want to change? Do you want to set up a whole new system, or turn the current system around? Is what you’re doing impactful, or are you merely limiting the damage?”

Arjen Boekhold, Game Changer Unltd., former Tony’s Chocolonely

In this chapter, we show that social enterprises, no matter how small they may be, can play a key role in sustainability transitions. We explain this role using the literature on sustainability transitions and by going into the current state of knowledge on the indirect impact of social enterprises.

1.1. Sustainability transitions

A sustainability transition is defined as a “radical transformation towards a sustainable society, as a response to a number of persistent problems confronting contemporary modern societies”.³ Sustainability transitions are dependent on many “multi-level” developments⁴, ranging from changes in individual business practices to changes in cultural practices and policies and developments in the broader socio-technical landscape (Fig. 1). Transitions are only complete when the broader business community (rather than just a handful of businesses) adopts sustainable business models, which is known as “regime change”.

The literature on sustainability transitions details how small actors can play a pivotal role in sparking and furthering transitions. Where large incumbents have vested interests in the status quo and often have little motivation to create new markets, small actors are relatively free to create and build sustainable market “niches”: innovative business models or technologies that deviate substantially from the “mainstream” way of doing business.⁵ Academic research has emphasized the importance of pioneering entrepreneurs in the creation of niches that may lead to sustainable innovation systems.⁶ In addition, it’s also recently been shown that social innovators can indeed play an important role in building whole new innovation systems, while contributing to the creation of a market for their own social innovations.⁷

This means that, even though small individual firms may not have the reach that large mainstream businesses have, they can still contribute to sustainability transitions by creating niches and engaging in system building activities.

Increasing structuration
of activities in local practices

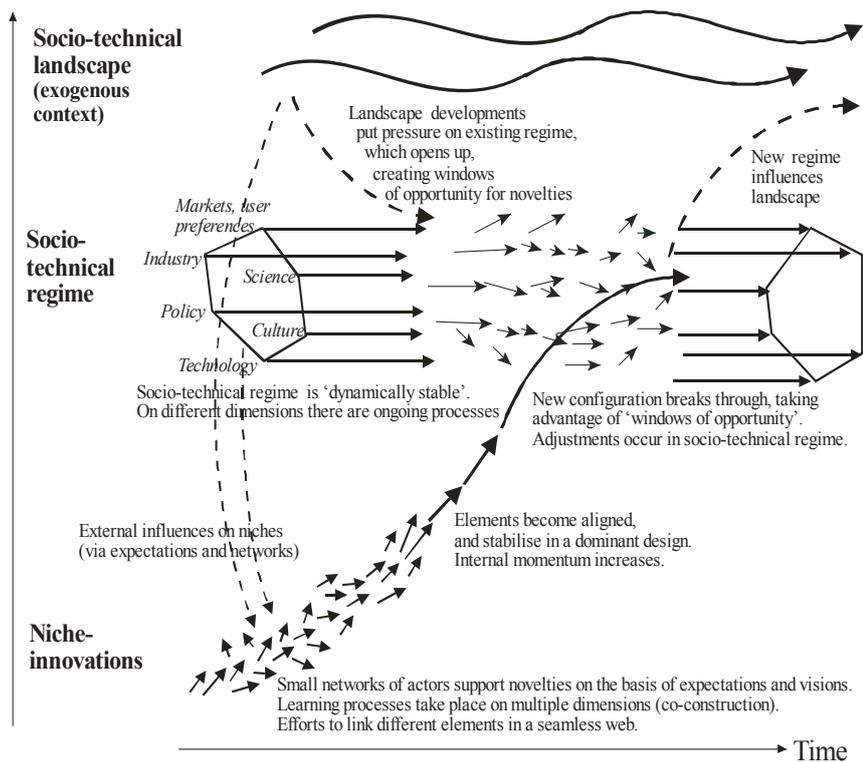


Figure 1: Multi-level perspective on transitions⁸

Social enterprises meet sustainability transitions

Social enterprises have an important function as “niche actors” in sustainability transitions. They are “hybrid” organizations⁹, combining elements of the private, public, and voluntary sectors and thereby giving them a unique role. By forming alliances and influencing other businesses (for example, by showing a new niche is financially attractive), cultures (for example, through raising awareness about the social problem), and policies (for example, through lobbying for sustainability regulations), they contribute to building a new system and ‘mainstreaming’ sustainability. This can inspire mainstream businesses to enter a niche and can even result in broader cultural and policy changes that favour more sustainable business practices. This may eventually change what is ‘mainstream’ and ‘normal’ in the incumbent regime, pushing more incumbents to change: a transition in the making.

We believe that the *indirect impact* of these system-building activities of social enterprises in the sustainability transition may be just as important as a social enterprise’s *direct impact*. By building a new system through their own activities, they not only tackle social problems themselves, but also contribute to the ongoing impact in that system. As research on the indirect impact of social enterprises is scarce, this study aims to gain a better understanding of it by exploring the role of social enterprises in sustainability transitions still further.

1.2. Social enterprises aim for systemic change

A social enterprise exists to solve a societal problem, preferably once and for all. Naturally, besides hyperlocal enterprises, solving a societal problem cannot be achieved in isolation. A social entrepreneur will seek alliances and influence others if they are serious about their social mission. In the Dutch Social Enterprise Monitor of 2020, 96% of social entrepreneurs indicated that they actively try to influence other organisations to act more sustainably and/or inclusively. 63% said they try to create awareness amongst consumers and offer them alternative products, 39% said they lobby the national or local government, and 17% seek to influence by campaigning with NGOs.¹⁰

As early as 2004, Harvard professor Gregory Dees, known as the ‘father of social entrepreneurship education’ wrote an article on Scaling Social Impact, arguing that social entrepreneurs could increase their impact by influencing the behaviour of other actors and organizations. In a 2010 article, Dees reflected on some of the activities and mechanisms for scaling impact:

If we care about large-scale change, we need to keep in mind that social entrepreneurs can scale their impact by getting new legislation or regulations passed; getting old legislation or regulations enforced; shifting social norms, behaviors and attitudes among fellow citizens, corporations, government personnel; changing the way markets operate; and finding ways to prevent the problems they have been solving or reducing the needs they have been serving. None of these methods of scaling impact necessarily requires massive organizational growth, which can slow the process down. The impact happens because of the activities of others. Thus, when we ask about scaling impact, we should also ask: “How can social entrepreneurs magnify and accelerate the scale of their impact by looking beyond simply growing their organizations or replicating their service models?”¹¹

Others, such as Breloff and Khosla, describe social entrepreneurs as the pioneers that “generate positive sector-level externalities—informing, inspiring, and instructing others’ efforts to build robust sectors addressing the needs of the poor—even though not all may individually succeed in scaling up”.¹² Another article by Kubzansky and Breloff in the *Stanford Social Innovation Review* explicitly refers to “indirect impacts” tying these to “indirect pathways to scale”. Here, they refer to competitor reactions, imitator success, and policy changes as some of the indirect ways in which social enterprises can have impact beyond their organization.¹³

Indirect impact is also explicitly referred to in the grey literature in combination with “systems change” or “systemic change”.¹⁴ Systems change is an important concept in relation to indirect impact for organizations such as Ashoka,¹⁵ which speaks of direct and indirect impact amplifying each other to come together in systems change, and refers to contributions to system change as ‘scaling impact’: “Scaling is not just about serving more and more people via one’s own organization, but

influencing many others to promote and adopt the new model. In this way, the idea is no longer dependent upon one social entrepreneur or one organization, but can continue to grow until it becomes the new norm in society.”

1.3 Corporate sustainability attitudes

If we want to study how the influencing role of social enterprises works, we need a classification of the broader business community and their attitudes towards sustainability. During this scoping study, we have used the model of Professor Rob van Tulder. This model argues that there are two types of motivations that drive companies to engage in corporate sustainability: primary and secondary motivations.

Primary motivations relate to the measure of societal responsiveness of the company: is the company intrinsically motivated, or do external conditions shape a company’s motivation? Secondary motivations relate to the company’s strategic or tactical attitude to societal issues: is the company primarily motivated by liability considerations, or by a sense of responsibility? Reference Box 2 for a more detailed explanation of the model.

1.4 A scoping study on the influencing role of social enterprises

Paragraph 1.2 shows that there is some interest in indirect impact, at least outside academia. However, our review of the academic literature (see Chapter 2 and Annex 1 for details) revealed that empirical studies on indirect impact are largely unavailable. One possible explanation for the lack of academic interest is that “it requires getting comfortable with 1) much more contribution-based and less attribution-based assessment of impact in the field, and 2) taking a longer view, particularly for start-up ventures”.¹⁶ With a lack of ways to measure and attribute indirect impact, one can expect empirical work to have trouble finding its way into academic journals and grey literature alike.

In this study, we will address this gap and research the role of social enterprises as ‘niche actors’ that play an important role in sustainability transitions. Little (academic) research has yet been done to investigate *how* social enterprises can create indirect impact. Therefore, building on the existing knowledge, we think it is highly valuable to better understand in what ways social enterprises can fulfil this role of transition accelerators and how they can do this most effectively.

Which activities can social enterprises deploy to influence the broader business community to act more sustainably, thereby creating indirect impact? This scoping study is a first exploration into this question.





Studio Jux

Chapter 2: **Methodology**

During our study, we went through an iterative research process in which we went back and forth between the literature and exploratory case studies, triangulating the results and adapting conclusions by talking to experts in the field. This process consisted of three phases and nine main steps (see below). Throughout the process, our research team of three employees of Social Enterprise NL and one researcher from the Radboud University Nijmegen and Avans University of Applied Sciences had weekly discussions on the focus and progress of the research.

Before the start of the research process, we assembled an international ‘advisory board’ of seven experts from the field.² This board advised us on the research focus and approach, and helped us to ground the findings in a broader, international perspective. We spoke with almost every member individually and organized two advisory board meetings during which multiple members were present.

Phase 1: Exploration

1. Review of the broader innovation and business literature, leading to the identification of three influencing categories and a first understanding of possible influencing activities.
2. An exploratory review of the academic social enterprise literature on the components of indirect impact.
3. Calls with various academics to validate academic focus.

Phase 2: Empirical research

4. Exploratory and semi-structured interviews with social entrepreneurs to better understand influencing activities that social entrepreneurs undertake.
5. Exploratory and semi-structured interviews with people working at corporates to better understand their motivations for acting sustainably and their perspective on the role of social enterprises in sustainability transitions.
6. Exploratory and semi-structured interviews with people working at intermediary organisations to include their observation of social enterprises’ influencing activities and to receive feedback on the direction of the study.

Phase 3: Validation and substantiation

7. Targeted searches in the academic social enterprise literature on the activities to better understand how the various influencing activities are already reflected in existing literature.
8. An exploratory search in the broader innovation and business literature to understand how influencing activities are reflected in the broader literature.
9. Triangulation and feedback from experts.

Each phase is discussed elaborately in Annex 1. On the basis of this research process, we identified our own unique model of influencing that comprises three categories of influencing and eleven influencing activities, discussed in detail throughout Chapter 3.

² Rob van Tulder (Rotterdam School of Management, Erasmus University), Daniel Nowack (Yunus Social Business), Jens Andersson (Inter Ikea Group), Arnaud Mourot (Ashoka), Monique Lempers (Fairphone), Gerry Higgins (Social Enterprise World Forum) & Karel Vanderpoorten (European Commission DG GROW).



Chapter 3:
**How do social enterprises
accelerate the sustainability
transition?**

Social enterprises, in their role as niche actors, have the ambition to accelerate the transition towards a more sustainable business community. In this chapter, we offer more insight into the question of *how* social enterprises can have an indirect impact: which activities do social enterprises deploy to, both intentionally and unintentionally, influence the broader business community, industries, and the economy at large?

A deep dive into the existing literature on the indirect impact of social enterprises and the broader innovation and business literature, in combination with interview data, has led us to identify an ‘influencing model for social enterprises’ (Fig. 2).



Figure 2: Influencing model for social enterprises.

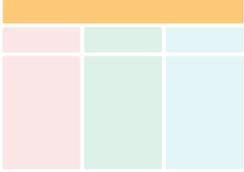
We have found three main categories of influencing:

- *Raising the possible* are the activities that show how business can be done responsibly, so that other businesses can choose to adopt those sustainable practices as well.
- *Raising the desirable* are the activities that change norms and values in society and increase cultural pressures, which motivates executives to act sustainably.
- *Raising the acceptable* are the activities that contribute to higher institutionalized, formal standards, so that it becomes unacceptable not to adopt more sustainable practices.

Within these three categories, we identified eleven different activities. Two *foundational* activities function as prerequisites for effective influencing: goal setting and stakeholder management.

In this chapter, we will explain our unique model in detail, based on scientific research and illustrated with real-life case studies.

In this scoping study, we describe the work of social enterprises that deploy certain influencing activities, but it is important to realize that not all social enterprises deploy all influencing activities. Social enterprises can take different forms and shapes: a company aiming to change the fashion industry has a different dynamic than a company focused on hiring disadvantaged groups.



3.1. Foundational activities: goal setting and stakeholder management

To create order in a complex system and decide which influencing activities to engage in, our empirical research indicates that social enterprises conduct two foundational activities: goal setting and stakeholder management.

3.1.1. Goal setting

Setting explicit goals is the start of choosing activities the social enterprises can undertake to influence other businesses. It is a first step towards effectively changing a system or industry and is an absolute necessity for a social enterprise, or indeed any organisation, to have a clear direction.

In practice

Social enterprises have clear mission statements which reflect their societal ambitions. Some social enterprises mention their influencing ambition explicitly in their mission statement, such as Tony's Chocolonely: "Together we make 100% slave free the norm in chocolate".¹⁷ This explicit mention of changing the norm clearly references changes beyond Tony's own chocolate bars.

Not all social enterprises define changing the broader system as an explicit goal, like Studio Jux as one example: "As a social enterprise it is our mission to successfully run a sustainable ethical fashion and lifestyle brand. To us 'success' means growth for everyone involved in the value chain; success for our employees, stakeholders, key suppliers, customers, lenders, and shareholders"¹⁸. This does not mean, however, that they do not influence other businesses. By educating consumers, it is entirely possible that Jux also influences other businesses by creating new pockets of demand.

Many social enterprises also have some type of indirect impact in their vision and mission. Social enterprise Specialisterren, for instance, is not looking to change the norm within a specific industry, but simply wants to inspire others. They create "value for the digital transformation of its customers through services in the area of software testing with people with a form of autism, the best testers. This way, Specialisterren also creates societal value for its customers and *inspires other employers*."¹⁹

3.1.2. Stakeholder management

Stakeholder analysis and management help social enterprises chart an effective influencing strategy. Relationship and alliance building is an important element of managing stakeholders, where networking and finding common ground with other organisations is key.

In a 2009 article, Bloom and Chatterji identify alliance building as a key driver of successfully scaling impact: “the organization does not try to do things by itself, instead seeking the benefits of unified effort”.²⁰ This is also reflected in the Social Enterprise Monitor 2020, where 34% of social enterprise respondents said they sought to influence other organisations through partnership with a large company, 46% with a mainstream SME, 44% with another social enterprise, and 17% by building alliances with NGOs.²¹

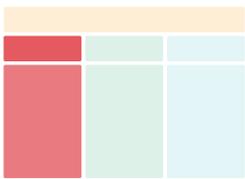
In practice

Arjen Boekhold, former Chain Director at Tony’s Chocolonely, explained how Tony’s Chocolonely has been making stakeholder and power analyses from the inception of their social enterprise. When Tony’s just started, they first identified all the stakeholders involved in the chocolate industry; namely, the governments of the Netherlands, Ghana and Ivory Coast, cacao suppliers, banks, pension funds, NGOs and NGO networks, consumers, and retailers. Next, they assessed their degree of ‘influenceability’: an assessment of whether they had access to the stakeholder and to what extent they would be susceptible to Tony’s message. On the basis of this analysis, they defined an optimistic but realistic strategy on who to influence, when, and how.

Arjen explains: “We found that banks were not influenceable at that point. But we did think through; if this and this happens, we will try to influence them.” This mentality highlights how stakeholder and power analysis is not static. As Tony’s grew and became a more relevant market player, the spheres of influence started to grow and the ‘influencing strategy’ was adapted accordingly.

Various interviewees stressed the importance of alliance building and understanding ‘the other’. Anniek Mauser, Sustainability Director at Unilever Benelux, observes that social enterprises often do not sufficiently understand larger companies, and vice versa. “From both sides it is really important to understand each other’s culture, tone of voice, and life experience,” Anniek said. “Worldviews can clash enormously.”

In the next sections, we will go on to look at the actual activities social enterprises undertake to influence other businesses.



3.2. Raising the possible

Although many companies would like to do business in a more sustainable way, it is often hard to imagine *how* to change to doing business responsibly. This is where social enterprises can play an important role: social entrepreneurs think outside the box of mainstream business frameworks. They experiment with innovative solutions based on ethical and sustainability considerations. They pioneer new products and business models, design ethical value chains, and contribute to knowledge development and technical innovation. This ‘pioneering’ can move other actors, including other companies, to see the possibility of an alternative business reality.

The category of ‘raising the possible’ is academically rooted in the idea that “observational learning” is an important mechanism for indirect impact.²² In other words, new or existing businesses have more reason to enter a new market pioneered by a social enterprise because it is already proven to be a financially viable way of solving a problem. The importance of indirect impact, caused by learning through observation, is underscored by the work of authors such as Hockerts & Wüstenhagen, who found evidence of incumbent players imitating entrepreneurial ideas for sustainable innovations in various markets. This drives the mainstreaming of sustainability, where “the interaction between the two resembles a co-evolution”.²³ Social enterprises pioneer markets and foster growth in these markets and, in later stages, market incumbents copy the innovation to capitalise on the growing trend. Because imitation is an important driver of indirect impact, “replicability” is an important aspect of the influencing potential of social enterprises. Social enterprises can raise not just what is actually possible, but also what other businesses perceive is possible, paving the way for other businesses to follow.

We have identified three influencing activities that social enterprises engage in to ‘raise the possible’. Social enterprises:

1. Prove sustainable business models,
2. Grow sustainable market supply,
3. Develop and diffuse knowledge about innovations.

3.2.1. Proving sustainable business models

“Our strength lies in giving the example with the product, with the service itself. [...] We have to accomplish, to prove, that a product or service like ours has a sustainable business case to put in the market, and develop a sourcing model.”

Monique Lempers, Impact Innovation Director Fairphone

“In working together with social enterprises, we learn about impact across the value chain and how to make it fairer and more sustainable; and we learn about speed, especially technically: how can you set up technical innovations fast?”

Florentine Oberman, Global Partnerships Manager Nutrition in Emerging Markets DSM

When a social enterprise enters a market and grows its customer base, it may attract the attention of incumbents, new entrants, or both.²⁴ These companies may react by replicating (part of) the social enterprise’s business model. A 2014 Stanford Social Innovation Review article posits that one of the three ‘indirect pathways to scale’ is by inspiring copycats: “either a new entrant, or an existing player launching a new product or business line inspired by and based on the experience of the initial innovator”.²⁵ Social enterprises can take the lead in experimenting with sustainable solutions, creating space for others to follow in a variety of ways.

Mainstream businesses can simply copy (part of) the sustainable business model, but could also just as easily choose to acquire the social enterprise. It saves the hardship of innovation and can jumpstart a market proposition. A powerful corporate can scale a business up much faster, thereby also increasing the impact to levels unattainable as a standalone SME. Unilever acquired Ben & Jerry’s twenty years ago and has since grown the brand massively; they also acquired the Vegetarian Butcher (vegan ‘meat’) in 2018 with the same intentions. Such acquisitions offer resources for growth, but also run the risk of the impact principles of the social enterprise being eroded.

Proving that sustainable business models can make money also increases the social enterprise’s credibility, resulting in a positive effect on their influencing efforts: “The organization that is financially healthy should have more legitimacy and persuasiveness with various influencers of social change.”²⁶ According to Rob van den Dool, founder and CEO of social enterprise Yumeko, proving the economic viability of a sustainable business model is key to transforming the sector:

When we first started with Yumeko and we wanted to use sustainable down, we met with a large down company here in the Netherlands. The founder literally pushed us out, thinking we were too threatening to his business. He said: ‘You and your sustainable trash, I’d rather drive a Porsche than think about sustainability’. That’s when I realized: I have to show him that I make 100% annual growth, that I could, in theory, also drive a Porsche. He will change his mind when he sees there is profit, success, and money involved. You have to show them your business model can work.

In essence, social enterprises can pioneer with a technical innovation, start (local) pilot or demonstration projects that inspire other entrepreneurs to enter a niche²⁷, or successfully commercialize an innovation that leads to interest to enter the niche from incumbents.²⁸ The economic viability of the business model here is an important element: if social enterprises can show that a certain sustainable business model is financially viable, this may lead to increased interest of mainstream businesses in such emerging opportunities.²⁹

In practice

We found multiple examples of just this effect occurring throughout our research, such as with Specialsterren, a social enterprise that specializes in software testing with employees on the autism spectrum. They aim to show other companies that the talents of people on the autism spectrum can be a viable asset for the company. Sjoerd van der Maaden, founder of Specialsterren, organizes seminars to raise awareness about the benefits of working with people with autism and to stimulate companies to hire them: “For these seminars, we try to invite specifically those people that are not yet involved in this topic. We want to stress the possibilities: instead of raising awareness about the problems people with autism cope with, we raise awareness about the business possibilities these people can give you.”

Another striking example is Tony’s Chocolonely. Tony’s consciously aims to accomplish scale through knowledge-sharing, by publishing its ways of working sustainably. Next to creating awareness and leading by example, Tony’s wants to inspire other chocolate companies to act responsibly. That is why they started Tony’s Open Chain. Tony’s Open Chain is an open source platform that collects all relevant information and tools that companies can use to become 100% slave free, enable cocoa farmers to earn a liveable income, and increase traceability in the supply chain, based on Tony’s ‘Five Sourcing Principles’ model. Tony’s example enables other companies in the cacao-sector to become their ‘mission allies’ by committing to the adoption of these principles.

In 2019, Tony’s got its first official ally: Albert Heijn, the largest retailer in the Netherlands, committed to Tony’s Open Chain for its private label chocolate brand Delicata. All cacao used in the production of Delicata chocolate is now sourced according to Tony’s five sourcing principles. According to Paul Schoenmakers, Tony’s Head of Impact, Tony’s Open Chain platform is attractive for retailers and

chocolate brands because it makes it easy to work with and build on the experience of Tony's. However, the sourcing principles should apply to the whole sector and can also be implemented by companies independent of Open Chain.

The potential paradox

Inviting other companies to copy even just a part of your business model might seem like a paradox: how do you stay competitive on the market when you encourage competition on your USP? The reality of the risks can be seen through the case study of social enterprise Kromkommer, founded in 2013 to raise awareness about food waste, particularly the waste of 'wonky' fruits and vegetables that are deemed too ugly to sell. Kromkommer launched a soup line of wonky vegetables in 2014, hoping to reach large supermarkets and raise awareness about food waste. It worked: their soups became increasingly popular until, in 2016, Jumbo supermarkets, a large supermarket chain, launched an identical soup line of 'rescued vegetables' and chose not to sell Kromkommer soups anymore. Bad news for Kromkommer's growth as a company, but good news for the impact. With 40% market share, Jumbo helped to create even more awareness about food waste.

Yet competitor entry is not always considered negative by social enterprises, nor does it always stunt growth. This is not surprising, as strategies of co-opetition³⁰ have been shown to foster market co-creation³¹ and may help increase the impact of sustainable innovations. In a 2009 article, Bloom and Chatterij state: "The successful social entrepreneur does not worry about property rights and "owning" the social venture, but instead operates in a collaborative, "open-source" manner, trying to get everyone contributing to the scaling effort."³² Essentially, market growth can make each piece of the pie bigger, so all benefit.

Rob van den Dool, founder and CEO of social enterprise Yumeko, believes that sustainable markets are often still big enough to share: "I don't believe in competition. It is the idea of one shopping street and three shoe stores: all three of them will profit from each other's presence. The moment Yumeko gets competitors, consumers will have a choice. When consumers have a choice, they will get really interested. So we have to grow a sector, which will not happen if I keep everything within my own company."

Key insights

- Social enterprises create innovations that can be copied by other businesses.
- Copying can take different forms, from sharing expertise to complete acquisition.
- An important element is the economic viability of the business model: other companies will only copy if the business model works financially.
- A dilemma for social entrepreneurs is to what extent being copied helps or threatens their own business model.

Remaining questions

- To what extent do businesses recognize that they are influenced by social enterprises?
- How can social enterprise stimulate and facilitate other businesses to copy their product or business model?
- How can we build more platforms like Tony's Open Chain, and what are the success factors of such platforms?
- How can social enterprises best cope with the copying dilemma?

3.2.2. Growing a sustainable market supply

“You influence other companies in the industry automatically when working on your chain, because they are the chain”.

Bas van Abel, founder Fairphone

Social enterprises need suppliers that can adhere to the ethical promises made by social enterprises - something that's not always easy to find. Yet there are some suppliers that are already interested in developing and selling ethical products; they just need the right clients to do so.

The new, ethical solutions of these suppliers are not exclusive to social enterprises but are actually far-reaching across industries. As a growing number of companies realize they can fulfil part of their sustainability ambitions through sustainable procurement³³, these suppliers can and will attract more clients for their more sustainable offerings. By enabling suppliers to pursue more sustainable options, social enterprises can contribute to the growth of sustainable products across an entire industry.

In practice

Social enterprises demand their suppliers to adopt more sustainable practices in order to uphold their values. For example, social enterprise Seepje sells natural soap products made from the fruit shells of the *Sapindus mokerossi* trees in Nepal and India. Seepje wanted to use recycled plastic bottles for their products and, after many rejections from suppliers who said it was not possible, found a supplier that wanted to innovate together. For many suppliers, innovation came with too many risks; the reused plastic bottles might have been too low quality, the consumer reaction might be less favourable to bottles that look slightly less shiny and uniform. Yet in practice, the bottles actually attracted a great deal of attention from other large competitors and the wider industry. For conscious suppliers, these social enterprises are the ideal customers to develop and launch sustainable offering with.

In collaboration with their down supplier, social enterprise Yumeko started a recycling pilot programme for down duvets and pillows. This led to almost 80 kilos of recycled down in 2019.³⁴ Shortly after setting up this recycling chain, Auping, a large manufacturer for bedlinen, got in touch with Yumeko's down supplier, asking if Auping could also use the recycling chain that Yumeko had set up. Yumeko then gave Auping access to their suppliers. Rob van den Dool, founder and CEO of Yumeko, went on to say: "We are not scared of competition. [...] By taking that pioneering role in the market, we inspire and transform others. By making sustainable innovations accessible to others, we can really push positive change and transform industries. It is not that easy to make a chain sustainable. We worked on the development of that sustainable chain for many years."

Key insights

- Social enterprises build their own value chain which can be utilized by other businesses, making the pathway for sustainability transitions that much easier.

Remaining questions

- How can social enterprises more effectively share and support the suppliers in their own value chain, without losing their competitive advantage?

3.2.3. Developing and diffusing knowledge about innovations

Legitimately showing the world that a sustainable innovation is 'possible' requires obtaining and sharing knowledge about the various aspects of a niche technology, social innovation, or business model.³⁵ Social enterprises can become thought leaders in certain vital innovations, making space for further research and enabling further development.

In practice

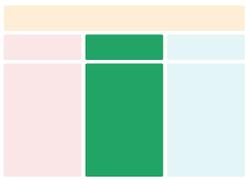
Social enterprises can conduct their own research and can contribute to research executed by other parties, such as NGOs. As just one example, social enterprise Fairphone is the first business to market a modular smartphone. They not only show that a modular smartphone is a financially viable way to solve problems in the electronics industry, they also contribute to knowledge development on the technical aspects of modular smartphones. Fairphone states on its website: "Here at Fairphone, we find it very important to participate in research projects to exchange lessons learned and grow the movement for social entrepreneurship and fairer electronics". Fairphone conducts and commissions its own research projects and publishes them online, such as Fairphone's Report on Recyclability (2017). Moreover, Fairphone contributes to research led by NGOs like Greenpeace, providing data 'from the field' about Fairphone's material chains, as one example. Greenpeace can then use this data in their research on sustainable materials, which then informs lobby practices or awareness efforts among consumers.

Key insights

- Social enterprises contribute to knowledge on innovations and, by sharing that knowledge, can inspire others to make use of it.
- Social enterprises can conduct their own research and development or can provide information to other actors to conduct research and development.

Remaining questions

- How can social enterprises best diffuse knowledge so that other companies can make use of their insights?
- To what extent would the mainstream business have innovated anyway because of other factors, without the influence of social enterprises?



3.3. Raising the desirable

Norms and values guide people's everyday life choices: the way they consume, where they want to work, the way they work, and how they do business. In this sense, norms and values are informal institutions that structure human interaction and make our lives meaningful and predictable.³⁶ These informal institutions are often unwritten and, by their very nature, persistent, even when they are increasingly thought to have negative effects on individuals or society.

However, norms and values can – and do - change over time. Increasingly, for example, consumers consider fair working conditions in their consumer choices, and a new generation of employees express that they want to have 'careers with impact'. Here, the individual needs to connect with the emotional and ethical value of a product or a job. As the aspirations and desires of consumers, employees, and investors change, companies are pushed to change too.

Social enterprises can play a role in changing norms and values by 'raising the desirable' in different ways. These are hopefully long-lasting changes that result from the introduction of new practices.³⁷ Influencing activities of businesses related to raising the desirable are described in various academic literature streams, such as consumer culture literature and institutional work literature.³⁸ By increasing "cultural pressure", consumers and employees make different choices, and others follow.

Based on the literature review, interviews and expert discussion we have identified four influencing activities that social enterprises engage in to 'raise the possible'. Social enterprises:

4. Raise awareness about the problem and the role of the consumer and business,
5. Give consumers an opportunity to change their consumer behaviour by offering them an alternative,
6. Advocate sustainable procurement,
7. Inspire people to demand a job with purpose,
8. Support the growing impact of investing.

3.3.1. Raising awareness about the problem

Social enterprises, by their nature, address a certain societal problem. In fact, some social enterprises, such as Fairphone³⁹ and Tony's Chocolonely, have emerged as products from social movement activism. Others are simply social movement organizations where the product or service is a means to engage in their activism.⁴⁰ By telling stories⁴¹ and using numbers or “theorizing” aspects of the problem⁴², social entrepreneurs aim to reach a broad audience and scale awareness about the problem and what the consumer can do about it. When more and more consumers are aware of their responsibility as a consumer, they are likely to change their behaviour⁴³ and push the wider business competition to respond.

Social enterprises can adopt all kinds of strategies to reach the consumer (box 3). Depending on the type of consumer, the social or environmental value of the product or service is considered a reason to buy it. Getting enough visibility can be a tricky business. Some social entrepreneurs take the stage as often as they can to bring attention to the problem they are addressing. The media are important players in getting a social enterprise's message across. Rob van den Dool, founder and CEO of Yumeko: “The more you are in the news, the more importance you receive. Social enterprises should get the spotlight more often!”

Visibly taking part in activism is not traditionally what companies are known for: this has been much more the role of social movements and activist NGOs. Unlike NGOs, social enterprises use tangible, concrete products or services that can reach consumers even in their homes. But because social enterprises are part of the market and have commercial interests, they have to be careful with criticizing other companies on their sustainability performance, as it might hurt their brand equity. Carlien Helmink, former director at social enterprise Studio Jux: “Social enterprises have to fight to survive, they don't have the space to perform activism like NGOs do. And as a social enterprise you should never attack your competitors publicly.”

Of course, not all social enterprises stick to this rule. Social enterprise Frank about tea did publicly call out Unilever and the problems it is creating in its international tea chain (see case below). Social enterprises and NGOs can work together⁴⁴ and social movements from NGOs often play a key role in supporting social enterprise success, while social enterprises also work to sustain social movements⁴⁵. For example, a social enterprise can share its practices and measured impact with NGOs, who then use this knowledge for awareness campaigns.

CASE: FRANK ABOUT TEA

Frank about tea makes fully-traceable fresh tea through direct trade with tea producers and fair supply chains. Their aim is to change the tea sector and make it fair for everyone involved. Unilever is the largest tea purchaser in the world, buying roughly 10% of the world's tea supply with a yearly revenue of 2.8 billion EUR, its own tea plantations in Kenya and Tanzania, and employing more than 1 million people in their tea production. At the beginning of 2020, Unilever put its tea division on sale because of slow growth perspectives. Although Unilever said that it will take sustainability criteria into account when deciding which party will be the buyer, Frank about tea was worried that this large share of the market might end up in the hands of private equity, which will most probably result in lower income for the tea farmers involved. To raise awareness about the potential ensuing problems, Frank about tea published an open letter to the CEO of Unilever, offering to buy Unilever's tea division for the symbolic price of

1 EUR: "Repairing the unhealthy tea sector, ensuring that farmers will finally receive a fair share of the pie, showing consumers that paying 5 cent for a tea bag is not the true price of a tea bag, is going to be very costly for us. Hence why we believe that 1 EUR reflects the current true value of the tea portfolio."

The letter was featured in the *Financieel Dagblad* (The Dutch Financial Times) and received a lot of attention. Frank about tea's aim was to raise awareness about the millions of families that are dependent on Unilever, their already meagre living conditions, and the risk for these families to suffer still further. Bart Aupers, Head of Partnerships at Frank about tea, said: "The goal of that letter was to raise awareness among the end user, consumers and companies, so they realize they have 'chain responsibility'." The hope was that end users might then start asking questions and pressuring companies to do business more responsibly.



Key insights

- Changing public opinion about sustainability (or the lack thereof) can push other companies to consider sustainability too.
- Social enterprises raise awareness by campaigning, storytelling, and offering a compelling alternative to consumers and can form new alliances between NGOs and traditional businesses.
- Collaborations, both formal and informal, with NGOs give new opportunities to both social enterprises and NGOs in putting fresh topics on the agenda.

Remaining questions

- How much consumer pressure is needed before mainstream businesses change behaviour?
- How can social enterprises become more effective in raising awareness and grow their consumer base at the same time?
- To what extent does publicly criticizing conventional players, like Unilever, as a part of the PR strategy of social enterprises hurt these conventional players and what is the risk for the social enterprise's brand?

3.3.2. Offering consumers an alternative

Once consumers become conscious of a social problem that is being perpetuated by their consumption, they often look for better alternatives. Social enterprises enable the creation of a 'responsible' consumer.⁴⁶ This new, responsible demand will often push other companies to adopt similar sustainability standards in order to tap into this consumer group.

As noted by Rob van den Dool, founder and CEO of social enterprise Yumeko: "Even when the demand may be latently there, the supply may not be. The consumer cannot do it alone. Therefore, we believe that the business community is the driver of change." When the number of responsible consumers is high enough, smart companies will undoubtedly react to the new demand. Rob: "You have to reach scale: you are not inspiring for others when you are really small. [...] We can only transform the sector if we are successful as a company. That means: setting up good chains, a good business model and attracting consumers."

In practice

We observed the contribution of the responsible consumer in multiple cases. Fairphone, as mentioned before, have their roots in social movement activism, and asked itself the question: how do we give consumers the 'perspective to act'? They started to produce a phone to show the world that people *want* a fair phone. In the words of Bas van Abel, founder of Fairphone: "We wanted more than a list of signatures to approach policymakers, we wanted consumers to be able to act by buying a phone." In a podcast, he said: "Consumers cannot make a statement if the product is not there. We give consumers the power to change the industry."

An example of how growing consumer demand for a social enterprise has impacted other companies is sustainable supermarket chain Marqt. Marqt sells sustainable, local, fair products and influences other supermarket chains to change their assortments and add sustainable products. Albert Heijn, the largest supermarket chain in the Netherlands, saw that their customers started buying products at Marqt, and reacted by looking at Marqt's way of working and adding sustainable products to their own assortment.⁴⁷ Because Marqt offered consumers an alternative, they could act and change the behaviour of Albert Heijn.

Key insights

- Social enterprises have a unique way to activate consumers: they can provide consumers with a 'perspective to act'.

Remaining questions

- How much consumer pressure is needed before mainstream businesses change behaviour?

3.3.3 Advocating for sustainable procurement

Sustainable procurement is an important instrument for mainstream businesses that want to act more sustainably. The everyday practices of social enterprises, in offering sustainable products and services, advocate the general idea of sustainable procurement through their success.

Our interviews provided further evidence that various social enterprises actively promote the principle of sustainable procurement. Of course, they do this from a business perspective: procurement of their own products or services means more clients and more turnover. Many social enterprises also stimulate a discussion that goes beyond their own social enterprise: they raise awareness about the 'possibility' of sustainable procurement, either by inspiring companies through their own procurement contracts with those companies or by actively calling on companies to procure more sustainably. Social enterprise Specialisterren works with many corporate clients. Sjoerd van der Maaden, founder of Specialisterren, told us that one of its clients, a large cleaning company, was inspired by their partnership and decided to do business with two more companies working with employees on the autism spectrum.

Social enterprises can amplify these thoughts by joining social enterprise networks that take an important role in these activities. 'Buy Social' programs³ bring social enterprises and large buyers together. The programs offer CSR managers of large procuring organisations a platform to promote such ideas within their organizations and liaise with upper management and procurement departments. The incentives of

³ See here for more information about the Buy Social campaign from the UK; see here for more information about Buy Social the Netherlands.

buyers typically point in the opposite direction from sustainability. The 'Buy Social' programs allow for a space where experiences are shared between buyers and with social entrepreneurs how to overcome these hurdles, sharing knowledge about how to further advocate for sustainable procurement.

In practice

Bart Aupers, head of partnerships at social enterprise Frank about tea, told us that they very actively try to set up meetings with procurement departments of companies, and have 'Socratic conversations' with the people working at these departments. In these conversations, they stimulate buyers to think about where products come from, to be aware of the potential impact of these products, and to realize their responsibilities as a buyer. They hope these officers adopt a sustainable approach to their procurement decisions. Eric Buckens, director of the ABN AMRO Social Impact Fund, saw that the procurement department of ABN AMRO, the third-largest bank in the Netherlands, shifted towards more sustainable procurement based on CSR policies and in line with the bank's sustainable strategy, largely fuelled by social entrepreneurs actively calling on the bank to consider sustainable alternatives. According to Buckens: "Once buyers start to know sustainable alternatives, they want to do better and better."

Key insights

- Social enterprises contribute to realizing CSR/sustainable ambitions of corporates through their offering.
- Social enterprises raise awareness on the possibilities of sustainable procurement.
- Social enterprises amplify their influence by joining networks that operate 'Buy Social' programs.
- 'Buy Social' programs are an opportunity for mainstream businesses to push their sustainability agenda internally and externally.

Remaining questions

- How can campaigns such as 'Buy Social' become more effective in reaching the mainstream business community?
- To what extent does sustainable procurement lead to more general sustainable behaviour of a company?
- How can procurement departments of large companies react faster to sustainable market developments?

3.3.4. Inspiring people to demand a job with purpose

The purpose of a company forms an increasingly important criterion in the ‘war on talent’. This was confirmed by our advisory board and can be seen in the Deloitte Global Millennial Survey 2020, which investigated the views of thousands of millennials and Generation Z’s on a range of topics, including how they think about work. According to the report, these young professionals “continue to push for a world in which businesses and governments mirror [...] commitment to society, putting people ahead of profits and prioritizing environmental sustainability.”⁴⁸ Increasingly, people want to work ‘with impact’ or do ‘meaningful work’, something social enterprises can offer.

The existence of social enterprises can contribute to this trend of meaningful work, since it gives young people a sustainable alternative for their career. This way, social enterprises ‘raise the desirable’ on what people demand from a workplace. This demand can be a reason for companies to implement sustainability policies or programs. According to the interviewees working at corporates, an important reason for corporates to ‘do something with sustainability’ is that their (potential) workforce, young millennials, ask for it. Corporates want to attract more candidates and stay competitive in the labour market.

In practice

A 2017 research from PwC, investigating what mainstream businesses can learn from social enterprises, found that successful social enterprises employ people who have an intrinsic motivation for the social mission of the enterprise. Such employees are often more productive and willing to put more effort into their work. Moreover, businesses with intrinsically motivated employees have less difficulty recruiting and retaining employees. According to the PwC report: “As a first step, mainstream businesses can start by implementing a company purpose and mission that are focused on positive social impact. The next step is to ensure that a company’s actions are aligned to its mission.”

The benefits of working on a societal mission within a corporate company was also recently confirmed by Yunus Social Business (YSB). YSB investigated the ‘social intrapreneur’, which they define as “An entrepreneurial employee who develops a profitable new product, service, or business model that creates value for society and her company. Social intrapreneurs help their employers meet sustainability commitments and create value for customers and communities in ways that are built to last.”^{49,50} There are two key social intrapreneurship approaches: first, “social intrapreneurs who create a financially sustainable social or environmental product, service or initiative within the company itself”; second, “social intrapreneurs who drive their company to engage with, support or buy from external social intrapreneurs (or initiatives) with a sustainable business model”. This second approach they see happening most often through accelerator programs, impact investing funds, and by integrating social enterprises or initiatives into their company’s value chain. Even within corporate structures then, social enterprises can still exert some influence.

Key insights:

- Social enterprises offer 'jobs with purpose', something millennials are increasingly interested in.
- To stay attractive for future employees, corporates need to integrate purpose in their work and can learn from social enterprises on how to do so.
- There lies potential in more interaction between social intrapreneurs and social entrepreneurs.

Remaining questions:

- To what extent do social entrepreneurs inspire people to set up social intrapreneurial projects and how they can reinforce one another, creating more impact together?

3.3.5. Supporting the growing impact of investing

Ultimately, shareholders decide the strategy of companies; capital can therefore be a key driver of change. Many companies are simply trapped in a financial system that gives them limited room to define their own sustainability agenda beyond financial returns. Once it becomes the norm that players in the financial market require sustainability, it can become part of evaluating a company. The ultimate goal is to consider sustainability when deciding where to allocate or invest capital, which can only be driven by raising investor demand and updated reporting standards.

In practice

We have found no evidence that social enterprises influence large institutional investors such as pension funds. But we do see social enterprises as a crucial factor in the rise of impact investment because impact investors need sustainable businesses to invest in. Social enterprises have proved to deliver both impact and financial returns and, in this way, give impact investment legitimacy and help to attract new impact-oriented investors.

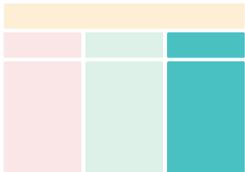
This growing community of impact investors could potentially influence larger investors. The impact investors can be seen as the 'niche actors' of the investing regime. They show it is possible and can be copied by institutional investors. More research is needed to see if this actually happens, but we see some first anecdotal evidence. In the Netherlands, a large insurance company is one of the investors in an impact investing fund dedicated to social enterprises. Wealthy private clients of a big bank also indicated that they are interested in investing in social enterprises. The first stirrings of demand are there; we just need to fan the flames.

Key insights

- The contribution of social entrepreneurs to growing impact investing seems to be largely unconscious.
- Impact investors have the potential to influence larger (institutional) investors.

Remaining questions

- How can (relatively small) impact investors play more of a role in influencing large institutional investors, such as pension funds?



3.4. Raising the acceptable

The vast majority of businesses will only engage in business practices that are considered ‘acceptable’ by formal institutions and will move to more sustainable practices when their prior practices are considered ‘unacceptable’ by formal institutions, and are ultimately considered illegal by law. Formally ‘acceptable’ business practices can change over time, and also differ per country and even per region.⁵¹ Social enterprises contribute to changing these formal standards, thereby raising what is ‘acceptable’.

Various influencing activities related to ‘raising the acceptable’ are discussed in academic literature, particularly in literature on innovation systems and institutional entrepreneurship⁵² and literature on Fairtrade standards⁵³. From this, we have learned that there are multiple ways to formalize what a society considers acceptable, such as through regulation⁵⁴, standards⁵⁵, voluntary industry agreements⁵⁶, and certification schemes⁵⁷. They are often accompanied by labels that communicate these new norms, such as Fairtrade⁵⁸. In essence, social enterprises can influence regulations and standards to force or persuade others to act more sustainably in order to adhere to these formalized norms.

We have identified three influencing activities that social enterprises can engage in to ‘raise the acceptable’. Social enterprises can:

9. Raise standards through voluntary industry agreements,
10. Raise standards through certifications and labelling,
11. Fuel discussions in politics and change government policy.

3.4.1. Raising standards through voluntary industry agreements

One way to raise what is acceptable in an industry is by forming voluntary industry agreements. These agreements can take two forms: industry covenants (voluntary agreements between businesses or governments and businesses to streamline cooperation on complex problems) or ‘platforms’ for industry standards. Covenants can serve to bring together a group of industry leaders to, as one example, align their supply chain policies. By participating in voluntary agreements, social enterprises can have a “seat at the table” in industry-wide discussions on sustainability standards, show leadership on specific sustainability issues, and form alliances with other stakeholders to take a stance together.

The Social Enterprise Monitor 2020 showed that 34% of social enterprises actively try to influence other organizations to act more sustainably by participating in a covenant or another collaborative vehicle. In our research, we found that social enterprises working in international value chains are specifically active in this arena, where local legislation needs to be supplemented by voluntary agreements.

Key insights

- By joining voluntary industry agreements, social enterprises can have a seat at the table and interact with industry leaders that are otherwise hard to reach.
- Within voluntary agreements, social enterprises can raise the bar, by pushing an agenda that corporates cannot.
- Successful social enterprises are often ‘over-asked’ by different voluntary agreements or alliances and must choose their alliances carefully.

Key questions

- Alliances and voluntary agreements are sometimes criticized by not bringing the change they claim; how can they become more effective?
- How can social enterprises better choose which agreement or alliance to join and then become more effective in these agreements or alliances?

CASE: FAIRPHONE

Fairphone is a prime example of how such collaborative efforts can be successful. There are few more globalized industries than the smartphone industry, where the top five manufactures have 69%⁵⁹ of the market share. This concentration can be problematic because a lot of knowledge and power is concentrated within this small group of companies - but it's also an opportunity. If only two or three of these companies move, the whole industry moves. For this reason, Fairphone invests a lot of time and effort into making a contribution to alliances and agreements on the global industry level, for example through their involvement in a Gold Covenant, the Fair Cobalt Alliance, the Responsible Mineral Initiative, and the Global Battery Alliance.

Within these initiatives, Fairphone aims to integrate suppliers into their sustainability standards and generate finances. In the smartphone industry, there are already several different alliances and covenants. In the words of Monique Lempers, Impact Innovation Director at Fairphone, one could suffer from 'death by partnership',

by which she means that it's crucial to choose which partnerships to engage with carefully. Fairphone therefore decided to participate only in platforms focused on the two themes where they are already thought leaders and where they can add more value than other parties. These themes are extending the lifespan of a device, and responsible mining and purchasing of minerals.

Lempers also emphasized the importance of building personal relationships through participating in platforms and voluntary agreements, especially as Fairphone is a small organisation in comparison to the smartphone giants. Fairphone tries to connect and build alliances specifically with the parties and representatives that have similar ambitions and entrepreneurial attitudes, which can be people working at idealistic start-ups, but can also be ambitious employees of corporates such as Phillips or BMW. With these individuals or companies, Fairphone tries to form 'sub-coalitions', or, in Monique's words: 'coalitions of the willing'. Monique continued:

"With these ambitious pioneers we try to take the rest along, step by step." Fairphone's efforts have not gone unnoticed. Some representatives of a large smartphone manufacturer have asked Fairphone to publish reports for use in their internal lobby. This is true indirect impact at work; Fairphone's work and message have won a place in front of eyes beyond their own organisation.



3.4.2. Raising standards through certifications and labelling

Certifications and labels are used widely in a variety of products to show that companies are adhering to a set of basic standards. These standards are set and enforced by leading certifying organisations and often relate to a specific social or environmental issue. As stated by Rob van den Dool, founder and director of social enterprise Yumeko: “certifications make sure a minimum level is set, upon which all companies have to act”. Their importance in influencing global social and environmental practices cannot be underestimated.

Some of these organizations, such as Fairtrade International, find their origins in social movements⁶⁰, while others, such as UTZ Rainforest, are founded through partnerships between a social movement and a large corporation. The strength of the certifications lies in external collaboration: regular checks are carried out by the certifying organisations themselves to guarantee that companies continue to adhere to these standards.

More and more certifications have popped up across all industries in the last few decades, with the Ecolabel index tracking 457 ecolabels in 199 countries across 25 sectors⁶¹. In many industries, certifications have become a ‘license to operate’ or ‘de facto industry standard’, making it difficult for larger companies to explain to their employees, customers, and other stakeholders why they don’t participate. The power of these certifications has never been more potent.

Changing with the times

Establishing a certification doesn't mean the standards are set in stone, however. These certifications are often subject to pressure to raise or lower the criteria for participating companies. As certifications become more mainstream, this pressure increases accordingly, with more eyes and more opinions to contend with.

In academic social enterprise literature, the Fairtrade certification is at the forefront of the discussion on the mainstreaming of standards and certifications. Fairtrade's distinguishing feature for expanding into the mainstream is thought to be its effective use of accountability tools and labelling regimes⁶². When consumers see a Fairtrade symbol on a product, they know what that stands for and what has gone into making that product. The standards and practices are clear to consumers and producers alike.

Our data also points to certification and labelling as being an important mechanism for indirect impact. We found that social enterprises can have an indirect impact in two key ways:

- Pioneering a certification scheme or label in an industry or sub-sector of that industry,
- Pushing the boundaries of an existing certification in an industry.

While both are possible, the latter option can have far-reaching effects across an industry when done right. Indeed, a recurring theme in our interviews was how social enterprises can push the boundaries of labelling schemes by doing more than the minimum requirements. While Fairtrade pioneers have criticized Fairtrade's mainstreaming for diluting the core principles⁶³, social enterprises such as Tony's Chocolonely and Yumeko have taken it upon themselves to go beyond formal requirements. By pushing for higher standards of the certification both in and outside their industries, they have a direct influence on all companies that have, or even want to have, the Fairtrade certification. The following case description details how Tony's went about it.

CASE: TONY'S CHOCOLONELY

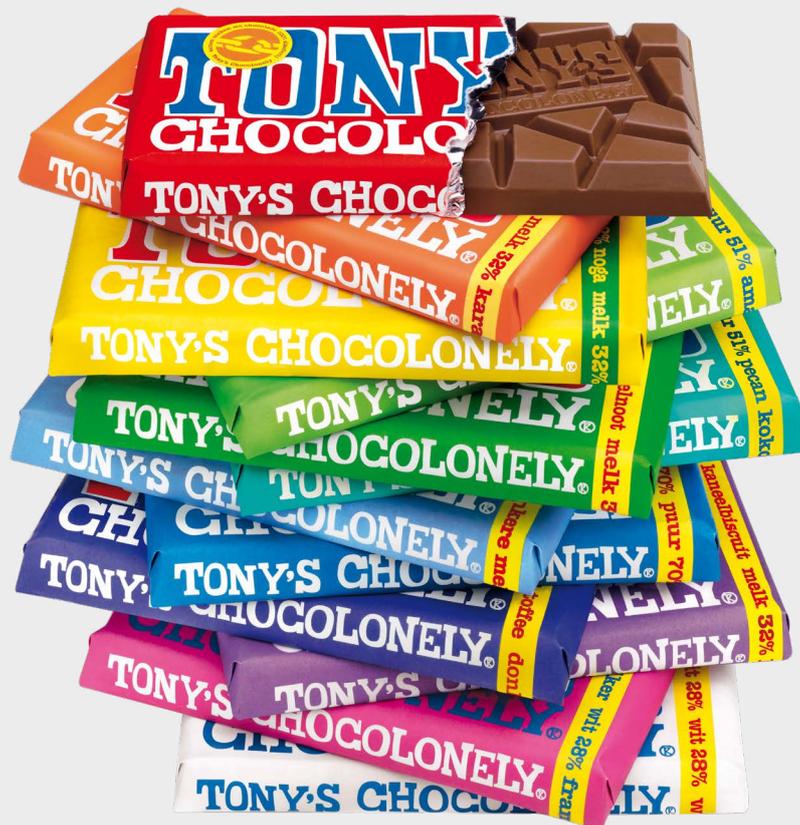
The cacao industry has a few important certifications that uphold standards for (more or less) sustainable cacao production, such as Rainforest Alliance/UTZ and Fairtrade. Increasing these standards is certainly an uphill battle, with many large companies advocating for lower standards. Nonetheless, Tony's took this battle on.

In 2013, Tony's concluded that the Fairtrade Premium (typically a 10% premium that farmer organizations receive on top of the world market price of their goods) was far from high enough to provide farmers with a living wage. This wage is vital for lifting farmers and labourers out of poverty. To uphold their commitment to this mission, Tony's decided to pay a higher premium themselves.

Although Fairtrade was initially astonished that a chocolate company challenged the Fairtrade standards for being too low,

the following discussions were certainly productive. Tony's and Fairtrade have since then been working together to find a standardized norm in the cacao industry: the Living Income Reference Price (LIRP). This would define the price a farmer should receive for one kilo of cacao beans to be able to earn a liveable income. Although this standard has not yet been adopted by Fairtrade, they did raise their premium and minimum prices, making the first steps along the road towards the LIRP.

From October 1st 2019, the minimum export price was raised from \$2000 to \$2400 per ton, and the premium from \$200 to \$240 per ton. All chocolate companies with a Fairtrade label have therefore had to raise their purchase prices, although not yet to the living income level. Tony's, on the other hand, does bridge the gap between the minimum price and the LIRP by paying their own higher premium.



CASE: YUMEKO

Yumeko, an ethical bed and bath linen producer, uses multiple certifications for its materials and production processes, including the Global Organic Textile Standard and the Fairtrade certification. Specific products adhere to the Responsible Down Standard (RDS), Downpass, Nomite, the Forest Stewardship Council (FSC), OEKO-TEX Standard 100 and QUL. Even when certifications do not yet exist for certain materials, Yumeko still makes sure that the product and production process adhere to their minimal environmental

guarantees the wellbeing of geese and ducks whose down and feathers are used for the production of pillows and duvets, and makes the production process fully traceable. Together with their down supplier, sixty farms pledged commitment to the RDS. Yumeko trusted the RDS to set high enough standards, until Rob van den Dool, founder and CEO of Yumeko, received a call from a Dutch television show. Animal rights activists had raided the stalls in which ducks were held for Yumeko's products and found that some were being

mistreated during the loading and unloading process. This particular part of the process had been missed by the RDS. Other companies had already been notified but did not react publicly, for fear of damaging their reputation. Rob, however, decided to publicly admit that this was not up to Yumeko standards. He took the lead in filing a complaint against RDS with their down supplier, requesting an immediate change. Rob explains: "I called the animal activists to say: I like what you did, I want to have regular meetings. Please do these raids more often. It is great [because] now we have a kind of partnership. They

impact standards and welfare standards for humans and animals. For those products, Yumeko uses its own sign of approval: 'Yumeko says OK'.

Yumeko was the first Dutch company to receive the Responsible Down Standard (RDS) label for their duvets and pillows, controlled by independent certifying organization Control Union. The RDS

still don't agree with our work, since they are against the use of down completely, but I say: I want them to act like whistleblowers because I want full transparency in my chain." After this public event, the RDS worked on new standards for loading and unloading for the next six months. These new standards have now been implemented, ensuring compliance from all farms with the RDS label.



Key insights

- Social enterprises can initiate new certifications schemes and, in this way, raise the bar of an industry.
- Social enterprises can raise the bar of existing certifications, for example by introducing new topics such as living wage.

Remaining questions

- Is it more effective to create a new certification, or raise the bar within existing certifications?

3.4.3. Fuelling a discussion in politics and changing government policy

“Too many companies are hiding behind the playing rules of the system.”

Arjen Boekhold, Game Changer Unltd., former Tony’s Chocolonely

One way to really change the ‘rules of the game’ and create a level playing field for all companies in an industry or with a certain business practice is by changing laws and regulations, raising standards for all companies at once. It makes the practices of the lagging companies illegal, although it often still takes time before the vast majority adheres. Due diligence and control is often the next stage in where pressure from governments is required. Levelling the playing field in this way can be an important step towards making sustainability the norm instead of the exception, as it can take away the supposed financial competitive disadvantage that may hold companies back from implementing more sustainable practices. There are various ways that mainstream businesses can be persuaded to act more sustainably, such as through new laws, new policy frameworks, bans, formal limits on output (e.g., CO₂), fiscal measures, monitoring and law enforcement, new subsidies, and new reporting requirements⁶⁴.

Social enterprises can push for the implementation of new rules and regulations, and influence the political discourse through direct lobbying. In fact, the Social Enterprise Monitor 2020 showed that 39% of Dutch social enterprises actively try to influence other organizations to act more sustainably by actively lobbying at national and/or regional government. In social enterprise literature, for example Bloom & Chatterji discuss lobbying as an important part of “scaling impact”, where lobbying is defined as advocating for government action that may work in a social enterprise’s favour. Success in lobbying can be achieved by engaging talented lobbyists and people in public relations with relevant networks, but may primarily depend on a social enterprise’s ability to “present well-researched, credible evidence demonstrating that what is being advocated clearly has substantial benefits, relative to its costs, for constituencies to which legislators and regulators are beholden”⁶⁵.

Our research also indicates that social enterprises aim to contribute to changing laws and regulations through alliances. Bloom and Chatterji (2009) assert that it can be very helpful to build grass-roots support for what the social enterprise advocates, thereby “putting it higher on the public (and media) agenda and cultivating a social movement to support it”.⁶⁶ Indeed, three social entrepreneurs we interviewed report that they indirectly participate in lobbying practices through alliances with NGOs, such as Greenpeace and Amnesty International, offering a practical perspective to the arguments from activists.

However, lobbying can also be very time-consuming and requires specific skills and networks that are not always available to social enterprises. Again, that’s why partnerships can be fruitful, with more resources to share. Carlien Helmink, previous managing director and co-owner of social enterprise Studio Jux, said: “Every now and then politics came our way because, for example, we were invited to have a coffee with a minister. This usually resulted in a lot of praise and ideas, but no promises or concrete actions. [...] We felt like it was not our trade to focus on that [political lobby]. We had enough other things to do, and other talents. We focused our activism on how to grow our company and thereby our impact, because in the end it’s all about survival.”

CASE: TONY’S CHOCOLONELY

Almost twenty years on from the Harkin-Engel Protocol, a voluntary agreement to eliminate the worst forms of child labour in the production of cocoa across the Ivory Coast and Ghana, not much has changed. Child labour is still a highly prevalent issue in the cacao-industry (and beyond). Because of the lack of change, Tony’s Chocolonely has begun to build a legal framework. Legislation can play a crucial role in changing the norm and raising the bar for all companies working with international supply chains.

In 2017 the Dutch Parliament adopted the Child Labor Compulsory Care Initiative Act (‘Wet Zorgplicht Kinderarbeid’), a bill that requires companies selling goods and services to Dutch consumers to analyse if child labour occurs in their supply chain. If it does, these companies must make a plan of action to combat child labour and issue

a due diligence statement. The fact that this issue got raised on the political agenda was incredibly important for Tony’s, but it unfortunately got held up in the Dutch Senate. Once again, Tony’s stepped in to help push the bill through.

First, Tony’s participated in an expert meeting at the Senate to argue (and show through their own chocolate production) that building a supply chain with due diligence is, in fact, possible. Second, Tony’s used its close connection to its consumers to get broad support for a petition in favour of the bill. The petition was signed by 13,000 people. Third, Tony’s teamed up with 42 companies that signed a letter in support of the bill, including large companies such as Nestlé Netherlands, Barry Callebaut, Rabobank, and Heineken. Lastly, Tony’s sought the attention of the media for their battle and published a call to adopt the bill



in multiple Dutch newspapers. On May 14th 2019, the Dutch Child Labor Compulsory Care Initiative Act was passed.

Yet Tony's did not stop there: according to Tony's, the legal framework should also be applicable outside of the Netherlands and should expand to include not only children's rights, but all human rights. Therefore, in November 2019, Tony's Chocolonely launched an international petition to request European and American due-diligence legislation to hold chocolate producers accountable for their production chains, in order to ban forced labour and child labour. They aim to collect one million signatures, taking them to Brussels and Washington D.C. Moreover, Tony's has worked together with an international coalition together with Mars Wrigley, Barry Callebaut, Mondelez International, Nestlé, Unilever, VOICE Network, Rainforest

Alliance, and Fairtrade, issuing a joint statement to request EU legislation and a policy framework on human rights and environmental due diligence requirements.

Most recently in June 2020, Henk Jan Beltman, CEO of Tony's, sent a letter to Dutch Minister for Foreign Trade and Development Cooperation Sigrid Kaag, and gathered the support of 49 other Dutch businesses (such as IKEA Nederland, Fairphone, Nestlé Nederland, Koninklijke Auping and Seepje). In this letter, they request a broader Dutch legal framework on human rights and environmental due diligence requirements. Once you began to gain traction on a key issue, then it seems there is always room for more improvement and always a way to enact real, legal change.

Key insights

- Changing laws and regulation has the potential to make 'sustainability the norm'.
- Social enterprises take a new position between NGOs and traditional businesses, because they do not lobby from (economic) self-interest.
- Lobbying often involves forming alliances with NGOs and other businesses.
- Social enterprises often lack the time and resources for an effective lobby campaign.

Remaining questions

- How can social enterprises engage more in lobbying despite their limited resources?
- What skills do social enterprises need to be effective in lobbying?





Tony's ChocolatePrely

Chapter 4:
**Avenues supporting
the desired transition**

The growing and maturing community of social enterprises that aims for systemic change has undoubtedly started to make inroads toward influencing corporates, industry organisations, and government regulators. There is plenty enough reason to believe that these relatively small niche innovators can have a pivotal role in the transition towards a more sustainable business community, though it is largely unclear how effective they are in accelerating the sustainability agenda today.

This chapter explores different avenues that could help the social enterprise community to become a stronger positive influencing force. Given the early stage of development of this discipline, further research is an important element across most avenues described here.

We categorize our suggestions for next steps, aimed at:

- Building the capacity of social enterprises,
- Encouraging more cooperation between social enterprises and corporates,
- Funding systemic change and targeted experimentation,
- Accelerating academic research.

4.1. Building the influencing capacity of social enterprises

This study has taken an explicit focus on the agency of the social entrepreneurs: what can social entrepreneurs do to influence the broader business community towards sustainability? We have found that many social entrepreneurs want to establish greater impact, but don't know where to start. The key ideas that could help bring their goals to fruition are:

- Provide a basic 'how to' handbook for entrepreneurs,
- Develop capacity building programs,
- Build a 'Community of Practice' of leading influencers in certain regions and/or industries, complemented with action research to extract learning that can be shared more broadly,
- Raise awareness through an inspirational campaign amongst social enterprises, social enterprise networks, and those with untapped potential.

4.1.1. The how-to influencing handbook for social entrepreneurs

This handbook would give social entrepreneurs practical tools and tips to help them define and conduct their influencing ambitions and strategy. It should help them to answer questions such as:

- What systemic change do I want to make?
- Which stakeholders have the power to change a system?
- How can we relate to these stakeholders?
- Where can we make a difference?
- Does my organization have the resources to engage in these activities?
- Would these activities distract management, or strengthen my position in the market?

The guide should be practical, accessible, and full of case study examples. It will take further research to bring together content for this guide.

4.1.2. Capacity-building programs

Many of the influencing activities require competencies that are quite different from those that make a successful entrepreneur, such as building alliances, lobbying, and patience. Multiple interviewees mentioned the gap in culture and lived experience between social enterprises and corporates, something that apparently holds corporates back from working with social enterprises.

Building the capacity to be an effective influencer could be taken up by interactive training programs by the social enterprise networks. Experts could host workshops to help social entrepreneurs complemented with peer-to-peer support. The content of such programs would be based on the handbook. These programs could be further developed into a Massive Online Open Course (MOOC) to reach a large global audience.

4.1.3. Community of practice of leading influencers

The above projects aim to help a broad global audience improve their general influencing competency. A Community of Practice (CoP) aims at peer-to-peer support, deepening the skills and practices of the masters, and unlocking the best practices through an action research workflow attached to it.

Several CoP's could be envisioned, such as international CoP's for certain industries, such as food or fashion, and local CoP's for community-based enterprises. The CoP's would then have a joint intent and be a loose alliance in itself. Funders and other parties could support a CoP based on their interest in the specific theme and its desired effects.

4.1.4. Inspirational campaign

We feel it would be worthwhile to develop an inspirational campaign aimed at social entrepreneurs to raise awareness of their potential as 'influencers'. This campaign will share best practices but also address the complexities that influencing entails. In these best practices, we could introduce different influencing strategies and alliances with proactive corporates and other actors.

The campaign could consist of small social media items that link to articles, videos, and podcasts. This content could then be channelled through the existing global networks, such as GSEN, and equip national networks with the information and resources they need.

4.2. Corporate cooperation

When we see social entrepreneurs act for systemic change and exert influence, we cannot escape the question of whether social intrapreneurs could and should use the same tactics. On the one hand, you could argue that they are more inhibited to act and they do not have the same freedom that an entrepreneur may have. On

the other hand, they may have more clout with a larger organisation behind them. It would definitely be interesting to project the conclusions that we have drawn onto social intrapreneurs and explore if their ambitions are largely similar and whether they might benefit from the same avenues identified for social entrepreneurs.

4.3. Funding systemic change and targeted experimentation

We have found very little engagement of impact investors, either in the literature or in the case studies, though social enterprises like Fairphone and Yumeko were initially capitalized by Venture Philanthropy. Some of these investors voice a larger agenda for a better world, but we have not found allocation of funds to this intent.

Funders' requests for predictable, short-term, and easily measurable projects do not encourage or facilitate pioneers to work on long-term, collaborative transitions.^{67,68} Investors typically only consider the direct outputs of social enterprises, not the long-term systemic impacts. Michael Kubzansky and Paul Breloff, both investors themselves, write in the Stanford Social Innovation Review: "Our industry, so long as it considers only the direct outputs of impact enterprises, risks playing into this market failure and underinvesting in market-creating innovations that can generate public goods and shared intellectual capital, and ultimately take others to scale."⁶⁹

From our study, the question arises of whether philanthropists who aim at a larger sustainability transition could consider supporting the influencing activities of social enterprises directly and/or their alliance with corporates.

A 2020 report by Ashoka⁷⁰ suggested five principles that funders can adopt to support systems change work:

- Embracing a systems mindset,
- Supporting evolving paths to systemic change by investing in capacity-building and leadership,
- Working in true partnerships, and thus going against existing power dynamics when needed,
- Engaging long-term and collaborating with other funders,
- Networking with systemic change leaders and leaving them the leading role.

In other words, "the funding of [systemic] change requires entering into a true partnership where the funder and systems entrepreneur are committed to learning together, making evidence-based decisions, and evolving the strategy as necessary over a period of years."

Further exploration of this topic is certainly worthwhile, perhaps through an in-depth conversation between some of the leading foundations and leading entrepreneurs mentioned in this report, for example.

"Targeted experimentation" could also be an interesting way to progress. Philanthropists could select leading social enterprises who have voiced a clear

ambition to build influence and provide funds that allow for allocating a fundamentally higher level of energy for influencing. The social enterprise would need to enhance its influencing strategy, broaden its alliances, and engage in conversations to acquire the funds. Part of the funds would be used for an action research workflow executed by a university or other research institute. The research would ensure that insights on the process and the results can be extracted and shared widely.

4.4. Research agenda and pointers for academics

Research is part of all the above avenues. Research is required to arrive at a handbook for entrepreneurs and research is part of targeted experimentation. In this section, we take a step back to look at the overall theme of research and science.

Our model is based on research, both in the social enterprise context as well as in general innovation and business contexts. One would think that the research agenda for impact-oriented ventures would be quite different from the agenda for finance-oriented ventures, as these enterprises have very different business goals. We were surprised to find that the social enterprise literature has limited focus on indirect impact and that we had to resort to the broader innovation and business literature to find academic foundations for the influencing activities.

From our perspective, it is important to push for a better understanding of the value of indirect impact in the role of social enterprises for sustainable transitions. We see two ways of encouraging academics in this direction. One way is to engage in a debate with leading social entrepreneurship academics to understand why indirect impact is not on their radar. Perhaps then we could inspire and encourage PhD candidates and other younger scientists to take this on. The second way is to execute a number of deep case studies ourselves, that support these discussions at the academic level, and attempt to publish these in academic journals.

We have identified three avenues with a clear research gap in academia that these case studies could focus on:

- **Effective stakeholder management is vital to creating indirect impact.** Stakeholder management is generally studied in the context of large corporations. Studies on social enterprises provide little guidance on how to get stakeholders involved in supporting their societal cause. Future research should study stakeholder management in social entrepreneurial settings and combine entrepreneurial theory with stakeholder theory.
- “Raising what consumers see as desirable” is an important aspect of creating indirect impact. However, marketing strategy research is traditionally about finding out what the consumer wants, not about changing what the consumer wants. Changing consumer motives requires vastly different capabilities. **Future research should focus on finding out which capabilities make social enterprises effective in changing consumer preferences.**

- Our research indicates that social enterprises pioneer sustainable innovation rather than other companies because there is no mechanism that rewards mainstream companies for experimenting. That is to say, “building systems” is not anchored in standard performance indicators for companies, while social enterprises often have “building systems” as part of their mission. To create incentive for experimentation by corporates, and to adequately reward social enterprises for their system building activities, these activities should be valued. **Future research should attempt to find out how social enterprises make system building measurable, so this can be generalized and used in rewarding companies to experiment with more sustainable products and services.**



Yumeko

Chapter 5: **Concluding thoughts**

When we first embarked on this scoping study to better understand how social enterprises can create indirect impact by influencing the broader business community, we had the goal of answering the following three questions:

1. What is the 'state of knowledge' around indirect impact and the influencing role of social enterprises on the broader business community?
2. Which influencing activities do social enterprises employ?
3. Which knowledge or tools should be developed to most effectively grow not only the indirect impact of social enterprises but also the positive impact of the broader business community as a whole?

Through review of the literature, we believe we have clarified areas of weakness and strength when it comes to existing literature on the topic of the influence of social enterprises on the broader business community. Wherever possible, we have sought to answer the questions left so far unanswered by existing literature and signposted areas for further study throughout this study, particularly in Chapter 4.4. It is our hope that further research, studies, and academic exploration will go far in terms of investigating these gaps in knowledge.

Our eleven examples of influencing activities employed by social enterprises go a long way to answering the second question we started out with. Each one is informed by real-life case studies from social enterprises in the Netherlands and their pioneering examples can set a precedent for other social enterprises to come. Their influence over their respective industries and sectors show that social enterprises exist far from a bubble; they can hold real sway and have a far-reaching impact for the good of their cause. Of course, the success of each influencing activity may vary depending on the unique circumstances of the social enterprise in question, but the fact that they have influence and there are specific activities that they can employ is without question.

Throughout Chapter 4, we have highlighted some key ways to spread knowledge and skills so that more social enterprises can make the most of the influence they hold. The question for social enterprises now should be not whether they can have influence, but how they can start exerting their influence more effectively.

We are keen to see where the influence of social enterprises can go, with an increasingly engaged consumer base and more pressure being put on the business community to be a force for good. It is clear that more research and work should be done, but also that this is a highly exciting and dynamic time when it comes to the influencing role of social enterprises.

Thank you

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⁴ Find more information about Porticus here: <https://www.porticus.com/en/home/>

Annex I: Methodology elaborated

The iterative research process that this study followed consisted of three main phases: exploration, empirical research, and validation and substantiation. Below, we describe these phases in detail and elaborate on why the Netherlands was a suitable location for this scoping study. Moreover, we briefly reflect on the limits of this research.

2.1. Exploration

The aim of this exploratory phase was to come up with a preliminary list of influencing activities on the basis of the anecdotal evidence we had gathered with social enterprises in our network and on the basis of what is already known in academic literature. By using various academic literature streams in the broader innovation and business literature, such as market system dynamics, innovation systems, and market driving, we found that there is a general consensus that three ‘mechanisms’ exist that can influence the broader business community:

1. Fuelling activity amongst consumers,
2. Fuelling activity in the broader society (politics, research, media), thereby contributing to the broader ‘innovation ecosystem’,
3. Showing how existing business ecosystems can be operationally designed differently or proving new products or chains.

This division fuelled our first understanding of the three categories and eleven activities we eventually settled on.

Second, to understand to what extent the topic of indirect impact of social enterprises had already been researched, we explored a large set of scientific articles on social enterprises⁵ (945 on 22-06-2019). We then searched this set for articles that explicitly refer to indirect impact (and synonyms). We obtained synonyms for indirect impact through brainstorming and discussions with academics and the project team. We also performed various bibliometric analyses on this set of 945 articles to validate and flesh out our results. For example, through bibliographic coupling we categorized the set into three main literature streams (*social enterprise business models*, *social entrepreneurship research*, and *hybrid organizations and legitimation*), which informed our thinking on the importance of various mechanisms. We concluded that indirect impact has not been broadly researched when it comes to social enterprises.

Third, we discussed the idea of indirect impact with various academics to explore whether there was literature we missed. We spoke to three academics from different

⁵ Final: You searched for: TOPIC: (("social enterprise*" OR "social business*" OR "social venture*" OR "social entrepreneur*" OR "social innovation*")) Refined by: WEB OF SCIENCE CATEGORIES: (BUSINESS OR MANAGEMENT) AND DOCUMENT TYPES: (ARTICLE) Timespan: 1945-2020. Indexes: SSCI.

countries⁶. Through speaking with these academics on how they would say indirect impact is both explicitly and implicitly reflected in the literature, we included various papers and literature streams in our review. These papers informed our analysis where we felt this was useful or necessary. For example, through this step we decided to give more attention to explicitly include systemic change as an important element of indirect impact for social enterprises. In this step, we also found that market pioneers or “market innovators” are considered important in the context of indirect impact⁷¹, confirming the idea that the ‘market innovation’ literature (innovation systems, market pioneering, field creation, market systems, consumer culture and commercialization)⁷² is certainly helpful to better understand the indirect impact concept.

2.2. Empirical research

On the basis of the findings in the exploration phase, we then made a preliminary list of influencing activities that we wanted to investigate further. Empirical research through interviews helped us to consolidate these findings and complement them with activities that came up in the interviews, but were not included through our literature review. We conducted a total of 15 interviews, with eight social entrepreneurs⁷, four people working at corporate companies⁸, and three people working at intermediary organisations⁹.

The interviews with social entrepreneurs were meant to better understand the influencing activities they undertake. The interviews with people working at corporates were meant to better understand their motivations for acting sustainably and their perspective on the role of social enterprises in sustainability transitions. The interviews with people working at intermediary organisations were meant to include their observation of social enterprises’ influencing activities and to receive feedback on the direction of the study.

The interviews with social entrepreneurs and corporate employees were semi-structured, following an interview guide. The interviews with intermediaries followed a less structured format as these interviews primarily functioned to receive feedback on the approach of this study. Moreover, the results were validated through meetings with the project team and the advisory board.

⁶ Prof. Dr. Ans Kolk, Amsterdam Business School; Prof. Dr. Kai Hockerts, Copenhagen Business School; Simone Pouri r, Utrecht University.

⁷ Bas van Abel (Fairphone & De Clique), Monique Lempers (Fairphone), Arjen Boekhold (Game Changer Unltd., former Tony’s Chocolonely), Paul Schoenmakers (Tony’s Chocolonely), Rob van den Dool (Yumeko), Bart Aupers (Frank about tea, Unwaste.), Carlien Helmink (former Studio JUX and Hema) and Sjoerd van der Maaden (Specialisterren).

⁸ Paulette van Ommen (Ahold, former DSM and EY), Anniek Mauser (Unilever), Florentine Oberman (DSM), Wouter Scheepens (former ABN AMRO, Steward Redqueen).

⁹ Wout Visser (Avance Impact), Willemijn Verloop (Rubio Impact Ventures), Eric Buckens (ABN AMRO Social Impact Fund).

2.3. Validation and substantiation

On the basis of the exploratory literature research and the empirical research, we defined a final list of influencing activities. Now that we were more certain which activities to focus on, we wanted to understand which knowledge already existed on these specific activities. Therefore, we did targeted searches in our set of 945 papers in the academic social enterprise literature for each activity we identified. Because the literature on social entrepreneurship and influencing is limited, we added insights from the broader innovation and business literature that address the ways that companies can build market niches in general. Some notable examples are literature on institutional entrepreneurship, innovation systems, market pioneering, field creation, market systems, consumer culture, and commercialization.

The insights from the interviews and the abovementioned literature streams have incited our understanding of how social enterprises can contribute to the creation of responsible markets, eventually guiding us to the identification of three main categories of influencing and ten influencing activities. Although these three phases now seem very straightforward, in reality this process was more iterative. The model was constantly updated through discussions with the project team, and during the interview process we often went back to the literature and vice versa. We triangulated the results through discussions with the advisory board.

2.4 The Netherlands as testing ground

This research has been conducted in the Netherlands. All the interviewees were Dutch, and the social enterprises and corporates discussed are (partly) Dutch. The Netherlands is the perfect place for this ‘scratching the surface’ research, because the social enterprise sector in the Netherlands has grown significantly in the last decade. A McKinsey & Company report from 2016 estimates that, between 2011 and 2016, the Dutch social enterprise sector grew by about 70%, reaching 6,000 social enterprises in 2016.⁷³ Their size differs significantly, with 40% of social enterprises making profit in 2019. Their primary mission also differs, with the largest share working on employability issues and circular and sustainable production (22% and 23% respectively).⁷⁴ 29% of these social enterprises said to have a multinational as a customer in 2019.⁷⁵ Many Dutch social enterprises are really pioneering in their industries, such as Tony’s Chocology in the cacao industry and Fairphone in the consumer electronics industry.

This topic however is not only important in the context of the Dutch business community, as all around the world social enterprises are pioneering with sustainable business models and the issues social enterprises aim to tackle often have a global character. Therefore, we have tried to make the research internationally applicable, by grounding the research in international literature. Moreover, the international advisory board was involved in multiple discussions on the findings of this research, making sure the findings resonate with an international audience.

2.5 Limits of research

As this study was a scoping study, the resources for and time during which the study was conducted were limited. The empirical element of the research in particular has some limits. First, the selection of interview candidates was done on the basis of personal network and availability. The social entrepreneurs interviewed are not a proper representation of the social entrepreneurship sector in the Netherlands. Most of the interviewees are involved in 'international value chains', whereas many Dutch social enterprises work on more local issues. Moreover, the study has taken a focus on the perspective of social enterprises, with the corporate interviewees being limited to four people. For future research it would be interesting to include more of the corporate perspective, thereby understanding their view on sustainability transitions and the role of social enterprises better.

Box 1: Social entrepreneurship activity

Social enterprises adopt sustainability at the core of their business. The term ‘social enterprise’ has been defined in different ways. In this study, we have adopted the (narrow) definition of social entrepreneurship activity used by the Global Entrepreneurship Monitor, the largest comparative study of social entrepreneurship in the world: “this activity, organisation or initiative (i) prioritises social and environmental value over financial value; and (ii) operates in the market by producing goods and services”^{76,10}

In other words, social enterprises are guided by the impact first principle and operate with a business model.¹¹ The first point sets the social enterprise apart from businesses that are focused on their own (financial/shareholder) interest. The second point sets the social enterprise apart from activist NGOs that support sustainability without a business model.

Box 2: Corporate sustainability attitudes

According to Rob van Tulder, professor of International Business-Society Management at Rotterdam School of Management, there are two types of motivations that drive companies to engage in corporate sustainability: primary and secondary motivations. Primary motivations relate to the measure of societal responsiveness of the company: is the company intrinsically motivated, or do external conditions shape a company’s motivation? Secondary motivations relate to the company’s strategic or tactical attitude to societal issues: is the company primarily motivated by liability considerations, or by a sense of responsibility?

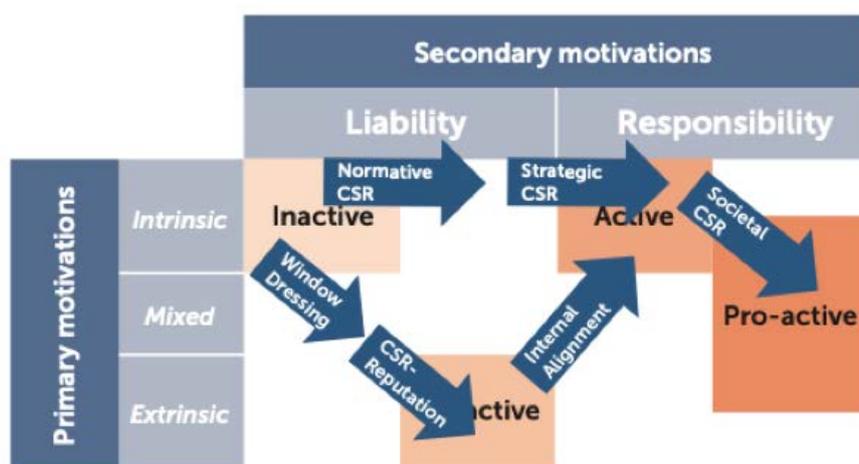


Figure 3: Corporate sustainability motives⁷⁷

¹⁰ Important to note is that the data collected by the GEM are based on self-reporting.

¹¹ This definition disregards a few characteristics that many social enterprises adhere to and that are included in other definitions, such as profits mainly being reinvested to increase social impact, transparency, and democratic or participatory principles in its operations.

The interactions between these primary and secondary motivations create four attitudes towards corporate sustainability:

- The *inactive attitude* is driven by financial profit and considers sustainability an opportunity for cost reduction in particular.
- The *reactive attitude* is motivated by countering financial loss or reputational damage.
- The *active attitude* considers sustainability crucial in remaining competitive.
- The *proactive attitude* is driven by a strong sense of responsibility, and considers sustainability “a quest for new synergistic value creation, instilling a positive attitude to learning and adaptation, innovation, risk and opportunity management in a complex, dynamic environment, introducing new earnings models, advancing system transitions, and forming partnerships”.⁷⁸

These attitudes are not static, and companies can transition from one attitude into another.

For our study, this classification of the broader business community is relevant in two ways. The first is the question of whether social enterprises could be a force or instrument to help move a business to another attitude towards sustainability. The second connection is in building alliances: how can social enterprises and other businesses work together in the transition towards sustainability, and how does the attitude of a business affect this alliance?

Box 3: Reaching consumers

To reach a large share of consumers, both Monique Lempers of Fairphone and Paul Schoenmakers of Tony’s Chocolonely stressed the importance of distinguishing different groups of consumers. Depending on the group, the social enterprise can formulate different communication strategies to raise awareness about the problem the social enterprise addresses.

The first and smallest group represents the conscious consumers, or the ‘dark green’ consumers (in the words of Fairphone) or ‘serious friends’ (in the words of Tony’s). These are the consumers who consciously buy products or services on the basis of sustainability criteria. These consumers buy from a social enterprise because of the enterprise’s mission and can be activated through impact reports, long articles, and through more ‘serious’ channels. This group of consumers can have an important ‘ambassador function’, as they have done for Tony’s: “Those consumers plug the deeper knowledge they have about Tony’s mission and the responsibility of the consumer in their own communities, whether that is at a birthday party or at their local municipality.” Tony’s activates these ‘serious friends’ through petitions, lectures, and a whole online toolbox full of information. They are rewarded for it as well; they receive tickets to the Tony’s fair, or are the firsts to receive the new Tony’s flavour.

The second group represents a larger group of 'light green' consumers. These are consumers that buy a sustainable product or service because sustainability is trendy, and that have some knowledge about the way sustainable consumption choices may contribute to a 'better world'. According to Monique Lempers from Fairphone, this group can be activated to learn more about the social problem with 'snackable' communication and marketing, but might not be interested to read long articles. In the case of Tony's Chocolonely, this group of consumers is activated through Tony's unequally divided chocolate bar (representing the unequally divided profits in the chocolate industry), their wrapper (explaining Tony's ambitions), and Tony's annual festive Tony's Fair.

The third and largest group represents the vast majority of consumers, that might not have too much interest (yet) in a social enterprise's mission. This is an important group, because its consumption power is substantial. This majority group can drive a social enterprise's growth and credibility in the market. However, it is not easy to activate them, as the social enterprise's mission is not a driver for this group's consumption behaviour. In fact, this group is mostly activated through the quality and price of a product or service. In the case of Tony's Chocolonely, these are all the chocolate consumers that would buy Tony's Chocolonely chocolate because it tastes good and has a competitive price. However, through raising awareness, social enterprises still try to increase their knowledge about the problems they address.

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